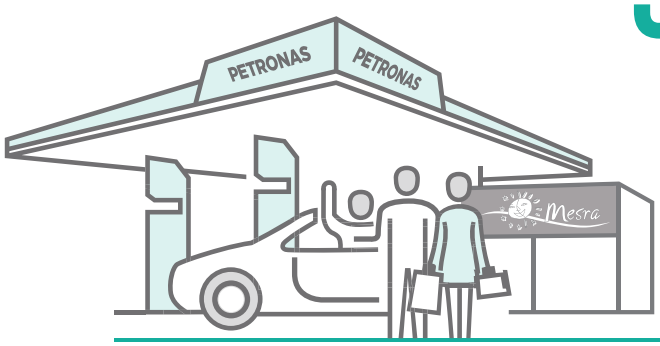
PETRONAS

MAKING LIFE SIMPLER AND BETTER



PETRONAS DAGANGAN BERHAD

INTEGRATED REPORT **2021**



MAKING LIFE
SIMPLER AND BETTER

Whilst the COVID-19 pandemic has been a huge challenge, it has also inspired incredible change and innovation across the business landscape. As a progressive organisation, PDB has adapted to this landscape, a demonstration of our agility in facing challenges and our determination to capitalise key trends in pursuit of progress.

To navigate the change effectively, we re-examined the delivery of our services, adopting new practices and digital enhancements in line with current needs. We leveraged on digitalisation to not only stay competitive in this new business and economic environment but to also create digital solutions and digitally enhanced product offerings for our customers to ensure seamless user experiences.

By reinventing the way we do business, we were able to deliver smarter solutions and offer differentiated products to meet and enrich the lives of our customers. To deliver on present needs and anticipate future ones, we created progressive solutions that were relevant to our changing needs. In introducing a new product or improving an existing one, we pushed the boundaries of innovation to serve our customers' needs safely and reliably.

As Malaysia's leading retailer and marketer of downstream petroleum products, PDB always strives to deliver on our promise of making your everyday life simpler and better, and ensuring more meaningful tomorrows for all.

ABOUT THIS REPORT



This report presents PDB's concise review of the Company's business and financial performances. The report provides information related to the Company's business model, operating context, material matters, risk and opportunities, governance and operational performance from the period of 1 January 2021 to 31 December 2021.

REPORTING SCOPE AND BOUNDARY

This report provides insight into our strategy, performance and outcome and an overview of the resources we use throughout the value creation process. It also aims to provide a better understanding on PDB's sustainability efforts, taking into account the ESG impact on our activities and how they affect our decision making.

REPORTING FRAMEWORK

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

- Bursa Malaysia's Main Market Listing Requirements (MMLR)
- Integrated Reporting Framework (IRF) by Value Reporting Foundation (VRF) (previously known as International Integrated Reporting Council)
- MSWG's ASEAN Reporting Scorecard
- Malaysian Code of 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, 2nd Edition 2018, referencing the GRI Standards
- United Nations' Sustainable Development Goals (SDGs)

NAVIGATION ICONS

OUR CAPITALS

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

OUR REPORTING SUITE

The PDB Integrated Report <IR> is our primary report to stakeholders and it is aimed to provide balanced assestsment of the Group's ability to create sustainable value based on our short, medium and long-term strategy whilst supported by our 6 strong capitals.

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

ASSURANCE

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

MATERIAL MATTERS

This <IR> provides information that is relevant to the current and prospective investment community, and to any other stakeholders who wish to make an informed assessment of PDB's ability in creating value. In 2021, we undertook a thorough process to refresh our materiality assessment due to the significant changes that had been evident over the last 2 years.

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 in the statements. 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.

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

STATEMENT OF ACKNOWLEDGEMENT ON RELIABILITY AND COMPLETENESS OF PDB'S <IR2021>

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 2022 and signed on behalf of the Board:

DATUK ANUAR AHMAD
Chairman

AZRUL OSMAN RANI
Managing Director/
Chief Executive Officer



The coloured goals represent PDB's priority SDGs.

MATERIAL MATTERS

- Economic Growth and Performance
- Environmental Management
- Innovation
- Health and Well-Being
- Customer-Centricity
- Capability Building
- Data Solutions
- Human Rights
- Climate Change
- Community Investments
- Sustainable Supply Chain
- Sustainability Governance

OUR STAKEHOLDERS

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

STRATEGIC PILLARS

- VALUE
- GROWTH
- SUSTAINABILITY

OVERVIEW OF PETRONAS DAGANGAN BERHAD 4-29

Who We Are and What We Do: Statement of Purpose | Brand Tagline | Our Promise | PETRONAS Cultural Beliefs | Shared Values 4
What We Offer: Our Core Business Segments | Products and Services 8
2021 Highlights
- Awards and Accolades 14
- Business Highlights 16
- Financial Highlights 17
- Sustainability Highlights 17

Group Corporate Structure 18
Where We Operate 20
Our Value Chain 22
Our Strategic Alliances 24
Corporate Milestones 26

KEY MESSAGES 30-57

Chairman's Statement 30
MD/CEO's Statement 36
Chief Financial Officer's Review 46
Responding to the Impact of COVID-19 54

VALUE CREATION AT PETRONAS DAGANGAN BERHAD 58-67

Our Approach to Value Creation 58
Our Value Creating Business Model 60
Performance by Capitals 62
Stakeholder Engagement 64

MANAGEMENT DISCUSSION AND ANALYSIS 68-121

STRATEGIC GROWTH

Operating Environment and Market Outlook 68
Material Matters 73
Key Risks and Mitigation 80
Our Strategy 86
Key Performance Indicators 88

PERFORMANCE REVIEW

Financial Performance

5-Year Group Financial Highlights 90
5-Year Group Financial Summary 90
Simplified Group Statement of Financial Position 92
Segmental Analysis 93
Group Quarterly Financial Performance 94
Key Interest Bearing Assets and Liabilities 95
Statement of Value Added 95
Distribution of Value Added 96
Financial Calendar 97
Investor Relations 98

Business Review

Supply and Distribution 102
Retail 106
Commercial 108
LPG 110
Lubricant 112
Venture Builder 116
Digital 118

WHAT'S INSIDE

LEADERSHIP 122-139

Board at a Glance	122
Board of Directors	124
Board of Directors' Profile	126
Leadership Team's Profile	132
Organisation Structure	139

GOVERNANCE 140-207

Chairman's Corporate Governance Overview	140
Corporate Governance Overview Statement	142
• Our Governance Structure	
• How the Board Operates	
Nomination and Remuneration Committee Report	176
Board Audit Committee Report	182
Board Risk Committee Report	188
Corporate Integrity and Ethics	191
Statement on Risk Management and Internal Control	194

SUSTAINABILITY REPORT 208-277

Sustainability@PDB, A Report	210
Sustainability Governance	218
Continued Value Creation	222
Safeguard the Environment	234
Positive Social Impact	250
Sustainability Performance at a Glance	277

FINANCIAL STATEMENTS 278-372

Approaching the Financial Statements	280
Statement of Directors' Responsibility in Relation to the Financial Statements	282
Directors' Report	283
Statement by Directors	288
Statutory Declaration	289
Consolidated Statement of Financial Position	290
Consolidated Statement of Profit or Loss and Other Comprehensive Income	291
Consolidated Statement of Changes in Equity	292
Consolidated Statement of Cash Flows	294
Statement of Financial Position	296
Statement of Profit or Loss and Other Comprehensive Income	297
Statement of Changes In Equity	298
Statement of Cash Flows	299
Notes to the Financial Statements	301
Independent Auditors' Report	369

SHAREHOLDERS' INFORMATION 373-398

Analysis of Shareholdings	373
• Share Capital	
• Distribution of Shareholdings	
• Classification of Shareholders	
• List of Substantial Shareholders	
• List of Directors' Shareholdings	
• List of Leadership Team's Shareholdings	
• List of 30 Largest Shareholders	
Net Book Value of Land and Buildings of the Company	377
Usage of Land	378
List of Top 10 Landed Properties	379
Corporate Information	380
Corporate Directory	382
GRI Content Index	383
Glossary	385
Independent Assurance Statement to PETRONAS	387
Notice of 40Th Annual General Meeting	388
Administrative Guide	393
Proxy Form	



This Integrated Report is available at *www.mymesra.com.my*

OVERVIEW OF PETRONAS DAGANGAN BERHAD

WHO WE ARE AND WHAT WE DO

As a progressive energy and solutions partner enriching lives for a sustainable future, PDB is committed to delivering innovative and differentiated offerings to fuel the nation's growth.

Over the last 39 years, our customers and innovation have been at the heart of everything we do at PDB. We do this by creating unparalleled customer and brand experiences across all our businesses, and we strive to elevate these experiences by continuously evolving and pivoting at pace. We are also passionate about creating sustainable values to our business, stakeholders and the communities we operate in, underpinned by our commitment to balance environmental, social and governance aspects.

To remain ahead of the curve, we continue to leverage PETRONAS' extensive investments in R&D enabled by our agile talent, data, technology and digital-first business approach, in delivering best-in-class hydrocarbon offerings in these core businesses:

- Retail
- Commercial
- LPG
- Lubricant

As a consumer-fronting entity, we have been pushing the boundaries and challenging the status quo to make our customers' everyday lives simpler and better. With the unveiling of our promise, we will continue to deliver meaningful and progressive solutions to our stakeholders, whilst creating a more sustainable tomorrow to all.



STATEMENT OF PURPOSE

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

BRAND TAGLINE

Passionate about Progress

OUR PROMISE

Making your everyday life simpler and better

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

SHARED VALUES

Loyalty
Loyal to Corporation

Integrity
Honest and Upright

Professionalism
Strive for Excellence

Cohesiveness
United, Trust and Respect for Each Other



OVERVIEW OF PETRONAS DAGANGAN BERHAD



RETAIL

Our Retail Business offers winning fuel and non-fuel products and services through over 1,000 PETRONAS stations and 800 *Kedai Mesra*. We continue to elevate customers' experience by widening our network of partners as well as expanding Makan@Mesra and Mesra own-label products. We have also incorporated our maiden Mesra Retail & Café Sdn. Bhd. during the year.

Furthermore, driven by our passion to create sustainable value, we launched Segar@Mesra to provide a collaborative and thriving environment for local farmers to connect with our customers whilst ensuring consumers have easy access to affordable fresh produce at *Kedai Mesra*.

Our promise to make our customers' everyday lives simpler and better is further complemented by Setel®, Malaysia's first mobile application that integrates fuel payment, retail and loyalty benefits in one platform. The app also introduced Deliver2Me, a new level of convenience with Malaysia's first in-car shopping experience which enables customers to purchase selected items from *Kedai Mesra* and have it promptly delivered to their vehicles while refuelling. Next, Setel® is poised to scale beyond PETRONAS stations and empower retail businesses with its proven solutions.



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 bunkering solutions to meet marine customers' emerging needs, as well as Virtual Pipeline System to deliver LNG on road to off-grid customers in Peninsular Malaysia.Additionally, we are currently exploring the supply of Sustainable Aviation Fuel for Malaysia's aviation industry in our pursuit to support our partners' and customers' decarbonisation ambitions.



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 350 LPG Channel Members consisting of premier dealers, dealers and bulk dealers.

Being 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. Besides expanding the availability of LPG gas cylinders at selected PETRONAS stations and mini markets nationwide, we have also launched Gas PETRONAS mobile app allowing customers to order and have it delivered directly to their doorstep.

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



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 center that offers top-end products and quality services, to grow our Lubricant business and capture new customers.

WHAT WE OFFER



RETAIL

Offers fuel and non-fuel products and services at its network of >1,000 PETRONAS stations and >800 *Kedai Mesra* across the country

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)

Non-Fuel

- *Kedai Mesra*
- Quick Service Restaurants
- Food Solutions
- Indoor F&B Partners
- Mesra Own-Label Products
- Banking Facilities
- Hypermarts
- Terminal Services
- Courier Services
- Car Wash
- Co-Working Space
- Other Convenience Offerings

Card Business

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

Loyalty Programme

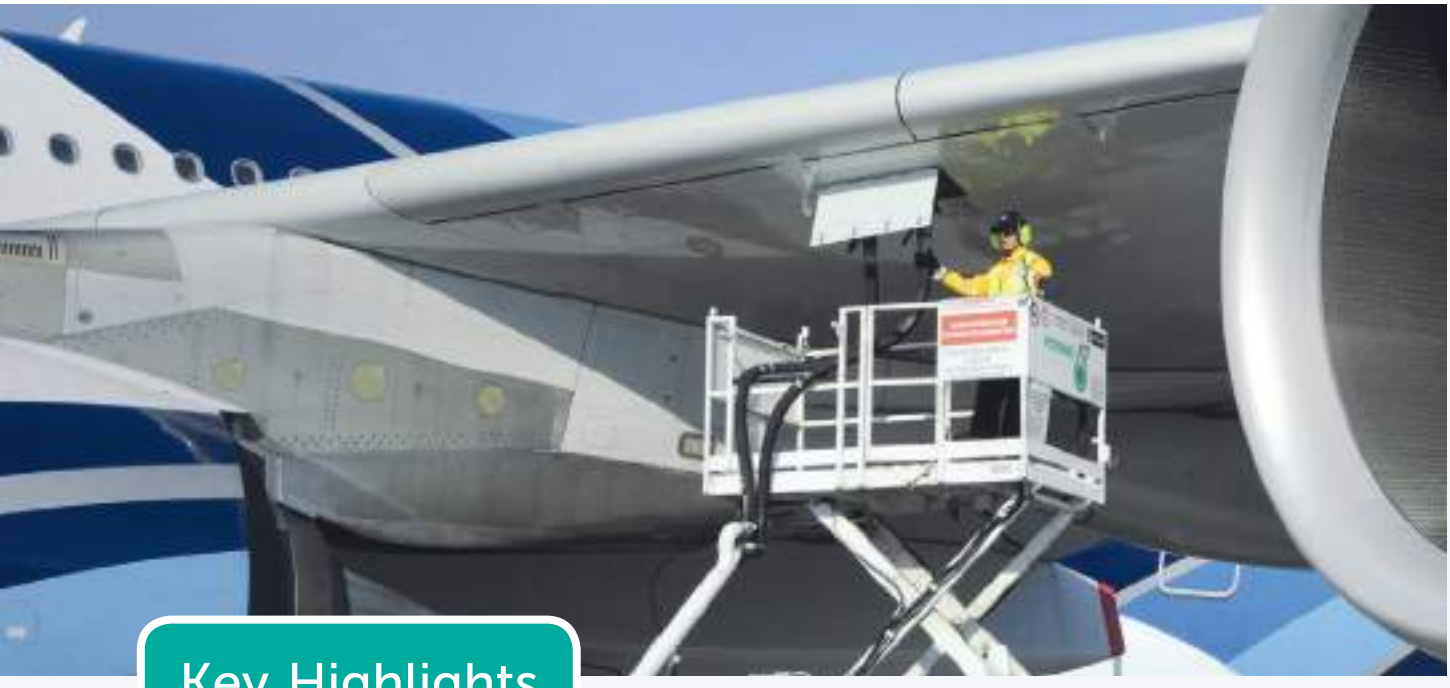
- PETRONAS Mesra Loyalty Programme

Key Highlights

Revenue
RM11,602.97
million

~900
Rakan Niaga/
Station Managers

>4 million
registered PETRONAS Mesra Loyalty Programme



Key Highlights

Revenue
RM9,373.4
million

>1,000
Commercial Customers

Pioneered
first Malaysian flight using Sustainable Aviation Fuel

COMMERCIAL

Market leader in bulk fuel solutions for B2B customers with the biggest and integrated distribution network in Malaysia

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

WHAT WE OFFER



LPG

Malaysia's leading LPG retailer and marketer, offering various products to Household, Commercial and Industrial segments.

Household

- 12kg cylinders
- 14kg cylinders

Commercial

- 14kg cylinders
- 14kg cylinders for forklift industry
- 50kg cylinders

Industrial

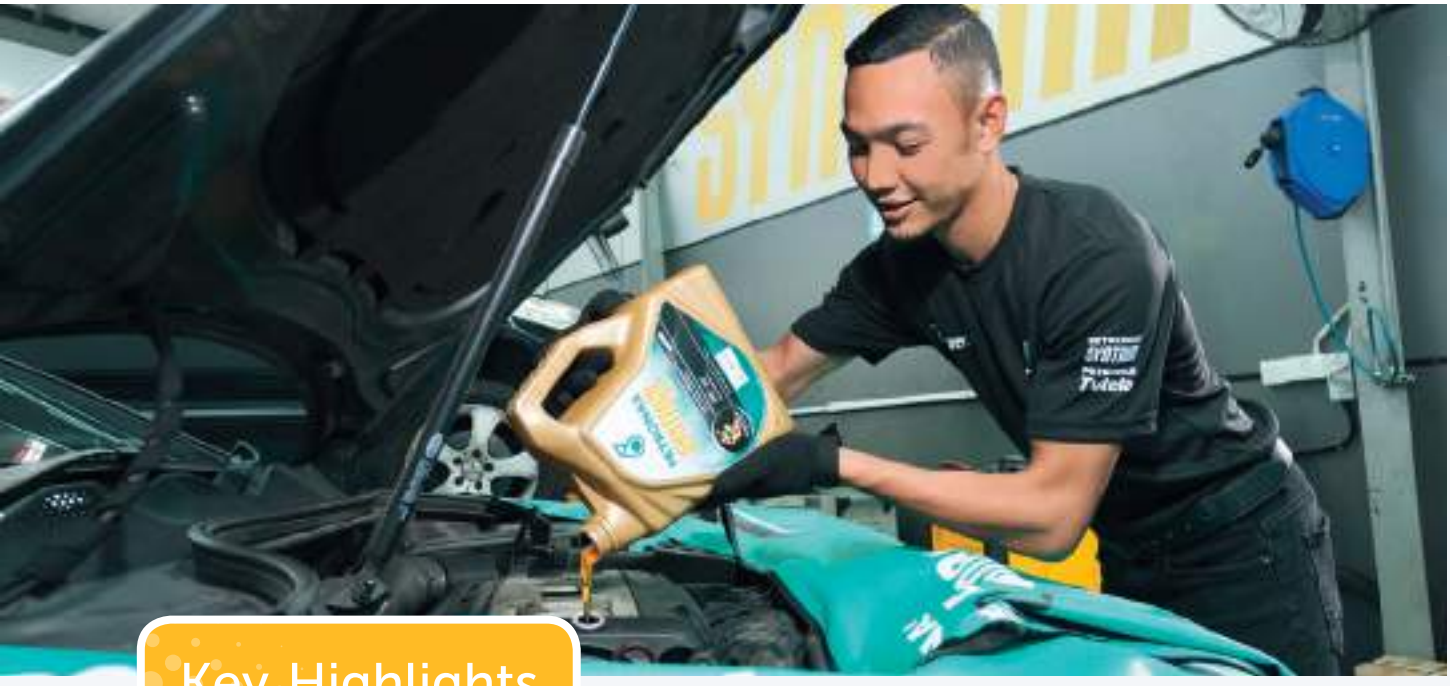
- Bulk LPG

Key Highlights

Revenue
RM1,029.2
million

>350
Channel Members

>60
New Commercial Customers



Key Highlights

Revenue
RM474.9
million

>2,000
Commercial Customers

>50
New Customers

LUBRICANT

PETRONAS Lubricants Marketing (Malaysia) Sdn. Bhd. undertakes all sales and marketing functions of PETRONAS Lubricant products in Malaysia

Key Strategic Brands

- PETRONAS Syntium with °CoolTech™
- PETRONAS Sprinta with UltraFlex™
- PETRONAS Urania with ViscGuard™

Passenger Car Motor Oils

- Fully Synthetic
- Semi Synthetic
- Mineral
- OEM Genuine Oil

Motorcycle Oils (4T, 2T and Scooter)

- Fully Synthetic
- Semi Synthetic
- OEM Genuine Oil
- Mineral

Commercial Vehicle Lubricants

- Heavy Duty Diesel Engine Oil

Automotive Functional Fluids and Oils

- Auto Transmission and Gear
- Greases
- Radiator Coolant
- Brake

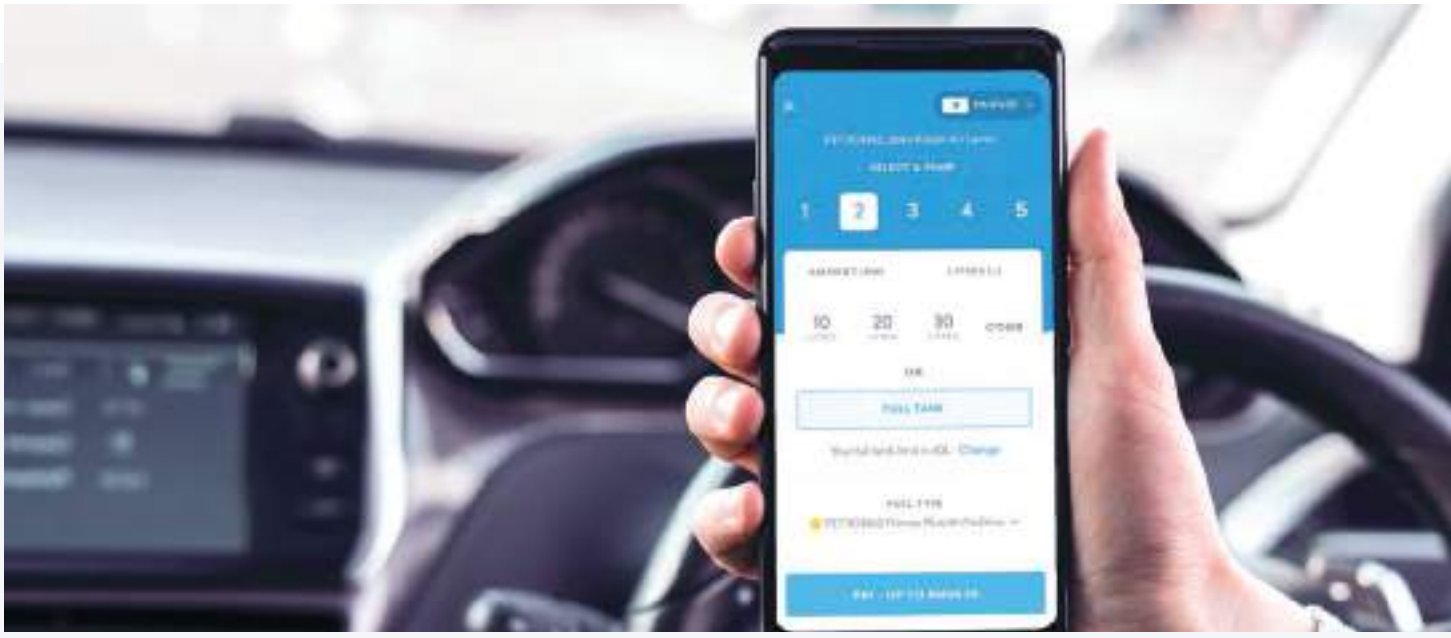
Industrial and Marine Lubricants Fluids and Oils

- Hydraulic
- Compressor
- Turbine
- Agriculture
- Marine
- Metal Working
- Fishing Boat
- Industrial Gear

Other Services

- AutoExpert

WHAT WE OFFER



VENTURE BUILDER

INVENT, INCUBATE AND SCALE DISRUPTIVE VENTURES to diversify and grow new revenue streams

Setel

An innovative platform that provides every motorist a seamless refuelling and retail on-the-go experience

ROVR FUELLED BY PETRONAS

Malaysia's 1st Mobile Refuelling Partner

Setel Express

Reliable courier services to businesses, where we partner with retailers and merchants in delivering parcels to their customers

PRISM

A lifestyle brand on a mission to provide product that is fashionably in trend, supports sustainability, and a source for expression anchoring on PETRONAS brand



Key Highlights

Setel

4.6 app rating

1.6 billion Mesra points redeemed

>3 million users

>43 million **transactions** through Setel® app ***(10x growth from 2020)***

Over 52% repeat purchase

200 merchants beyond PETRONAS, where **customers can also earn Mesra points**

RAVR FUELLED BY PETRONAS

- Expansion of B2B business beyond Klang Valley to Johor and Pahang
- ***Launched the 1st Rural Community Drumming site*** in Sabah

Setel Express

- Acquisition of D-Two Couriers (M) Sdn. Bhd. to ***scale up the logistics business***

PRYSM

- ***Launched PRYSM website to the masses via Setel®*** app

BRAND AND MARKETING

KPMG
CUSTOMER EXPERIENCE EXCELLENCE 2021
- Number 1 among Malaysia's Top Ten Leaders

Association of Accredited Advertising Agents Malaysia
PUTRA BRAND AWARDS
- Gold – Automotive Fuel, Lubricants and Accessories

Sledgehammer Communications (M) Sdn. Bhd.
APPIES MALAYSIA 2021 MARKETING CAMPAIGN AWARDS
- Silver – Marketing Innovation

GOVERNANCE

Minority Shareholders Watch Group (MSWG)
MSWG-ASEAN CORPORATE GOVERNANCE AWARDS 2020
- 1st Place – Excellence Award for CG Disclosure
- 1st Place – Industry Excellence Award – Consumer Products and Services

HSE

Malaysian Society for Occupational Safety and Health (MSOSH)
39TH MSOSH OCCUPATIONAL SAFETY AND HEALTH AWARDS 2021
- Gold Merit Award
  - ✓ Bintulu LPG Terminal
  - ✓ Sandakan Fuel Terminal
  - ✓ Labuan Fuel Terminal
  - ✓ Langkawi Fuel Terminal
  - ✓ Prai Fuel and LPG Terminal
- Gold Class I
  - ✓ Miri Fuel Terminal

Royal Society for the Prevention of Accident (RoSPA)
RoSPA HEALTH AND SAFETY AWARDS
- Silver – Achievement Award
- Bronze – Fleet Safety Award



INNOVATION

Association for Convenience and Fuel Retailing (NACS)
NACS ASIAN CONVENIENCE SUMMIT 2021
- Convenience Retail Technology Award

New Relic, Inc.
FUTURESTACK AWARD
- Data Creativity

Quality Circle Forum of India (QCFI)
46TH INTERNATIONAL CONVENTION ON QUALITY CONTROL CIRCLES (ICQCC) 2021
- Par Excellence

Malaysia Productivity Corporation (MPC)
ANNUAL PRODUCTIVITY AND INNOVATION SHOWCASE (ARISE) 2021
- 5 Stars Gold Award
  - ✓ Bintulu LPG Terminal
  - ✓ Kuching Aviation Fuel Terminal
- Top 20 Best Team for Team Excellence in Service Sector
  - ✓ Bintulu LPG Terminal
  - ✓ Kuching Aviation Fuel Terminal
- Qualified to International Convention on Quality Control Circle (ICQCC) Jakarta for 2022
  - ✓ Bintulu LPG Terminal
  - ✓ Kuching Aviation Fuel Terminal

Malaysia Productivity Corporation (MPC)
REGIONAL INNOVATION SHOWCASE ON TEAM EXCELLENCE (RISTEX) 2021
- Gold Award
  - ✓ Bintulu LPG Terminal
  - ✓ Kuching Aviation Fuel Terminal

INVESTOR RELATIONS

MerComm, Inc.
ARC AWARDS XXXV, USA
- Gold – Chairman's/President's Letter to Shareholders (Chairman's Statement)
- Bronze – Financial Data

Finance Derivative Magazine
FINANCE DERIVATIVES MAGAZINE OF THE NETHERLANDS
- Best Corporate Governance Malaysia 2021
- Best IR Team Malaysia 2021
- Best Oil and Gas for Retail and Marketing Malaysia 2021

Australasian Reporting Awards Limited
71ST AUSTRALASIAN ANNUAL REPORTING AWARDS (ARA)
- Silver – General Award







AWARDS AND ACCOLADES

BUSINESS HIGHLIGHTS

RETAIL

Rolled out
PETRONAS Dynamic Diesel Euro 5 with **Pro-Drive**

Incorporated
Mesra Retail & Café Sdn. Bhd.

Operationalised
7 new stations

COMMERCIAL

Strengthened customer base by
securing more direct customers and defending existing contracts

Collaborated with
Malaysia Airlines Berhad
in pioneering the
first flight using Sustainable Aviation Fuel in the Malaysian aviation industry

LPG

>170
Gas PETRONAS@Station nationwide

>100
Gas PETRONAS @Mini Market nationwide

Malaysia's
No.1
Cooking Gas

Launched
Gas PETRONAS Mobile App

Introduced
14kg
cylinders
for forklift industry

LUBRICANT

Operationalised
3 new PETRONAS AutoExpert

Enabled the use of
Setel® in PETRONAS AutoExpert network

Sustained existing
B2B accounts and **portfolio**

FINANCIAL HIGHLIGHTS

Sales Volume	PAT	Dividend Per Share	Market Capitalisation
11,778.2 million litres	RM531.2 million	70.0 sen	RM20,465.2 million

SUSTAINABILITY HIGHLIGHTS

ECONOMIC

Provide income generating opportunities to ***local entrepreneurs*** in the rural and remote communities

Three entrepreneurs under MARA-PETRONAS Automotive Entrepreneur Program achieved sales of more than **RM1 million** within three months of operation

Promoting local entrepreneurs via **Love Local Campaign**

ENVIRONMENT

Received **Independent Assurance Statement** for 2017 - 2020 Scope 1 and 2 GHG emissions data

Our 3R (reuse, recycle or recover) volume jumped from 51.8% to 68.4% and led to an estimated **RM500,000** in cost avoidance

Completed a ***high-level qualitative risk*** and opportunities assessment under different climate scenarios

SOCIAL

Recorded our third **best HSE performance** in the last 10 years

2,142,000 recipients benefitted from **Food Bank programme**

Introduced a new category in Mesralink to **address grievances on labour** and working conditions

GOVERNANCE

Established Sustainability Action Council to further enhance our **sustainability governance framework**

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.
(formerly known as D-Two Couriers (M) Sdn. Bhd.)
PDB: **100%**

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

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.

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
PAV: **40%**
Asyad Holding Company for Commercial and Industrial Investment 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.: **60%**

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

WHERE WE OPERATE

38 TERMINALS



17 FUEL TERMINALS

13 AVIATION TERMINALS

8 LPG TERMINALS AND BOTTLING FACILITIES

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)

LPG TERMINALS AND BOTTLING FACILITIES:

1. Bintulu
2. Kertih
3. IOT Kuching (JV)
4. Melaka
5. Pasir Gudang
6. Prai
7. Sepangar Bay
8. PST Tawau (JV)

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

AVIATION TERMINALS:

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

OFFICES:

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

10 BUNKERING FACILITIES

9 OFFICES

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



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

CUSTOMER

RETAIL

COMMERCIAL

LPG

LUBRICANT

PRIMARY DISTRIBUTION



VESSELS



- Melaka
- Kertih
- Bintulu

DIRECT FROM REFINERY AND GAS PLANT



- Kuala Lumpur International Airport
- Klang Valley Distribution Terminal

MULTI-PRODUCT PIPELINE

TERMINAL AND FACILITIES



Fuel Terminals



LPG Terminals and Bottling Facilities



Aviation Terminals



Bunkering Facilities



Lubricant Warehouse

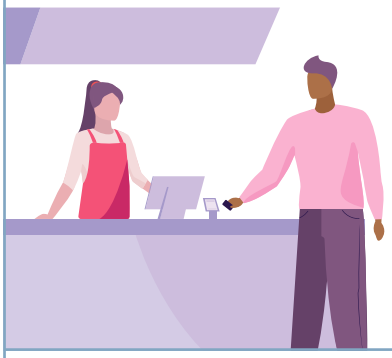
SECONDARY DISTRIBUTION



OUR STRATEGIC ALLIANCES



BUSINESS PARTNERS



CUSTOMERS



BANKING FACILITIES



AUTHORITIES

PETRONAS Dagangan Berhad
CORPORATE MILESTONES



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

1981 – 1989

1993
- Converted to a public company on 21 August

1994
- Listed on the Kuala Lumpur Stock Exchange
- Launched PRIMAS PX2

1996
- Establishment of *Kedai Mesra* and new station image

1990 – 1999



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

2000 – 2009



2020

2020
- Launched PRYSM, PETRONAS motorsport and lifestyle brand
- Implemented B20 Biodiesel at PETRONAS stations
- Setel® expanded nationwide
- Launched Love Local campaign
- Became Malaysia's first LNG solutions provider using road trucks for off-grid customers in Peninsular Malaysia
- Introduced Makan@Mesra as an expansion of food and beverage solutions
- First in South East Asia to offer ship-to-ship transfer of LNG
- Launched PETRONAS Primax 97 with Pro-Race



2010 – 2019

2010

- Introduced PETRONAS Primax 97

2011

- Launched PETRONAS Primax 95 Xtra

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 Gas2U, the first cooking gas ordering mobile application in Malaysia
- Launched PETRONAS Dynamic Diesel Euro 5 with Pro-Drive
- Introduced ChargEV facilities at selected PETRONAS stations

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 UltraFlex™ technology
- Introduced ROVR, the first mobile refuelling service in the country

2021

JANUARY

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

A farmer-to-consumer concept of locally-farmed fresh produce; poultry, fish, vegetables and fruits sold at affordable prices.



JULY

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

The launch of our first station marked the beginning of PETRONAS' significant participation in the downstream segment of the Malaysian petroleum industry.

Incorporated Mesra Retail & Café Sdn. Bhd.

Beyond just being an extension to *Kedai Mesra,* Café Mesra embodies the same core values with an added twist of love perfectly integrated in the food and coffee. Café Mesra is a down-to-earth, no-frills café that believes in honest service and good people.

SEPTEMBER

Ventured into parcel delivery service

In line with its portfolio diversification, PDB acquired D-Two Couriers (M) Sdn. Bhd. to provide parcel delivery service.

OCTOBER

Converted all diesel at PETRONAS stations to Euro 5

With the availability of Euro 5 diesel at more than 1,000 PETRONAS stations nationwide, motorists can now easily access and enjoy the benefits of the Euro 5-compliant diesel, which contains 50 times less sulphur for a cleaner drive whilst its Pro-Drive formulation promises to deliver superior fuel economy and a smoother driving experience.



NOVEMBER

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

The strategic partnership aims to address EV drivers' pain point of insufficient fast chargers in Malaysia. Under this collaboration, PDB plans to strategically install the fast chargers to enable end-to-end coverage between North-South Expressway and part of East Coast Expressway.



PETRONAS Dagangan Berhad

CORPORATE MILESTONES





DECEMBER

Launched Segar@Mesra in Sarawak

The expansion of Segar@Mesra to Sarawak is expected to benefit local farmers and fishermen as well as other businesses along the supply chain, and customers.



Collaborated with Malaysia Airlines Berhad to pioneer Malaysia's maiden flight using sustainable aviation fuel (SAF)

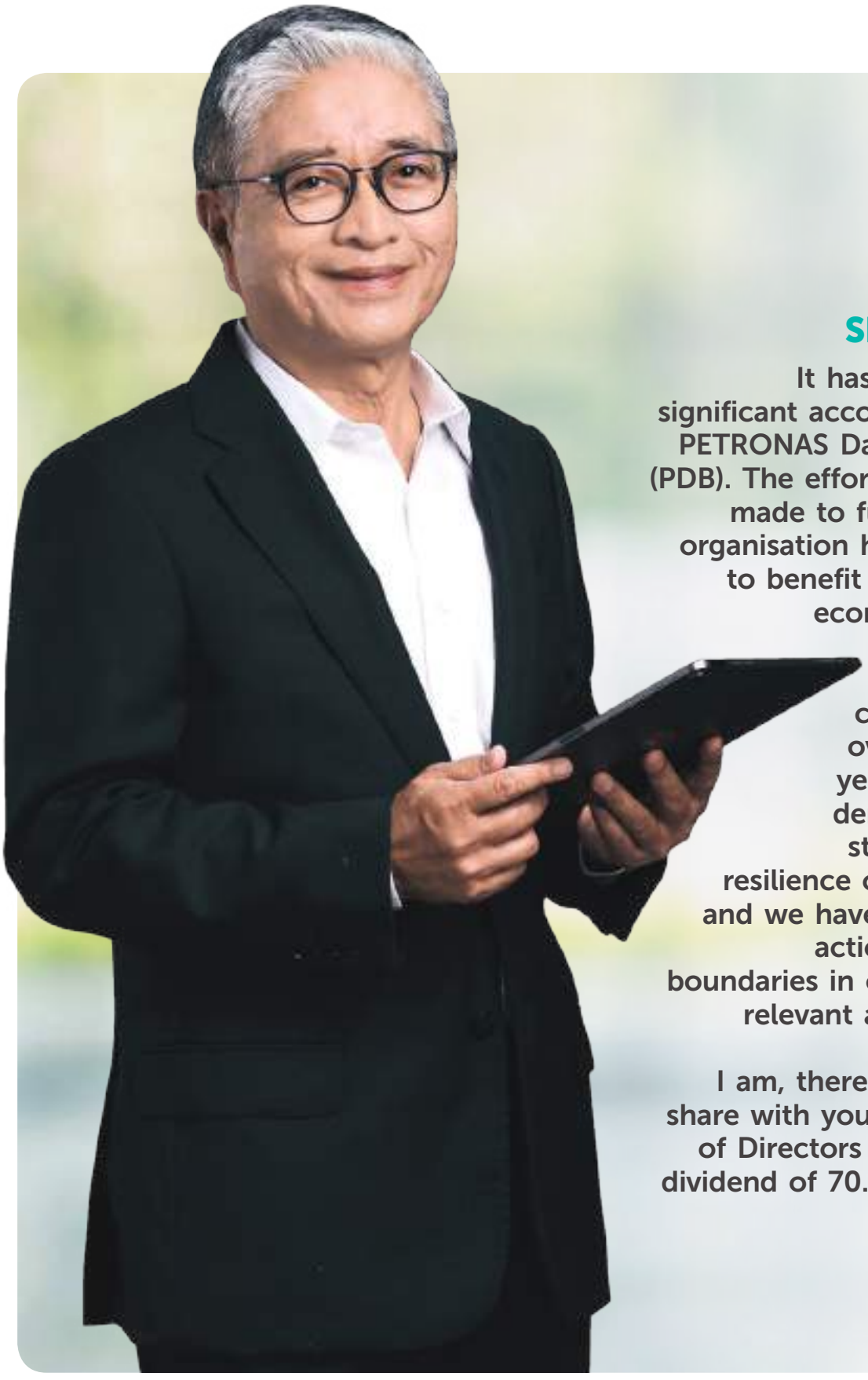
The event is a culmination of PDB's partnership with Malaysia Airlines Berhad via its parent company, Malaysia Aviation Group (MAG) to jointly explore collaborative opportunities that advance sustainability, including the supply and adoption of SAF at Kuala Lumpur International Airport (KLIA).



Expanded PETRONAS AutoExpert beyond Klang Valley

This initiative is part of the exclusive collaboration between MARA and PLMM through *Pembangunan Usahawan Automotif* MARA PETRONAS (PUMP).





Dear Shareholders,

It has been a year of significant accomplishment for PETRONAS Dagangan Berhad (PDB). The efforts that we have made to future-proof our organisation have enabled us to benefit from the broad economic recovery.

The unique challenges faced over the last two years have tested, demonstrated and strengthened the resilience of our company and we have taken decisive actions to push the boundaries in order to remain relevant and sustainable.

I am, therefore, pleased to share with you that the Board of Directors has approved a dividend of 70.0 sen per share for the year.

DATUK ANUAR AHMAD
Chairman

CHAIRMAN'S STATEMENT

Dividend Per Share

70.0

S E N

2020: **38.0 sen**

Payout Ratio

102%

2020: **96%**

"Central to our strategy is our commitment to continue building sustainable value for our stakeholders."

On behalf of the Board of Directors, it gives me great pleasure to present to you PETRONAS Dagangan Berhad's Integrated Report for the financial year ended 31 December 2021.

It is an honour for me to take up the Chairman's role from 1 January 2022, at a time when our industry is undergoing a fundamental shift, giving rise to both new challenges and opportunities. Working with my colleagues on the Board and our dynamic leadership team, I am determined to ensure that PDB continues to deliver value and on our promise of making your everyday life simpler and better.

CHAIRMAN'S STATEMENT

We believe that the steps we have taken to scale our non-fuel segment have created, and will further enhance, value for our stakeholders.



ACCELERATING VALUE CREATION

Central to our strategy is our commitment to continue building sustainable value for our stakeholders. We are focusing on meeting our customers' evolving needs, leveraging digital and new technology.

Whilst we ensured that our core business remains safe, reliable and efficient, the disruptions to global supply chains over the last two years, have revealed a major point of vulnerability for businesses and nations alike. We adapted quickly to this threat by working closely with our suppliers to strengthen and diversify supply chain coverage. This enabled us to optimise inventory management and minimise our exposure to oil price fluctuations and ensure security of supply to our customers.

Our efforts continue to drive innovation in our core areas of fuels and lubricants, building on the strong credibility of the PETRONAS brand. In 2021, we converted our diesel offerings at all of our stations nationwide to Euro 5 specification, providing our customers with a cleaner fuel option. At the same time, we have actively offered customers cleaner energy solutions, such as LNG and B20 biodiesel, meeting their growing demand and supporting PETRONAS Group's aspirations towards Net Zero Carbon Emissions by 2050.

We believe that the steps we have taken to scale our non-fuel segment have created, and will further enhance, value for our stakeholders. The expansion of F&B offerings at our *Kedai Mesra*, the convenience of our Setel app and logistics services, and the success of our own e-commerce merchandise platform are testament to delivering on our promise to our customers and of future-proofing the organisation.

STRENGTHENING CORPORATE GOVERNANCE AND THE CULTURE OF COMPLIANCE

As part of our constant effort to strengthen governance and stewardship, we have conducted Board and Management Strategy Retreat on a quarterly basis to deliberate on strategic matters on an in-depth basis. We have also implemented a series of new measures to enhance internal governance processes and strengthen board oversight, in line with the 2021 update of the MCCG.

To further elevate the compliance culture in PDB, we have set up a dedicated PDB Compliance Department which is responsible for the oversight, coordination, consultation, and validation of PDB's compliance with regards to the five (5) Critical Legal Areas of Integrity and Ethics, Data Privacy and Protection, Competition, Sanction and Export Control. The Compliance Department facilitates the Board's oversight in the areas of adopting appropriate policies, monitoring and deliberating its state of compliance. In addition, it also organises a series of structured programmes to inculcate the compliance culture at all levels and strengthen compliance practices in PDB's operations.

PDB is committed to ensuring the highest levels of integrity in our corporate governance. We established the Integrity Reporting system, which produces quarterly reports to the Risk Management and Governance Committee on measures undertaken to address corruption risk. PDB's Integrity Reporting provides updates on the efficacy of our Integrity Programmes in promoting the culture of Integrity and Ethics across our company, including our *Rakan Niaga*. These institutional safeguards are critical alongside the strong values of integrity that PDB embodies throughout our corporate culture.

On the key issue of gender equality, PDB continues to perform strongly. At the end of 2021, 6 out of 14 members of our Leadership Team, or 43%, were female. Likewise, 38% of our Board membership is female, exceeding the government's target of 30% female Board representation.



PDB's Integrity Reporting provides updates on the efficacy of our Integrity Programmes in promoting

the culture of Integrity and Ethics across our company including our *Rakan Niaga.*

CHAIRMAN'S STATEMENT

PDB recognises the scale of the task we face, but we are confident that we have the right people,

systems and strategy in place to continue delivering sustainable value for our stakeholders.

COMMITMENT TO SUSTAINABILITY

Our commitment to responsible corporate citizenship is embedded into all aspects of our business and operations. This encompasses both our commitment to a sustainable growth model and to contributing to the development of the communities in which we operate.

PDB's approach to sustainability is anchored on the need for us to strike a balance between the three pillars of People, Planet, and Profit. The Board is appraised on our Sustainability performance and is actively engaged in providing feedback and steering on an ongoing basis. The Board also actively provides direction and guidance in the formulation and revision of our Sustainability Roadmap, which lays out our strategic approach to sustainability matters, and aligns with specific ESG pillars.

The effectiveness of our approach to matters of sustainability has been repeatedly affirmed by our inclusion in the FTSE4Good Bursa Malaysia Index, which recognises companies that are effectively embracing sustainable business practices, for six consecutive years.

Additionally, the 2021 update of the MCCG calls for deepening integration of sustainability considerations in the strategy and operations of companies. We welcome this update as it aligns with PDB's strong commitment to strengthening sustainability governance and responsible corporate citizenship.

As part of our commitment to giving back to society, throughout the year, we continued to support national relief efforts in times of crisis, including continuing to support our frontliners and contributing to the national flood relief programme. We also actively contributed to the local communities in which we operate through a range of initiatives that are detailed on page 273 of this report.

MOVING FORWARD

PDB remains cautiously optimistic going into 2022. We will continue to leverage the rise in consumer spending, the stronger crude oil price, the continued easing of travel and operational restrictions and the market growth that is also being driven by an expansionary 2022 national budget.

Challenges remain, though. The emergence of new COVID-19 variants has created renewed uncertainty, while secular trends towards new forms of mobility and cleaner forms of energy continue to reshape our competitive landscape.

PDB recognises the scale of the task that we face, but we are confident that we have the right people, systems and strategy in place to continue delivering sustainable value for our stakeholders.

ACKNOWLEDGEMENTS

I would like to thank my colleagues on the Board of Directors for their support and effective stewardship of our company. I wish, particularly, to acknowledge the contributions of Mr. Lim Beng Choon and Puan Nuraini Ismail who retired during the year. On behalf of PDB, I wish them all the best in their future endeavours. I also take this opportunity to welcome Puan Arni Laily Anwaruddin, who joined us as a Non-Independent Non-Executive Director on 1 June 2021.

The strength of our Leadership Team has, once again, been demonstrated by the excellent job that they have done in steering our company during the year. I am sure they will continue to give their very best as we go forward.

On behalf of the Board of Directors, I wish to express our gratitude to our customers, employees and shareholders who have continued to express their confidence in us.

Above all, I would like to express my deepest appreciation to my predecessor, Datuk Md Arif Mahmood, for his remarkable contribution to PDB during his tenure as Chairman, which ended on 1 January 2022.

DATUK ANUAR AHMAD
Chairman

AWARDS AND ACCOLADES

Our company's strong performance across all key areas of operations in 2021 was acknowledged through the numerous awards we won at the national, regional and international levels. PDB won a total of 14 awards across categories including Corporate Governance, Investor Relations, Marketing, Corporate Reporting, and for Health and Safety. Among the string of wins in 2021, I would like to highlight our achievements in corporate governance, reporting and disclosure.

Our commitment to the highest standards of Corporate Governance saw us win two key awards at the **Minority Shareholders Watch Group-ASEAN Corporate Governance Awards:**

- 1st Place – Excellence Award for CG Disclosure
- 1st Place – Industry Excellence Award – Consumer Products & Services

PDB was also recognised at the **Annual Report Competition (ARC) Awards International XXXIV** for the quality of our corporate reporting and disclosure, where we won two key awards:

- Gold – Chairman's/President's Letter to Shareholders (Chairman's Statement)
- Bronze – Financial Data

Dear Shareholders,

2021 marks the first year of our ongoing transformation programme that is focused on our promise of Making Your Everyday Life Simpler and Better. Our achievements towards this goal during the year are laid out in this report and I am pleased to share with you that PDB is on track to deliver across the key areas of our strategy.

The year under review was a challenging one, as we continued to navigate our way through the second year of the COVID-19 pandemic. More importantly, the very industry in which our company operates is undergoing a fundamental change, driven by growing concerns over sustainability, shifts in the energy demand landscape and a rewriting of the business rules as digitalisation and technology reshape the way that the industry functions.

As we move forward, we are confident that the strategy that we have adopted is the right one to navigate the fast-evolving landscape and continue delivering sustainable value for our stakeholders.

OPERATING ENVIRONMENT

Our operating environment in 2021 was a year of two distinct halves. The first two quarters of the year saw a strong return to growth as the Malaysian economy benefitted from the end of the MCO, a fast-rising vaccination rate and the boost provided by successive government stimulus packages. Alongside this, PDB benefitted from the sharp rise in international energy prices as the global economy rebounded.

The second half of the year was marked by more challenging business conditions with the emergence of the Delta and Omicron variants of COVID-19 and severe bottlenecks in global supply chains as the industrial and transportation sectors struggled to keep up with rebounding consumer demand. The impact from slower economic growth in the second half of the year was mitigated by rising energy prices as global energy demand rebounded and the OPEC+ countries curbed supply.

The benchmark Dated Brent price rose steadily over the course of the year to hit the USD80 per barrel mark by the end of October, before gradually softening in the last two months. This resulted in an average price for the year of USD71 per barrel. By contrast, the price of Brent averaged USD42 per barrel in 2020. This strong rebound in the oil price has underpinned PDB's robust performance for the year.

Despite the increasingly uncertain outlook for the domestic operating environment following the reimposition of the MCO, PDB was able to capitalise on the growth opportunities that emerged during the year. We successfully recaptured sales in our Commercial and LPG businesses by targeting key economic sectors such as manufacturing, services, agriculture, and the growth in food and e-commerce deliveries, as well as rising demand for cooking gas from the household segment during the MCO.

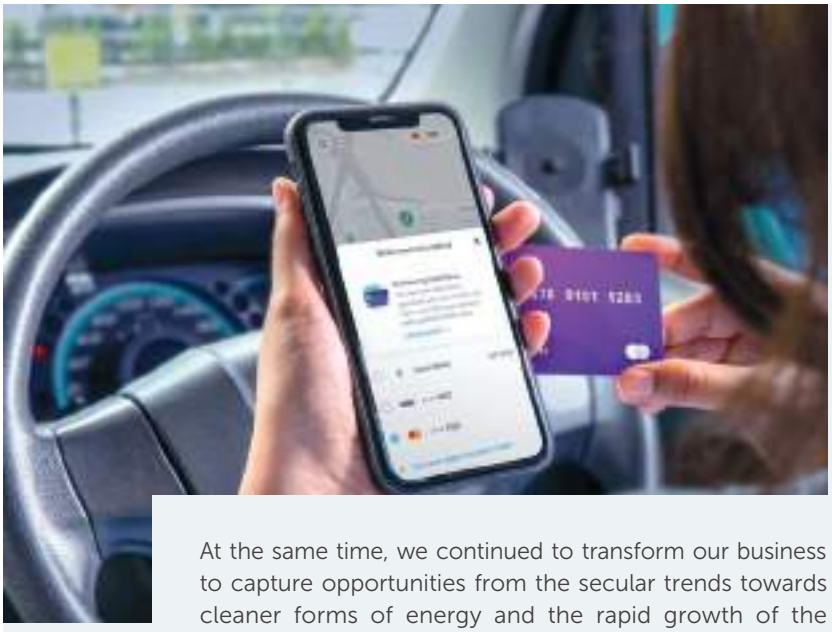




> Despite the increasingly uncertain outlook for the domestic operating environment following the re-imposition of the MCO, PDB was able to capitalise on the growth opportunities that emerged during the year.

MD/CEO'S STATEMENT

MD/CEO'S STATEMENT



At the same time, we continued to transform our business to capture opportunities from the secular trends towards cleaner forms of energy and the rapid growth of the digital economy. Our continued push into these areas aligns us with the core elements of the PETRONAS Group's MFT 50.30.0 strategy.

ACCELERATING TRANSFORMATION AND DRIVING GROWTH

Our growth is being driven by our transformation strategy as we embrace the transition to cleaner forms of energy, grow our non-fuel business and accelerate digitalisation. Our aim is to future-proof our business by focusing on three main pillars: firstly, Value, which entails sustaining the strength of our current core businesses; secondly, Growth, which will be achieved by continuing to diversify our business in the non-fuel sector and capitalising on the energy transition; and, thirdly, Sustainability, which entails striking a balance on our triple bottom line of People, Profit and Planet.

Driving our transformation strategy is the expansion of our Setel® platform, which is being developed as the unified digital delivery arm of the PDB Group. Across 2021, we rolled out a series of major enhancements to the Setel® ecosystem, enabling seamless service delivery across key lines of our business and providing a channel for direct marketing to customers. Setel® is central to our plans to capitalise on the fast-growing demand for delivery services and e-commerce. Our customers can now access our express Deliver2Me service that leverages our nationwide network of stations via Setel®.

Across 2021, we rolled out a series of major enhancements to the Setel® ecosystem, enabling seamless service delivery across key lines of our business and providing a channel for direct marketing to customers.

Access to logistics and e-commerce services via Setel® are also set to expand, under the Setel Express brand, following our acquisition of D-Two Couriers (M) Sdn. Bhd. to accelerate our growth in this area. Additionally, Setel® now also incorporates the Gas PETRONAS@Station Locator that offers cashless payment at more than 170 stations through the Setel® e-wallet. It also allows in-app access to our PETRONAS AutoExpert network, as well as purchases of our PRYSM merchandise. We have also expanded the functionality of Setel® now outside the PETRONAS stations' ecosystem at selected partner stores.

The roll-out of new features and the shift to e-commerce during the pandemic have seen major growth in the number of Setel® users rising by 69% to approximately 3.5 million during the year. We will continue to build on these gains, with a major expansion in Setel's functionality planned for 2022.

Sales of our PRYSM merchandise have grown by more than 60% in value during the year, boosted, in part, by sales through Setel®. At the same time, our ROVR mobile refuelling service has seen sales volume rise by more than 60%.

The transition towards cleaner forms of energy continues to accelerate apace, driven by a combination of public demand, regulatory changes and, critically, growing financial returns. These trends continued to accelerate in 2021, despite the ongoing pandemic.

PDB has remained ahead of the curve in anticipating the impact of the global transition towards cleaner and renewable forms of energy upon our business and we have continued to embrace the opportunities arising from changes in the demand and regulatory landscape. In October, we rolled out Euro-5 Diesel at more than 1,000 stations nationwide under the PETRONAS Dynamic Diesel Euro 5 with Pro-Drive, which contains 50 times less sulphur. With this, our customers can now benefit from a cleaner drive, whilst its Pro-Drive formulation delivers superior fuel economy and a smoother drive.

Number of Setel® Users

~3.5 million

Additionally, we anticipate strong growth in demand for charging facilities following the incentives for the electric car industry in the Malaysia Budget 2022 and aim to expand the number of ChargEV electric vehicle charging facilities at our stations beyond the existing network of 61 locations. As part of our expansion strategy, we have signed a Memorandum of Understanding with Mercedes-Benz Malaysia Sdn. Bhd. and EV Connection Sdn. Bhd. to roll out fast DC charging units at our stations.

The steps that we have taken this year are a key part of our strategy to future-proof our company. As we move forward, we aim to stay ahead of the curve by accelerating the pace at which we are upgrading our existing assets, embracing new technologies and investing in the right people to drive our transformation.



PETRONAS Dynamic Diesel Euro 5 with Pro-Drive contains

50 times less sulphur

for a cleaner, smoother driving experience while delivering superior fuel economy

MD/CEO'S STATEMENT

OUR PERFORMANCE

PDB delivered a substantially stronger performance this year as we benefitted from the broad economic recovery, higher energy prices and the impact of our transformation programme. Profit for the year stood at RM531.2 million, marking a 95% increase from 2020.

PDB registered a sales volume of 11,778.2 million litres and total revenue of RM22,505.3 million for the financial year ended 31 December 2021. PDB benefitted from the strong rebound in fuel prices this year, with our average price increasing by 23%. However, the recovery was hampered by dampened fuel demand as a result of the MCO. Against this backdrop, revenue for the year rose by 20% while total sales volume were 2% lower as we registered a stronger performance in the first quarter of 2020, before the impact of COVID-19.

Our performance is a testament to the extraordinary efforts of our people and we will remain focused on maintaining our momentum to capitalise on the opportunities ahead.

In view of the results, the Board is pleased to announce that the Company has declared a total dividend of 70.0 sen per ordinary share for the year.

OUR BUSINESS SEGMENTS

The results of our transformation strategy are visible across all our business segments. While our volume performance has yet to return to the pre-pandemic level, the launch of new product ranges and services, prudent financial management and the utilisation of new marketing channels resulted in a stronger performance overall.

Our **Retail Business** saw a significant rebound as the higher oil price drove revenue and stronger financial results. The strong rebound scenario was somewhat disrupted by the reimposition of the MCO from January to October, which dampened demand for fuel products and on-site retail sales, leading to a 3% drop in volume sales. The impact of lower sales volume on our performance was offset by effective cost management and strengthening our retail offerings.

> **In order to diversify our earnings base, we also continued to focus on growing our non-fuel business.**
>
> **As a key part of this strategy, we successfully incorporated our new F&B business, Mesra Retail & Cafe Sdn. Bhd.**

Despite the challenging operating environment, we continued our network expansion with the opening of seven new stations and our stations themselves continue to evolve. To meet the demand for cleaner fuels, we completed the conversion of all our stations to offer the less-polluting Diesel Euro 5 by the beginning of October.

In order to diversify our earnings base, we also continued to focus on growing our non-fuel business. As a key part of this strategy, we incorporated our new F&B business, Mesra Retail & Café Sdn. Bhd. in July 2021, which we aim to expand substantially in 2022.

Throughout the year, we further expanded our Mesra own-label retail offerings with the launch of in-demand new products, such as hand-sanitiser and local snacks, while widening the Mesra Bites range. We also introduced entirely new categories of products such as personal care and pet food via our *Kedai Mesra*. Leveraging our unparalleled network of stations, we launched Segar@Mesra in collaboration with the National Farmers Organization,

National Fishermen's Association and Federal Agricultural Marketing Authority, bringing fresh produce to our customers and supporting the food producers. In addition, we extended the PDB Learning Hub to our *Rakan Niaga*/ Dealers and *Krew* PETRONAS to equip our partners and their workforces with the skills necessary to help us achieve our goal of making everyday life simpler and better.

We also carried out a number of targeted promotions to drive retail sales. In March, we launched the PETRONAS Primax 97 with Pro-Race contest nationwide. The success of the campaign saw total Primax 97 sales volume exceed the campaign target by about 34% during the three months that it ran from March to May. Alongside this, we also ran the Mesra Rewards Campaign in February and March. Our retail sales were further boosted by the effective Mesra-Visa Kasih Bonanza, which ran from September 2021 to January 2022 to capture recovery volume from the resumption of domestic travel.

Retail remains at the core of our business and we will continue to drive an aggressive growth strategy as we move forward. We aim to continue outpacing the industry by further expanding our range of fuel products, even as we focus on growing our non-fuel business. To deliver on these targets, we will continue to strengthen our programme of network optimisation and rapid digital expansion.

Our **Commercial Business** delivered a stronger financial performance in 2021, driven by the effective execution of our business strategy; by the demand recovery in key sectors such as manufacturing, services and agriculture; and by favourable product prices. Commercial's overall performance was impacted by a 1% decline in sales volume, however, chiefly due to lower demand from the Aviation and Upstream sectors. Softer demand from these sectors in 2021 was a result of the continued border closures and the re-implementation of the MCO.

The eventual lifting of the MCO, the resumption of domestic air travel and the gradual reopening of international borders supported Commercial's performance in the later part of the year. Commercial effectively capitalised on the opportunities that arose throughout the year by continuing to implement strategies to secure more customers from high-value economic sectors, pursuing higher share of wallet from customers, and strengthening collaboration with customers and stakeholders. A key initiative during the year was our collaboration with Malaysia Airlines Berhad via its parent company, Malaysia Aviation Group to launch the historic first flight in the Malaysian aviation industry which used Sustainable Aviation Fuel.

As we move forward, Commercial will continue to focus on driving growth in selected high-value economic segments, capitalising on post-MCO demand recovery and on advancing our sustainability agenda by leading our partners towards cleaner fuel options.

PDB is the market leader in the domestic **LPG Business,** having unrivalled reach across the Household, Commercial and Industrial segments.

The prolonged MCO resulted in a 5% decline in volume as a result of border closure, and the restrictions on dining-in and inter-state travel, which impacted the F&B and hospitality industry.

During the year, we took effective actions to counter the negative impact of the MCO on our sales volume by expanding our physical and digital sales channels to enable customers to make purchases more conveniently and to deliver a more seamless experience. On the physical front, we expanded the number of sales channels under our Gas PETRONAS@Mini Market and Gas PETRONAS@Station initiatives. Alongside that, we introduced our new 14kg cylinders for forklift industry to meet the varied needs of our customers. These initiatives were bolstered by our launch of the Gas PETRONAS mobile application and enhancements to the Setel® platform, which now offers a cashless payment option via e-wallet and a Gas PETRONAS@Station locator.

MD/CEO'S STATEMENT



Going forward, we will continue to strengthen our market leadership in the Household segment while actively driving growth strategies for Commercial segment. We will also continue to leverage digitalisation to expand sales and increase operational efficiency.

Our **Lubricant Business** has continued to build on momentum despite the negative impact on mobility and industrial activity resulting from the MCO, which saw lower consumer sales. Stronger sales to commercial customers, however, led to overall sales volume growing by 2% for the year. This strong performance was achieved through effective targeting of commercial users in selected industries, expansion of sales through our PETRONAS AutoExpert outlets and increased use of digital channels to reach both retail and commercial customers.

We also continued to invest substantially in brand-building and on enhancing customer-centricity, by providing an unrivalled level of service and solutions as part of our integrated strategy to drive growth. The outlook for our Lubricants Business is strong and PDB aims to more than double the number of our PETRONAS AutoExpert outlets in the year ahead as we continue to take the opportunities that we see in this sector.

ACCELERATING DIGITAL TRANSFORMATION

Digitalisation is at the heart of our transformation programme and our strategy is based on a two-track approach. The first of these is Strengthening the Core, which entails working to future-proof our organisation by putting in place systems and processes to prevent our business from being disrupted. The second track encompasses optimising the systems that we have put into place and leveraging data to disrupt the business landscape in which we operate. Key to this is the constant enhancement of the Setel® platform that is the focal point of our digital delivery strategy.

By leveraging the vast amounts of data that we generate, we are increasingly able to remove our customers' pain points and deliver a personalised experience in order to build customer loyalty. The shift to online services during the pandemic has greatly accelerated the pace of digital transformation across all areas of our business and operations and deepened the opportunities for interaction with our customers. In 2021, we completed the migration of all our 15 million Mesra cards into the new Setel® Loyalty Management System, which offers a cardless option, enabling us to deliver a seamless customer experience across all channels. PDB is actively seeking to build on this momentum to drive our transformation.

As part of this, we expanded our cloud-based Point-of-Sale system to 81% of our entire PETRONAS station network under our ongoing programme to modernise our stations. Additionally, we have now deployed our state-of-the-art Outdoor/Indoor Payment Terminal (OPT/IPT) system across nearly 900 PETRONAS stations nationwide. This expansion of our best-in-class digital architecture has enabled our key business partners, our *Rakan Niaga*, to enhance operational efficiency and deliver a more fulfilling customer experience at the stations.

To ensure the success of our digital transformation, we are taking strong measures to ensure the integrity of our network systems and our customers' data, in line with recognised industry standards and privacy regulations. With the heightening cyber security attacks worldwide, we will continue to enhance our cyber defence strategy in accordance with our Cyber Security Road Map.

Moving forward, our growth will continue to be driven by our transformation as we evolve beyond our role as Malaysia's leading fuel retailer towards becoming a service provider, dedicated to delivering a seamless and frictionless customer experience across our business and making everyday life simpler and better.

ENSURING A GREAT PLACE TO WORK

Our people remain at the core of our success and we continue to invest in recruiting, training and inculcating the HSE Culture Programme to ensure that they have the necessary skills to deliver on our transformation agenda. The nature of work is evolving rapidly and PDB will continue to invest in making sure that we have the workforce that we need. Increasingly, this has required utilising digital solutions in both our recruitment and training practices. With the establishment of several new ventures in 2021, we have created specific incentive structures to attract and retain the right talent to grow together with our new businesses.

The competition for good talent is intense and to make sure that we have the right people, we have invested in new recruitment platforms, appointed our own headhunters, increased employment of gig workers and refined our participation in the PETRONAS Education and Sponsorship Programme for postgraduates to focus on the area of Digital Marketing.

Ensuring the health and safety of our employees, partners and customers is paramount to PDB and the need for effective health and safety measures has never been greater than during the pandemic that we have faced over the last two years. In 2021, we continued to refine our operating procedures and invest in training to ensure the development of an effective Health, Safety, Security and Environment (HSSE) culture at PDB. Our success in ensuring the health and safety of our people was recognised by our winning of two awards at the Royal Society for the Prevention of Accidents Awards 2021 and first place in safety at work at the PETRONAS Group HSSE Sustainability Forum 2021.

SUSTAINABILITY

PDB is deeply committed to the goal of sustainability, which we have integrated into all aspects of our business and operations. In the context of our business, this means striking a balance on our triple bottom line of People, Profit and Planet. In the year under review, we developed a more purposeful and structured approach to sustainability with the development of our Sustainability Roadmap to guide our sustainability journey over the next five years.

While we embrace our obligations to sustainable growth, we are also conscious of the strategic and financial costs that it can impose on our business. By aligning our business strategy with our sustainability goals, however, we believe that we can continue to build sustainable value for our stakeholders.

Our growing clean fuels and renewable energy offerings, for example, contribute directly to our goals of environmental stewardship and in support of the Group's aspiration towards Net Zero Carbon Emissions by 2050 while allowing us to tap into a fast-growing market. Similarly, we are investing in emerging technologies, that both further our goals and have the potential to develop into future growth drivers. While these investments may impose a short-term financial cost, the cost of failing to make these investments now may be far greater to both our company and our planet in the future.

MD/CEO'S STATEMENT

ACCOLADES

I would also like to highlight some of the awards that PDB won during the year for both its business and operational excellence, including:

- Platinum at the PUTRA Brand Awards
- Silver at the APPIES Malaysia 2021 Marketing Campaign Awards
- Silver at the 71st Australian Annual Reporting Awards (ARA)
- Silver and bronze at the RoSPA Health and Safety Awards

We also had additional wins at the following:

- Future Stack Awards (Data Creativity)
- NACS Asian Convenience Summit 2021
- Finance Derivatives Magazine of the Netherlands

Additionally, we were ranked 1st place in Malaysia's Customer Experience Excellence in 2021, in a research done by KPMG.

The number and breadth of our wins this year is testimony to the remarkable talent and dedication of the people that we have at PDB.

Full details of the awards and accolades that we won during the year can be found on page 14 of this report.



OUTLOOK

PDB expects a stronger year ahead for our company, supported by higher growth in the Malaysian economy. The combination of a strong rebound in economic activity, greater mobility and the gradual reopening of international borders will support growing demand for our fuel products while providing big opportunities to grow our non-fuel business.

The year under review has already seen a significant strengthening of the business environment, notwithstanding the renewed MCO, and the economic recovery is projected to gather pace in 2022. Malaysia's GDP is forecasted to grow at between 5.5% and 6% in 2022, as the country benefits from a stronger labour market, a rise in manufacturing and exports, and the resumption of most social activities as the county transitions to the endemic phase of COVID-19. This strong recovery will be underpinned by increased vaccination rate in the country through the programme undertaken by the Government.

The government's expansionary budget for 2022 and its announced policy framework for supporting the growth of the national SME sector will also support demand for our products over the near- and medium-terms. The Ministry of Finance anticipates that 90% of economic sectors will be opened by 2022.

Against this favourable backdrop, PDB's strategy aims to maintain our leading position in our core business segments while aggressively growing our non-fuel revenue streams. Alongside this, we will continue to focus on strengthening strategic partnerships to unlock value potential as the economy rebounds. We are confident that our strategy of growing our clean fuel, renewables and non-fuel businesses, and expanding our digital operations is set to deliver strong growth going forward.

Our optimism about the outlook for the year ahead is based on a realistic assessment of the potential risks and vulnerabilities that our businesses face. The emergence of new strains of COVID-19 adds a degree of uncertainty to the economic outlook and projected consumer demand. The ongoing need to maintain SOPs will also continue to impose additional costs on our operations. These risks and costs are now facts that have been baked into the "Next Normal". We recognise the risks, but we are confident that the strategy and processes that we have adopted over the last two years leave us well-positioned to manage these contingencies.

Moving forward, our growth will continue to be driven by our transformation as we evolve beyond our role as Malaysia's leading fuel retailer towards becoming a service provider, dedicated to delivering a seamless and frictionless customer experience across our business and making everyday life simpler and better.



We are confident that our strategy of growing our clean fuel, renewables and non-fuel businesses,

and expanding our digital operations is set to deliver strong growth going forward.

ACKNOWLEDGEMENTS

Firstly, I wish to thank our customers and our shareholders for the unwavering support that they have shown for us as we continue to deliver on our promise of Making Your Everyday Life Simpler and Better. We are determined to continue working to deserve your confidence.

I wish to express my gratitude to our Chairman and Board of Directors for their support and guidance, and to acknowledge the contribution of Puan Nuraini Ismail and Mr. Lim Beng Choon who retired from the Board during the year. I would, particularly, like to pay tribute to Datuk Md Arif Mahmood, who stepped down as Chairman on 1 January 2022, for his remarkable contribution to PDB's success during his nearly seven years in the position and to recognise the transformative role that he played during his 37 years with the PETRONAS Group.

I also wish to thank my colleagues on the Leadership Team for the extraordinary commitment that they have shown during the year. I would like to acknowledge the contributions of Pn. Min Edina Mustapha Kamal, En. Naina Mohd Shukri Omar, Pn. Ruziah Azdi Abdul Rahman and En. Wan Yussman Wan Yusof during their tenure on our Leadership Team. With their departures, we welcome Pn. Norliana Aida Ramli, En. Ahmad Munir Akram Ahmad Faiz and Mr. Koh Tat Chong who have joined our Leadership Team this year. I would also like to welcome Ms. Wong Lay See, who takes up the role of Company Secretary.

I wish to thank our *Rakan Niaga,* dealers, business partners and contractors. I look forward to continuing to work with you in the year ahead.

Finally, I wish to express my gratitude to all members of our extraordinary workforce. Our success as a company is built on your effort.



PDB delivered a significantly stronger performance in 2021, as we benefitted from the growth and recovery strategies that we implemented, and capitalised on rising energy prices.

Our Profit After Tax rose to RM531.2 million, on a 20% rise in Group Revenue.

CHIEF FINANCIAL OFFICER'S REVIEW

PDB Group continued to maintain stringent financial discipline during the year, while accelerating investment in our future growth drivers. In the year under review, our business strategy and performance were increasingly driven by the technological change and sustainability considerations that are reshaping the energy industry and PDB has embraced the opportunities that they have provided.

STRONGER FINANCIAL PERFORMANCE

PDB achieved revenue of RM22,505.3 million for the financial year ended 31 December 2021, marking an increase of 20% as compared to last financial year. The stronger performance was driven by a 23% increase in average selling prices, despite a 2% decline in total sales volume.

Our Group Profit Before Taxation for the year rose by 92% to RM740.8 million. The stronger performance was driven by the higher oil prices and maintaining continued discipline in our OPEX which were reduced by 3%.

Our OPEX for the year declined by RM78.1 million to RM2,170.9 million. The lower OPEX reflects our continued maintenance of strong spending discipline and focus on cost optimisation. We continued to reprioritise spending on initiatives such as advertising and promotions due to restriction on movements and maintained discipline in our manpower investment.



Revenue

RM22,505.3

MILLION

Increase of 20% in 2021 resulting from increase in average selling prices



Profit Before Tax

RM740.8

MILLION

Increase of 92% in 2021 contributed by higher gross profit of RM296.7 million and lower OPEX



Dividend

Declared

70.0

SEN

2020: **38.0 sen**

Payout Ratio

102%

2020: **96%**

Consistently exceeding our 50% dividend payout policy



Total Assets

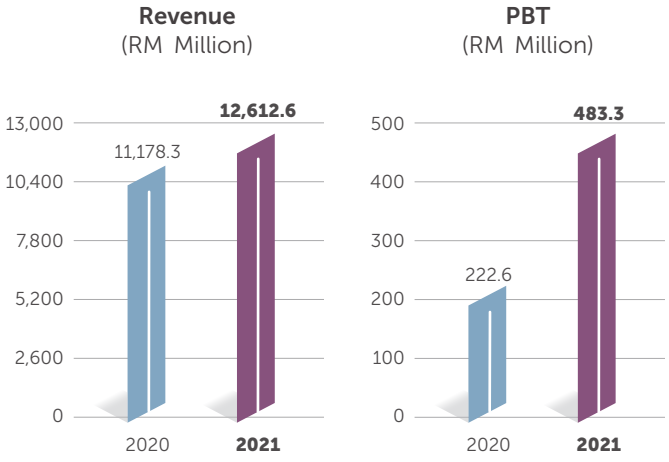
RM9,600.8

MILLION

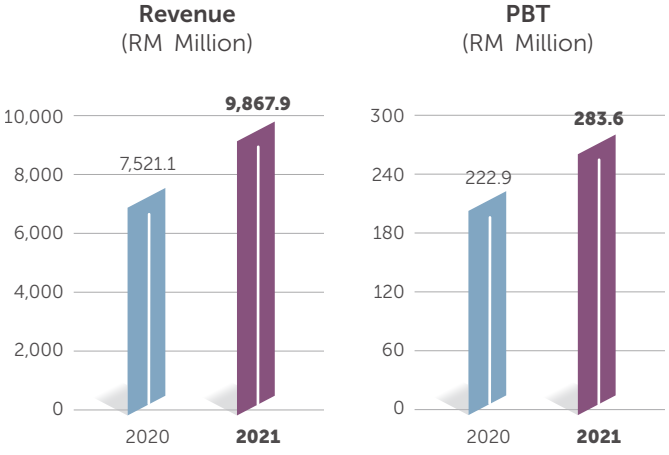
Maintained strong balance sheet position

CHIEF FINANCIAL OFFICER'S REVIEW

Retail Segment



Commercial Segment



SEGMENTAL PERFORMANCE REVIEW

PDB Group has three reportable segments, which are Retail, Commercial and Others. The Retail Segment comprises the sale and purchase of fuel, LPG and lubricant to the retail sector. Our Commercial Segment encompasses sales and purchases to the commercial sector. Together, the Retail and Commercial Segments account for 99.9% of the Group's revenue and PBT. The Others segment encompasses our aviation fuelling services and technical services, and all our business activities outside the Retail and Commercial Segments.

Retail Segment

Our Retail Segment recorded a rise of 13% in revenue, to RM12,612.6 million, with the gain driven by the increase in the MOPS prices. This strong gain was tempered by a 3% decline in overall demand caused by the softer economic conditions in the second half of the year.

PBT rose sharply, more than doubles, to RM483.3 million, mainly due to the higher gross profit derived from Mogas and Diesel as a result of the strong increase in MOPS prices during the year, despite lower sales volume. The strong financial performance was further strengthened by our lower operating expenditure in 2021.

Our Retail Segment saw a rebound in the first half of the year as domestic travel resumed and we implemented various promotions to capture recovery volume. Retail's performance improved in the second half of the year, with a particularly strong pick up in the fourth quarter when interstate travel was allowed to resume.

We also continued our strategy of growing our non-fuel income, with our Mesra income rising by 1% during the year. The growth of our non-fuel income was curbed by the restrictions on movement and activity during the second-half of the year, and by the continuance of government-mandated SOPs that restricted the number of customers in our *Kedai Mesra* at any one time.

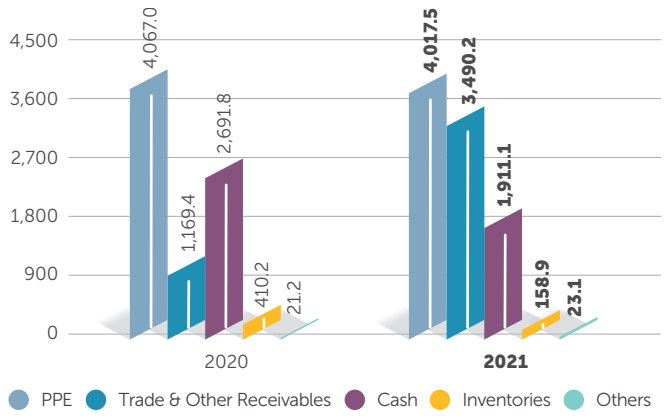
Commercial Segment

The Commercial segment saw revenue increased by 31% to RM9,867.9 million. The rise was driven by an increase of 33% in the average selling prices, but the positive impact of higher prices was tempered by a 1% decline in total sales volume. Despite the lower sales volume, PBT for the year rose by 27% to RM283.6 million. The stronger results were largely driven by higher gross profit from Jet A1 and Diesel sales due to the rise in MOPS prices.

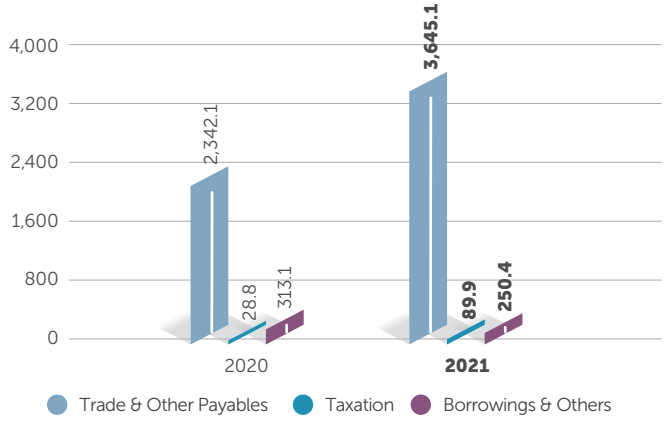
The 3% decrease in Diesel sales volume was attributable to reduced demand from the transportation and industrial sectors as a result of the MCO. Sales volume of Jet A1 declined by 21% during the year due to the continued restrictions on domestic and international air travel. The Commercial Segment responded to these challenges with a strategy of targeting sales to high-margin sectors and expanding the range of our offerings. In 2021, we rolled out Sustainable Aviation Fuel and maximised sales to the marine sector by offering continuous marine fuel supply.

Moving forward, the Commercial Segment is positioned to benefit from the upward trend in domestic economic activity and the gradual resumption of international travel. We will also continue to focus on growing our cleaner fuels business to support our sustainability targets and capture rising demand for more environmentally-friendly energy options.

Total Assets
(RM Million)



Total Liabilities
(RM Million)



GROUP FINANCIAL POSITION

Total Assets

The Group's Total Assets rose by 15% to RM9,600.8 million in 2021. The increase was driven by higher trade and other receivables, in line with the rise in MOPS prices during the year.

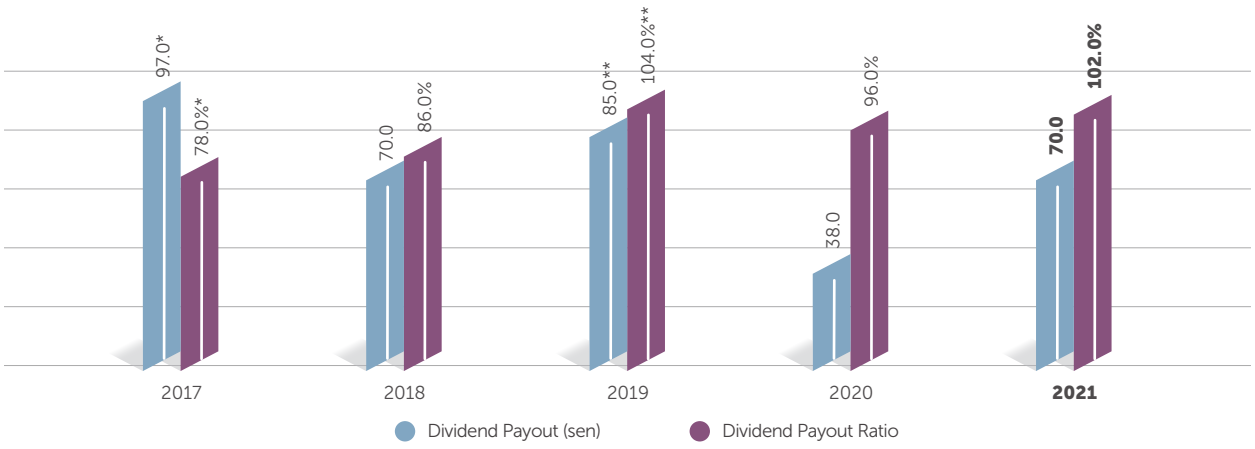
Total Liabilities

The Group's Total Liabilities stood at RM3,985.4 million in 2021. This marked an increase of 48%, as compared to 2020. The increase in total liabilities was mainly due to higher trade and other payables as a result of the rise in MOPS prices.

The Group's total borrowings in 2021 declined by 35% from the year before. The reduction was principally due to the continued repayment of our financing facilities and lease liabilities.

CHIEF FINANCIAL OFFICER'S REVIEW

Dividend Payout to Shareholders



* *Includes special dividend of 22 sen per ordinary share*

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

CASH FLOW

Despite the more supportive business environment in 2021, PDB continued to maintain the stringent cash flow monitoring that we adopted following the outbreak of the global COVID-19 pandemic. This ensured that we maintained positive cash flow and that PDB's internal funds were sufficient to finance our working capital and capital expenditure needs.

The Group had cash and cash equivalents of RM1,911.1 million, as at 31 December 2021. This marks a decrease of 29% from the RM2,691.8 million recorded at the end of 2020.

Net cash generated from operating activities declined by RM165.7 million during the year, mainly due to an increase of RM4,774.1 million in purchases as a result of the rise in MOPS prices. This was offset by a rise of RM2,559.4 million in sales, an increase of RM1,298.7 million in subsidies received, and a drop of RM756.3 million in duties paid.

Net cash used in investing activities were RM22.4 million lower in the year under review, due to a reduction of RM68.9 million in CAPEX, as well as the maturing of RM51.0 million of fund investment in prior year. Net cash used in financing activities were RM95.1 million lower, mainly due to lower repayment of lease liabilities and our Islamic financing facilities.

ENHANCED RETURNS TO SHAREHOLDERS

PDB is committed to creating value for its shareholders. Our stronger performance in 2021 has enabled us to pay a dividend of 70.0 sen per share for the year. This marks an 84% increase on the year before.

PDB Group has a dividend policy of paying out 50% of its PAT to shareholders but we have consistently exceeded this, providing our shareholders with a solid income stream. Our payout ratio for the year stands at 102%.

STRONG COST DISCIPLINE AND STRINGENT SPENDING

We continued to maintain strong cost discipline and stringent spending during the year under review, striking a balance between investing in our future growth and the continued need for financial prudence.

We maintained our focus on monitoring OPEX throughout the organisation to ensure cost optimisation across all areas of operations. We reprioritised our spending on areas such as advertising and promotions, which allowed us to capture market volume when the domestic travel restrictions were lifted and to target high-value clients during the year.

Our CAPEX continues to be subjected to rigorous monitoring through the enhanced evaluation framework of the Investment Review Committee that we established in 2020. The process has ensured that any approvals of CAPEX are based either on their contribution to our growth strategy and projected returns, or their criticality to our HSE needs and to meeting our regulatory obligations.

Despite the overall reduction in CAPEX for the year, we continued to invest in new ventures to diversify our income base. Key priority areas included expanding the offerings in our non-fuel segment, major enhancement to our Setel® platform, and investment in key digitalisation initiatives to future-proof our business. Additionally, we continued to invest in our asset-refresh programme and the expansion of our PETRONAS station network.

ROBUST MANAGEMENT OF WORKING CAPITAL AND LIQUIDITY

PDB Group maintains a rigorous framework to ensure that it retains a sufficient cash balance to enable an optimum working capital position. Additionally, the comprehensive monitoring and forecasting of cash inflows and outflows that we continuously undertake provides a robust buffer against liquidity risk.

Despite a lower average cash balance during the year, the Group was able to finance all its working capital needs and capital expenditure with internal funds, as a result of our effective cash flow monitoring. Additionally, the Group was able to maintain all its working capital facilities for onward utilisation as and when required.

During the year, the Group completed a major exercise to free-up working capital and minimise the risk of exposure to petroleum product price movements by implementing our New Operating Model. Under the model, a separate entity, PETCO Trading Labuan Company Ltd, assumed ownership of all inventories at selected terminals, as well as managing inventory planning and shipments for PDB. Under these optimised arrangements, PDB has maintained an average of 5.7 days inventory, down from the 11.8 days maintained in 2020.

> **We continued to maintain strong cost discipline and stringent spending during the year under review,** striking a balance between investing in our future growth and the continued need for financial prudence.

LEVERAGING ON TECHNOLOGY TO DRIVE PERFORMANCE AND RAPID GROWTH OF DIGITAL BUSINESS

PDB Group has continued to leverage on the power of technology to drive growth. The significant investments that we have made in strengthening our digital backbone have contributed directly to our stronger performance by increasing operational efficiency across our company and ensuring our business continuity during the pandemic.

The specific initiatives that we undertook during the year and their impact on our performance are described on page 118 of this report.

Central to our digital growth strategy is also our Setel® platform, which saw the total number of downloads rise from 2 million at the end of 2020, to 3.5 million in 2021. Gross merchandise value through Setel® stood at RM1.0 billion for the year.

The rapid growth of our digital business has been driven by the rise in demand for non-touch options during the pandemic, the secular shift towards e-commerce and the effectiveness of our digital strategy.

CHIEF FINANCIAL OFFICER'S REVIEW

During the year, we performed a comprehensive review of our corporate risk profile,

including periodic assessments of the financial and non-financial risks that we believe could threaten the Group's business operations, performance and profitability.

RISK MANAGEMENT

Risk management is an integral part of the Group's activities. Continuous improvement to strengthen the review and monitoring of principal risks remains a key focus towards building a sustainable business. Risks across the Group are being managed on an integrated basis and their assessment is incorporated into the decision making process.

In response to the impact of risk events that were felt across the Group's operational footprint in 2021, we continued to strengthen our risk management practices and accelerated our efforts to inculcate a strong culture of risk awareness among our people. During the year, we performed a comprehensive review of our corporate risk profile, including periodic assessments of the financial and non-financial risks that we believe could threaten the Group's business operations, performance and profitability. These robust measures proved sufficient to manage all risk issues encountered during the year under review.

In addition, PDB's risk appetite remains as a key component of the Group's robust risk management framework and is driven by both top-down Board leadership and bottom-up involvement of the Leadership Team. The established risk appetite defines the level and type of risks that the Group is willing to accept in pursuing its strategic objectives. During the year, we have revised our risk appetite in response to changes in PDB's operating environment in order to support our Strategic Pillars as well as optimise our business returns.

For more information on risk management, please refer to SORMIC on page 194 and Key Risks and Mitigation on page 80 of this <IR>

GOVERNANCE AND COMPLIANCE

PDB continuously works to refine our robust governance and compliance framework in order to ensure that we maintain the right balance between effective internal controls and operational efficiency as our business continues to evolve.

A key initiative this year was the establishment of the PDB Management Framework to provide structured, clear, and consistent oversight of key decisions made by our subsidiaries. This is crucial to ensuring that all entities within PDB Group are strategically aligned to the Group's vision, objectives, and interests. We also enhanced our Limits of Authority to strengthen key areas of decision-making across the PDB Group and to provide effective guardrails for our new business ventures.

Additionally, in early 2021, we formed the PDB Ethics and Integrity Taskforce to leverage the effective collaboration among Compliance Department, HRM Division, Internal Audit Division and Strategy Division, in order to strengthen integrity procedures and initiatives across PDB Group, and to drive the internalisation of the Ethics and Integrity culture amongst our workforce at all levels.

SHAREHOLDER ENGAGEMENT

PDB is committed to ensuring that our shareholders and analysts have access to accurate, timely and necessary information about or company, and we maintained our focus on effective engagement with these key stakeholders throughout 2021.

With the COVID-19 pandemic still affecting operations, we utilised technology to facilitate our engagements with the investment community for the second consecutive year. PDB's AGM on 28 April 2021 was held in accordance with the Securities Commission Guidelines on Virtual Meetings by Listed Issuers. We also ensured that analysts continued to have access to necessary information by conducting our quarterly Analyst Briefings virtually.

INTEGRATING SUSTAINABILITY

Our determination to deliver on our promise of making your everyday life simpler and better includes integrating sustainability considerations in all areas of our business planning and operations in accordance with the ESG pillars. Accordingly, we have enhanced our governance and compliance framework, enriching small and social entrepreneurs and intensified investment in R&D and in the necessary infrastructure, to drive our clean fuels and renewables business.

While the investments may impose a short-term cost on our financial performance, by effectively integrating sustainability considerations into our business strategy, we are establishing new drivers for future growth for our stakeholders.

OUTLOOK

The outlook for the next financial year is supportive of our performance, with the Malaysian economy projected to grow strongly, however the crude oil price is expected to remain volatile. During the year under review, we implemented effective measures that will allow us to capitalise on these trends, while also strengthening measures to manage any resurgence in volatility.

Moving forward, our retail segment will remain focused on growing non-fuel income, expanding our clean fuels and renewables offerings, and on leveraging the power of technology to drive growth. Our commercial segment is positioned to benefit from the recovery in domestic air travel, the gradual lifting of international travel restrictions and anticipated growth in demand for sustainable aviation fuel. We will also continue to maintain cost-efficiency measures across all areas of operations.

While the outlook is positive, there is no room for complacency. We remain conscious of the continued risk from the ongoing COVID-19 pandemic and the disruption it has caused to economic activity and global supply chains. However, we believe that our strong balance sheet and effective management of our liquidity position, along with our strategy of focusing on customer-centricity, widening our offerings and accelerating digitalisation will allow us to continue delivering sustainable value for our shareholders as we move forward.





RESPONDING TO THE IMPACT OF COVID-19

OVERVIEW

The COVID-19 pandemic remained a pervasive factor across our operating environment throughout 2021.

While Malaysia has made significant headway in tackling the pandemic, the emergence of the Delta and Omicron variants of the virus brought renewed uncertainty in the second half of the year. A resurgence of COVID-19 cases in Malaysia, which began in the second quarter, led to the Government re-imposing a national lockdown. The resurgence was driven by the highly infectious Delta variant and saw the number of daily cases in Malaysia peak at over 24,000 in August 2021.

The lockdown and other restrictions undermined Malaysia's economic recovery, with BNM revising its GDP growth projections for 2021 down to 3% – 4%, from the previous estimate of 6% - 7.5%. Reduced mobility and business activity negatively impacted demand for both our fuel and non-fuel products.

The gradual lifting of the movement restrictions, culminating in their complete removal on 11 October 2021, coupled with strong government stimulus spending, helped spur a revival in economic activity in Malaysia. The recovery was underpinned by the effective government-led vaccination programme, with more than 78% of the population vaccinated by year's end. However, the emergence of the highly infectious Omicron variant in November led to renewed economic uncertainty as the year drew to a close.

FINANCIAL IMPACT

The pandemic continued to affect our financial performance through reduced sales volume, which declined by 2% in 2021, as a result of reduced travel and commercial activity. The re-imposition of domestic and international travel restrictions particularly affected demand for our MOGAS and Jet fuel. Demand for our Diesel and LPG also dropped, although at a lower rate, as a result of the contraction in domestic commercial and industrial activity during the MCO.

How we respond

We maintained stringent discipline in both our OPEX and CAPEX to ensure the strength of our balance sheet. We also implemented a range of growth and recovery strategies to capitalise on the strong rise in energy prices and to diversify our earnings base. We continued to expand our range of retail products, including new Mesra own-label products, and expanded food offerings and fresh produce sold under our Segar@Mesra programme in support of local food producers. We also incorporated a new subsidiary, focusing on the F&B business, called Mesra Retail & Cafe Sdn. Bhd. during the year. The implementation of these measures and strategies resulted in a significantly stronger financial performance in 2021.

OPERATIONAL IMPACT

PDB continued to operate with minimal disruption, in accordance with the COVID-19 SOPs outlined by the authorities. However, the national total lockdown in June led to renewed restrictions on opening hours for PETRONAS stations and our offices' occupancy. Subsequently, the gradual lifting of movement restrictions allowed us to resume operations in accordance with the relaxed COVID-19 SOPs.

How we respond

The systems that we had adopted in response to the pandemic in 2020 proved adequate to address the evolving pandemic situation in 2021. PDB maintained strict adherence to the SOPs outlined by authorities across all areas of its business in order to ensure the safety and well being of its employees, customers, partners and the communities in which we operate. This included regularly sanitising all PETRONAS stations, ensuring the availability of hand sanitiser for customers and employees, mandating the use of face masks and social distancing rules, and regulating the number of customers in our *Kedai Mesra* at any one time.

Responding to our customers' mobility restrictions and health and safety concerns, we continued to expand and enhance our Setel® e-payment platform nationwide, to provide them with contactless payment options at our stations and selected partners, and to enable the purchase of cooking gas through our Gas PETRONAS mobile app. Alongside that, we expanded the reach of our ROVR mobile refuelling service to more locations, allowing customers to refuel their vehicles without visiting our stations during the MCO.

We also strengthened our supply chains and monitoring systems to ensure that our customers did not experience supply disruptions. These various measures that we implemented ensured our operational continuity throughout the year.

RESPONDING TO THE IMPACT OF COVID-19

IMPACT TO OUR STAKEHOLDERS

Shareholders and the Investment Community

For a second, consecutive, year we relied upon technology to facilitate our engagements with the investment community. PDB held a virtual AGM on 28 April 2021, in accordance with the Securities Commission Guidelines on Virtual Meetings by Listed Issuers. We also conducted our quarterly Analyst Briefings virtually to ensure that analysts continued to have access to necessary information.

Customers

The pandemic continued to drive changes in customer behaviour as people are acclimating to the next normal. Our retail customers continued to embrace digital and touchless solutions and we responded by expanding our digital contact points through the Setel® app, which has undergone significant enhancement, as well as by widening our retail Mesra offerings to meet customers evolving preference. We also worked closely with our Commercial customers to ensure the continuity of supply that they needed in order to sustain their businesses.

Employees

PDB continued to ensure that our employees received the support that they needed in order to perform their duties under the prevailing COVID-19-related challenges of 2021. We embraced hybrid working arrangement in our offices, to facilitate social distancing and to provide our staff with the flexibility to work remotely during periods of travel restrictions. Our strong digital infrastructure enabled us to implement online working arrangements when necessary without impacting our productivity. We also acted to ensure the health and safety of our frontline workers at our PETRONAS stations by maintaining adherence to stringent SOPs of proven effectiveness.

Rakan Niaga/Dealers

PDB's *Rakan Niaga*/Dealers are integral to the success of our business and we continued our network expansion with the opening of five new stations.

Throughout the year, we provided continuous support to our *Rakan Niaga*/Dealers as they faced a decline in the demand for fuel, restrictions on the operations of *Kedai Mesra* increased costs of complying with SOPs. We acted to equip them with the capacity to meet customers' needs by expanding the offerings at *Kedai Mesra* and converting all our stations to offer the cleaner PETRONAS Dynamic Diesel Euro 5 with Pro-Drive. We also enabled them to tap into the growing digital market more effectively by expanding the coverage and features of our Setel® app. These steps contributed significantly to mitigating the impact of the pandemic on our *Rakan Niaga*/Dealers in 2021.

Contractors/Suppliers/Business Partners

We adapted quickly to the supply chain disruptions resulting from the COVID-19 pandemic by working closely with our business partners and vendors to strengthen and diversify supply chain coverage. This has enabled us to minimise delays and disruption to PDB's planned and ongoing projects. It has also strengthened our ability to deliver on our supply commitments to our partners.

Authorities/Regulators/Financial Institutions

PDB achieved higher profitability in 2021, as we capitalised on the growth and recovery opportunities, resulting in our overall direct taxes paid in 2021 rising by 84%. PDB also continued to provide direct support to the nation's frontliners battling the COVID-19 pandemic, working closely with various government bodies to channel our contributions. We also continued working to elevate local entrepreneurs through our partnership with MARA by enrolling 14 workshops under the PETRONAS AutoExpert.

Communities

In 2021, we worked to support our national food producers by building partnerships that leverage our extensive network of stations. Through our newly launched Segar@Mesra initiative, we are collaborating with the National Farmers Organisation, National Fishermen's Association and the Federal Agricultural Marketing Authority to bring fresh produce to our customers and support the food producers.

We also continued to provide opportunities for talented youth through our participation in the Government's Professional Training and Education for Growing Entrepreneurs (PROTÉGÉ) programme, under which we took on board 33 talented fresh graduates. Additionally, PDB provided structured internships to 121 students from 28 universities in 2021, helping prepare them for the increasingly competitive employment market.

Additionally, with communities already under pressure from the pandemic, PDB mobilised ROVR, our mobile refuelling service, to provide critical refuelling services in areas that had been affected by the closure of petrol stations due to flooding during the year.

We also initiated the Food Bank programme at over 300 PETRONAS stations nationwide to provide food to communities affected by the pandemic. Our Food Banks are estimated to have benefitted more than half a million families. Additionally, we continued the Love Local Campaign to promote local products and brands at our PETRONAS stations supporting local communities and enterpreneurs.

Media

Amid the restrictions brought about by COVID-19, we continued to build and strengthen our relationship with the media by harnessing technology to engage them, as well as ensuring a safe environment for face-to-face interactions. Among others, we provided updates on PDB's performance on a quarterly basis and through Annual General Meeting. Additionally, cognisant of the media's role as a medium between our business and the stakeholders, we also kept the media informed of our new and enhanced offerings.

OUTLOOK

Despite the improving outlook, we remain vigilant against the threat of new waves and variants of COVID-19 emerging and will continue to take measures to future-proof our organisation and will maintain stringent SOPs to mitigate the risk of further disruption. The iniatives that we launched during the year, in response to the COVID-19 pandemic, affirm PDB's commitment to delivering on our promise of Making Your Everyday Life Simpler and Better.

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. This entails adopting an end-to-end integrated approach to value creation, from analysing our operating context to identifying risks and opportunities,

HOW WE FORMULATE OUR BUSINESS STRATEGY

ANALYSE OPERATING CONTEXT

The macro environment within which we operate influences our performance and ability to create sustainable value for all our stakeholders.

We assess our operating context which are characterised by the economic, regulatory, social, environmental and competitive environment, to identify trends, risks and opportunities that may impact our capability to create short-, medium- and long-term value.

For more information on the Operating Environment and Market Outlook, please refer to page 68 of this <IR>

IDENTIFY AND MANAGE RISKS

We have integrated our risk management principles, practices and outcomes throughout the report. In meeting the rising challenges posed by multiple risk factors, we continuously strive to enhance our risk management processes to ascertain they remain aligned with the changes in the operating landscape, whilst ensuring our business continuity and growth as well as sustainable value creation.

For more information on the Key Risks and Mitigation, please refer to page 80 of this <IR>

STRENGTHEN RELATIONSHIPS

PDB is committed to being accountable and responsive to our stakeholders' expectations and interests. Significant emphasis is placed on the relationships we build as it allows us to deliver sustained value and determine the continued success and growth of the business.

For more information on Stakeholder Engagement, please refer to page 64 of this <IR>

HOW WE ALLOCATE OUR RESOURCES

We leverage our resources to deliver value which are distributed among our six capitals.

HOW WE INTEGRATE INTO OUR BUSINESS MODEL

Our customers and innovation have been at the heart of everything we do at PDB. We do this by creating unparalleled customer and brand experiences across all our businesses, and we strive to elevate these experiences by continuously evolving and pivoting at pace. We are also passionate about creating sustainable values to our business, stakeholders and the communities we operate in, underpinned by our commitment to balance environmental, social and governance aspects.

For more information on Our Value Creating Business Model, please refer to page 60 of this <IR>

Business Activities



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.

DEFINE OUR MATERIAL MATTERS

Our Material Matters are issues that have the potential to generate positive and negative impact to our value creation in the short-, medium-, and long-term. The aspect of inclusivity was key in carrying out the identification process to ensure that our strategic framework is relevant, reliable and safeguarded. Throughout the identification process, a universe of material issues were uncovered, which were then prioritised to represent the areas that are most material to PDB.

For more information on Material Matters, please refer to page 73 of this <IR>

IMPLEMENT OUR STRATEGY

Operating in a dynamic environment, PDB remains agile and adaptable as it strives to sustain its business. While we focus on long-term sustainability, we must not lose sight of the near-term performance.

PDB's approach to value creation is guided by our values as a company and is in alignment with PETRONAS Group's Strategy of Moving Forward Together 50.30.0, anchored on Value, Growth and Sustainability as its three main pillars.

To this end, these three pillars served as a foundation for PDB to fulfil its promise in making stakeholders' everyday lives simpler and better.

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

HOW WE CREATE VALUE AND DELIVER A POSITIVE IMPACT

Our ultimate purpose is to create sustainable value to our stakeholders. Pursuant to this, we constantly measure our performance via identified Key Performance Indicators. Our values are designed towards achieving optimisation of the following key areas;

1. QUALITY PRODUCTS
2. VALUE PROPOSITION
3. NETWORK
4. RELIABILITY
5. INNOVATION
6. CULTIVATE
7. DIVERSITY

OUR VALUE CREATING BUSINESS MODEL

GUIDED BY: PETRONAS SHARED VALUES

- LOYALTY
- INTEGRITY
- PROFESSIONALISM
- COHESIVENESS

STATEMENT OF PURPOSE

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

CAPITAL INPUT

FINANCIAL

Relates to the source of our capital derived from operations and equity.

MANUFACTURED

Refers to our physical and digital infrastructure.

INTELLECTUAL

Refers to intellectual assets such as our brand and franchise value, research and development, innovation capacity, reputation, as well as strategic partnerships.

HUMAN

Is represented by our people, their knowledge, skills and experiences.

SOCIAL AND RELATIONSHIP

Reflects the strong relationships which we have with all our stakeholders who have contributed towards fuelling our growth.

NATURAL

Refers to the electricity, fuel, water and other natural resources required to deliver our products and services to our customers.

For more information on Our Capitals, please refer to page 62 of this <IR>

OPERATING ENVIRONMENT

- COVID-19 pandemic
- Moderate Economic Growth
- Energy Price Volatility
- The Energy Transition

MATERIAL MATTERS

- Economic Growth and Performance
- Environmental Management
- Innovation
- Health and Well-Being
- Customer-Centricity
- Capability Building
- Data Solutions
- Human Rights
- Climate Change
- Community Investments
- Sustainable Supply Chain
- Sustainability Governance

OUR RISKS

- HSE RISK
- FINANCIAL RISK
- OPERATION RISK
- TECHNOLOGY AND CYBER SECURITY RISK
- STRATEGY RISK
- MARKET RISK
- TALENT RISK
- PANDEMIC RISK
- LEGAL AND REGULATORY RISK



Supported by Robust Governance Framework

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

Customer Preference in the Next Normal

OUR STRATEGIC PILLARS

- VALUE
- GROWTH
- SUSTAINABILITY



OUTPUTS

PRODUCTIONS AND SALES

- Total Volume
- Property, Plant and Equipment

INNOVATION AND TECHNOLOGY

- PETRONAS Dynamic Diesel Euro 5 with Pro-Drive
- Mesra Retail & Cafe Sdn. Bhd.
- Sustainable Aviation Fuel
- Gas PETRONAS mobile app
- Setel Express
- OPT/IPT Expansion

ENVIRONMENT

- Reduction of emissions by 155.6 tonnes of CO_2 through rooftop solar
- GHG emissions reduction by ~18,000 CO_2

OUTCOMES CREATED FOR STAKEHOLDERS

Related Stakeholders

FINANCIAL

- Dividend paid to shareholders
- Earnings per share
- Revenue

MANUFACTURED

High value of property, plant and equipment

INTELLECTUAL

- Providing services and convenience to customers
- Fueling customers with high quality and innovative products

HUMAN

- Diversity and inclusion
- Well-fare and benefits

SOCIAL AND RELATIONSHIP

- CSR programmes
- Providing local economic opportunities
- Promoting local entrepreneurship
- Tax payment to the Government
- Compliance with regulatory requirements
- Bridging communications with stakeholders

NATURAL

- GHG emissions reductions in PDB's operations
- Sustainable use of natural resources

FINANCIAL OUTCOMES

REVENUE	PAT	DIVIDEND PER SHARE	DIVIDEND PAYOUT RATIO	MARKET CAPITALISATION
RM22,505.3 MILLION	RM531.2 MILLION	70.0 SEN	102.0%	RM20,465.2 MILLION

PERFORMANCE BY CAPITALS







FINANCIAL CAPITAL	MANUFACTURED CAPITAL	INTELLECTUAL CAPITAL
Key Inputs		
• Market Capitalisation: RM20,465.2 million • Shareholders' Equity: RM5,582.1 million • Cash: RM1,911.1 million • Effective financial management	• >RM4 billion worth of property, plant and equipment • RM374 million in new addition of property, plant and equipment in 2021	• Range of fuel and lubricant products • Mesra own-label • Setel® digital platform • ROVR • PRYSM • Our business processes and management systems
Key Outcomes and Outputs		
• Revenue: RM22,505.3 million • PAT: RM531.2 million • Dividend per share: 70.0 sen • Dividend payout ratio: 102%	• >1,000 PETRONAS Stations • >800 *Kedai Mesra* • 38 Terminals • 24 ROVR trucks • 4 LNG trucks • >11 million LPG cylinders • 61 EV charging stations • Depreciation and amortisation of RM412 million	• Rolled out PETRONAS Dynamic Diesel Euro 5 with Pro-Drive • Incorporated Mesra Retail & Café Sdn. Bhd. • Expansion of Setel® Digital Platform • New products introduction by PRYSM
Actions to Enhance		
• Grew revenue by expanding our non-fuel offerings and utilising digital marketing channels • Total borrowings for the year declined by 35% from 2020, mainly due to repayment of lease liabilities and financing facilities • Maintained stringent cost and spending discipline • Efficient management of working capital to ensure liquidity • Strengthened governance and compliance to avoid losses through corruption or penalties	• Continuously improve asset reliability and integrity to supporting our delivery targets • Opened seven additional PETRONAS stations • Converted all our PETRONAS stations to offer the less-polluting Diesel Euro-5 • Continued to expand the number of *Kedai Mesra* at our PETRONAS stations	• We leverage upon the vast amounts of data that we generate in order to provide our customers with highly personalised experiences and meet their particular needs through our digital channels • Continuous investment in R&D to develop new products and technologies, and reduce our environmental impact • Cultivate workforce, Business Partners' capabilities
Trade-Offs		
Effective management of our Financial Capital enables us to enhance the performance of our other capitals, which drives our sustainable value-creation model. The stringent financial discipline that we maintained in 2021 benefitted our Financial Capital, but its impact was felt on our Human Capital and Manufactured Capital.	• Long-term positive outlook for Financial Capital and Social and Relationship Capital • Our development of more eco-friendly products will benefit Natural Capital, Social and Relationship Capital and Intellectual Capital • Growth of our Manufactured Capital negatively affects Natural Capital and imposes a short-term cost on our Financial Capital • Our growth projects increase the stock of Manufactured Capital, but negatively impact Natural Capital and, in the short-term, Financial Capital. Our investments to reduce the environmental footprint of our products and facilities will, however, benefit Natural, Intellectual, Human and Social and Relationship Capitals	Our investment in Intellectual Capital reduces our stock of Financial Capital in the short term. However, these investments have a positive impact on our Financial Capital, as well as Manufactured, Natural, Human, and Social and Relationship Capitals over the longer term. In particular, our investments in Intellectual Capital also provide solutions for reducing our environmental footprint which benefits Natural Capital.

HUMAN CAPITAL	SOCIAL AND RELATIONSHIP CAPITAL	NATURAL CAPITAL
		
• >1,800 employees • 33% female employees • Experienced Board and Leadership Team • RM1.58 million in employee training investment	• A strong, established, brand • Partnerships with our *Rakan Niaga*/Dealers, business partners, suppliers and contractors • Engagement with shareholders and the investment community • Relationships with communities, government, public bodies and media.	• 1.8 million GJ energy usage • 233.3 MWh solar power generated • Consumed 11,600m^3 of water at our terminals • Harvested 154.1 m^3 of rainwater
• Maintained a zero fatality rate in 2021. • Recruited 33 exceptional fresh graduates under the PETRONAS Group's Protégé programme • Maintained good gender balance on our Board and Leadership Team – 43% female representation in Leadership Team – 38% of Board members are female	• RM150.4 million taxes paid to the Government • RM23,249.2 milion paid to contractors/ business partners/suppliers • Provided structured internships to 121 students from 28 universities in 2021 to prepare them for the job market. • Established partnerships with domestic food producers through Segar@Mesra initiative. • 2,142,000 recipients benefitted from the Food Bank programme • Continuous communication on PDB's growth story and new product offerings to its stakeholders	• Continued inclusion in the FTSE4Good Bursa Malaysia Index, which recognises companies that effectively embrace sustainable business practices, for the sixth consecutive year • 131 kt CO_2e total GHG emissions. The continued reduction was driven by a combination of proactive measures and the impact of reduced economic activity under the MCO • 155.6 kt CO_2e GHG emissions avoided by use of solar energy • Harvested quantity of rainwater amounting to the equivalent of 1,000 commercial vehicle washes
• Continued investment in workforce development, talent acquisition, talent and capability development and leadership development programmes to build the workforce that we need • Enhanced measures to strengthen the culture of integrity and compliance at PDB • Introduced a hybrid approach to working practices to allow flexible working arrangements • Implemented effective SOPs to ensure the health and safety of our employees under pandemic conditions	• Leadership remained proactive in engaging with all stakeholders • We maintained our commitment to good corporate citizenship through our social investment in the key areas of skills development and small business development and supporting development in the communities in which we operate • We continued to strengthen our environmental disclosures	• We revised our Sustainability Roadmap, which lays out our strategic approach to sustainability issues, and aligns them with specific ESG pillars • Embraced MFT 50.30.0, supporting PETRONAS Group's target of Net Zero Carbon Emissions by 2050 • Enhanced the role of solar energy in our operations, with an additional 3.6 MWh of photavaltic capacity installed • Installed rainwater harvesting tanks at our retail stations and incorporated the feature into the design of all our new stations. Continued to invest in enhancing plant efficiency to reduce our environmental footprint • We continued to expand our offerings of less polluting fuel products such as Sustainable Aviation Fuel and low-sulphur PETRONAS Dynamic Diesel Euro 5 with Pro-Drive
Our strong Human Capital generates value across all other capitals that we utilise. Our investment in upskilling benefits our Human Capital and Intellectual Capitals while drawing on additional financial capital. The need to recruit and retain top talent also imposes a cost on our Financial Capital but their contribution leads to growth in our other capitals.	Our social support programmes and contributions strengthen our Social, Manufactured and Human Capitals by building capacity, brand recognition and credibility, but impose a cost on our Financial Capital.	Our business impacts Natural Capital negatively by using non-renewable resources, and through our emissions and the waste generated by our operations. Our effort to minimise these impacts impose a cost on our Financial Capital. However, by converting Natural Capital into value-added products sold through our business, we grow the stock of all the other capitals.

STAKEHOLDER ENGAGEMENT

As a progressive energy and solutions partner enriching lives for a sustainable future, PDB is committed to building and strengthening strong relationships and partnerships with its broad range of stakeholders. We strive to make our stakeholders' everyday lives simpler and better, by listening to, and understanding their unique needs and interests.

Our Stakeholder	Investors	Customers
Why We Engage	We provide fair, balanced and timely material updates with the aim to maintain trust and confidence as well as to allow informed decision-making by the investment communities.	We listen to, and engage with our customers to understand their needs and behaviours to help us deliver meaningful solutions for them, befitting our role as a customer-centric organisation.
Engagement Platforms	• Quarterly results announcement • Quarterly analyst briefings • Group and one-on-one meetings • NDRs and corporate conferences • MyMesra website • Periodic reports – Annual and Sustainability Reports • Bursa Link under IR's Events and Announcement on MyMesra website	• 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
Key Interests and Concerns	• Strategic direction, business growth, performance and opportunities • Cash utilisation and dividends • Corporate governance and business ethics • Economic, social and governance (ESG) practices	• Product pricing, safety and quality • Innovative products and services • Loyalty programme's privileges and benefits • Sustainability practices
Our Responses	• 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	• 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 and introduce a new tiering system • Establish partnerships with prominent brands for Mesra loyalty programme • Develop and implement sustainability-related initiatives

Simultaneously, we aim to address their concerns on the impact of our business to them through strategic and meaningful engagements guided by PETRONAS Group Strategic Communications. Beyond these regular engagements that arise in the course of our business, we also engaged with our key stakeholders in validating our Material Matters, allowing us to integrate the results of our stakeholder engagement into every step of our value creation process.

	***Rakan Niaga*/Dealers**	**Employees**
	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.	We cascade business direction and performance while enabling open communications to ensure employees are engaged and highly motivated.
	• Dealer conferences, events, dialogues, roadshows and engagements • Training sessions • Emails • MyMesra website • Mesralink Customer Experience Centre • Retail dealers' MyStation website	• Townhalls and roadshows • Group and one-on-one engagement sessions • Webinars • Training sessions • Union management • Employee surveys • Messages through video, newsletter, intranet and email
	• Strategic direction, business growth, performance and opportunities • Workforce development • HSE management and compliance • Governance and business ethics • Human rights	• Strategic direction, business growth, performance and opportunities • Employee well-being • Diverse and inclusive career development
	• Provide structured development programmes • Implement initiatives to protect the welfare and well-being of *Rakan Niaga*/Dealers and *Krew* PETRONAS • Empower *Rakan Niaga*/Dealers in conducting safety self-assessment	• Offer flexible working arrangement • Establish regular, open and transparent communication • Provide structured development programmes • Monitor employee well-being and organise programmes and initiatives
	□ △ ◇ ⬠	△ ◇ ⬠ ⬡ ☆

Frequency of Engagement: ○ Daily □ Weekly △ Monthly ◇ Quarterly ⬠ Annually ⬡ Ongoing ☆ As required

STAKEHOLDER ENGAGEMENT

Our Stakeholder	Authorities/Regulators/ Financial Institutions	Contractors/Suppliers/ Business Partners
Why We Engage	We operate in accordance with all regulatory requirements to ensure our operations are safe and not disrupted.	We engage with our partners and supply chain providers to ensure effective business collaboration, including upholding our safety standards and compliance.
Engagement Platforms	• Formal meetings and briefings • One-on-one engagement sessions • Site visits • Periodic reports • Bursa Link under IR's Events and Announcement on MyMesra website	• 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
Key Interests and Concerns	• Legal and regulatory compliance • HSE management and compliance • Corporate governance and business ethics • Human rights • Nation-building initiatives	• 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
Our Responses	• 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	• 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

	Communities	Media
	We engage with the communities we operate in with the aim to enrich their lives and protect the environment, in line with our purpose and long-term business sustainability.	We engage with the media as they are an important medium between our business and the intended stakeholders.
	• 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	• Social engagements • Media statements • Press releases and interviews
	• Community welfare and well-being • Potential health, safety and environmental impacts • Inclusive socio-economic development • Human rights	• Strategic direction, business growth, performance and opportunities • Sustainability/ESG initiatives • New offerings
	• Invest in various flagship and tactical CSR initiatives • Provide support for communities' welfare and well-being • Establish open and transparent communication	• Ensure timely response to media enquiries • Organise effective rapport-building activities
	⬠ ⬡ ☆	◇ ⬠ ☆

Frequency of Engagement: ○ Daily □ Weekly △ Monthly ◇ Quarterly ⬠ Annually ⬡ Ongoing ☆ As required



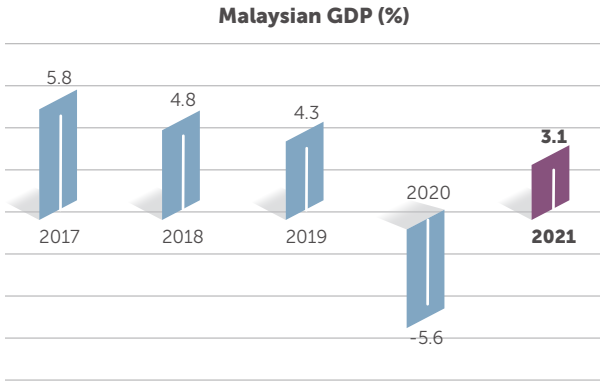
OPERATING ENVIRONMENT AND MARKET OUTLOOK

PDB continued to deliver sustainable value for our stakeholders in 2021, as we navigated the fast evolving operating environment. The impact of the COVID-19 pandemic, the secular shift towards cleaner fuels and renewables that is reshaping the energy industry and geopolitical factors that directly impacted the oil price produced a challenging operating environment during the year. This section sets out the key issues that impacted our performance during the year and how we responded to them.

MODERATE ECONOMIC GROWTH

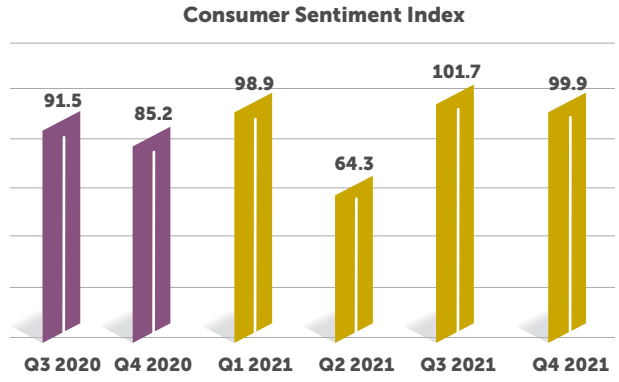
MARKET TREND

2021 offered a more favourable economic and business environment than 2020, as economies around the world rebounded. However, Malaysia's economic recovery was hit by the reimposition of a total lockdown during the middle of the year, in response to a renewed wave of the COVID-19 pandemic. The resulting contraction in consumption and business activity saw BNM revise its growth projection for 2021 down from an initial 6-7.5% to 3-4%. The gradual reopening of economy in the second half of the year, however, cushioned the impact of these measures and the Malaysian economy grew moderately, by 3.1%, in 2021, supporting our performance.



Source: Bank Negara Malaysia

The evolving economic outlook strongly impacted consumer sentiment and behaviour. During the first half of the year, the Consumer Sentiment Index remained below the 100-point threshold level of optimism, with consumers remaining cautions about ongoing the impact of the COVID-19 pandemic. The reimposition of the MCO in May 2021 amidst rising numbers of COVID-19 cases in the country further dented consumer sentiment, with the index plummeting a staggering 34.6 points to 64.3 in the second quarter of 2021. Sentiment turned more optimistic going into the second half of 2021, with the CSI rising to 101.7 in third quarter of 2021, as movement restriction were eased, the National COVID-19 Immunisation Programme and National Recovery Plan were launched and the domestic and global economies continued to recover. This was the CSI's strongest performance since the third quarter of 2013 and the first time it rise above the 100-point optimism threshold since the third quarter of 2018.



Source: Malaysian Institute of Economic Research

IMPACT

The reimposition of the MCO hampered Malaysia's economic recovery, which resulted in lower demand for transport fuel and a decline in consumer purchasing power. This led to a 2% decline in PDB's sales volume in 2021, compared to the year before.

OUR RESPONSE

We undertook targeted promotions to drive retail sales and capture recovery volume from the resumption of domestic travel. We expanded the range of affordable offerings at our *Kedai Mesra*. We also targeted our sales to sectors less affected by the pandemic and MCO, such as essential services and eateries doing take-out and delivery. We also acted to support local enterepreneurship by strenghthening cooperation with key partners. We collaborated with MARA to enroll 14 workshops under the PETRONAS AutoExpert. We are also collaborating with the National Farmers Organisation, National Fishermen's Association and the Federal Agricultural Marketing Authority to bring fresh produce to our customers and support the food producers through our newly launched Segar@Mesra initiative. Additionally, we maintained effective cost management to safeguard our financial performance in the evolving economic environment.

OUTLOOK

The business environment remains challenging, but BNM is optimistic that Malaysia's economy will grow by 5.5%-6.5% in 2022, as the country benefits from a stronger labour market, a rise in manufacturing and exports, and the resumption of most social activities. This strong recovery will be underpinned by the high levels of vaccination, with more than 78% of the entire population fully vaccinated, including more than 90% of the population over the age of 12. Consumer spending is expected to grow, supported by the government's expansionary budget for 2022. These measures will offer a broadly supportive business environment for PDB over the near and medium terms.

OPERATING ENVIRONMENT AND MARKET OUTLOOK

ENERGY PRICE VOLATILITY

MARKET TREND

Crude oil prices rose sharply in 2021 as the global economic rebound saw petroleum demand rise faster than production. The global benchmark Brent price rose from USD50 per barrel in January to a high for the year of USD86 per barrel in late October.

The sharp rise in prices was driven by the broad rebound in the global economy and production cuts by the OPEC+ group, beginning in July 2020 and their announcement in December 2020 to limit production increases throughout 2021. This resulted in Brent rising to an annual average price of USD71 per barrel in 2021, its highest average price in the past three years and a major leap from the average of USD42 per barrel in 2020.

Brent Crude Oil Price Movement in 2021



Source: *Platts*

IMPACT

The higher crude price contributed directly to our stronger performance this year, driving a 20% rise in our top line earnings to RM22,505.3 million, up from RM18,710.9 million the year before.

OUR RESPONSE

PDB capitalised on the rise in oil prices through stringent inventory management that allowed us to achieve optimal selling prices tied to fluctuating demand. We also rolled out our New Operating Model at all 14 of our fuel terminals. The New Operating Model leverages digitalisation to eliminate many of the manual processes, which has led to significant operational efficiencies and an improved cost-to-serve. Additionally, we continued to diversify our earnings base by expanding the range of our non-fuel retail offerings, both at our *Kedai Mesra* and through our Setel® platform.

OUTLOOK

The outlook for crude prices, driven by a rebound in the global economy and growing inflationary pressure, remains favourable for PDB. WoodMackenzie forecasted that the Brent price to average at USD99.60 per barrel in 2022, a significant rise from the USD71 per barrel average in 2021. This, along with recovering demand, will be supportive of PDB's performance as we go forward. Nevertheless, we will continue our strategy of expanding our non-fuel income in order to future-proof our business against future price volatility.

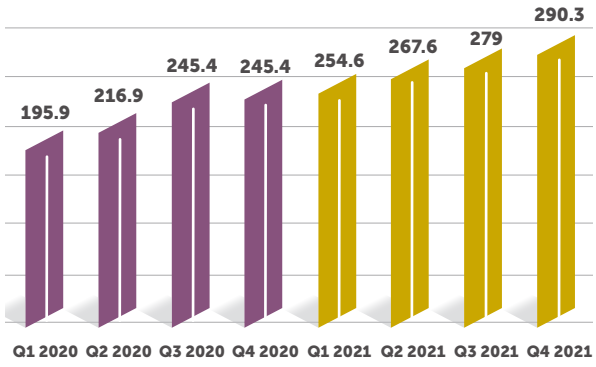
CUSTOMER PREFERENCE IN THE NEXT NORMAL

MARKET TREND

The Malaysian e-commerce market, one of the fastest-growing in Southeast Asia, registered another year of strong growth as the shift towards online shopping among consumers continued to accelerate during the COVID-19 pandemic. This rapid growth is projected to outlast the pandemic. The digital economy, which accounted for 22.6% of Malaysia's GDP by the end of 2021, is projected to contribute 25.5% of GDP by 2025. This strong growth reflects not just the secular shift that has been driven by rising internet and smartphone penetration and a growing middle class, but also how consumers have adapted to the new reality, as social distancing measures and the closure of physical stores during the lockdown made online shopping a more convenient option.

The growth of e-commerce in Malaysia mirrors the global trends where smartphone shopping reached another historic high. Globally, 41% of respondents say they shop daily or weekly via mobile or smartphone, compared with 39% six months ago and 12% five years ago. This growth has come despite in-store shopping having recovered to pre-pandemic levels.

Quarterly Performance of E-commerce Income by Establishment (RM Billion)



Source: Department of Statistics Malaysia

IMPACT

The shift to e-commerce has seen major growth for our Setel® platform. The total number of users grew by 69%, to approximately 3.5 million in 2021. Overall Gross Merchandise Value rose 113%, compared to 2020, and we continued to expand the range of non-fuel purchases and services available via Setel®. During the year, we also launched our Gas PETRONAS mobile app in the Klang Valley, which received a customer rating of 4.78 out of 5.00. Overall, our non-fuel retail income rose by 1% compared to 2020, despite the impact of the MCO.

OUR RESPONSE

To deliver a more efficient and engaging digital experience for our customers, we expanded our cloud-based Point-of-Sale system and deployed our state-of-the-art OPT/IPT system that provides seamless cashless operations across 90% of our stations. We have also continued to expand the e-commerce functionality of our Setel® app to deliver seamless experience. Setel® now also incorporates the Gas PETRONAS@Station locator that offers cashless payment at more than 170 stations through the Setel® e-wallet. This builds on the Gas PETRONAS mobile app that we have launched in the Klang Valley. We further strengthened our digital footprint by offering bookings for our PETRONAS AutoExpert service via the POMEN app.

Alongside the technological enhancements, we have continued to expand the range of products and services available via our e-commerce platforms beyond fuel and our in-house brand products. Our parcel delivery service, for example, has seen rapid expansion and now offers delivery across Peninsular Malaysia. We also rolled out our new 14kg cylinders, targeted at the forklift industry. These measures underpin our growth strategy of evolving from being a traditional fuel services retailer to being a consumer services provider.

OUTLOOK

The pandemic has accelerated a permanent shift by consumers and businesses towards online commerce and digital solutions. Capitalising on this fundamental shift is at the heart of our digital growth strategy. To drive our e-commerce growth, we will continue to leverage the vast amounts of data that we generate in order to deliver hyper services for our customers.

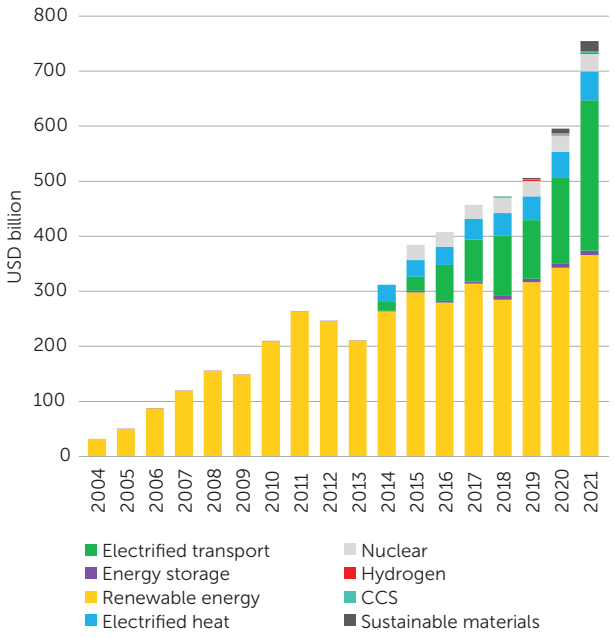
OPERATING ENVIRONMENT AND MARKET OUTLOOK

THE ENERGY TRANSITION

MARKET TREND

The global transition to renewable and cleaner forms of energy remains the most powerful trend impacting our industry, affecting everything from energy prices to investment decisions and company valuations. The shift is being driven by a confluence of public demand for less polluting forms of energy, increasing government regulation, rapid technological advancement and, crucially, the increasing economic competitiveness of renewables.

Global Investment in Energy Transition by Sector



Source: BloombergNEF

IMPACT

With the global economy returning to growth, total investment in renewable energy rose to a record-breaking USD755 billion in 2021, a jump of 27% from the previous year. Of that, investment in electrified transportation, which includes electric vehicles and supporting infrastructure, surged by a massive 77% to USD237 billion, with global sales of electric vehicles doubling to 6.1 million in 2021. While the transition in the aviation and marine transport sectors has not been as rapid, there has been a similar trend with rising demand for LNG and Low-Sulphur Fuel Oil.

OUR RESPONSE

PDB has successfully anticipated many of the trends shaping the fuel retail industry and positioned ourselves for the shift towards cleaner forms of energy. In 2021, we continued to grow our off-grid LNG distribution service to encourage customers to transition towards cleaner fuel. We also converted of all our PETRONAS station to offer the lower emissions PETRONAS Dynamic Diesel Euro 5 with Pro-Drive, and made available the eco-friendly B20 grade biodiesel at selected stations. To capture growing demand from electric vehicles we initiated and signed an MoU with JomCharge and Mercedes to roll out fast DC-charging units at our stations. Additionally, we collaborated with Malaysia Airlines Berhad on the historic first flight using Sustainable Aviation Fuel in the Malaysian aviation industry. Alongside this, we have actively continued to grow our non-fuel business.

OUTLOOK

The Malaysian Government has revised its Renewable Energy targets to 31% by 2025 and 40% by 2035, and announced clear incentives for electric vehicle ownership in Budget 2022. While these measures will negatively impact demand for the carbon fuels at the core of our business, they will also support the growth of our renewables and cleaner fuels sectors. Our strategies for capitalising on these opportunities are laid out throughout this report.

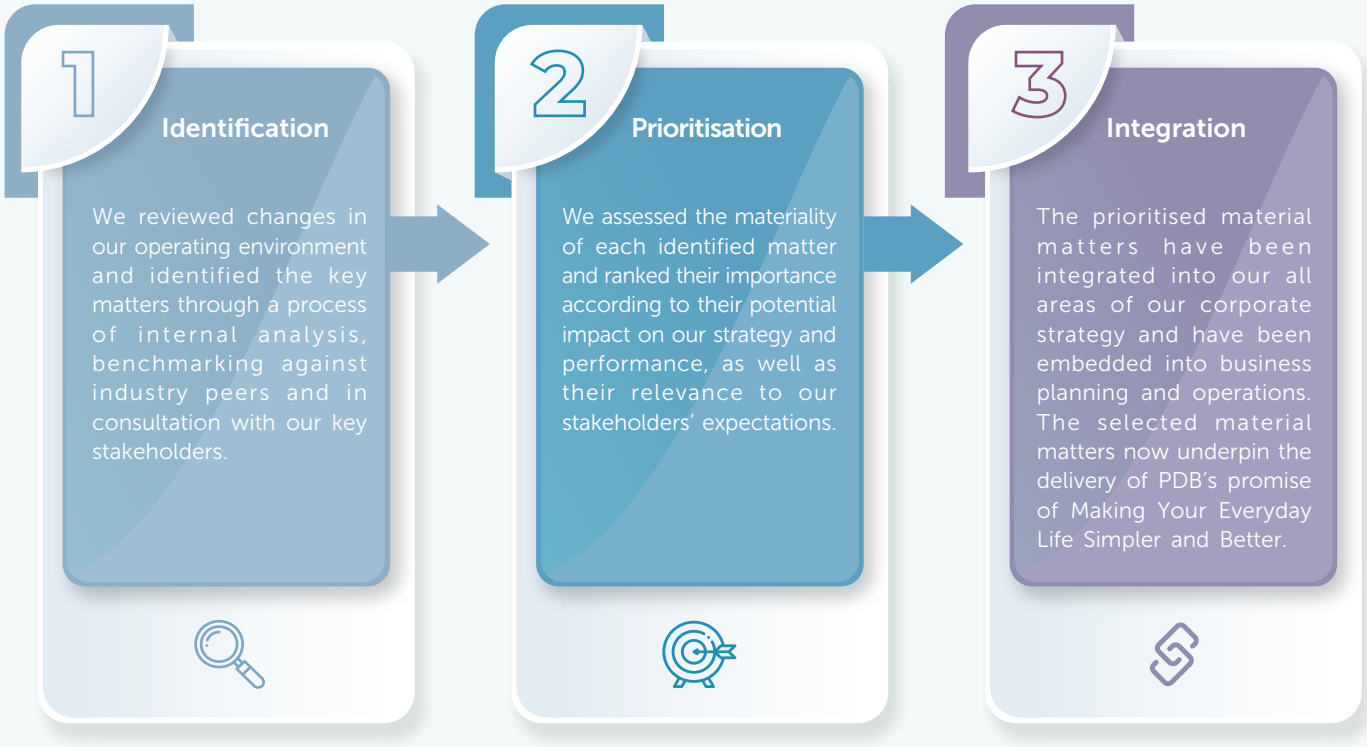
MATERIAL MATTERS

PDB's approach and strategies are essentially based on what is material to the organisation. These are the factors that have the strongest impact, whether positively or negatively, on our ability to create and maintain value and meet our stakeholders' expectations. By correctly identifying and strategically managing our material matters, PDB aims to continue generating sustainable value for our stakeholders.

In 2021, we undertook a comprehensive materiality assessment (through applying the EESG lens), that incorporated the impact of COVID-19, of rapid technological change and of the continuing shifts in the energy demand landscape. As a result, we have refreshed our materiality matrix that now includes 12 material matters, which we have aligned to four pillars: Economic, Environmental, Social and Governance. It is worthwhile to note that some of these identified material matters also forms the basis of PDB Sustainability Roadmap.

Further details of the processes and approach in identifying our material matters can be found in our Sustainability Report on page 213 of this <IR>

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



MATERIAL MATTERS

Economic Growth and Performance

Contributing to national growth by engaging and helping to develop the capacity of local entrepreneurs.

WHY IT IS IMPORTANT TO US

The overall economic performance of the nation has both a direct and indirect impact upon PDB's performance. This requires us to adapt our business strategy to anticipated changes in the economic environment.

OUR RESPONSE

- We contributed directly to economic growth in the country, not just by the activity generated by our own business but by the RM150.4 million in taxes that we paid in 2021.
- We also undertook various programmes and initiatives to support entrepreneurship growth and development, hence fulfilling our commitment towards national contribution.

LINKS TO

SDGs:

Capitals:

Stakeholder:

Strategies:

EVIDENCE OF OUR RESPONSE IN THE OTHER PART OF <IR>

- *5-Year Group Financial Highlights and Summary – page 90*
- *Distribution of Value Added – page 96*
- *Segmental Analysis – page 93*
- *Our Approach to Value Creation – page 58*
- *Stakeholder Engagement – page 64*
- *Key Sustainability Highlights – page 209*
- *Sustainability Report: Economic Growth and Performance – page 222*

Innovation

Developing innovative solutions for the benefit of our stakeholders by enhancing the efficiency of our offerings and customer experience.

WHY IT IS IMPORTANT TO US

Driving continuous innovation across our products and the way that we operate is central to our ambition of evolving beyond our traditional role as a fuel retailer and towards becoming a customer services business.

OUR RESPONSE

- We rolled out innovative new fuels like our low-sulphur diesel and sustainable aviation, and expanded our electric vehicle charging stations fuel to capture shifting consumer demand.
- We intensified our investment in R&D and upheld our investment in employee training to continue building a culture of innovation across PDB.

LINKS TO

SDGs:

Capitals:

Stakeholder:

Strategies:

EVIDENCE OF OUR RESPONSE IN THE OTHER PART OF <IR>

- *Our Approach to Value Creation – page 58*
- *Sustainability Report: Innovation – page 228*

Customer-Centricity

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

WHY IT IS IMPORTANT TO US

PDB is focused on providing our customers with more meaningful interactions that are tailored to their specific needs and reaching new customers through our different channels. Growing our customer base and the revenue that we derive from each customer is key to our growth strategy.

OUR RESPONSE

- We enhanced technology solutions to deliver a seamless customer service experience through both at our stations and on the go via our Setel® platform.
- We continued to invest in workforce training to reinforce the customer-centric mindset.

LINKS TO

SDGs:

Capitals:

Stakeholder:

Strategies:

EVIDENCE OF OUR RESPONSE IN THE OTHER PART OF <IR>

- *Our Approach to Value Creation – page 58*
- *Stakeholder Engagement – page 64*
- *Sustainability Report: Customer-Centricity – page 229*

Data Solutions

Enhancing our digital consumer solutions and strengthening our cyber security.

WHY IT IS IMPORTANT TO US

Data is, increasingly, at the heart of our business strategy and it is vital that we have robust systems in place to ensure the security of our customers' data and of our digital infrastructure.

OUR RESPONSE

- We will continue to invest in the technology and training that allows us to deliver a seamless and frictionless customer experience.
- We upgraded our cyber-defence capability with active monitoring and real-time alerts.

LINKS TO

SDGs:

Capitals:

Stakeholder:

Strategies:

EVIDENCE OF OUR RESPONSE IN THE OTHER PART OF <IR>

- *Our Approach to Value Creation – page 58*
- *Sustainability Report: Data Solutions – page 232*

MATERIAL MATTERS

Climate Change

Contributing towards climate change mitigation via energy efficiency & investment in reducing our carbon footprint.

WHY IT IS IMPORTANT TO US

Climate change is one of the most pressing issues that our planet faces and we recognise our responsibility in contributing to the solution.

OUR RESPONSE

- We strengthened to support PETRONAS aspiration towards reaching NZCE by 2050.
- We received an Independent Assurance Statement for 2017-2020 Scope 1 and 2 GHG emissions data.
- We completed a high-level qualitative risk and opportunities assessment under different climate scenarios.
- We calculated our Scope 3 GHG emissions (Category 1 and 11.

LINKS TO

SDGs:

Capitals:

Stakeholder:

Strategies:

EVIDENCE OF OUR RESPONSE IN THE OTHER PART OF <IR>

- *Our Approach to Value Creation – page 58*
- *Key Sustainability Highlights – page 209*
- *Sustainability Report: Climate Change – page 236*

Sustainable Supply Chain

Ensuring that our suppliers and contractors hold the same ESG values as PDB.

WHY IT IS IMPORTANT TO US

To ensure progressive efficiency across our value chain aligned to our commitment as a responsible corporate citizen and in consideration of heightened expectations of stakeholders on mitigating the overall adverse sustainability footprint. This also includes opportunities to increase efficiencies, hence reducing wastage that can be diverted to other uses and causes.

OUR RESPONSE

- We ensured quality of our products and services throughout our value chain are maintained through our robust standards, management systems and due diligence processes.
- We continued strengthening environmental and social considerations into supplier selection in adherence to PETRONAS Code of Business Ethics (CoBE).
- We enhanced our anti-corruption monitoring and reporting systems to reduce corruption risk throughout our supply chain.

LINKS TO

SDGs:

Capitals:

Stakeholder:

Strategies:

EVIDENCE OF OUR RESPONSE IN THE OTHER PART OF <IR>

- *Our Approach to Value Creation – page 58*
- *Corporate Integrity and Ethics – page 191*
- *Stakeholder Engagement – page 64*
- *Key Sustainability Highlights – page 209*
- *Sustainability Report: Sustainable Supply Chain – page 248*

Environmental Management

Ensuring the sustainable management of the natural resources that we impact and the waste we generate.

WHY IT IS IMPORTANT TO US

As a responsible corporate citizen we take our duty of environmental stewardship seriously and seek to avoid causing environmental degradation through spill prevention, reducing emissions and effluent discharges, and sustainable management of resource use such as waste and water.

OUR RESPONSE

- We intensified efforts in hazardous waste reuse, recycle and recover (3R), with a volume jump from 51.8% in 2020 to 69.7% in 2021.
- We upgraded programme to install Automatic Tank Gauging and electronic leak detector systems.
- We expanded initiatives including our community recycling programme and rainwater harvesting.
- We increased usage of environmentally friendly products and packaging such as sustainable fabrics in our PRYSM products and issuance of biodegradable and compostable bags at our stations.

LINKS TO

SDGs:



Capitals:



Stakeholder:



Strategies:



EVIDENCE OF OUR RESPONSE IN THE OTHER PART OF <IR>

- *Our Approach to Value Creation – page 58*
- *Sustainability Report: Environmental Management – page 244*

Health and Well-Being

Providing a safe working environment at all our facilities to protect our employees and our assets.

WHY IT IS IMPORTANT TO US

Our employees are at the heart of our business and we are committed to ensuring their well-being. Delivering on this commitment has never been more important than it has been under the ongoing COVID-19 pandemic.

OUR RESPONSE

- We continued to refine our operating procedures and invest in training to ensure the development of an effective Health, Safety, Security and Environment (HSSE) culture at PDB.
- We adapted to the regular changes of the circumstances of COVID-19, through a strong process of health and safety governance and the associated SOP's.

LINKS TO

SDGs:



Capitals:



Stakeholder:



Strategies:



EVIDENCE OF OUR RESPONSE IN THE OTHER PART OF <IR>

- *Our Approach to Value Creation – page 58*
- *Key Sustainability Highlights – page 209*
- *Sustainability Report: Health and Well-being – page 251*

MATERIAL MATTERS

Capability Building

Investing in our people to build a high-performance, competent and talented workforce that adds value to the organisation.

WHY IT IS IMPORTANT TO US

The nature of work is evolving and having the right people with the right skill sets is essential to the success of our business. The fast-evolving business environment requires the constant upskilling of the workforce in order for us to remain competitive.

OUR RESPONSE

- We developed the foundation of Agile Enterprise with talent upskilling.
- We benefitted from leveraging PETRONAS Education and Sponsorship Program, as it ensured the continuous availability of a pool of talent upon which PDB could source from, specifically in niche areas such as Digital Marketing.

LINKS TO

SDGs:

Capitals:

Stakeholder:

Strategies:

EVIDENCE OF OUR RESPONSE IN THE OTHER PART OF <IR>

- *Our Approach to Value Creation – page 58*
- *Stakeholder Engagement – page 64*
- *Key Sustainability Highlights – page 209*
- *Sustainability Report: Capability Building – page 269*

Human Rights

Ensuring that we have the appropriate measures in place to be proactive in the management of workers' right.

WHY IT IS IMPORTANT TO US

Concerns over the rights and fair treatment of workers continue to gain prominence and the policies and conduct of large employers have come under sustained scrutiny by governments, workers' rights groups and society as a whole.

OUR RESPONSE

- We continued to work with our stakeholders to manage potential human rights risks in our business.
- We continued to ensure strong adherence and awareness to PETRONAS CoBE through various initiatives.

LINKS TO

SDGs:

Capitals:

Stakeholder:

Strategies:

EVIDENCE OF OUR RESPONSE IN THE OTHER PART OF <IR>

- *Our Approach to Value Creation – page 58*
- *Sustainability Report: Human Rights – page 266*

Community Investments

Strengthen our position in local communities through targeted community investment programmes that address societal needs.

WHY IT IS IMPORTANT TO US

PDB is committed to having a positive impact on the communities in which we operate, helping to build thriving, inclusive and sustainable communities.

OUR RESPONSE

- We continued to strengthen our commitment in creating value to communities through various initiatives and programmes including supporting local food producers and consumers via the Segar@Mesra initiative; supporting 121 students through from 28 universities through structured internship programmes among others.

LINKS TO

SDGs:

Capitals:

Stakeholder:

Strategies:

EVIDENCE OF OUR RESPONSE IN THE OTHER PART OF <IR>

- *Our Approach to Value Creation – page 58*
- *Stakeholder Engagement – page 64*
- *Key Sustainability Highlights – page 209*
- *Sustainability Report: Community Investment – page 273*

Sustainability Governance

Strengthening our sustainability governance framework to deliver a more robust & structured approach, aligned with global and local standards.

WHY IT IS IMPORTANT TO US

Effective planning and monitoring frameworks are essential to ensuring effective outcomes as we work to embed sustainability practices into all areas of our business and operations.

OUR RESPONSE

- We established a Sustainability Action Council, comprising selected Leadership Team members and employees across relevant functions and departments, to monitor the effectiveness of our various sustainability initiatives.
- We ensured that we met all obligations for continued inclusion in the Bursa Malaysia FTSE4Good Index.

LINKS TO

SDGs:

Capitals:

Stakeholder:

Strategies:

EVIDENCE OF OUR RESPONSE IN THE OTHER PART OF <IR>

- *Stakeholder Engagement – page 64*
- *Board Audit Committee Report – page 182*
- *Board Risk Committee Report – page 188*
- *Corporate Governance Overview Statement – page 142*
- *Chairman's Corporate Governance Statement – page 140*
- *SORMIC – page 194*
- *Key Sustainability Highlights – page 209*
- *Sustainability Report: Our Sustainability Governance – page 219*

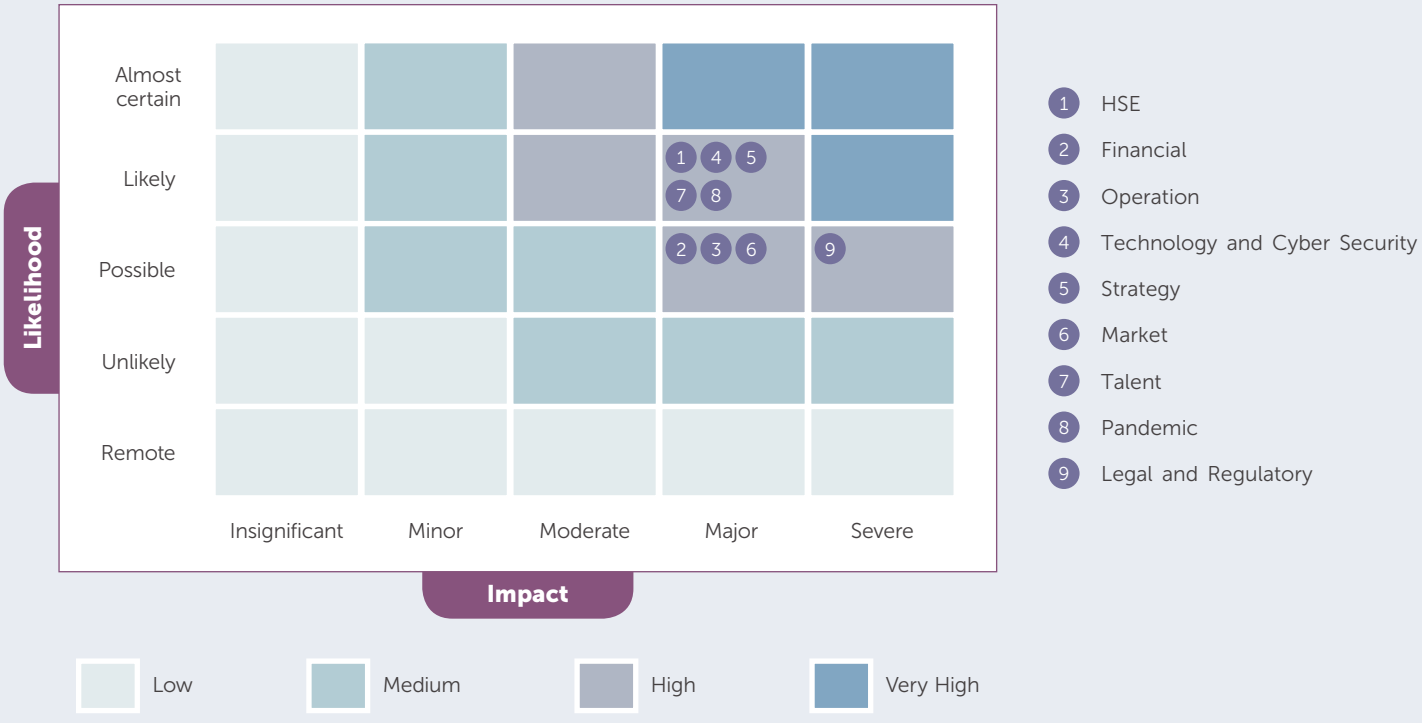
KEY RISKS AND MITIGATION

HOW WE MANAGE OUR RISKS

In 2021, despite challenging environment from prolonged COVID-19 pandemic, PDB continue to manage current and new risks through effective risk management processes across the entire value creation in all our lines of business in driving growth and enhancing shareholder value while maintaining the PDB's competitive advantage.

We periodically review our key risks based on Enterprise Risk Management (ERM) process which considers various inputs such as our business key focus areas, 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 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 every quarter. 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 196 of this <IR>



Underpinned by a clear risk appetite, the identified key risks are actively managed using a consistent approach across PDB, which is aligned with the strategic objectives. The key developments surrounding these risks are explained below:

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.

SR Element:

Continued Value Creation | Safeguard the Environment | Positive Social Impact | 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 area 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 legal litigation and suspension of license to operate
- Fuel spillage/explosion/fire affecting the environment

Mitigation Strategies

- Address 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
- Heighten safety and compliance culture among employees and *Rakan Niaga*/dealers/contractors/haulers to achieve and sustain Generative HSE Culture
- Continuous upgrading ageing assets at PETRONAS station

Link to:

Capitals

Strategic Pillars

V S

For more information on Health and Well-Being, please refer to Sustainability Report on page 251 of this <IR>

FINANCIAL RISK

Risk Description

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.

Implication

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

Mitigation Strategies

- Assess credit worthiness of all potential customers and *Rakan Niaga*/Dealers as well as performing credit reviewes on existing customers in accordance to Credit Risk Framework and Guidelines
- Close monitoring and reporting of Trade Accounts Receivables to ensure payments are received on timely manner

Link to:

Capitals

Strategic Pillars

V S

For more information on Credit Risk Framework and Guidelines, please refer to SORMIC on page 205 of this <IR>

KEY RISKS AND MITIGATION

OPERATION RISK

Risk Description

Operational excellence is paramount to PDB 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.

PDB's value chain may be impacted by operational interruptions during prolonged COVID-19 pandemic and bad weather.

Implication

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

Mitigation Strategies

- Continuous improvement in resolving daily operational issues as well as ensure timely product delivery and cost effectiveness
- Conducted Business Continuity Plan Testing and Exercise for supply and facilities failure

Link to:

Capitals

Strategic Pillars

V

S

For more information on Supply and Distribution – Key Initiatives, please refer to Business Review on page 104 of this <IR>

For more information on BCP Testing, please refer to SORMIC on page 202 of this <IR>

TECHNOLOGY AND CYBER SECURITY RISK

Risk Description

PDB is exposed to disruption of digital infrastructure and system which may adversely impact our business operations and customer experience.

Reliability on digital offering has increased the complexity of our operating environment with multiple systems running in parallel and interconnected with each other may pose the upgrading efforts at risk.

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 to system vulnerability.

During COVID-19 pandemic, the exposure of cyber threats has increased due to heavy reliance on the internet and information technology.

Implication

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

Mitigation Strategies

- Deliver digital operational excellence through harnessing business and operational data on a single platform
- Continuous modernisation with the expansion of cloud-based platforms and laying the foundation for future digital enablement
- Enhanced governance frameworks and standards towards recognised industry standards
- Upgraded our cyber defence capability with active monitoring and real time alerts at our facilities
- Strengthened Human Firewall by instilling a culture of awareness in day-to-day operations amongst our workforce and partners

Link to:

Capitals

Strategic Pillars

V

G

S

For more information on Digital – Key Initiatives, please refer to Business Review on page 120 of this <IR>

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 Mesra offerings to cater for different customer preferences
- Continue to reinvent and upscale venture business growth with continuous iteration of use case and product
- Building a data driven organisation through upskilling our workforce

Link to:

Capitals

Strategic Pillars

V G S

For more information on Retail, Venture Builder and Digital – Key Initiatives, please refer to Business Review on pages 107, 117 and 120 respectively of this <IR>

MARKET RISK

Risk Description

Changes in market landscape due to uncertain COVID-19 pandemic coupled with intense market competition poses business profitability and financial resiliency 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

- Expansion of retail network, Mesra food solution and Mesra own-label offering
- Maximising sales through high value and performing market segments
- Widened market reach and elevate customer experience
- Strengthening brand awareness through continuous marketing programme
- Improve cost to serve with New Operating Model

Link to:

Capitals

Strategic Pillars

V G S

For more information on Market Outlook, please refer to Operating Environment and Market Outlook on page 68 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 competititve advantage
- Loss of intellectual capital

Mitigation Strategies

- Robust talent management strategies
- Enhance talent and capability development
- Review succession plan to ensure availability and readiness of suitable successors

Link to:

Capitals

Strategic Pillars

For more information on Human Capital and Capability Building, please refer to Sustainability Report on page 258 and 269 respectively of this <IR>

PANDEMIC RISK

Risk Description

PDB remain exposed to the impact of prolonged global pandemic although the situation improved in the second half upon the roll-out of vaccination program. While the uncertainty created by the prolong COVID-19 crisis is now gradually abating, supply chain disruptions and people safety are still being the major concern which require readiness in supporting PDB business operations and people.

Implication

- Delay in project delivery
- Cost overrun
- Business operations

Mitigation Strategies

- Review and update on PDB Pandemic Preparedness and Response Plan
- Conducted Business Continuity Plan Testing and Exercise
- Ensure adhere to all SOP guidelines at PDB premises
- Consistent communications and issue alerts on COVID-19 to all employees and contractors
- Implement directives on Special Working Arrangement as per Group HR through WFH/Split-team-Working

Link to:

Capitals

Strategic Pillars

For more information on COVID-19 Management and Emergency Preparedness, please refer to Sustainability Report on page 256 of this <IR>

For more information on Business Continuity Management, please refer to SORMIC on page 201 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 Malaysia 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 PDB Compliance Department
- Enhancement of Whistleblowing Policy and Guideline of Competition Law
- 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 191 of this <IR>

For more information on Key Elements of Internal Controls Systems, please refer to SORMIC on page 202 of this <IR>

FORWARD-LOOKING VIEW

The socio economic impact resulting from the continued uncertainty of pandemic recovery period will likely see the current set of risks remain present for the foreseeable near future due to weakening economic prospects, shift in customer behaviours and demands. To ensure PDB's resilience in facing these challenges, the controls and mitigations in 2021 will be further enhanced and implemented diligently.

PDB continues to place the highest priority on health and safety of our workforce and protection of our assets, communities, environment and stakeholders. A long term HSE strategy has been developed with the aims to support the aspiration of sustainable generative culture.

The threat of cyber risk incidents remains ever-present, more so during this time of increased reliance on IT solutions which expose PDB to additional cyber risk vulnerabilities. As such, PDB shall ensure continuous safety of our systems and customer data, through enhanced cyber defence capability.

On the other hand, in today's VUCA world, companies are increasingly exposed to emerging Economy, Environment and Social (EES) risks. PDB shall enhance and strengthen the group-wide ERM with the integration of sustainability-related risks into the ERM practices. This integration will further expand our horizon for a holistic view of ERM in the organisation while progressively assessing the emerging EES risks through a structured manner. This progressive effort will prepare the organisation with an appropriate mitigation plan and strategy to address the emerging risks and minimise its impact to the organisation, subsequently improving overall business and sustainability performance.

As we strive to manage the threats and uncertainties faced by the Group in the wake of the global pandemic, we are also aware of the increased opportunities especially in the new normal way of life and working. PDB shall continue to enhance its risk management implementation to increase the Group's resilience and meet the challenges of the future.

OUR STRATEGY

Responding to emerging market trends and the challenging business landscape, our strategies are devised to drive PDB's transformation plan to strengthen our core business and ensure value creation. PDB's approach to value creation is driven by our material matters which address the consumers, organisation, and other stakeholders' needs and concerns, and management of business risks.

STRATEGIC PILLAR	2021 KEY INITIATIVES	2021 ACHIEVEMENTS
VALUE Sustain PDB's core businesses	• Improve cost to serve with New Operating Model • Digital Transformation journey	• Completed New Operating Model at all 14 terminals providing a more competitive price • Faster responding to commercial customer demand for pricing through digital platform where pricing and sales information is available anytime and anywhere • Enhancing customer touchpoints and improves digital experience via deployment of the new OPT/IPT completed at ~900 PETRONAS stations nationwide
GROWTH Diversify through Mesra and Ventures	• Expansion of Mesra Business • Build disruptive venture	• Incorporation of Mesra Retail & Cafe Sdn. Bhd.
SUSTAINABILITY Remains committed in creating positive impact to Environment, Economy and Social	• Promote entrepreneurship, local products and sustainable initiatives	• Formed strategic partnership with Mercedes, JomCharge for fast EV charger deployment at stations • Promoting local economy through collaboration with MARA via PETRONAS AutoExpert to expand and enhance incentives for the automotive industry by local entrepreneurs • Giving Back to community through CSR activities • Growing selection of eco friendly products by PRYSM

As we mark the conclusion of the transformation journey that we began in 2018, we are now embarking on the next phase of our strategy, which is anchored on the goal of future proofing our organisation by focusing on three Strategic Pillars namely Value, Growth and Sustainability to achieve our vision of being a progressive energy and solutions partner, enriching lives for a sustainable future. Together, these pillars anchor our strategy to future proof our organisation.

2022 PRIORITIES	LINK TO:
• Outpacing industry through greater product portfolio and customer-focused offerings • Optimisation of network and assets • Drive growth in high value segments • Collaboration with key partners • Leading through digital innovation	Material Matters Capital Stakeholder
• Accelerate non-fuel footprint through redefining customer experience and product offer at *Kedai Mesra* • Improve portfolio of partners' offerings by capturing new brands to optimise existing real estates • Expand in-house brand and offer customers a go-to, no frills café experience • Explore and incubate new products and services based on emerging consumer's trend	Material Matters Capital Stakeholder
• Stations as hubs for sustainability initiatives • Lead customers towards cleaner fuel solutions such as LNG and Sustainable Aviation Fuel • Explore partnership with SME to grow local entrepreneur	Material Matters Capital Stakeholder

KEY PERFORMANCE INDICATORS

Metrics	Unit	Description	2020	2021
FINANCIAL PERFORMANCE				
Revenue	RM Million	Income generated from normal business operations	18,710.9	**22,505.3**
Volume	Million Litres	To measure PDB's growth from normal business operations	12,060.0	**11,778.2**
Profit After Tax	RM Million	Primary measure of financial results and the organistation's sustainable business growth	272.4	**531.2**
Dividend: Per Share	Sen/Share	To measure dividend payout in relation to number of outstanding ordinary shares issued	38 sen/share	**70 sen/share**
Payout Ratio	Percentage	To deliver sustainable value to our shareholders via dividend contribution	96%	**102%**
ROACE	Percentage	Measure of profitability against capital investment	4.7	**9.5**

Metrics	Unit	Description	2020	2021
ORGANISATIONAL CAPABILITY				
Ready top talents to critical positions*	Ratio	Ensure availability of the right talent to succeed critical positions	2:0:1 (76/39)	**1:8:1 (83/47)**
Critical positions to succession planning*	Percentage		100%	**100%**
Total Employees*	Number	To ensure smooth running of business operations	1,423	**1,466**
Female Employee Composition	Percentage	To support Diversity and Inclusivity in promoting gender equality		
Total Workforce*			31%	**32%**
Leadership Team			47%	**43%**
Board of Directors			30%	**38%**

NOTE

* PDB Company only.

Metrics	Unit	Description	Stakeholders	2020	2021
HEALTH, SAFETY AND ENVIRONMENT					
Greenhouse Gas Emissions (Scope 1 and 2)	'000 tonnes CO_2e	Allows company to account for increases or decreases of emission over time	N/A	149.6	**131.0**
Spill to Environment above 1 barrel (>159 litre)	Number	Allows company to account for increases or decreases of pollution over time	N/A	2	**3**
LTI	Number	Injury resulting from a recordable incident that resulted in Permanent Total Disability, Permanent Partial Disability and Lost Workday Case	Employees	1	**0**
			Contractors	0	**1**
LTIF	No. of LTI per one million man-hours	The figure represents the number of lost time injuries in a given period compared to the total number of hours worked during that period	Employees	0.33	**0**
			Contractors	0	**0.30**
Fatalities	Number	Death resulting from a recordable Injury or Illness regardless of the time intervening between the Injury/Illness and death	Employees	0	**0**
			Contractors	0	**0**
Fatality Accident Rate	Recordable fatalities per 100 million man-hours	The figure represents the number of fatalities in a given period compared to the total number of hours worked during that period	Employees	0	**0**
			Contractors	0	**0**
Total Reportable Case Frequency	No. of Total Reportable case per one million man-hours	The figure represents the number of recordable cases in a given period compared to the one million man-hours	Employees	0.33	**0**
			Contractors	0.32	**0.57**

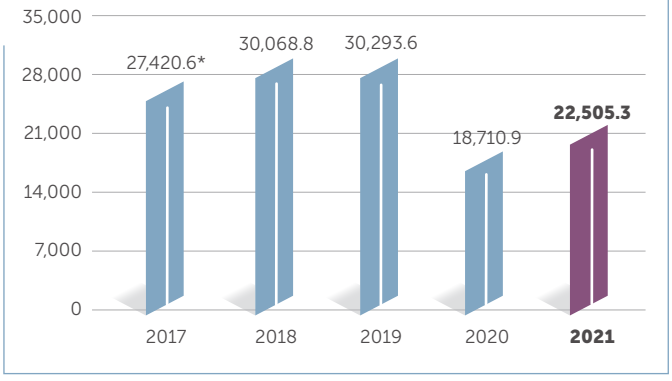
5-YEAR GROUP FINANCIAL HIGHLIGHTS

	FY2017	FY2018	FY2019	FY2020	FY2021
OPERATING RESULTS (RM MILLION)					
Revenue	27,421	30,069	30,294	18,711	**22,505**
Operating profit	1,441	1,178	1,147	403	**751**
Profit before taxation	1,896	1,177	1,129	386	**741**
Net profit attributable to shareholders of the Company	1,539	850	830	276	**530**
Profit after taxation	1,545	862	838	272	**531**
KEY BALANCE SHEET DATA (RM MILLION)					
Property, plant and equipment	3,372	3,336	4,135	4,067	**4,018**
Total assets	9,748	9,171	9,996	8,360	**9,601**
Total borrowings	67	55	334#	178#	**116#**
Total liabilities	3,708	3,234	3,985	2,684	**3,985**
Share capital	993	993	993	993	**993**
Equity attributable to shareholders	6,002	5,897	5,976	5,644	**5,582**
SHARE INFORMATION PER SHARE (SEN)					
Basic earnings	155.0 sen	85.5 sen	83.5 sen	27.8 sen	**53.3 sen**
Gross dividend	97 sen*	70 sen	85 sen**	38 sen	**70 sen**
Share price as at financial year end (RM)	24.26	26.50	23.10	21.40	**20.60**
FINANCIAL RATIOS					
Return on revenue	4.0%	2.9%	2.8%	1.5%	**2.4%**
Return on equity	25.7%	14.4%	14.0%	4.8%	**9.5%**
Return on total assets	11.2%	9.4%	8.4%	3.3%	**5.5%**
Debt to equity ratio	1.1%	0.9%	5.6%	3.1%	**2.1%**
Dividend payout	78.0%	86.0%	104.0%	96.0%	**102.0%**

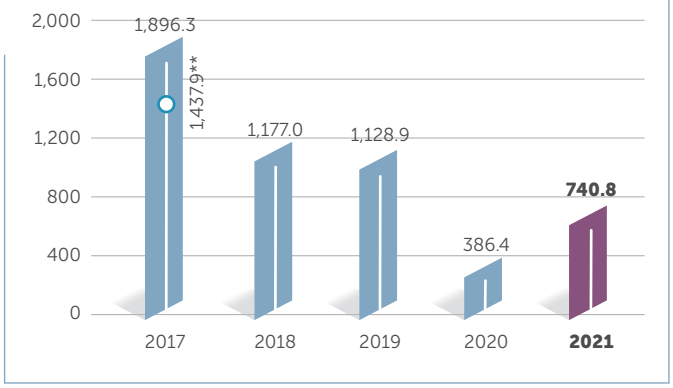
* *includes special dividend of 22 sen per ordinary share*
** *includes special dividend of 15 sen per ordinary share*
\# *includes lease liabilities as part of total debts*

5-YEAR GROUP FINANCIAL SUMMARY

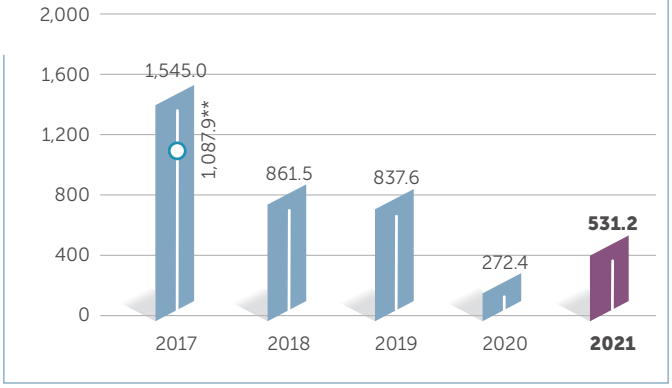
REVENUE
(RM million)



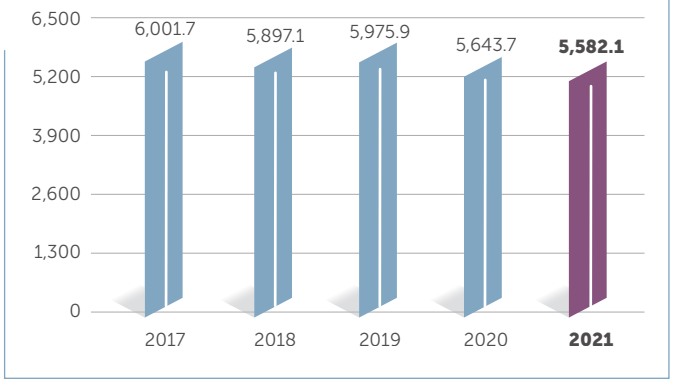
PROFIT BEFORE TAXATION
(RM million)



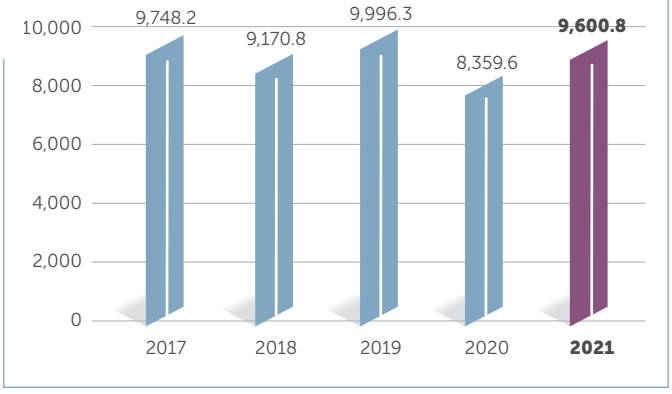
PROFIT AFTER TAXATION
(RM million)



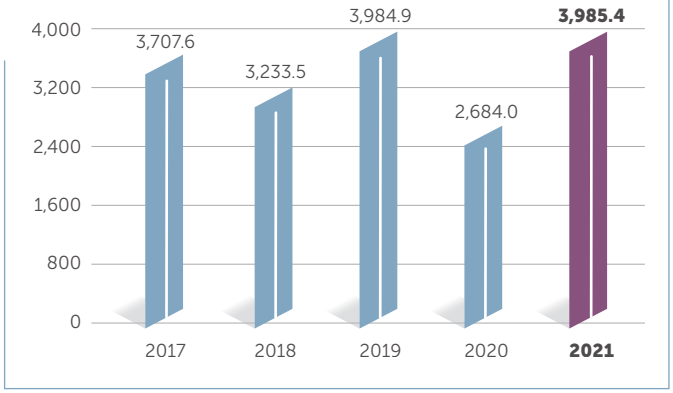
EQUITY ATTRIBUTABLE TO SHAREHOLDERS
(RM million)



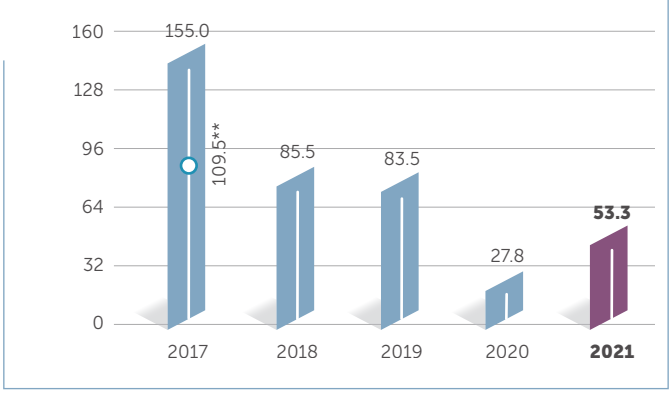
TOTAL ASSETS
(RM million)



TOTAL LIABILITIES
(RM million)



EARNINGS PER SHARE
(sen)

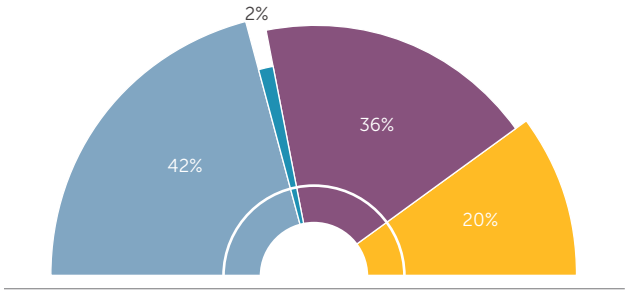


* *Restated following adoption of MFRS15 Revenue from Contracts with Customers*
** *Excluding discontinued operations and gain on disposal of subsidiaries*

SIMPLIFIED GROUP STATEMENT OF FINANCIAL POSITION

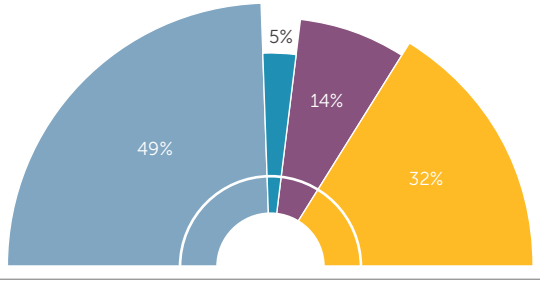
ASSETS

2021



TOTAL
RM9,600.8
million

2020

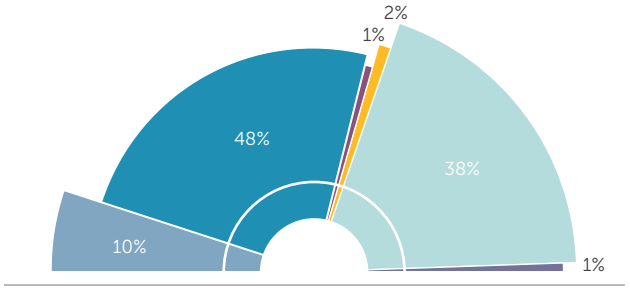


TOTAL
RM8,359.6
million

Non-Current Assets
Inventories
Trade and Other Receivables
Cash and Cash Equivalents
Fund Investment

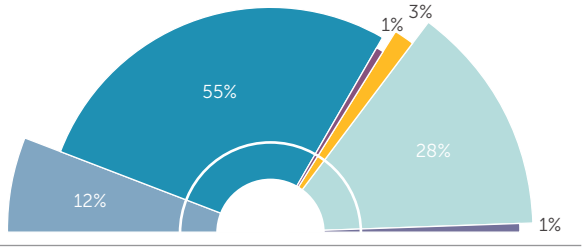
EQUITY & LIABILITIES

2021



TOTAL
RM9,600.8
million

2020



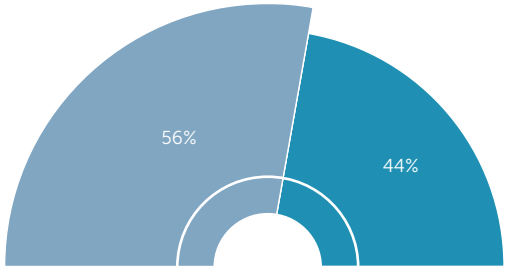
TOTAL
RM8,359.6
million

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

SEGMENTAL ANALYSIS

TOTAL REVENUE

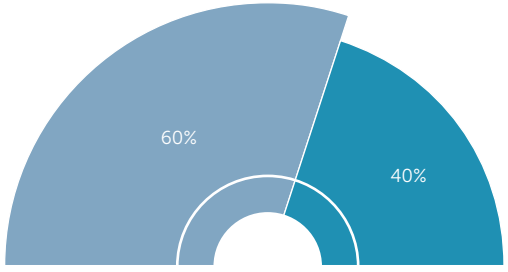
2021



RM22,505 million

Retail Commercial

2020



RM18,711 million

Retail Commercial

GROUP QUARTERLY FINANCIAL PERFORMANCE

2021

In RM Million	Quarter 1	Quarter 2	Quarter 3	Quarter 4	FY2021
Revenue	5,103	5,144	5,201	7,057	**22,505**
Operating profit	288	92	168	203	**751**
Profit before taxation	285	90	166	200	**741**
Profit after taxation	191	82	120	138	**531**
Earnings 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**

2020

In RM Million	Quarter 1	Quarter 2	Quarter 3	Quarter 4	FY2020
Revenue	6,554	2,932	4,830	4,395	**18,711**
Operating (loss)/profit	(14)	6	292	119	**403**
(Loss)/Profit before taxation	(18)	1	288	115	**386**
(Loss)/Profit after taxation	(28)	2	211	87	**272**
(Loss)/Earnings per share (sen)	(3.0)	0.4	21.4	9.0	**27.8**
Dividend per share (sen)	5.0	5.0	11.0	17.0	**38.0**

KEY INTEREST BEARING ASSETS AND LIABILITIES

	2021			2020		
	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 asset						
Cash and cash equivalents	**1,899.3**	**3.2**	**61.3**	2,678.7	2.7	71.3
Interest bearing liabilities						
Islamic financing facilities	**0.0**	**2.8-3.6**	**(0.1)**	9.9	2.8-4.3	(0.8)
Revolving credits	**16.0**	**2.8-2.9**	**(0.4)**	9.5	2.8-2.9	0.0
Lease liabilities	**100.4**	**3.2-8.4**	**(9.0)**	158.8	3.7-8.4	(14.0)

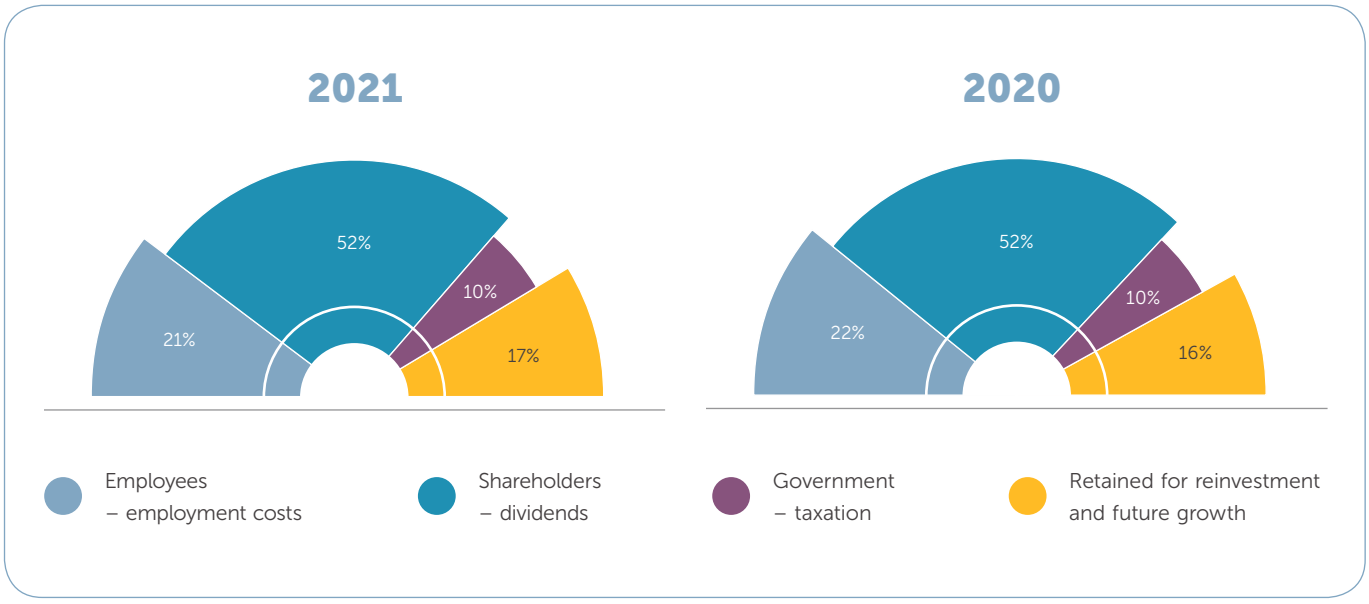
STATEMENT OF VALUE ADDED

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.

	2021 RM'000	2020 RM'000
Revenue	**22,505,326**	18,710,947
Less: Purchase of goods and services	**(21,350,035)**	(17,900,333)
Value added	**1,155,291**	810,614
Other income	**342,011**	363,791
Financing costs	**(11,640)**	(16,035)
Share of net profit of associates and joint ventures	**1,221**	(78)
Value Created	**1,486,883**	1,158,292

DISTRIBUTION OF VALUE ADDED

	2021 RM'000	2020 RM'000
Distributed to:		
Employees – employment costs	**322,319**	257,997
Shareholders – dividends	**606,007**	606,007
Government – taxation	**209,537**	114,007
Retained for reinvestment and future growth:		
Depreciation and amortisation	**412,155**	497,839
Retained profits	**(63,136)**	(317,558)
Value Distribution	**1,486,882**	1,158,292



FINANCIAL CALENDAR

2022

22 February 2022

Announcement of the unaudited consolidated results for the 4th quarter ended 31 December 2021

25 March 2022

Date of Notice of 40th Annual General Meeting and date of issuance of FY2021 Integrated Report

28 February 2022

Announcement of the audited financial statements for the financial year ended 31 December 2021

25 April 2022

40th Annual General Meeting

24 March 2022

Date of payment of the interim dividend for the 4th quarter ended 31 December 2021

2021

19 February 2021

Announcement of the unaudited consolidated results for the 4th quarter ended 31 December 2020

24 June 2021

Date of payment of the interim dividend for the 1st quarter ended 31 March 2021

25 February 2021

Announcement of the audited financial statements for the financial year ended 31 December 2020

23 August 2021

Announcement of the unaudited consolidated results for the 2nd quarter ended 30 June 2021

19 March 2021

Date of payment of the interim for the 4th quarter ended 31 December 2020

22 September 2021

Date of payment of the interim dividend for the 2nd quarter ended 30 June 2021

29 March 2021

Date of Notice of 39th Annual General Meeting and date of issuance of FY2020 Integrated Report

26 November 2021

Announcement of the unaudited consolidated results for the 3rd quarter ended 30 September 2021

28 April 2021

39th Annual General Meeting

24 December 2021

Date of payment of the interim dividend for the 3rd quarter ended 30 September 2021

25 May 2021

Announcement of the unaudited consolidated results for the 1st quarter ended 31 March 2021

INVESTOR RELATIONS

PDB stands firm in our values, which is putting our shareholders at the center of our purpose. We do so by building and forging strong relationships with them, to better understand their changing needs. We strive to build and strengthen their confidence in PDB through regular, transparent, and timely communication on our strategies, key development progress, financial and operational performance and business outlook. Our values also guide our activities and engagement, fortified by our commitment to provide fair and balanced information regarding the Company to maintain trust of the local and international Investment Communities in PDB.

All concerns, responses and recommendations from the Investment Communities were shared to our Board of Directors and Leadership Team through periodic reports via PDB's Investor Relations team.

PDB COMMUNICATION CHANNELS

We enabled open and diverse communication channels with the Investment Communities throughout the year, except during blackout periods. To ensure a safe and secure environment, all engagements with investors/analysts were conducted in accordance to PDB HSE COVID-19 protocols and led by MD/CEO and CFO as the designated official spokespersons.

Snapshot of Investor Relations Communication and Engagement Programmes in 2021

CORPORATE CONFERENCE

Engagement Date:
- 6 January 2021

Format:
- Virtual platform

Audience:
- 24 analysts

QUARTERLY ANALYST BRIEFING

Engagement Date:
- Q4 FY2020 [22 February 2021]
- Q1 FY2021 [27 May 2021]
- Q2 FY2021 [24 August 2021]
- Q3 FY2021 [29 November 2021]

Format:
- Virtual platform

Audience:
- 172 analysts

ONE-ON-ONE/ INFORMAL MEETING

Engagement Date:
- Throughout the year *(excluding blackout period)*

Format:
- Virtual platform
- Physical Meeting

Audience:
- Analysts and fund managers

CORPORATE WEBSITE

- Updated MyMesra website as and when necessary

Audience:

- Fund managers, analysts, shareholders and other stakeholders

PDB 39TH AGM

Engagement Date:

- 28 April 2021

Format:

- Virtual platform

Audience:

- 705 shareholders and proxies



ANALYST COVERAGE AND RECOMMENDATIONS

The research houses' ratings recommendations are summarised below:

BUY/ADD	HOLD/NEUTRAL	SELL/REDUCE
2	8	1

A total of 12 research houses issued analyst coverage of PDB's stock in 2021, as detailed below:

Affin Hwang Capital	AllianceDBS Research Sdn. Bhd.	BIMB Securities Sdn. Bhd.
Hong Leong Investment Bank Berhad	KAF-Seagroatt & Campbell Securities Sdn. Bhd.	Kenanga Investment Bank Berhad
CGS-CIMB Securities Sdn. Bhd.	Macquarie Capital Securities (Malaysia) Sdn. Bhd.	MIDF Amanah Investment Bank
RHB Research Institute Sdn. Bhd.	TA Securities Holdings Berhad	UOB Kay Hian Securities (M) Sdn. Bhd.

Note:

1. The recommendations were based on 2021 results announcement.
2. One research house did not issue any report for 2021 results announcement.

For more information on areas of concerns, please refer to Stakeholder Engagement on page 64 of this <IR>

INVESTOR RELATIONS

SUMMARY OF INVESTOR INTERESTS

Throughout our engagement with investors, we identified several key investors' interests and this will continue to be a priority for PDB to grow with our investors in mind.

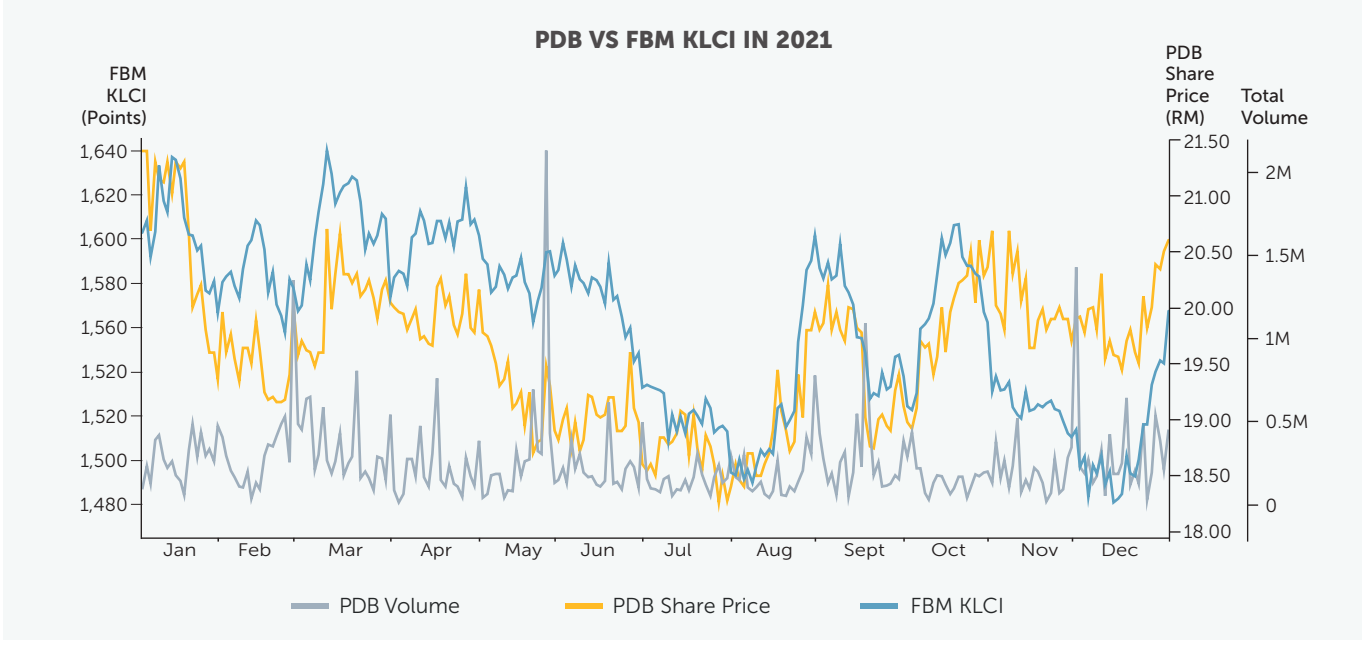
KEY INTERESTS	RESPONSES
Strategic direction, business growth, performance and opportunities	• PDB is guided by three strategic pillars in line with our purpose to enrich lives for a sustainable future. This strategy is believed to future-proof our organisation in dynamic business landscape. *For more information, please refer to Our Strategy on page 86 of this <IR>*
Cash utilisation and dividends	• Improve cost-to-serve with completion of New Operating Model. • With regards to dividend payout, PDB has a dividend policy of 50% of the Company's PAT. However, any dividend payout which will be approved by the Board will take into account various factors such as Company's future CAPEX plans and to meet the solvency test in line with Companies Act 2016. *For more information, please refer to Chief Financial Officer's Review on page 46 of this <IR>*
Corporate governance and business ethics	• PDB has generally complied with the MCCG 2021 for the period under review. • PDB is committed to continue doing things the right way and strengthening our governance processes to ensure that we are aligned with best practices and that our approach to disclosure remains timely and transparent. *For more information on the Corporate Governance and Business Ethics, please refer to PDB's corporate website at www.mymesra.com.my* www.mymesra.com.my
Economic, social and governance (ESG) practices	*For more information, please refer to Sustainability Report on page 208 of this <IR>*

SHARE PRICE PERFORMANCE

PDB's share price reached its peak of RM21.40 on 4 January 2021 and dipping at the lowest point to RM18.26 on 27 July 2021.

	MARKET CAPITALISATION	PDB VOLUME TRADED	SHARE PRICE	DIVIDEND PER SHARE	FOREIGN SHAREHOLDINGS
2021	RM20.47 bil	59.9 mil	Opening: RM21.40 Closing: RM20.60 Highest: RM21.60 Lowest: RM18.26	70.0 sen	8.48%* as at 31 January 2021
2020	RM21.26 bil	90.3 mil	Opening: RM22.92 Closing: RM21.40 Highest: RM23.96 Lowest: RM17.08	38.0 sen	9.08%* as at 31 January 2020

highest during the year



IR CONTACT, WEBSITE AND FEEDBACK

WEBSITE

All Investor Relations engagements and activities are published on PDB's corporate website at www.mymesra.com.my. This website provides all relevant information on PDB's IR Policy and Guidelines, announcements, financial results, quarterly briefing materials, minutes of AGM, press releases and disclosures to Bursa Malaysia.

IR CONTACT AND FEEDBACK

The Investment Community may forward any enquiries and feedback related to Investor Relations matters to:

Tel: 03-2392 2403
Email: petdagIR@petronas.com.my

SUPPLY AND DISTRIBUTION



NORMAH BASRI
Head,
Supply and Distribution Division

During the recovery period of the COVID-19 pandemic, we continue to sustain our key operations with an agile, safe and resilient approach. Delivering value to our stakeholders with continuous improvement in our daily operations remains our priority while implementing initiatives to reduce carbon footprint. SDD remained robust, flexible and fast to react in the challenging market and demand as part of operational resilience to ensure product delivery on time, in full and safe manner.

WHO WE ARE AND WHAT WE DO

SDD is in charge of overseeing the end-to-end supply network from refinery via primary and secondary distribution channels up to the end users in the most effective manner. Our vital role consists of product sourcing, product distribution, infrastructure planning, terminal operations, asset management and product delivery. SDD aids our line of business through various distribution channels, crucial, proactive planning and a broad range of supply network across 38 terminals in Malaysia in assuring uninterrupted supply. We continue to strive by focusing to instill generative HSSE culture, operational excellence and in compliance with regulatory at all times.

KEY FOCUS AREAS

We continue to improve our services through our outstanding efforts of cost optimisation and being the solution provider with a strong network that meet our customers' expectation.

We continue to focus on cost optimisation, supply reliability, customer satisfaction, HSE assurance and operational excellence as factors ensuring sustainable competitive advantage towards making people's life simpler and better.



CHALLENGES

Challenges	Our Response
Ensuring HSE ownership from COVID-19 risk infection amongst staff and contractors to maintain a safe, reliable and efficient workplace	• Minimising HSE gap through leadership engagements during COVID-19 pandemic at all terminals • Increase compliance to HSE standards in our daily operations and safety awareness amongst staff and contractors by enforcement of strict SOP at all terminals
Sustaining operational efficiency at 98% across the value chain whilst ensuring cost competitiveness	• Encouraged continuous improvement projects and recognised achievements to propel creativity in resolving daily operational issues • Optimisation term charter vessel and fleet schedule to achieve timely delivery and cost effectiveness
Managing demand surge after opening of the inter-state borders coupled with bad weather	• Implemented efficient mitigation plan alternatively sourcing supply from other points and injection of additional fleet to ensure uninterrupted product supply in a safely manner



BUSINESS REVIEW

PERFORMANCE REVIEW

VALUE

Key Initiatives
Sustain competitive logistic cost through supply intervention

Conversion of Diesel Euro 5 at all SDD Terminals

Achievements
- Sustained competitive cost-to-serve despite volume fluctuation from MCO, flood crisis and bad weather through proactive measures to sustain competitive primary and secondary distribution cost
- Continuous improvement of business operations to maximise the value while minimising leakages

- 100% conversion of Diesel from previous grade, Euro 2M to Euro 5 in compliance to Department of Environment directive

GROWTH

Key Initiatives
High Operational discipline and sustainability through OE R2

Embrace "Innovate Now" through demonstration of continuous improvement culture

Achievements
- 5 Southern Region terminals passed the readiness of OE R2 Overall Implementation Assessment

- Won various awards across international, national and company level as a result of continuous improvement culture. ie:
  i Above PAR Excellence Award (Equivalent Gold)
  ii. Regional (Gold Award) and Top 20 National Team Excellence Convention

SUSTAINABILITY

Key Initiatives
Reduction in environmental impact and utilities consumption

Sustainable Aviation Fuel for a cleaner and more viable energy option

Achievements
- Complete installation and commissioned Rainwater Harvesting System powered by Solar Energy at Kuching Aviation Terminal and Prai Terminals

- Provided expertise on product knowledge, sourcing, infrastructure and operational readiness for new sustainable fuel

VALUE CREATED BY BUSINESS SEGMENT

Reliable
Safe and reliable delivery to meet customer expectation

Create
A structured and cost management to maximise profitability

OUTLOOK

Moving forward, SDD is resilient in the new normal and committed in sustaining competitive cost-to-serve to provide seamless customer experience via adoption of digitalisation, cost-effective strategies, collaborative innovations and "Go Green" sustainability initiatives.



Network
Mutual collaboration and long-term relationship with stakeholders

Cultivate
High competencies and ethical work culture among staff and contractors

Innovate
Value creation to the customer's experience by adopting digital solutions and innovation

RETAIL



KHALIL JAFFRI MUHAMMAD MURI
Head,
Retail Business Division

Despite increasing challenges during the year due to worsening COVID-19 pandemic, we ensure the safety, convenience and well-being of our customers and partners are not compromised. In supporting the national green agenda, we have rolled out the PETRONAS Dynamic Diesel Euro 5 with Pro-Drive, which offers cleaner fuel. Fuel branding and product quality are the primary focus for the year with the continuation of Bonanza legacy through the launching of Mesra-Visa Kasih Bonanza. Our non-fuel business is undergoing a transformation through the incorporation of Mesra Retail & Cafe Sdn. Bhd. to further venture into compelling business propositions. We continue to support our local communities via the Food Bank initiative by providing an avenue that enables contribution to be channeled to those affected by the pandemic nationwide.

WHO WE ARE AND WHAT WE DO

Our Retail Business offers **FUEL AND NON-FUEL PRODUCTS AND SERVICES** to consumers through our network of more than 1,000 PETRONAS stations and 800 *Kedai Mesra* nationwide.

- **FUEL** segment comprises premium products, developed in partnership with the Mercedes-AMG PETRONAS Formula OneTM team which 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).
- **NON-FUEL** segment comprises on-the-go consumer products and services which include our partnerships with Quick Service Restaurants, food solutions, indoor F&B partners, Mesra own-label products including our own Makan@Mesra, banking facilities, hypermarts, terminal services, courier services, car wash, co-working space and other convenience offerings through *Kedai Mesra*. In complimenting the Retail business, we reward our loyal customers through the PETRONAS Mesra Loyalty Programme.
- All PETRONAS stations are operated by *Rakan Niaga*, who are appointed through a stringent selection process and provided with continuous training. Retail Business manages PETRONAS stations via two categories of dealerships **– COMPANY-OWNED, DEALER-OPERATED and DEALER-OWNED, DEALER-OPERATED.**

KEY FOCUS AREAS

1. **Fuel branding** – Strengthen the brand and quality.
2. **Marketing programme** – Integrated and targeted marketing programmes.
3. **Non-Fuel** – Makan@Mesra, food solutions and Mesra own-label products

CHALLENGES

Challenges	Our Response
Intense competition in a mature market and lower demand due to various stages of MCO	• Leverage marketing campaigns such as Mesra-Visa Kasih Bonanza and digital marketing programmes to attract customers to our stations. • Enhanced the digital customer experience via Setel® with differentiated loyalty points and Mesra redemption portal • Enhanced Mesra own-label products and diversification of product offerings • Introduced new partners into the ecosystem
Ageing assets at PETRONAS Stations	• Continuous upgrading initiatives nationwide with priority on HSE

VALUE CREATED BY BUSINESS SEGMENT

Quality
World class quality fuel and non-fuel solutions for our customers

PERFORMANCE REVIEW

	Key Initiatives	Achievements
VALUE	• Expansion of Retail network • Conversion to Euro 5 compliant diesel	• Operationalised 7 new PETRONAS stations • Rolled out Diesel Euro 5 at PETRONAS stations nationwide
GROWTH	• Expansion of new *Kedai Mesra* concept and Food Solutions • Expansion of Mesra own-label offerings	• Incorporation of Mesra Retail & Cafe Sdn. Bhd. • Launch of in-demand new products such as hand sanitiser and local snacks, while widening the Mesra Bites range
SUSTAINABILITY	• Collaboration with: i. Ministry of Domestic Trade and Consumer Affairs and the Ministry of Agriculture and Food Industries ii. Mercedes-Benz Malaysia Sdn. Bhd. and EV Connections Sdn. Bhd. through the signing of MoU for deployment of fast EV charger at PETRONAS stations iii. Local SME to provide economic opportunities through employment, business partnership and entrepreneurship • Provide avenue for Food Bank initiative to help those affected by the pandemic	• Introduction of Segar@Mesra with >40 participating PETRONAS stations • Provide alternative energy needs for our customers that are travelling interstate as part of a greater mobility solution • Established local SME partnership with >1,700 suppliers • Participation by >300 PETRONAS stations nationwide with >8,000 Food Bank orders

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, branding and enhance customers experience at PETRONAS stations with reliable facilities, superior fuel products and attractive lifestyle based offerings all delivered at a consistently high level of service. These products and services will be supported by our customer loyalty programme as well as a growing e-commerce and digital presence.

Innovate
Provide seamless and frictionless experience to customers by leveraging digital technology

Value Proposition
Superior financial returns through stringent and selective investment

COMMERCIAL



RAMZULHAKIM RAMLI
Head,
Commercial Business Division

Despite unfavourable economic conditions due to the reintroduction of MCO in 2021 which hampered demand recovery, Commercial Business persevered by focusing our efforts on maximising sales to high value and performing market segments, facilitated by 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 and SmartPay.

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

Provide comprehensive bulk fuel solutions to improve value proposition for B2B customers coupled with unrivalled services and solutions.

Business sustainability and growth strategies anchoring on three areas, which are value creation, partnership and sustainability.

Focus on effective risk management and cost efficiency whilst maintaining high standards of customer service.

CHALLENGES

Challenges	Our Response
Slowdown in the Mining and Quarrying sector ie., Upstream subsector from lower exploration activities, which contributes significantly to Commercial Business' margin	• Drove sales to capitalise on demand recovery by maximising sales to the high value market segments and pursuing higher share of wallet from common customers • Secured new customer and renewed existing contracts through competitive offerings, supply reliability and leveraging the extensive logistic distribution network • Implemented effective credit risk management despite high-risk environment during MCO
Delayed recovery of Aviation sector due to nationwide MCO imposition as well as continued international borders closure	
Re-imposition of full MCO in June 2021 disrupted market demand due to stringent requirement that limits operational capacity of customers in the affected economic sectors	

VALUE CREATED BY BUSINESS SEGMENT

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

PERFORMANCE REVIEW

VALUE

Key Initiatives

- Maximising sales to high value and performing market segments such as Agriculture and Construction
- Defended market position and strengthened customer base despite challenging market environment
- Focused on effective risk management whilst maintaining high standards of customer service

Achievements

- Recorded 32.6% higher revenue against the preceding year
- Strengthened customer base by securing more direct customers and defended existing contracts
- Improved credit risk exposure from customers despite tough business landscape

GROWTH

Key Initiatives

- Pursued higher Share of Wallet for common customers with other oil companies via comprehensive offerings
- Leveraged recovering global trades and the Marine segment

Achievements

- Strengthened Diesel market leadership against preceding year
- Drove future growth in the Marine segment towards cleaner energy solutions

SUSTAINABILITY

Key Initiatives

- Collaborated with Malaysia Airlines Berhad to pioneer the historic first flight using Sustainable Aviation Fuel in the Malaysian aviation industry

Achievements

- Secured commitment for long-term Sustainable Aviation Fuel supply at KLIA inline with Carbon Offsetting And Reduction Scheme For International Aviation

OUTLOOK

Commercial Business performance was dented by the slow recovery of key economic sectors as a result of the ongoing MCO throughout 2021. The economic recovery outlook for 2022 is still uncertain with the emergence of new COVID-19 variants. However, Commercial Business will continue to push its efforts anchoring on the three strategies, which are maximising value creation, creating partnership and pursuing the sustainability agenda.

Diversify
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 collaboration and share of knowledge

Business Sustainability
Defend market leadership in B2B segment despite challenging market environment via new product offerings

LPG



PRAMELA VALLINAYAGAN
Head,
LPG Business Division

LPG Business remain as the market leader by manoeuvering our value driven strategies through a business environment filled with uncertainties. Despite the challenges, the pandemic has also opened up opportunities for us to reassess our reach to the customers. Redefining customers experience in the next normal is our pillar to enhance our competitive edge and subsequently reinforced our market leadership.

WHO WE ARE AND WHAT WE DO

LPG Business is the domestic market leader and Malaysia's No.1 retailer and marketer of liquefied petroleum gas that serves Household, Commercial and Industrial segments.

We have an extensive nationwide LPG supply and distribution network comprising of eight terminals and bottling facilities, supporting our channel members consisting of premier dealers, dealers and bulk dealers in delivering our quality products to the masses.

KEY FOCUS AREAS

Our key focus area remain customer-centric as we aim to make everyday life simpler and better by improving our accessibility to customers – intensively expanding our sales channels both physically and digitally throughout 2021.

CHALLENGES

Challenges	Our Response
Switch of market demand	• Enhanced product accessibility to customer through Gas PETRONAS@Station and Gas PETRONAS@Mini Market • Elevate customer experience through digital ordering app – Gas PETRONAS mobile app
Intensified market competition	• Widened market reach in Commercial segment through 14kg cylinders for forklift industry • Offered competitive pricing and attractive sales package • Aggressive marketing and penetration activities

VALUE CREATED BY BUSINESS SEGMENT

Create
Sustain market leadership and profitability

Network
Serving customers through extensive network

PERFORMANCE REVIEW

	Key Initiatives	Achievements
VALUE	• Continuation of Gas PETRONAS@Station nationwide expansion • Rolled out Gas PETRONAS@Mini Market • Collaboration with Setel® on Gas PETRONAS@Station locator and cashless payment through Setel® e-wallet • Commissioned Dealer Management System to improve efficiency, data management and tracking automation	• Operationalised >170 Gas PETRONAS@Station nationwide • Operationalised >100 Gas PETRONAS@Mini Market nationwide • Elevated Gas PETRONAS' dealers and customers experience digitally
GROWTH	• Launched Gas PETRONAS mobile app in Klang Valley • Diversification of products through the introduction of 14kg cylinders for forklift industry • Competitive pricing, focused effort to increase existing customer base, aggressive marketing and penetration activities	• Expansion to >200 locations in Klang Valley with >10,000 downloads • Secured >5 new customers for the new product, additional volume in Central, Northern and Eastern regions • Secured >60 new Commercial customers
SUSTAINABILITY	• Strengthening Generative HSSE Culture • Intensified risk management	• Heightened awareness on Human Rights (Act 446) among LPG Channel Members • Laser focus on cyber security and preventive risk mitigations

OUTLOOK

LPG Business will remain forward-looking in the constant journey of creating value through initiatives whilst relentlessly serving the next generation of customers to assert our position as market leader. Apart from further enhancing operational efficency, we aim to focus on our sustainability agenda in order to remain steadfast in the ever-changing business environment whilst making everyday life simpler and better for our customers.

Empower
Develop local economies by contributing to the success of dealers' businesses

Innovate
Capitalise on technology and innovation to improve on customers experience

Reliability
Safe and reliable products to consumers

Skilled
Develop high performing and skilled workforce

LUBRICANT



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

The second year of pandemic continues to be challenging and volatile for the industry. Nevertheless, we continue the great collaboration with our partners and serve the market based on customers' lens and design propositions to delight them which elevate PLMM to new heights on various front. We also continue delivering value-added services and convenience as a testament to our promise in 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 to consumers, commercial and industrial consumption. Technology underpins our propositions for these segments of the Malaysian market, delivering and creating value for our customers.

KEY FOCUS AREAS

Power Brand: Growth in brand awareness and affinity becoming the 1st choice of preference.

Availability and Penetration: Future-proofing the business by securing the right portfolio and ensuring easy availability to drive loyalty amongst consumers.

Value Generation: Delivering value through our propositions in a relevant and differentiated manner.

Operational and Commercial Excellence: Customers satisfaction continues to drive our pursuit for excellence.



CHALLENGES

Challenges	Our Response
Intense market competition from new entrants and OEMs promoting their own Genuine Oils	• Offers high product quality with differentiated winning proposition in delivering value added advantage
Change in consumer expectations and buying behaviour	• Enhanced and innovated services leveraging digital platforms via e-commerce, mobile services and online to offline service experience • Leverage Setel® to provide convenient e-wallet payment at PETRONAS AutoExpert to deliver the trusted and differentiated experience • Integrated communication focusing on driving consistent messaging on our Power Brands: PETRONAS Syntium, PETRONAS Sprinta and PETRONAS Urania
Increase in product price due to rise of base oil cost and freight charges	• Revenue management and data analytics disciplines supported with long term pricing strategies to optimise cost and pricing management • Pursuit of excellence in driving customer satisfaction, operations and product quality
Economic challenges on trade environment impacting customers' expectation and needs	• Delivering value through differentiated propositions was essential in strengthening and building new collaboration. We delivered numerous value driven programmes delivering efficiency and savings





BUSINESS REVIEW

PERFORMANCE REVIEW

VALUE

Key Initiatives

Achieve Market Leadership in B2C

- Build brand awareness and drive trials for PETRONAS Syntium with CoolTech™ and PETRONAS Sprinta with UltraFlex™
- Drive trusted and differentiated consumer experiences

Achievements

- Continuous growth across key brand health measures, thus narrowing our gap with our competitors
- Enabled the use of Setel® in PETRONAS AutoExpert network which gives better customer journey experience
- Improvised the digital service booking for PETRONAS AutoExpert via Mobile App and online platform

GROWTH

Key Initiatives

Achieve Market Leadership in B2C

- Drive integrated and relevant communication campaigns to increase brand preference and loyalty
- Expansion of AutoExpert network and sharpening our proposition with the aim of continuous improvement on the customer experience front

Achieve Market Leadership in B2B

- Future-proofing the business by expanding our customer base into core segments which drives economic growth
- Our offering via "segmented value proposition" delivered targeted and differentiated offerings in a sustainable manner

Achievements

- Increase in Most Often Used rates for:
  i. Syntium by 3% against 2020
  ii. Sprinta by 16% against 2020
- Operationalised 3 new PETRONAS AutoExpert, making up to 14 total network

- Recruited 6 new customers while sustaining existing B2B accounts and portfolio
- Volume growth of 27% against preceding year amid challenging environment

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

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

SUSTAINABILITY

Key Initiatives

Achieve Market Leadership in B2C

Expansion of AutoExpert network and sharpening our proposition with the aim of continuous improvement on the customer experience front

Achievements

- Partnership with MARA in supporting the local entrepreneurs under the program "Pembangunan Usahawan MARA PETRONAS" which was officially kickstarted with the first workshop opened in Bandar Sri Sendayan



OUTLOOK

We continue to build strong relationships with our partners and customers to enhance our product offerings. These initiatives are to improve our customer's experience and differentiate our products and services, are expected to support our growth vision.

Capability
Upskill our people, dealers' workshops and key customers on product and technical knowledge

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 cleaner environment

VENTURE BUILDER



MAZLIN ERAWATI AB MANAN
Head,
Venture Builder

Our goal is to make life simpler and better for our customers. With the rise of digital economy and the rate of digital transformation, we continue to reinvent and upscale new business model with future field of innovations in order to deliver seamless customer experience and at the same time create values for our shareholders.

WHO WE ARE AND WHAT WE DO

We invent, incubate and scale disruptive ventures to diversify and grow new revenue streams for PDB. Through our obsession with discerning customer 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 growth in new businesses.

KEY FOCUS AREAS

- Scale up our business for growth with continuous iteration of use case and product.
- Grow customer base by improving customer journeys, continuous innovation and curating new solutions that address their needs.

CHALLENGES

Challenges	Our Response
Changes in regulatory requirement may increase our cost of conducting business and exposure on non-compliance	• Constant engagement with regulatory bodies to ensure compliance increased focus on regulatory assessment requirement
Stiff market competition in attracting and developing talents	• Build company proposition on innovation, purposeful mission and promote learning and development

VALUE CREATED BY BUSINESS SEGMENT

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

PERFORMANCE REVIEW

VALUE

Key Initiatives

Setel®: Unify customer experience and data by differentiating retail experience at stations and beyond

PRYSM: Extend the value and positive mindshare of PETRONAS brand presence through fashion lifestyle merchandise

ROVR: Enabling mobile fuel delivery to more customers via trucks to trucks delivery and Mini Portable Container Storage (PCS)

Setel Express: Obtain courier license through acquisition play to minimise dependency on third party licensee and reduce cost to serve

Achievements

Setel®: RM1 billion Gross Merchandise Value with 35% increase in share of wallet

PRYSM: RM12 million Gross Merchandise Value with >60% increase from 2020 and capturing close to 1 million traffic to the web

ROVR: 29.5 million litres fuel delivered with 60% increase from 2020 translating to Gross Merchandise Value of RM64.3 million

Setel Express: Acquired D-Two Couriers Sdn. Bhd.

GROWTH

Key Initiatives

Setel®: Scaling our retail-on-the-go experience to win motorists and monetise beyond PETRONAS stations

PRYSM: Accelerating seamless, omni-channel e-commerce webstore experience

ROVR: Expansion of B2B business beyond Klang Valley

Setel Express: Scaling up of operations in Klang Valley, Johor Bahru and Penang with additional nationwide deliveries via partners

Achievements

Setel®:

- Expanded Setel® usage to >200 merchants beyond PDB
- Launched Setel Share, the first e-wallet sharing feature in Malaysia

PRYSM: Rolled out PRYSM website to public and included in-app purchase via Setel® resulting in increase in customer base beyond PETRONAS by 35%

ROVR: Expansion to Johor and Pahang which result in 60% volume growth from 2020

Setel Express: Nationwide scale up led to 10x growth in volume from 2020 whilst maintaining positive customer rating

SUSTAINABILITY

Key Initiatives

Setel®: Food Bank initiative

ROVR: Involvement in Community Drumming sites in Sabah

PRYSM:

- Infusing eco-friendly elements on products and packaging
- Provide platform for contribution via e-donation voucher

Achievements

Setel®: Launched Food Bank locator and purchasing of food pack within Setel® app

ROVR: Launched first CD site in Beaufort, benefitting the rural community and provided multiple assistance on areas short of fuel supply during the EMCO periods and more recently the flood incident in December

PRYSM:

- >50% apparel designed using sustainable materials such as organic cotton and recycled plastic bottles
- >RM70,000 e-donation vouchers sold

OUTLOOK

We foresee continuous major growth in digital adoption across all industries. By leveraging our expanding progress and current customer base we will continue to innovate and create new technology to improve and ease the customer's journey at the same time backing PDB in its digital transformation journey where the mission is to make life simpler and better for all. As a customer-centric business, we take no greater pride in ensuring customer pain points are transformed into pleasure.

Innovate
Curate innovative solutions for our customers to address their needs and provide seamless experience of customer journey

Diversify
Products and services offerings beyond fuel to capture new customers

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

DIGITAL



KOH TAT CHONG
Chief Technology Officer

Digital is at the heart of PDB's promise of *Making Your Everyday Life Simpler and Better*. By integrating the efforts of all our business segments, Digital continues to drive PDB's focus on putting customer-centricity at the heart of our business, unlocking new growth opportunities and building sustainable value for our stakeholders. This is how Digital supports PDB's Moving Forward Together 50.30.0 strategy of delivering Value, Growth and Sustainability.

WHO WE ARE AND WHAT WE DO

Digital supports, enables and amplifies all areas of PDB's business and operations through a two-track approach. The first track is Strengthening the Core, which means working to future-proof our organisation by implementing systems and processes to prevent our business from being disrupted. Our second track comprises the systems that we have implemented that will allow us to disrupt the competitive business landscape in which we operate, principally through the optimised use of data. A major thrust for Digital this year has been on integrating and harmonising these two tracks through the Setel® platform, which is being enhanced to become the focal point of our digital delivery strategy.

KEY FOCUS AREAS

Digital Blueprint

Our Digital Blueprint provides the roadmap for PDB's digitally-driven growth strategy. To deliver on this, we are accelerating the democratisation of data across all levels of the organisation and arming our workforce with the knowledge and skill-sets needed to deliver operational excellence and capitalise on the new frontiers of business.

Modernisation

We have continued to expand our cloud-based platforms, driving increased efficiency and laying the foundational steps towards delivering hyper-personalised services to our customers. A key achievement has been the integration of our incumbent technology and the Setel® platform to deliver a unified brand experience.

Operational Excellence

We have maintained our focus on being brilliant at the basics in order to deliver operational excellence. In 2021 we successfully harnessed our business and operational data on a single platform which has led to higher productivity and greater efficiency.

Cyber Security

The accelerated pace of digitalisation has led to increased operational efficiency and new growth opportunities, but also carries the risk of increased cyber vulnerabilities. To ensure the continued safety of our systems and customer data, we have increased our compliance with the leading industry standards. We significantly boosted our cyber defence capability through the standardisation of our infrastructure and governance framework and the deployment of remote monitoring and alerts.

CHALLENGES

Challenges	Our Response
The prolonged MCO in the country and movement restrictions in other parts of the world has created supply chain disruptions and halted our planned field works	• We enhanced our procurement process for critical components and forged more efficient collaboration with vendor partners to mitigate the supply risk situation. We also applied a tactical approach to implementing a catch-up plan for delayed works
The complexity of our operating environment with multiple, interconnected, systems running in parallel put our upgrading efforts at risk	• We initiated integrated work pods with the participation of all key stakeholders aligned to the products and solutions to be delivered, while being agile in our approach to development and implementation
Our adoption of new digital solutions, such as remote operations, artificial intelligence and Internet of Things could lead to increased risks while the organisation is in the mode of hardening its cyber security controls and measures	• We mitigated risks by implementing small scale and time boxed Minimum Viable Products that adhere to a sandbox version of cyber security compliance, which balances the pace of implementation with the need for full scale compliance

PERFORMANCE REVIEW

VALUE

Key Initiatives	Achievements
Deployment of New Indoor/Outdoor Payment Terminals Enable interactive multimedia capabilities for Retail to introduce effective targeted marketing and elevate customer experience at the forecourt in PETRONAS stations	• Our state-of-the-art IPT/OPTs have been deployed to nearly 900 PETRONAS stations, delivering a whole new experience for our customers • PDB won the NACS ASIAN Convenience Retail Technology Award 2021 for achievement in the Asian retail community, for its effective harmonisation of its enterprise system components with the Setel® ecosystem, allowing it to continuously unlock new capabilities, deliver integrated services and enhance value creation
Citizen Analytics We are building a data-driven organisation by improving Corporate Data Literacy through upskilling our workforce and enabling self-service analytics across all areas of our business and operations	• Implemented continuous change management to inculcate a data-driven culture across all levels of our organisation, resulting in the optimised use of data in all aspects of our business and operations and a rise in our Corporate Data Literacy score • Our data democratisation efforts have resulted in more than 250 visualisation screens being published for business and operational insights, in order to drive timely actions and decision making

BUSINESS REVIEW

PERFORMANCE REVIEW

GROWTH

Key Initiatives

Lift and shift of Loyalty Programme System

Established a unified, modern architecture platform for our consumer application systems, voucher, redemption, gift cards and loyalty programme, that will deliver a richer, seamless user experience and more efficient operations

TipTop Enterprise App

Provide single-channel for front facing personnel to access relevant information, provide input and execute tasks effectively

Achievements

- Completed the migration of all our 15 million Mesra cards into the new, unified, Setel® Loyalty Management System, which includes a cardless option, in order to deliver a seamless and unified customer experience across all channels

- Completed the technology stacks for the initial release of the TipTop Enterprise App, which is a unified channel to drive adoption of data-driven technology for the handling of PS assets and day-to-day operations. The app allows continuous add-ons of features and functionality



VALUE CREATED BY BUSINESS SEGMENT

Generate

We generate actionable data that is not just descriptive or predictive but is, increasingly, prescriptive for our business planning and operations

Empower

Empowering our workforce to deliver optimal outcomes across our organisation by leveraging the power of digitalisation

Innovate

Driving continuous innovation to create a superior and unified brand experience for our customers

Deliver

Delivering a digitalised experience via physical platforms at our stations and on the go

SUSTAINABILITY

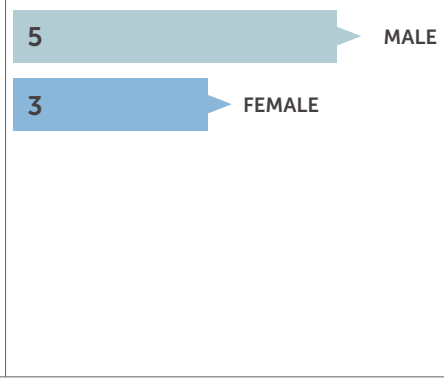
Key Initiatives	Achievements
Upgrade of Applications and Infrastructure We integrated and harmonised our disparate systems to deliver an enhanced, omni-channel, unified brand experience for our customers	• Expanded the deployment of our cloud-based Point of Sale system, with enhanced features, near real-time data and remote management capability, to 83% of our PETRONAS stations network. This has resulted in improvements in efficiency and in the user interface for both our *Rakan Niaga* and our customers • Seamlessly integrated the Setel® environment with the incumbent technology to provide our customers with a unified brand experience and increased convenience in fuelling, store purchases, O2O ordering and payment solutions
Supply Chain and Autonomous Stations To enhance PDB's ability to run our stations in an autonomous mode, increase uptime and reduce manpower resources by using artificial intelligence, cameras, Internet of Things, Automated Tank Gauges, digitised workflow and data analytics	• Continuous experimentation in advanced analytics in our supply chain and distribution system have led to significant reductions of 62% in Out of Stock issues and 45% in Products Diversion issues since the project was initiated. These learnings will be embedded in our in-house systems development to support our terminals' operations and products distribution • Successfully piloted Autonomous Facility at Kota Kemuning PETRONAS station by optimising transactional and operational data and artificial intelligence capability from new data points for increased productivity and efficiency • In order to operationalise this capability, we have empowered the key stakeholders of the ecosystem with the TipTop Enterprise App that we developed in-house
Cyber Security We undertake continuous risk assessment and capacity building to handle cyber security threats	• Enhancement and implementation of governance frameworks and standards towards recognised industry standards and data privacy regulations • Upgraded our cyber-defence capability with active monitoring and real-time alerts at our facilities, including the deployment of Real Time Operational Technology at our terminal operations • Strengthened our Human Firewall by instilling a culture of awareness in day-to-day operations amongst our workforce and partners
Systems Optimisation Increased visibility of assets and workflow processes	• Enabled automation and faster case escalation to reduce wastage and optimise time to respond and restore, in order to ensure high availability of our services

OUTLOOK

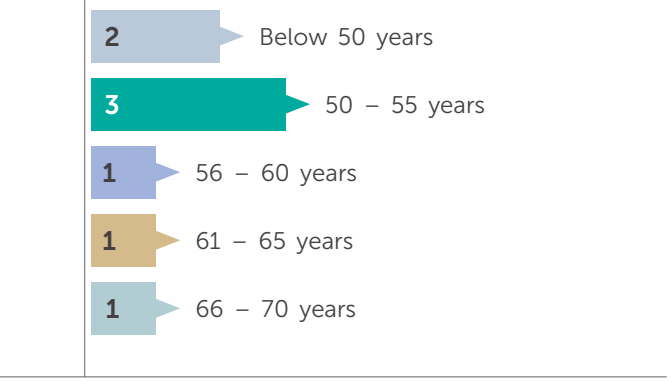
Digital is focused on driving innovation across all areas of our organisation and constantly elevating the customer experience. To deliver on this, we have continued to refine our Digital Blueprint as we navigate the evolving landscape. Moving forward, our focus is on completing the roll-out of our modernisation initiatives at all PETRONAS Stations and on-boarding the majority of our customers to the Setel® platform, in order to deliver a more unified brand experience. We will also accelerate the integration and optimisation of our physical and digital systems in order to hyper scale our customer engagement. By maintaining our relentless focus on enhancing operational efficiency, supporting growth strategies, and providing the tools to deliver elevated customer experience, we will continue to support value creation for PDB's stakeholders.

BOARD AT A GLANCE

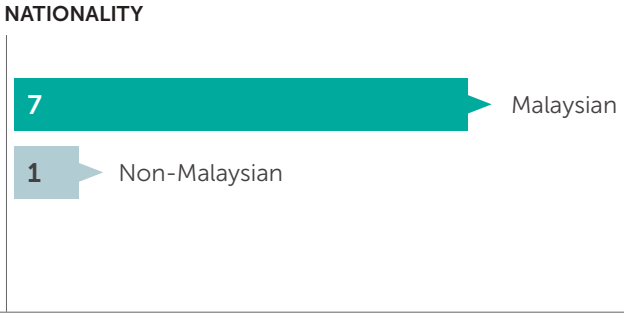
GENDER DIVERSITY



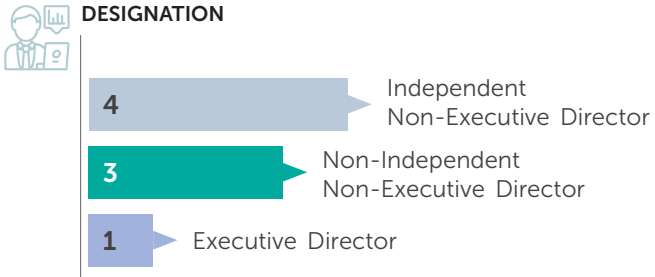
AGE GROUP



NATIONALITY



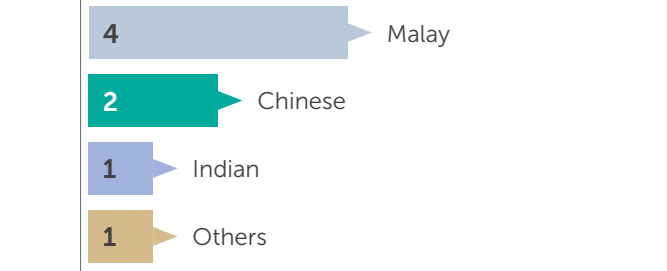
DESIGNATION



LENGTH OF SERVICE



RACE/ETHNICITY

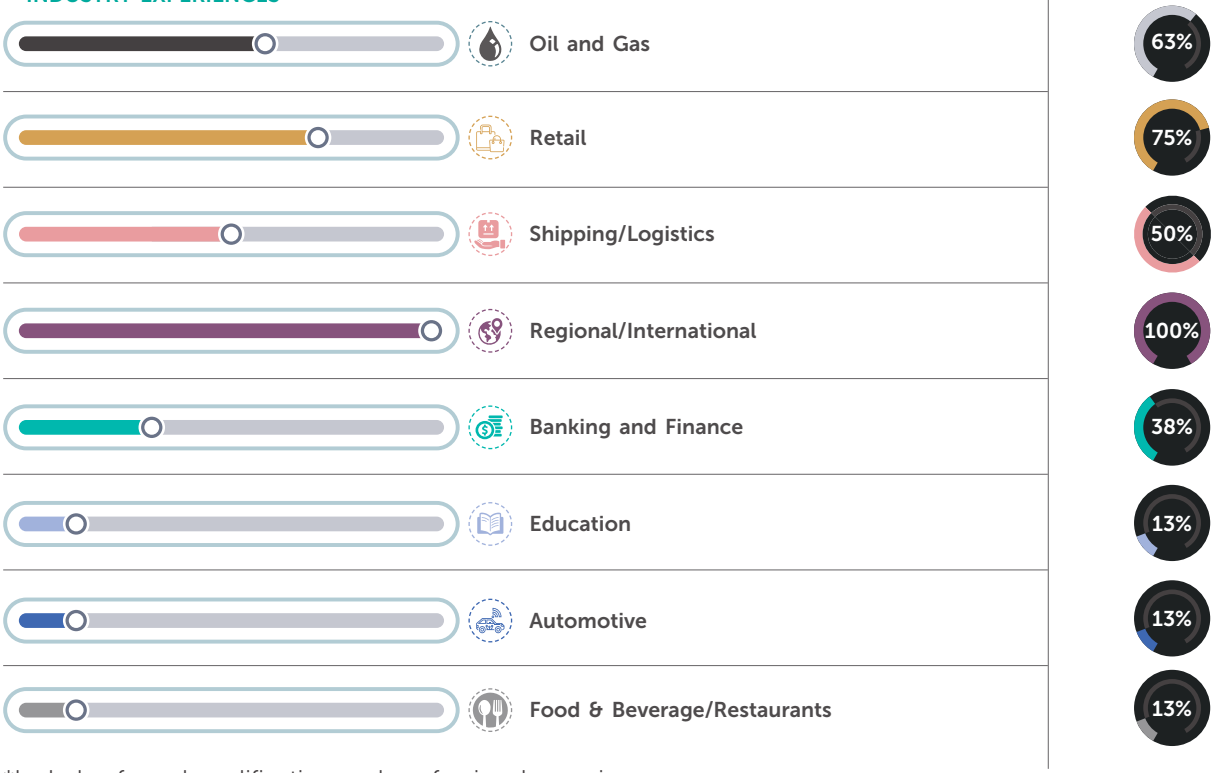


SKILLS MATRIX AND INDUSTRY EXPERIENCES OF THE BOARD OF DIRECTORS

SKILLS MATRIX



INDUSTRY EXPERIENCES



*Includes formal qualification and professional experience.



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

BOARD OF DIRECTORS



ARNI LAILY ANWARRUDIN
Non-Independent Non-Executive Director



TANG SAW HUA
Independent Non-Executive Director



AHMAD ADLY ALIAS
Non-Independent Non-Executive Director



WONG LAY SEE
Company Secretary



YEAP KOK LEONG
Joint Secretary

BOARD OF DIRECTORS' PROFILE



DATUK ANUAR AHMAD

Chairman
Non-Independent Non-Executive Director

Nationality	Age	Gender
Malaysian	68	Male

Length of Service: 7 years 6 months

Number of Board Meetings Attended: 6/7

Skills Matrix:

Industry Experiences:

Date of Appointment:

- 1 August 2014 (Appointed as Non-Independent Non-Executive Director)
- 15 April 2016 (Re-designated as Independent Non-Executive Director)
- 1 January 2022 (Re-designated as Chairman, Non-Independent Non-Executive Director)

Academic/Professional Qualifications:

- Bachelor of Science (Econs) London School of Economics and Political Science, University of London, United Kingdom (UK)
- Advanced Management Program, Harvard Business School, United States of America (USA)

Present Directorships:

Listed entities:
- PETRONAS Dagangan Berhad
- Nylex (Malaysia) Berhad
- Kumpulan Fima Berhad

Other public company:
Nil

Other Principle 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 Nomination and Remuneration Committee (NRC), FIMA

Past Experiences:

- Chairman of NRC, PETRONAS Dagangan Berhad (PDB)
- Member of Board Audit Committee (BAC), PDB
- Member of Board Risk Committee (BRC), PDB
- Director of ENRA Group Berhad (ENRA)
- Chairman of NRC, ENRA
- Member of Audit and Risk Management Committee, ENRA
- Director of Chemical Company of Malaysia Berhad (CCM)
- Chairman of Finance & 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
- MD/CEO of PDB
- Various senior managerial positions within PETRONAS Group



AZRUL OSMAN RANI

Managing Director/Chief Executive Officer
Non-Independent Executive Director

Nationality	Age	Gender
Malaysian	48	Male

Length of Service: 2 years 2 months

Number of Board Meetings Attended: 7/7

Skills Matrix:

Industry Experiences:

Date of Appointment:

1 January 2020

Academic/Professional Qualifications:

- Advanced Management Program, Harvard Business School, USA
- Bachelor of Science in Economics with double major in Industrial Management, Carnegie Mellon University, Pennsylvania, USA

Present Directorships:

Listed entities:
- PETRONAS Dagangan Berhad

Other public company:
Nil

Other Principle 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



SHAFIE SHAMSUDDIN

Senior Independent Director

Nationality	Age	Gender
Singaporean	51	Male

Length of Service: 4 years

Number of Board Meetings Attended: 7/7

Skills Matrix:

Industry Experiences:

Date of Appointment:

6 February 2018

Academic/Professional Qualifications:

- Bachelor of Business Administration, Nanyang Technological University, Singapore

Present Directorships:

Listed entities:
- PETRONAS Dagangan Berhad
- Aeon Co. (M) Bhd

Other public company:
Nil

Other Principle Appointments:

- Chairman of NRC, PDB
- Member of BRC, PDB
- Managing Director (MD) of Aeon Co. (M) Bhd
- MD of AEON Big Sdn. Bhd.

Past Experiences:

- 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

BOARD OF DIRECTORS' PROFILE



ALVIN MICHAEL HEW THAI KHEAM

Independent Non-Executive Director

Nationality	Age	Gender
Malaysian	58	Male

Length of Service: 4 years

Number of Board Meetings Attended: 7/7

Skills Matrix:

Industry Experiences:

Date of Appointment:
6 February 2018

Academic/Professional 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 Principle Appointments:
- Chairman of BRC, PDB
- Member of NRC, PDB
- Chairman of Audit and Risk Committee, Maxis Berhad (Maxis)
- Member of Remuneration Committee, Maxis
- Member of Nomination Committee, Maxis
- Member of Business & IT Transformation Committee, Maxis
- Group Managing Director of Southgate Ventures Pte. Ltd.
- Board Director, SIS Group of Schools

Past Experiences:
- 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 & Gamble, Vietnam
- Brand Manager South Asia of Procter & Gamble AG, Switzerland
- Financial Analyst of Lancaster Financial Inc., Canada
- Account Manager of Toronto-Dominion Bank, Canada



NIRMALA DORAISAMY

Independent Non-Executive Director

Nationality	Age	Gender
Malaysian	55	Female

Length of Service: 2 years 4 months

Number of Board Meetings Attended: 7/7

Skills Matrix:

Industry Experiences:

Date of Appointment:
15 October 2019

Academic/Professional Qualifications:
- Fellow of Chartered Institute of Management Accountants, UK
- Member of Malaysian Institute of Accountants
- Chartered Global Management Accountant, UK
- Master in Business Administration, International Islamic University Malaysia
- Bachelor of Economics (Honours), Universiti Malaya

Present Directorships:

Listed entities:
- PETRONAS Dagangan Berhad
- Evergreen Fibreboard Berhad
- CTOS Digital Berhad

Other public company:
Nil

Other Principle Appointments:
- Member of BRC, 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, Malaysian Institute of Accountants
- 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



TANG SAW HUA
Independent Non-Executive Director

Nationality	Age	Gender
Malaysian	62	Female

Length of Service: 1 year 7 months

Number of Board Meetings Attended: 7/7

Skills Matrix:

Industry Experiences:

Date of Appointment:
1 July 2020

Academic/Professional 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:
Nil

Other Principle Appointments:
- Chairman of BAC, PDB
- Member of BRC, PDB
- Member of NRC, PDB

Past Experiences:
- Senior Independent Non-Executive Director of Cycle & 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., a wholly owned subsidiary of Khazanah Berhad
- 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



AHMAD ADLY ALIAS
Non-Independent Non-Executive Director

Nationality	Age	Gender
Malaysian	52	Male

Length of Service: 1 year 5 months

Number of Board Meetings Attended: 6/7

Skills Matrix:

Industry Experiences:

Date of Appointment:
25 August 2020

Academic/Professional Qualifications:
- Master in Business Administration (MBA) in Corporate Finance & Investment, State University of New York, Buffalo, New York, USA
- Bachelor of Science (BSc) in Business Administration, State University of New York, Buffalo, New York, USA

Present Directorships:

Listed entities:
- PETRONAS Dagangan Berhad

Other public company:
Nil

Other Principle Appointments:
- VP of Downstream Marketing, PETRONAS
- Chairman and Director of various companies within PETRONAS

Past Experiences:
- VP of LNG Marketing & Trading in Gas & New Energy division
- Chief Executive Officer of PETRONAS LNG Sdn. Bhd.
- Ventured into LNG Business by heading the Marketing division for Korea, Taiwan and China
- Headed Strategic Initiatives and Chemical & Special Products section in ENGEN's Sales & Marketing Division
- Headed the LPG Trading in PETRONAS Trading Corporation Sendirian Berhad
- Joined Petroliam Nasional Berhad (PETRONAS) in 1993 as part of the Planning & Recruitment team in Human Resources Department, and went on to have stints in multiple areas, including Corporate Planning & Development, Commercial Business Department in PDB and Group Strategic Planning in PETRONAS

BOARD OF DIRECTORS' PROFILE



ARNI LAILY ANWARRUDIN
Non-Independent Non-Executive Director

Nationality	Age	Gender
Malaysian	46	Female

Length of Service: 8 months

Number of Board Meetings Attended: 5/5

Skills Matrix:

Industry Experiences:

Date of Appointment:
1 June 2021

Academic/Professional 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, UK

Present Directorships:

Listed entities:
- PETRONAS Dagangan Berhad

Other public company:
Nil

Other Principle 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



WONG LAY SEE
Company Secretary

Nationality	Age	Gender
Malaysian	52	Female

Academic/Professional Qualifications:
- Associate of the Malaysian Institute of Chartered Secretaries and Administrators
- Bachelor of Laws (Honours), University of London

COMPANY SECRETARIES



YEAP KOK LEONG
Joint Secretary

Nationality	Age	Gender
Malaysian	61	Male

Academic/Professional Qualifications:
- Fellow of the 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



Additional Information of the Board of Directors:

- *Family Relationship: Save as disclosed, none of the Directors has any family relationship with any Director and/or major shareholder of PDB*
- *Conflict of Interests: Save as disclosed, none of the Directors has any conflict of interests with PDB*
- *Conviction for Offences: None of the Directors has any conviction for offences, other than traffic offences, if any, for the past 5 years*
- *Public Sanction or Penalty: None of the Directors has any sanction or penalty imposed on them by any regulatory bodies during the financial year ended 31 December 2021*

LEADERSHIP TEAM'S PROFILE

Skills Matrix

1. Finance/Audit
2. Economics
3. Engineering
4. Commercial/Marketing
5. Operations
6. Corporate Planning and Development
7. Human Resource
8. Information Technology
9. Risk Management
10. HSE



AZRUL OSMAN RANI

Managing Director/Chief Executive Officer

Nationality	Age	Gender
Malaysian	48	Male

Date of Appointment:
1 January 2020

Academic/Professional Qualification:
- Advanced Management Programme, Harvard Business School, United States of America
- Bachelor of Science in Economics, Carnegie Mellon University, United States of America

Key Responsibilities
Responsible for strategic decisions and guiding the overall operational, financial and sustainable performance of PDB and its subsidiaries.

Past Experiences:
- Head of Commercial Development and JV Formation at PETRONAS Refinery and Petrochemical Corporation (PRPC) and CEO of PRPC Utilities and Facilities
- Business Director, JV Office, Uzbekistan, GTL LLC
- Senior Manager, VP Office, Gas Business
- Senior Manager, Business Development Department, PETRONAS
- Agriculture Trading Manager, Malaysian International Trading Corporation Sdn. Bhd. (MITCO)
- Indonesia Country Manager, Malaysian Trading Corporation Sdn. Bhd. (MITCO)
- Various positions within PETRONAS Group

Skills Matrix: 2, 4, 5, 6, 7, 9, 11, 13, 16, 17, 18, 19

Industry Experiences:



FARZLINA AHMAD MURAD

Chief Financial Officer

Nationality	Age	Gender
Malaysian	45	Female

Date of Appointment:
1 March 2020

Academic/Professional Qualification:
- 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: 1, 5, 6, 9, 15

Industry Experiences:

11 Business Transformation
12 Corporate and Marketing Communications
13 Brand and Reputation Management
14 Law/Secretarial
15 Corporate Governance
16 Business Model and Venture Formulation
17 Strategic Planning and Negotiations
18 New Market Penetration
19 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



KOH TAT CHONG
Chief Technology Officer

Nationality	Age	Gender
Malaysian	43	Male

Date of Appointment:
1 October 2021

Academic/Professional Qualification:
- 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: 8 11

Industry Experiences:



KHALIL JAFFRI MUHAMMAD MURI
Head, Retail Business Division

Nationality	Age	Gender
Malaysian	48	Male

Date of Appointment:
1 January 2019

Academic/Professional Qualification:
- Bachelor of Science in Industrial Management and Economics, Carnegie Mellon University, United States of America

Key Responsibilities
Responsible for the profitability and sustainability of the Retail Business to its stakeholders. Key accountability includes network development, station operations, marketing, customer service and convenience retailing.

Past Experiences:
- 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: 2 4 5 6

Industry Experiences:

LEADERSHIP TEAM'S PROFILE

Skills Matrix

1. Finance/Audit
2. Economics
3. Engineering
4. Commercial/Marketing
5. Operations
6. Corporate Planning and Development
7. Human Resource
8. Information Technology
9. Risk Management
10. HSE



RAMZULHAKIM RAMLI

Head, Commercial Business Division

Nationality	Age	Gender
Malaysian	45	Male

Date of Appointment:
1 January 2020

Academic/Professional Qualification:
- 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: 1, 4, 6, 9, 11

Industry Experiences:



PRAMELA VALLINAYAGAN

Head, LPG Business Division

Nationality	Age	Gender
Malaysian	47	Female

Date of Appointment:
1 January 2020

Academic/Professional Qualification:
- Bachelor of Business Administration, Universiti Utara Malaysia

Key Responsibilities
Responsible for LPG's business growth and value creation for PDB, direction and strategic planning for the business, as well as LPG distribution network efficiency.

Past Experiences:
- Head, Commercial Excellence Department, Commercial Business Division, PETRONAS Dagangan Berhad
- Head, Supply Integration and Optimisation Department, Enterprise Optimisation under Vice President's Office of Refining and Trading, PETRONAS
- Head, LPG Trading Department, PETRONAS Trading Corporation (PETCO)
- Various positions within PETRONAS Group

Skills Matrix: 4, 5, 6, 9

Industry Experiences:

11 Business Transformation
12 Corporate and Marketing Communications
13 Brand and Reputation Management
14 Law/Secretarial
15 Corporate Governance
16 Business Model and Venture Formulation
17 Strategic Planning and Negotiations
18 New Market Penetration
19 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

Date of Appointment:
1 February 2019

Academic/Professional Qualification:
- Bachelor in Mechanical Engineering, Universiti Teknologi Malaysia

Key Responsibilities
Responsible for strategic decisions and guiding the overall operational, financial and sustainable performance of PLMMSB and PIMTCL.

Past Experiences:
- Head, International Markets, PETRONAS Lubricants International
- Interim CEO, PT PETRONAS Lubricants International
- Interim CEO, PETRONAS Lubricants Australia
- Various senior positions, Shell Global and Shell Malaysia

Skills Matrix: 2 3 4 5 6 15

Industry Experiences:



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

Nationality	Age	Gender
Malaysian	52	Male

Date of Appointment:
1 April 2020

Academic/Professional Qualification:
- 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: 1 4 5 6

Industry Experiences:



MAZLIN ERAWATI AB MANAN
Head, Venture Builder

Nationality	Age	Gender
Malaysian	42	Female

LEADERSHIP TEAM'S PROFILE

Skills Matrix

1. Finance/Audit
2. Economics
3. Engineering
4. Commercial/Marketing
5. Operations
6. Corporate Planning and Development
7. Human Resource
8. Information Technology
9. Risk Management
10. HSE



NORLIANA AIDA RAMLI

Head, Strategy Division

Nationality	Age	Gender
Malaysian	45	Female

Date of Appointment:
1 January 2022

Academic/Professional Qualification:
- 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, PCG
- 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: 4, 6, 9, 11, 12, 16, 17, 18, 19

Industry Experiences:



NORMAH BASRI

Head, Supply and Distribution Division

Nationality	Age	Gender
Malaysian	49	Female

Date of Appointment:
1 June 2020

Academic/Professional Qualification:
- 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, PCG
- Senior Manager, Logistics and Distribution, PETRONAS Chemicals Marketing Labuan, PCG
- 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: 1, 3, 4, 5, 10

Industry Experiences:

11 Business Transformation
12 Corporate and Marketing Communications
13 Brand and Reputation Management
14 Law/Secretarial
15 Corporate Governance
16 Business Model and Venture Formulation
17 Strategic Planning and Negotiations
18 New Market Penetration
19 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



SURIA KAMARUL BAHARIN

Head, Legal Division

Nationality	Age	Gender
Malaysian	48	Female

Date of Appointment:
1 April 2020

Academic/Professional Qualification:
- Certificate of Legal Practice, Malaysia
- Bachelor of Laws, University of Wales, Aberystwyth

Key Responsibilities
Responsible for legal advisory services to PDB and its Group of Companies.

Past Experiences:
- Head, Compliance Management, Legal Compliance, Group Legal, PETRONAS
- Head, Corporate Governance and International Compliance, Group Legal, PETRONAS
- Senior Legal Counsel, JV Management and Commercial, PETRONAS Refinery and Petrochemical Corporation Sdn. Bhd.
- Senior Legal Counsel, Stakeholder and JV Management for Project RAPID, PETRONAS
- Senior Legal Counsel, Hess Oil and Gas Sdn. Bhd.
- Legal Manager, MISC Berhad
- Advocate and Solicitor, Messrs. Raja, Darryl and Loh
- Advocate and Solicitor, Messrs. Shook Lin and Bok

Skills Matrix: 14 15

Industry Experiences:



AHMAD MUNIR AKRAM AHMAD FAIZ

Head, Human Resource Management Division

Nationality	Age	Gender
Malaysian	45	Male

Date of Appointment:
1 July 2021

Academic/Professional Qualification:
- Master of Science in Business Psychology, Heriot Watt University
- Bachelor of Business Administration (Honours) in Marketing and International Management, 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: 4 6 7 17 18

Industry Experiences:

LEADERSHIP TEAM'S PROFILE

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*



MOHD IMRAN M ASHRAF

Head, Technical Services Division

Nationality	Age	Gender
Malaysian	41	Male

Date of Appointment:
1 July 2018

Academic/Professional Qualification:
- Masters (MEng) in Mechanical Engineering, Bath University, United Kingdom

Key Responsibilities
Responsible for providing directions and steering overall management of PDB asset management, technical integrity, and institutionalisation of best practices to ensure asset integrity, equipment reliability and safety are at the highest standard.

Past Experiences:
- Manager (Asset Integrity Management), PETRONAS Penapisan (Terengganu) Sdn. Bhd.
- Manager (Refinery Maintenance), PETRONAS Penapisan (Terengganu) Sdn. Bhd.
- Manager, (Offsite, Marine and Shipping Maintenance), PETRONAS Penapisan (Terengganu) Sdn. Bhd.
- Team Leader (Risk Based Inspection), ENGEN Refinery, Durban, South Africa

Skills Matrix: 3 5 9

Industry Experiences:



ROSNAN HAMZAH

Head, Health, Safety and Environment Division

Nationality	Age	Gender
Malaysian	49	Male

Date of Appointment:
1 November 2018

Academic/Professional Qualification:
- MBA in Strategic Management, International Islamic University Malaysia, Malaysia
- Master of Science in Occupational Health, National University of Malaysia, Malaysia
- Bachelor of Science in Mechanical Engineering, University of Michigan, Ann Arbor, Michigan

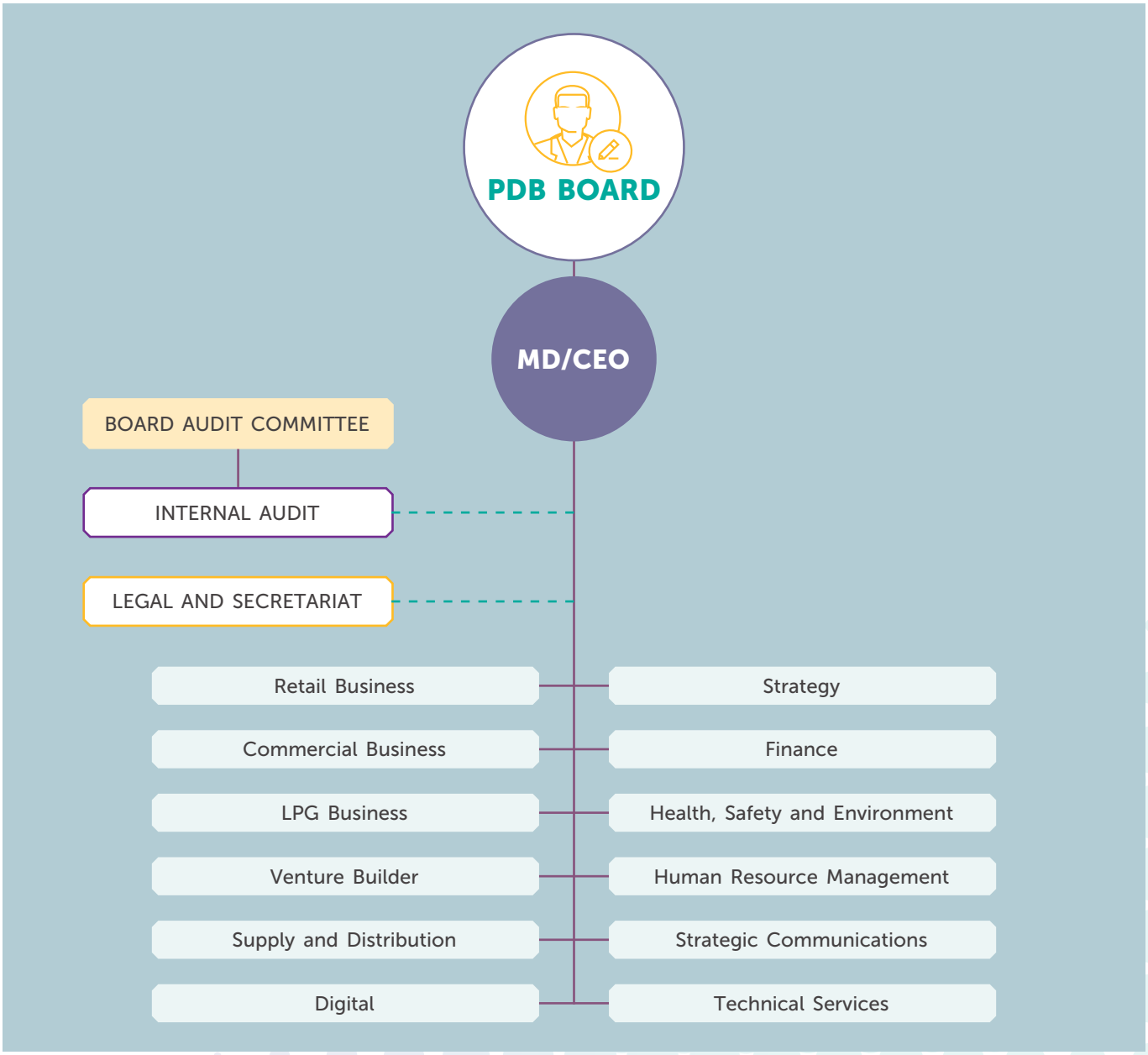
Key Responsibilities
Responsible for the management of all matters on health, safety and environment for PDB and its subsidiaries.

Past Experiences:
- Head, HSE Governance, Malaysia Petroleum Management, PETRONAS
- Senior HSE Specialist, JV Aral Sea Operating Company LLC, Uzbekistan
- Head, HSE Performance Management, PETRONAS Carigali Sdn. Bhd.
- Head, Health Management, PETRONAS Carigali Sdn. Bhd.

Skills Matrix: 3 5 9 10

Industry Experiences:

ORGANISATION STRUCTURE



Note:

1. Organisation Structure as at 1 January 2022
2. Lubricant Business is managed via PDB's subsidiary, PLMMSB

Direct report to MD/CEO Direct report to BAC Function performed by PETRONAS Group Legal

For more information on the Group Corporate Structure, please refer to page 18 of this <IR>

CHAIRMAN'S CORPORATE GOVERNANCE OVERVIEW



Dear Stakeholders,

For PDB, corporate governance is key to our efforts to establish long-term value creation and business excellence.

As a company, we are resolved in delivering long-term returns to our shareholders. Our ability to do this has largely been premised on the important principles of good governance, accountability, transparency and integrity.

Our corporate governance framework encompasses a robust decision-making process and a clear framework within which decisions are made.

In discharging its duties and responsibilities, the Board is very well supported by various Board Committees, each with specific authority and clear Terms of Reference. Collectively, the Board brings a formidable array of expertise and experience with members of diverse professional and industry backgrounds who are indisputably independent in character and judgement.

The year saw the continued impact of the ongoing COVID-19 pandemic. It was one of the toughest business environment that the Company had ever faced, posing extraordinary risks and challenges to accountability and transparency. Our resilience, commitment to excellence and the ability to remain an agile organisation has never been more crucial in ensuring our success.

Our swift response to the pandemic has been largely attributed to our continuous commitment to imbibe a culture of innovation and professionalism. We worked closely with suppliers, partners and customers and ensured their needs were met.

Concerned with safety and health, the Board continued to leverage on technology and convened the 39th Annual General Meeting via online platform. PDB will continue to offer remote shareholders' participation for future general meetings and will undertake further reviews to enhance the quality of the meetings.

The pandemic has and will continue to have a profound effect on how companies have adapted their operations. It reinforces further the importance of good governance, effective stakeholder engagement and collaboration.

We were resolute during the year under review, in continuing with our commitment to sustainability and sustainable business performance. This commitment was manifested in the way our business was conducted and in our adherence to adopting best practices in governance, integrity and transparency to create long-term sustainable value for all stakeholders. In providing leadership to the Group, the Board did not lose sight of its responsibility to ensure sustainable growth for the benefit of all stakeholders.

The composition of the Board exceeds the requirement of Paragraph 15.02 of the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Malaysia) in that more than one-third of Board members are Independent Non-Executive Directors. Notwithstanding that, the Board took cognisance of Practice 5.2 of the Malaysian Code on Corporate Governance 2021 (MCCG 2021) which requires the Board of large companies to comprise a majority of Independent Directors. Ongoing efforts are being undertaken to identify suitable candidates for appointment as additional Independent Director.

The Board reviewed and assessed its own performance and that of individual Directors as well as the Board Committees during the year under review. An independent third-party leadership consulting firm was engaged to undertake the Board Effectiveness Evaluation (BEE) 2021. An objective Board assessment was made against other large companies in the consultant's benchmark repository which covered a wide cross-section of industries. The Board through the NRC, reviewed the findings and noted that PDB continued to be led by an effective, committed and well-run Board. I am pleased to report that in line with Practice 6.1 of MCCG 2021, the Board will engage the services of a consultant to undertake the BEE every three years beginning from the year under review.

We continued to strengthen and enhance our internal governance practices, policies and procedures. We undertook revision of the Board Charter and the respective Terms of Reference of the Board Committees in February 2022. We were of the view that this review was timely in order to incorporate both the Board Charter and the Terms of Reference with the latest amendments made to the MCCG and the application as well as adoption of MCCG 2021's best practices.

I am also pleased to inform that the Corporate Governance Overview Statement, reports of the NRC, BAC and the BRC have applied and complied with the relevant provisions of the MMLR of Bursa Malaysia, the Companies Act 2016 and the MCCG 2021 as well as the Corporate Governance Guide – 4th Edition issued by Bursa Malaysia. Our practices are also benchmarked against the ASEAN Corporate Governance Scorecard.

The details of how PDB has applied, complied with and adopted the MCCG 2021's Principles and Practices are enumerated in our Corporate Governance Report 2021, which is accessible to the public on PDB's corporate website at **www.mymesra.com.my**.

We will continue to work towards enhancing, strengthening and improving the Company's internal governance practices and processes.

Your Board had welcomed Arni Laily Anwarrudin as Non-Independent Non-Executive Director (NINED) and as a member of the Board Audit Committee (BAC) on 1 June 2021, replacing Nuraini Ismail who resigned from the Board following her retirement from PETRONAS. In line with the Board Charter, Lim Beng Choon retired in August 2021 after serving the full-term of nine (9) years.

Datuk Md Arif Mahmood resigned as Chairman on 1 January 2022 following his retirement from PETRONAS and I was re-designated as Chairman of the Board on 1 January 2022.

On behalf of the Board, I would like to record my utmost appreciation to Nuraini Ismail and Lim Beng Choon and especially to Datuk Md Arif Mahmood for their significant contribution and services to the Company.

Datuk Anuar Ahmad
Chairman

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PETRONAS Dagangan Berhad (PDB or the Company) is committed to high standards of integrity and ethics in the conduct of its business. We continue to strive to be better and guided by our best practices, we aim to create continued sustainable value for our stakeholders. For PDB, good governance is imperative to ensure sustainable long-term performance, maximise returns for our stakeholders and to create long-term economic value and growth of the Group.

The Board embraces and promotes value-creating governance through a deliberate and structured approach, ensuring at the same time that our operations are safe, reliable and competitive.

Our Board continues to provide judicious leadership and strategic guidance to safeguard stakeholder value creation within a framework of rigorous and effective controls. Together with Leadership Team (LT), the Board drives robust strategies, executes strong effective governance and financial practices.

We embed world class business practices and robust institutional governance and risk frameworks. We continuously review these practices and frameworks, mindful of the dynamic and evolving corporate and business landscape, influenced by amongst others, geopolitical and cultural shifts regionally and globally while remaining ahead of our targets and ensuring that we act in the best interests of our stakeholders.

We believe that good governance contributes to living our core values through enhanced accountability, strong risk and performance management, transparency and effective leadership.

This Corporate Governance Overview Statement seeks to provide investors with vital insights into the corporate governance practices of PDB. In this Statement, the Board reports on the manner the Group has adopted and applied the statutory requirements, principles and best practices as set out in Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Malaysia), Companies Act 2016 (CA 2016), Malaysian Code on Corporate Governance 2021 (MCCG 2021) 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 2021.

PDB has generally complied with the MCCG 2021 for the period under review. The status of PDB's application of the MCCG 2021 is disclosed in our Corporate Governance Report 2021 which is accessible to the public at PDB's corporate website at www.mymesra.com.my.

The Corporate Governance Report provides the details on how the Company has applied each Practice as well as the departures and alternative measures in place within the Company during the financial year 2021 and demonstrates the commitment of the Board and Management of the PDB Group in applying and embracing the high standards of Corporate Governance in the organisation. This Corporate Governance Overview Statement serves to show how our measures are aligned with the principles of good governance in accordance with the MCCG 2021 and references are made to the three (3) key Corporate Governance principles in the MCCG 2021:

PRINCIPLE A
Board Leadership and Effectiveness
PRINCIPLE B
Effective Audit and Risk Management
PRINCIPLE C
Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders

PDB is committed to continue doing things the right way and strengthening our governance processes to ensure that we are aligned with best practices and that our approach to disclosure remains timely and transparent. Testament to our commitment in ensuring transparency and accountability, we were recognised with the following awards and recognition for governance during the year under review:

1. First place for Excellence Award for Corporate Governance Disclosure and Industry Excellence Award under the Consumer Products & Services category in MSWG-ASEAN Corporate Governance Awards 2020;
2. Gold for Chairman's/President's Letter to Shareholders and Bronze for Financial Data under Retailer & Marketer of Downstream Petroleum Products category in Annual Report Competition (ARC) Awards XXXV, USA 2021;
3. Silver Award under General Award category in Australasian Reporting Awards (ARA) 2021; and
4. Best Corporate Governance Malaysia, Best IR Team Malaysia and Best Oil & Gas for Retail & Marketing Malaysia in Financial Derivative Awards 2021.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

OUR GOVERNANCE STRUCTURE

Good governance practices are integrated across the PDB Group. Our Governance Structure is designed based on the principles of:

- accentuating greater transparency, accountability and responsibility.
- balancing the autonomy of the various operating entities in the Group with the appropriate checks and balances.
- inculcating ethical business conduct and desired behaviours based on our core values.

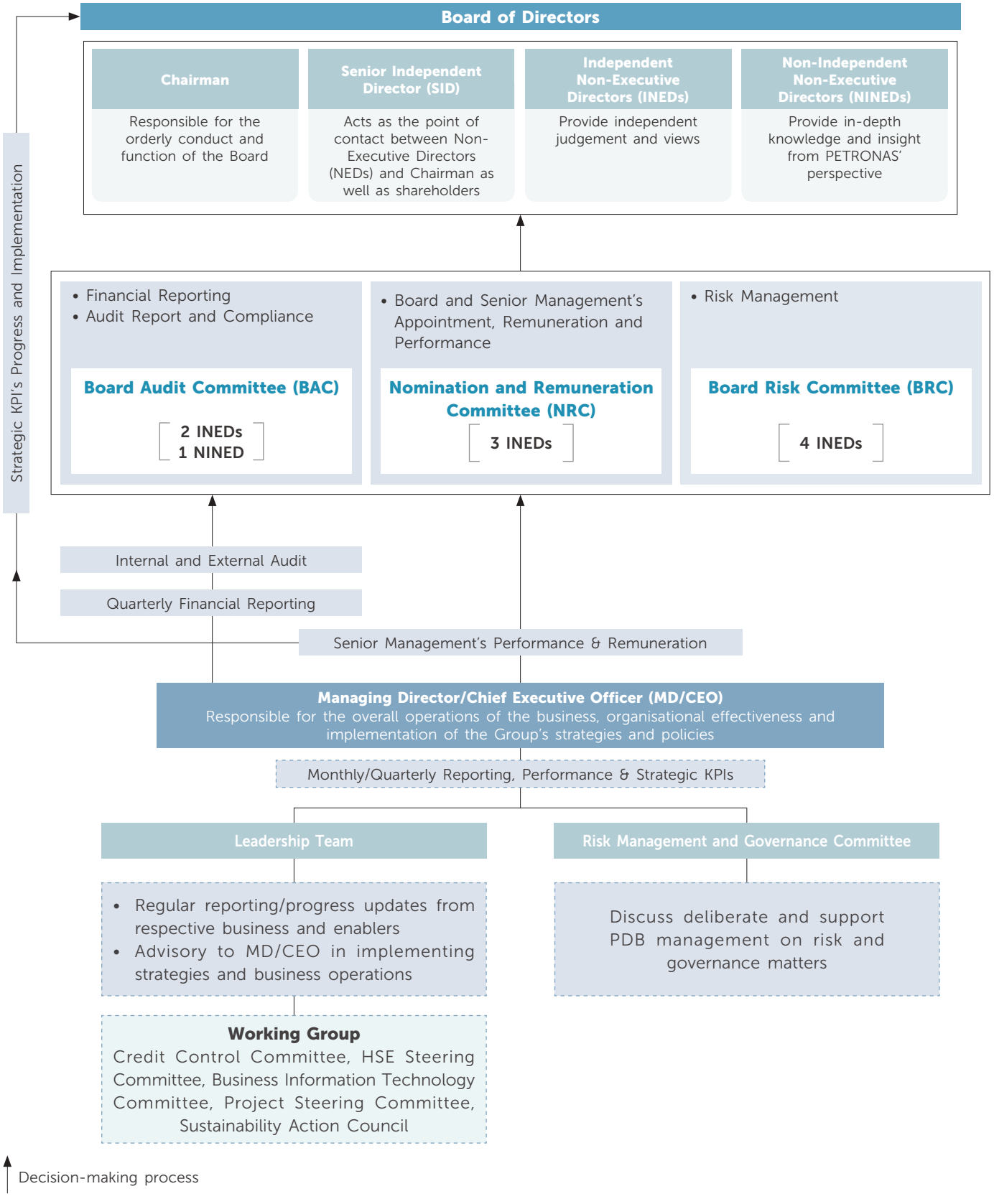
The Board is accountable to shareholders to create and deliver sustainable value through oversight of the management of the Group's business, approving strategic plans, monitoring their implementation and providing the necessary support for their successful execution.

The Board discharges its responsibilities within a clearly defined governance framework and robust mechanisms in place. Through this framework, the Board, without abdicating its responsibilities, delegates its governance responsibilities to key Committees of the Board and other Management committees. The Board retains ultimate accountability and responsibility for the performance and affairs of the Company and ensures that the Group adheres to high standards of ethical behaviour.

Effective operation of the Board relies on clarity of the various roles and responsibilities. There is therefore a clear division of responsibilities between the leadership of the Board and the executive leadership of the Company's business in line with the principles of the MCCG 2021.

The framework shows the governance oversight role of the Board, the various components of governance that facilitate the interaction and flow between them. The table below describes PDB's governance structure, an overview of the key Committees of the Board and other Management committees.

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, risk management etc.

The delegation 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 was reviewed and updated in February 2022 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. The Board ensures that the strategic plan of the Company supports long-term value creation and includes strategies on economic, environmental, social and governance ("ESG") considerations thereby strengthening the integration of sustainability in the Company's operations. Through sustainable practices, the Company becomes more resilient, is able to create durable and sustainable value and maintains simultaneously, the confidence of its stakeholders.

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 Directors 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

In discharging its functions, the main roles and responsibilities of the Board are as follows:

1. 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
2. To ensure that appropriate policies are in place, adopted effectively and are regularly reviewed
3. To review and approve financial statements
4. 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
5. To ensure that there is an appropriate succession plan for members of the Board and LT
6. 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.

Board Balance and Composition

As at the date of this Statement, the Board comprises eight (8) members, one of whom holds an Executive Office, having a dual role as MD/CEO. There are four (4) Independent Non-Executive Directors, three (3) Non-Independent Non-Executive Directors, including the Chairman and one (1) Executive Director. PDB has complied with Practice 5.9 of the MCCG 2021, by having 38% women directors in its Board.



Executive Director
(Managing Director/ Chief Executive Officer)
Number of Director: **1/8**



Independent Non-Executive Directors
Number of Directors: **4/8**



Non-Independent Non-Executive Directors
(including Chairman)
Number of Directors: **3/8**

The eight (8) 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 cognisance of Practice 5.2 of MCCG 2021 which requires the Board of large companies to comprise a majority of independent directors. On this, ongoing efforts are being undertaken to source for and identify suitable candidate for appointment as additional Independent Director.

During the year under review and up to the date of this Statement, the Company had seen some changes in the composition of the Board. Arni Laily Anwarrudin was appointed as Non-Independent Non-Executive Director (NINED) on 1 June 2021 in place of Nuraini Ismail who resigned as NINED on 31 May 2021 due to her retirement from PETRONAS Group. Lim Beng Choon retired on 12 August 2021 upon completion of the nine (9) years' tenure. Datuk Anuar Ahmad was re-designated as the NINED and Chairman effective 1 January 2022 in place of Datuk Md Arif Mahmood who resigned on 1 January 2022 due to his retirement from PETRONAS Group. The Board wishes to record its appreciation and gratitude to Datuk Md Arif Mahmood, Lim Beng Choon and Nuraini Ismail for their significant contribution and services during their tenure as Chairman and members of the Board.

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, 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 & 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 that 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 (5) directorships in listed companies. Prior to acceptance of other appointment for directorship in other listed companies, the Directors are required to first notify 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.

For more information on Profile of Directors, please refer to pages 126 to 131 of this <IR>

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:



DATUK ANUAR AHMAD
Chairman

The Chairman of PDB is a NINED. The Chairman is primarily responsible for the orderly conduct and function of the Board.

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;
- Arranging evaluation of 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 126 of this <IR>



AZRUL OSMAN RANI
Managing Director/Chief Executive Officer

The MD/CEO is responsible for the overall operations of the business, organisational effectiveness and the implementation of the Group's strategies and policies and is assisted by the LT in managing the business on a day-to-day basis, with whom he consults regularly.

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 127 of this <IR>

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



SHAFIE SHAMSUDDIN
Senior Independent Director

Shafie Shamsuddin fulfils 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.

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 Risk Committee (BRC) 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 127 of this <IR>

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 (3) female Directors on the Board of PDB which constitutes 38% of the Board composition and there are six (6) 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 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 NRC is empowered to review and evaluate the composition and performance of the Board annually, as well as assessing qualified candidates to occupy Board positions. 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

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 deliberated and examined taking into account the interests of shareholders and stakeholders.

As at the date of the Statement, Independent Directors comprise 50% of the Board and that all the four (4) 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 (5) 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 (9) years.

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 abovementioned cooling-off period.

The Board appointment process is summarised in the chart below:



Directors' Re-election and Re-appointment

In accordance with MMLR 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 (3) 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 2022 endorsed the recommendation of the NRC for the following Directors to be considered for re-election pursuant to the following Articles of PDB's Constitution at the Company's forthcoming 40th AGM. All the Directors named below have given their consent for re-election at the AGM:

Article 100

(a) Arni Laily Anwarrudin

Article 107

(a) Azrul Osman Rani
(b) Nirmala Doraisamy

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 PDB's Board meeting.

Board Meetings and Attendance

The Board meets at least quarterly with additional meetings convened as and when necessary. The Board, Board Committees, Board & Management Strategy Retreat and AGM for the year under review were scheduled in November 2020 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 (9) 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 have the need to use his casting vote to pass any resolution.

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 as he/she is an interested party.

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 BAC, NRC and BRC also update the Board on the proceedings of their respective Committee meetings.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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, to present new proposals or to 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.

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's 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 Committees' 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 Committees 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 Committees meetings. The Board is satisfied that each Director has devoted sufficient time to effectively discharge his/her responsibilities.

A total of seven (7) Board meetings were held in 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. In light of the ongoing pandemic, the Board and Management continued to leverage technology and carried out meetings online, including matters relating to strategic conversation, financial and governance. As such, all the seven (7) Board meetings were held virtually via digital platform.

The details of the meetings of the Board, Board Committees, Board & Management Strategy Retreat (BMSR) (formerly known as Board Strategy Away Day (BSAD)) and AGM convened during the year under review are set out below:

Meeting	Quarter 1 2021	Quarter 2 2021	Quarter 3 2021	Quarter 4 2021
Annual General Meeting	–	28 April 2021	–	–
Nomination and Remuneration Committee Meeting	14 January 2021 and 8 February 2021	–	–	8 November 2021
Board Audit Committee Meeting	10 February 2021	19 May 2021	17 August 2021	15 November 2021
Board Risk Committee Meeting	15 February 2021	18 May 2021	12 August 2021	23 November 2021 and 7 December 2021
Board Meeting	19 February 2021	25 May 2021	23 August 2021 and 30 August 2021	18 October 2021, 26 November 2021 and 20 December 2021
Board & Management Strategy Retreat (formerly known as Board Strategy Away Day)	15 – 16 April 2021	7 – 8 July 2021	28 September 2021	9 – 10 December 2021

DIRECTORS' ATTENDANCE AT MEETINGS OF THE BOARD, BOARD COMMITTEES AND ANNUAL GENERAL MEETING FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 ARE AS FOLLOWS:

No	Name of Board Members	Designation/Independence	Attendance				
				Committees			
			Board	BAC	NRC	BRC	AGM
1	Datuk Anuar Ahmad*	Chairman, Non-Independent Non-Executive Director	6/7	4/4	1/1	5/5	√
2	Azrul Osman Rani	Executive Director	7/7	–	–	–	√
3	Shafie Shamsuddin	Senior Independent Director	7/7	–	3/3	5/5	√
4	Alvin Michael Hew Thai Kheam	Independent Non-Executive Director	7/7	–	3/3	5/5	√
5	Nirmala Doraisamy	Independent Non-Executive Director	7/7	3/3	–	5/5	√
6	Tang Saw Hua	Independent Non-Executive Director	7/7	4/4	3/3	5/5	√
7	Ahmad Adly Alias	Non-Independent Non-Executive Director	6/7	–	–	–	√
8	Arni Laily Anwarrudin**	Non-Independent Non-Executive Director	5/5	2/2	–	–	–
9	Datuk Md Arif Mahmood ***	Chairman, Non-Independent Non-Executive Director	6/7	–	–	–	√
10	Lim Beng Choon ****	Independent Non-Executive Director	2/2	2/2	2/2	–	√
11	Nuraini Ismail*****	Non-Independent Non-Executive Director	2/2	1/2	–	–	√

The meeting attendance is calculated based on the attendance from the date of appointment to the date of resignation/retirement.

* *Datuk Anuar Ahmad was re-designated as Chairman and Non-Independent Non-Executive Director with effect from 1 January 2022*
** *Arni Laily Anwarrudin was appointed as Non-Independent Non-Executive Director with effect from 1 June 2021*
*** *Datuk Md Arif Mahmood resigned as Chairman and Non-Independent Non-Executive Director with effect from 1 January 2022*
**** *Lim Beng Choon retired as Independent Non-Executive Director with effect from 12 August 2021*
***** *Nuraini Ismail resigned as Non-Independent Non-Executive Director with effect from 31 May 2021*

2021 saw the Board and Board Committees spent a total of almost 126 hours in discharging its key fiduciary duties and oversight function and responsibilities.



CORPORATE GOVERNANCE OVERVIEW STATEMENT

BOARD COMMITTEES

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 BRC 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 respective Board Committees were reviewed and updated in February 2022 to incorporate the changes and the proposed way forward in respect of the application of relevant MCCG practices to advocate the adoption of the best practices in the MCCG 2021.

The TOR of the NRC, BAC and BRC are available on PDB's corporate website at www.mymesra.com.my

The reports of these three (3) Committees are set out on pages 176 to 190 of this <IR>

Board & Management Strategy Retreat

The Board & Management Strategy Retreat (formerly known as Board Strategy Away Day) with the LT were held on quarterly basis 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.

Supply and Access to Information

Prior to each Board and Board Committee's meeting, the agenda and Board papers encompassing comprehensive qualitative and quantitative information which include objectives, background, critical issues, implications, risks, strategic fit, recommendations and other pertinent information are circulated to the Directors to enable an informed decision making by the Board. The quality of information given to the Board is important as it leads to good decision-making. Presentations and briefings by the Management and relevant external consultants, where applicable, are also held at Board meetings to advise the Board. In this regard, relevant information is furnished and clarifications are given to assist the Board in making a decision.

Prior to a meeting of the Board and Board Committee, a syndication session, if required, will be organised for papers that require Board's insight especially on critical Board papers.

The Board papers were circulated to all Directors at least five (5) business 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.

Access to Board papers were carried out online through a collaborative software which allows the Directors to securely access, to 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 Directors have direct access to the Management and have unrestricted access to any information relating to the Group to enable them to discharge their duties. The Directors also have direct access to the advice and services of the Company Secretaries and are regularly updated on the new statutory and regulatory requirements relating to the duties and responsibilities of the Directors. The Directors, whether collectively as a Board or in their individual capacity, may seek independent professional advice at PDB's expense in furtherance of their duties.

The Board's 2021 Key Focus Areas & Priorities

The diagram below shows the key areas of focus for the Board which appear as items on the Board's agenda at the respective meetings throughout the year. Concentrated discussion of these items assists the Board in making the right decisions taking into account the long-term implications to the business and its stakeholders.

Key Focus Areas	Description
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 incorporated a wholly-owned subsidiary, namely Mesra Retail & Cafe Sdn. Bhd., and successfully acquired a courier licensed company, namely Setel Express Sdn. Bhd. (formerly known as D-Two Couriers (M) Sdn. Bhd.), and signed a Heads of Agreement with PETROS to collaborate in marketing of LPG in Sarawak.
Reviewed and approved the Group's Business Plan	The Board deliberated and approved PDB's business plan which spans over five (5) 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	
Reviewed and approved the Group's Budget	The Group undertakes an annual planning and budgeting exercise which includes development of business strategies for the next five (5) 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 Board provided steer and approved the budget and resource allocation for the next five (5) years. Approval of budget is based on progress updates and review on current operational performance, strategic outcomes, and any changes to the operational or external environment.
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. Performance are measured and tracked against the approved performance targets as well as prior periods. Overall performance of the Group includes respective performance of business segments and companies within the Group.
Reviewed and approved the quarterly interim dividend	The Board consider and approve the proposal of declaration of dividend on quarterly basis.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Key Focus Areas	Description
Risk and Internal Controls	
Identified and managed principal risks	In pursuant of PDB Board Charter Item 3.1.1 (iii)(c), the Board deliberated and approved PDB critical risks that may significantly impact PDB's business goals and targets through annual approval of PDB Corporate Risk Profile ("CRP"), i.e. FY2021 PDB CRP. In developing PDB 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. The external factors include geopolitical uncertainties, competitions, consumer trends, technological advancements, socio-economic issues, energy transition and environmental concerns. 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 addition, to ensure risks undertaken in pursuit of business objectives are within Board acceptable level, the Board has also approved the PDB risk appetite which sets its key operational boundaries. PDB's risk appetite reflects the stance on acceptable level of risk or boundaries PDB is willing to assume within its risk capacity in pursuing strategic and business objectives. PDB's risk appetite is reflected in Risk Appetite Statement which expresses PDB's philosophy in managing or taking risk and further supported by Risk Tolerance and its corresponding Risk Threshold. PDB monitors and reports the risk appetite on a regular basis and escalates any breach of the risk appetite to management and Board, if required, on a timely basis for deliberation of specific action or decision. In achieving comprehensive risk-based decision making, the Board also deliberated on the risk related to high impact business matters such as commercial transactions with high complexity and exposure, key capital projects, new business ventures and/or special projects, in order to assess the feasibility and commerciality of these projects and investments.
Quarterly PDB's Litigation and Arbitration Cases	The status of PDB's general litigation and arbitration cases were also updated to the Board on quarterly basis.
Adoption of PDB Tax Policy	PDB adopts the PETRONAS Tax Policy to ensure compliance and to further strengthen PDB financial and legal position through ensuring strong implementation of tax governance, and in response to increasing tax compliance requirements and scrutiny on tax issues worldwide.

Key Focus Areas	Description
Corporate Governance and Compliance	
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.
Update on MCCG 2021	The Board approved the proposed way forward in respect of the application of the MCCG 2021 practices in order to promote a holistic adoption of corporate governance practices and culture within PDB Group.
Related Party Transactions and Recurrent Related Party Transaction	To ensure all transactions are at arm's length basis and were carried out on normal commercial terms and not to the detriment of the minority shareholders.
Revision to PDB Limits of Authority ("LOA") & Summary of Authority ("SOA") and establishment of Management Framework	The Group has established Limits of Authority (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. The revisions are guided by 4 principles, namely decision making hierarchy, 80/20 pareto principle, financial control vs operating flexibility, and check & balance. The proposed LOA is then reviewed by Group Financial Controller prior to deliberation and approval at the Board. Additionally, PDB Board has also approved a set of baseline for PDB Management Framework (PDBMF) consists of line of sight requirements on key decision making at PDB subsidiaries. Through implementation of PDBMF, the Group will have a structured and consistent oversight on key decision making at subsidiaries hence ensuring alignment to its overall vision and objective.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Highlights of Board Activities During 2021

F Financial | S Strategy | R Risk and Internal Control | C Corporate Governance and Compliance

JAN

- Senior Management Performance for Financial Year 2020 (C)
- Proposed Trainings/Conferences for Directors for the Financial Year 2021 (C)

FEB

- PDB Group Performance For Financial Year 2020 (F)
- Audited Financial Statements of PDB Group 31 December 2020 (F)
- Interim Dividend for the Quarter Ended 31 December 2020 (F)
- Provision For Doubtful Debts and Write Off on Trade Accounts Receivables and Other Receivables for Q4 Financial Year 2020 (F)
- Directors shareholding, directorship and movement in substantial shareholding (C)
- Update/Approval on Various Projects (S)
- Business Risk Report (BRR) as at Q4 Financial Year 2020 (R)
- Risk Appetite (R)
- Corporate Risk Profile 2021 (R)
- Change of Composition of Directors on the Board Committees of The Company and Nomination of New Senior Independent Director (C)
- Board Effectiveness Evaluation 2020 (C)
- 2020 Integrated Report Statements (C)
- Corporate Governance Report for the Financial Year 2020 (C)
- Convening of the Company's 39th AGM (C)
- Re-Election of Directors for AGM 2020 (C)
- Enhanced Whistleblowing Policy (C)
- Litigation And Arbitration Report (S)
- PDB Moving Forward Together 2025 Key Targets (S)
- Proposed MD/CEO Scorecard Financial Year 2021 (C)

MAR

- Presentation By External Auditor on the Year End Audit Financial Year 2020 (F)
- Audited Financial Statements Financial Year Ended 31 December 2020 (F)
- Related Party Transactions & Recurrent Related Party Transactions (R, C)
- Trade Accounts Receivable Status as at 31 December 2020 (F)
- Provision For Doubtful Debts and Write Off on Trade Accounts Receivables and Other Receivables for Q4 Financial Year 2020 (F)
- 2020 Integrated Report Statements (C)
- Update/Approval on Various Project (S)
- Performance Report of PDB IAD for Financial Year 2020 (R)
- Quarterly Audit Status Report as at 31 January 2021 (R)
- Quarterly Investigation and Special Review Report Related to PDB as at 31 January 2021 (R)
- Business Risk Report as at Q4 Financial Year 2020 (R)
- Risk Appetite (R)
- Corporate Risk Profile 2021 (R)
- 2020 Integrated Report Statements (C)
- Enhanced Whistleblowing Policy (C)
- Update/Approval on Project (S)
- MD/CEO Scorecard and Moving Forward Together Key Targets (C)
- 2020 Integrated Report Statements (C)
- Re-Election of Directors for AGM 2021 (C)
- Board Effectiveness Evaluation 2020 (C)

APR

- PDB Group Performance YTD March 2021 (F)
- Consolidated Financial Statements of PDB Group 31 March 2021 (F)
- Interim Dividend for the Quarter Ended 31 March 2021 (F)
- Provision for Doubtful Debts and Write Off on Trade Accounts Receivable for Q1 Financial Year 2021 (F)
- Business Risk Report as at Q1 Financial Year 2021 (R)
- Update/Approval on Various Projects (S)
- Project Funding (F)

MAY

- Adoption Of Substance Misuse Control Policy (C)
- Litigation And Arbitration Report (S)
- Nomination Of New Non-Independent Non-Executive Director and A New Member of Board Audit Committee (C)
- Directors shareholding, directorship and movement in substantial shareholding (C)
- Consolidated Financial Statements of PDB Group 31 March 2021 (F)
- Related Party Transactions & Recurrent Related Party Transactions (R, C)

JUN

- Trade Accounts Receivable Status as at 31 March 2021 (F)
- Provision for Doubtful Debts and Write Off on Trade Accounts Receivable for Q1 Financial Year 2021 (F)
- Quarterly Audit Status Report as at 30 April 2021 (R)
- Quarterly Investigation and Special Review Report Related to PDB as at 30 April 2021 (R)
- Updates on Changes at Annual Audit Plan Financial Year 2021 (R)
- Business Risk Report ("BRR") as at Q1 Financial Year 2021 (R)
- Update/Approval on various Projects (S)

JUL

Board | Board Audit Committee | Board Risk Committee | Nomination and Remuneration Committee

AUG

- PDB Group Performance YTD June 2021 — C
- Consolidated Financial Statements of PDB Group 30 June 2021 — F
- Interim Dividend for the Quarter Ended 30 June 2021 — F
- Provision for Doubtful Debts on Trade Accounts Receivable for Q2 Financial Year 2021 — F
- Business Risk Report as at Q2 Financial Year 2021 — R
- Adoption of PDB Tax Policy — F
- Update/Approval on Various Projects — S
- Litigation And Arbitration Report — S
- Change of Company Secretary — C
- Malaysian Code on Corporate Governance: Proposed Way Forward — C
- Directors shareholding, directorship and movement in substantial shareholding — C
- Audit Plan Financial Year 2021 — R
- Consolidated Financial Statements of PDB Group 30 June 2021 — F

- Related Party Transactions & Recurrent Related Party Transactions — R, C
- Trade Accounts Receivable Status as at 30 June 2021 — F
- Provision For Doubtful Debts and Write Off on Trade Accounts Receivable for Q2 Financial Year 2021 — F
- Adoption of PDB Tax Policy — F
- Update/Approval on Projects — S
- Quarterly Audit Status Report as at 15 July 2021 — R
- Quarterly Investigation And Special Review Report Related to PDB as at 15 July 2021 — R
- Updates on Changes at Annual Audit Plan Financial Year 2021 — R
- Review Of PDB Internal Audit Charter — R
- Business Risk Report as at Q2 Financial Year 2021 — R
- Cyber Security Roadmap — C, R

SEP

OCT

- PDB Group Performance for YTD September 2021 — R

- PDB Group Business Plan and Budget For Financial Year 2022 To 2026 — F

NOV

- Consolidated Financial Statements of PDB Group 30 September 2021 — F
- Interim Dividend for the Quarter Ended 30 September 2021 — F
- Provision For Doubtful Debts on Trade Accounts Receivable for Q3 FY2021 — F
- Business Risk Report as at Q3 FY2021 — R
- Corporate Risk Profile 2022 — R
- Revision to PDB's Limits of Authority And Summary Of Authority to Petroliam Nasional Berhad (PETRONAS) — C
- Update/Approval on Various Projects — S
- Litigation And Arbitration Report — S
- Updates on the Annual Board Effectiveness Evaluation for the Year of Assessment 2020 — C
- Updates on Board Succession Planning — C
- Directors shareholding, directorship and movement in substantial shareholding — C
- Consolidated Financial Statements of PDB Group 30 September 2021 — F

- Related Party Transactions & Recurrent Related Party Transactions — R, C
- Trade Accounts Receivable Status as at 30 September 2021 — F
- Provision For Doubtful Debts On Trade Accounts Receivable For Q3 Financial Year 2021 — F
- Revision to PDB's Limits Of Authority And Summary Of Authority to Petroliam Nasional Berhad (PETRONAS) — C
- PDB FY2022 Annual Audit Plan & Budget — F
- Quarterly Audit Status Report as at 15 October 2021 — R
- Quarterly Investigation and Special Review Report Related to PDB as at 15 October 2021 — R
- Business Risk Report ("BRR") as at Q3 Financial Year 2021 — R
- Corporate Risk Profile 2022 — R
- Senior Management Position's Succession Planning — C
- Update on Board Effectiveness Evaluation 2020 — C
- Updates on Board Succession Planning — C

DEC

- Change of PDB Board Composition — C

- Cyber Security Roadmap — S
- Update/Approval on various Projects — S

CORPORATE GOVERNANCE OVERVIEW STATEMENT

SUSTAINABILITY

Our Sustainability Report for 2021 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 2021 is set out from pages 208 to 277 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.

Succession Plan

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.

Onboarding and Continuing Development Programme for Directors

Arni Laily Anwarrudin who was appointed as the new Non-Independent Non-Executive Director of the Company on 1 June 2021 attended the Mandatory Accreditation Programme required under the MMLR of Bursa Malaysia on 6-8 September 2021. In addition, she also received a comprehensive onboarding programme, conducted by members of the LT covering key areas of the business, including the Company's strategies, financial, business segments and operations, the corporate governance framework within the Group and key risks of the Company. She was also updated on ongoing and potential projects undertaken by the Group.

In line with Paragraph 15.08 of the MMLR of Bursa Malaysia, the Directors recognise the importance and value of attending conferences, training programmes and seminars in order to keep themselves abreast of the development and changes in the industry, as well as updates on new statutory and regulatory requirements. In addition, all members of the BAC have also fulfilled the requirement of Practice 9.5 of the MCCG 2021 by attending the relevant seminars on accounting and auditing standards.

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 set out below:

No	Director	Development Programmes Attended	Organiser	Date
1.	Datuk Anuar Ahmad	• Audit Committee Conference 2021 – Agility, Empathy & Resilience: How the Audit Committee will Thrive in the New Normal	Malaysian Institute of Accountant (MIA) & The Institute of Internal Auditors Malaysia (IIAM)	15 – 16 March 2021
		• Malaysian Code on Corporate Governance	ENRA Berhad	18 May 2021
		• Rethinking Corporate Risk to Manage Market Market Uncertainty – Ethics, Regulatory Compliance and Control Environment	Malaysian Institute of Corporate Governance (MICG)	2 July 2021
		• PETRONAS Board Excellence Programme: Advanced 2 – Effective Strategy for Stakeholder Management	PETRONAS	5 – 6 July 2021
		• FIMA's Integrity & Compliance: Virtual Summit 2021	Kumpulan Fima Berhad	7 – 8 September 2021
		• PETRONAS Board Excellence Programme – Advanced 1: Best Practices for Board Excellence	PETRONAS	14 – 15 October 2021
		• PETRONAS Working Backwards Immersion	Amazon Web Services	10 December 2021
2.	Azrul Osman Rani	• Innovation Master Class Cohort – Part 1	Innovation Engine	9 – 11 March 2021
		• Innovation Master Class Cohort – Part 2	Innovation Engine	15 – 17 March 2021
		• Innovation Master Class Cohort – Part 3	Innovation Engine	22 March 2021
		• Innovation Engine C2 Group 1	Innovation Engine	23 April 2021
		• Top Leaders Dialogue Special Edition 2021	PETRONAS	22 June 2021
		• PETRONAS Board Excellence Programme: Advanced 2 – Effective Strategy for Stakeholder Management	PETRONAS	5 – 6 July 2021
		• Innovation Master Class Cohort – Part 5	Innovation Engine	6 October 2021
		• Bloomberg NEF (Bloomberg New Economy Forum) Academy	Bloomberg	5, 12, 26 October 2021 2, 9 November 2021
		• PETRONAS Working Backwards Immersion	Amazon Web Services	10 December 2021

CORPORATE GOVERNANCE OVERVIEW STATEMENT

No	Director	Development Programmes Attended	Organiser	Date
3.	Shafie Shamsuddin	• FCD Module D: Financial Essentials for Directors	Institute of Corporate Directors Malaysia (ICDM)	20 – 21 January 2021
		• Nominating and Remuneration Committees: Beyond Box-Ticking and Enhancing Effectiveness	Asia School of Business (ASB)	15 – 16 March 2021
		• Doubling down on Corporate Governance Watch 2020 and Malaysian Code on Corporate Governance (2021 Update)	KPMG Management & Risk Consulting Sdn. Bhd. (KPMG)	4 June 2021
		• Delivering Business Resilience in Transformative Times – Setting an Efficient Growth Framework	MICG	1 July 2021
		• PETRONAS Board Excellence Programme: Advanced 2 – Effective Strategy for Stakeholder Management	PETRONAS	5 – 6 July 2021
		• PETRONAS Board Excellence Programme – Advanced 1: Best Practice for Board Excellence	PETRONAS	14 – 15 October 2021
		• PETRONAS Working Backwards Immersion	Amazon Web Services	10 December 2021
		• 5 Critical Laws and Export Control	PETRONAS	Online Training Course
4.	Alvin Michael Hew Thai Kheam	• "Leading customer-centric strategies" by Professors Katharine Lange, Frederic Dalsace and Didier Bonnet	IMD Webinar	29 January 2021
		• "Think distinct, boost your results with digital design strategy" by Patrick Reinmoeller, IMD Professor of Strategy and Innovation	IMD Webinar	12 February 2021
		• "The Global Economy in 2021: What to Expect?" – Professor of Economics Dr. Antonio Fatas	INSEAD Webinar	25 February 2021
		• "ALIEN thinking: how to dramatically improve the odds for innovative breakthroughs" by Professor Michael Wade	IMD Webinar	26 February 2021
		• "Creative Collaboration" – Professor of Technology and Operations Management Dr. Manuel Sosa	INSEAD Webinar	11 March 2021
		• "The Need for Speed: Leverage Technology and Stakeholder Wisdom To Move Faster in a Digital World" by IMD Professor of Innovation & Strategy Louise Muhdi	IMD Webinar	12 March 2021
		• Nominating and Remuneration Committees: Beyond Box-Ticking and Enhancing Effectiveness	ASB	15 – 16 March 2021
		• "LEAP: Thriving After a Crisis" by IMD's LEGO chair Professor of Innovation and Management Howard Yu	IMD Webinar	26 March 2021
		• Columbia Business School 2021 Climate Science & Investment Conference "Transition to Net Zero"	Columbia Business School 2021	7 May 2021
		• "No Rules Rules: Developing a corporate culture that breeds innovation and flexibility"	INSEAD Webinar	20 May 2021

No	Director	Development Programmes Attended	Organiser	Date
4.	Alvin Michael Hew Thai Kheam (Cont'd.)	• "Our financial values in the face of the climate crisis" a conversation with Mark Carney, former Bank Governor of England and Canada, author of "Value(s)"	INSEAD Webinar	25 May 2021
		• "The Leadership Mystique" by Manfred Ketz de Vries, Distinguished Clinical Professor of Leadership Development and Organizational Change	INSEAD Webinar	28 May 2021
		• "Leading in Turbulent Times" by Prof James Henderson, Professor of Strategic Management	IMD Webinar	4 June 2021
		• "Quo Vadis – The Existential Challenge for Leaders" by Manfred Ketz de Vries, Distinguished Clinical Professor of Leadership Development and Organizational Change	INSEAD Webinar	22 June 2021
		• "Emerging Technologies and the Future of Business. What's next?" By Peter Zemsky Deputy Dean of INSEAD, Dean of Innovation & Professor of Strategy	INSEAD Webinar	23 June 2021
		• PETRONAS Board Excellence Programme: Advanced 2 – Effective Strategy for Stakeholder Management	PETRONAS	5 – 6 July 2021
		• ESG & Cyber Security	PWC, Citi and FireEye Mendiant	29 July 2021
		• "How to thrive under pressure: Why pressure isn't the problem, it's the solution" by Dane Jensen, CEO Third Factor	Queen's University Webinar	23 September 2021
		• "Dancing on Quicksand – Reflections on Character, Leadership and Life"	INSEAD Webinar	1 October 2021
		• PETRONAS Board Excellence Programme – Advanced 1: Best Practice for Board Excellence	PETRONAS	14 – 15 October 2021
		• "How to Deliver on Your Company's 2022 Strategy"	Queen's University Webinar	21 October 2021
		• Equity, Diversity and Inclusion Awareness Building	Queen's University Webinar	10 November 2021
		• Audit Committee Oversight	Malaysia Securities Commission Webinar	6 December 2021
		• PETRONAS Working Backwards Immersion	Amazon Web Services	10 December 2021
		• 5 Critical Laws an Export Control	PETRONAS	Online Training Course

CORPORATE GOVERNANCE OVERVIEW STATEMENT

No	Director	Development Programmes Attended	Organiser	Date
5.	Nirmala Doraisamy	• Audit Committee Conference 2021	IIAM & MIA	15 – 16 March 2021
		• Economic Outlook 2021, Investing at the Right Time & Sector	SIDC	17 March 2021
		• Sustainability Reporting – Ensuring Relevance to Financial Market	MIRA & RAM Sustainability Sdn. Bhd.	2 April 2021
		• Risk Management Conference 2021	MIA	21 – 22 April 2021
		• Doubling down on Corporate Governance Watch 2020 and Malaysian Code on Corporate Governance (2021 Update)	KPMG	4 June 2021
		• Global Ethical Finance 2021 – AICB's Empowering Bankers Webinar Series	Asian Institute of Chartered Bankers	8 June 2021 – 10 June 2021
		• SIDC's SRI 2021, – Paving – The way for Profitability through Sustainability	SIDC	16 – 17 June 2021
		• PETRONAS Board Excellence Programme: Advanced 2 – Effective Strategy for Stakeholder Management	PETRONAS	5 – 6 July 2021
		• Financial Digitalisation and Data Governance	CIMA & CPA Australia	9 July 2021
		• Corruption Risk Management	ASB	14 – 15 July 2021
		• 6th PETRONAS Board Audit Committee Forum	PETRONAS	7 September 2021
		• Board Assessment – A Key Cog in an Effective Government Structure	MIA	25 October 2021
		• SC's Audit Oversight Board Conversation with Audit Committee	Bursa S/C	6 December 2021
		• PETRONAS Working Backwards Immersion	Amazon Web Services	10 December 2021
		• Risk Management in Strengthening Resilience Management and Unprecedented Times	MIA	22 December 2021
		• 5 Critical Laws and Export Control	PETRONAS	Online Training Course

No	Director	Development Programmes Attended	Organiser	Date
6.	Tang Saw Hua	• Audit Committee Conference 2021	MIA	15 – 16 March 2021
		• Effective Internal Audit Function • (Based on Thematic Study by Bursa Malaysia & IIA Malaysia)	IIAM	22 March 2021
		• Risk Management Conference 2021	MIA	21 – 22 April 2021
		• Asia-Pacific Board Leadership Centre I Board and Audit Committee Priorities 2021	KPMG	7 May 2021
		• Delivering Business Resilience in Transformative Times – Setting an Efficient Growth Framework	MICG	1 July 2021
		• Rethinking Corporate Risk to Manage Market Uncertainty – Ethics, Regulatory Compliance and Control Environment	MICG	2 July 2021
		• PETRONAS Board Excellence Programme: Advanced 2 – Effective Strategy for Stakeholder Management	PETRONAS	5 – 6 July 2021
		• Governance in Audit – Audit's Involving Role in the New Normal	MICG & IIAM	15 July 2021
		• 6th PETRONAS Board Audit Committee Forum	PETRONAS	7 September 2021
		• PETRONAS Working Backwards Immersion	Amazon Web Services	10 December 2021
		• 5 Critical Laws and Export Control	PETRONAS	Online Training Courses
7.	Ahmad Adly Alias	• Innovation Master Class Cohort – Part 1	Innovation Engine	9 – 11 March 2021
		• Innovation Master Class Cohort – Part 2	Innovation Engine	15 – 17 March 2021
		• Innovation Master Class Cohort – Part 3	Innovation Engine	22 March 2021
		• Incubation Onboarding Session	Innovation Engine	23 April 2021
		• Doubling down on Corporate Governance Watch 2020 and Malaysian Code on Corporate Governance (2021 Update)	KPMG	4 June 2021
		• Incubation Review Session 1	Innovation Engine	17 June 2021
		• Ideation Review for Session 5	Innovation Engine	28 June 2021
		• PETRONAS Board Excellence Programme – Advanced 1: Best Practices for Board Excellence	PETRONAS	14 – 15 October 2021
8.	Arni Laily Anwarrudin	• Top Leaders Dialogue Special Edition 2021	PETRONAS	22 June 2021
		• Top Leaders: Culture Conversation with Context Setting by President	PETRONAS	8 August 2021
		• Mandatory Accreditation Program	ASB	6 – 8 September 2021
		• 6th PETRONAS Board Audit Committee Forum	PETRONAS	7 September 2021
		• PETRONAS Board Excellence Programme – Advanced 1: Best Practices for Board Excellence	PETRONAS	14 – 15 October 2021
		• Top Leaders Dialogue Session #3 2021	PETRONAS	8 December 2021
		• PETRONAS Working Backwards Immersion	Amazon Web Services	10 December 2021

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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, Suria Kamarul Baharin vacated her position as company secretary effective 24 August 2021 and was replaced by Wong Lay See. Following the changes, the company secretaries of the Company are Wong Lay See and Yeap Kok Leong. The former is an Associate and the latter is a Fellow of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA). Both 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.

The Company Secretaries constantly keep themselves abreast of the evolving regulatory changes and developments in corporate governance through continuous training. During the year under review, the Company Secretaries attended the following training programmes:

No	Company Secretary	Development Programmes	Organisers	Date
1.	Wong Lay See	• SKG05: PDM Company Law and Company Secretarial Practices (Part III)	PETRONAS	13 August 2021
		• The Law Behind Corporate Governance	Malaysian Institute of Corporate Governance	26 August 2021
		• The New Norm: Managing Disruption – Resilience and Recovery	MAICSA	6 & 7 October 2021
		• Decoding Transactions and RPT Rules	CKM Advisory Sdn. Bhd.	16 & 19 November 2021
		• Managing Recurrent Related Party Transactions	CKM Advisory Sdn. Bhd.	22 November 2021
		• Provision of Financial Assistance & Related Party Transactions	CKM Advisory Sdn. Bhd.	29 & 30 November 2021
		• Key Disclosure Obligations of a Listed Company	CKM Advisory Sdn. Bhd.	6 December 2021

No	Company Secretary	Development Programmes	Organisers	Date
2.	Yeap Kok Leong	• Appointments & Revocation of Proxy Appointments – Case Study	Tricor Hive Sdn. Bhd.	22 January 2021
		• Discretionary Trust – Case Study	Tricor Trustco (Labuan) Ltd's Kuala Lumpur Marketing Office	2 February 2021
		• The MIA International Accountants Conference 2021: Navigating A Sustainable Future with Agility And Resilience	Malaysian Institute of Accountants	8 – 10 June 2021
		• ADP Partner Executive Convention (ADP Global Payroll) – Making Waves	ADP Global	1 – 2 December 2021

Board Effectiveness Evaluation

The Board Effectiveness Evaluation (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:



The BEE 2021 was conducted by an independent third-party leadership consulting firm which covered the Board, Board Committees, Peer and Self Evaluations of the Board members. 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. The assessment criteria were anchored on governance framework, best practices as well as industry norms.

The BEE 2021 was carried out through questionnaires and 1-on-1 interview sessions with Board members. The interview sessions allowed consultants from the third-party leadership consulting firm to explore selected issues in an in-depth manner to garner first-hand insights.

The evaluation also entailed an assessment of each individual Director with a focus on their capabilities. The independence of Independent Directors were also assessed in ensuring a balanced and unbiased decision-making process at the Board. Completed questionnaires were routed directly to the independent third-party leadership consulting firm without any intermediation by the Management.

Feedback and inputs from some members LTs on the performance of the Board were also obtained. The BEE focused on maximising the effectiveness and performance of the Board and its Committees in the best interests of the Company. In line with Practice 6.1 of MCCG 2021, the Board will be engaging the services of an external consultant to facilitate BEE for the Board every three (3) years beginning 2021.

Board and Board Committees Effectiveness Evaluation 2021

As a culmination to this exercise, the independent third-party leadership consulting firm prepared a report on the performance of the Board, Board Committees and individual Directors, assessed against other large companies in their benchmark repository covering a wide cross-section of industries. The Board, through the NRC, reviewed the outcome of BEE 2021 and noted that PDB continued to be led by an effective, committed and well run Board. The results of the BEE 2021 were presented to the Board in February 2022 where the Board noted the findings and areas that necessitated further improvements.

One of the key areas for improvement highlighted is for the Board to enrich its board composition further by onboarding INEDs with skills require by the PDB Group.

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 40th 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 Risk Committee	Board & 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 2021 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 RM948,712.38 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 & retain talents to drive business needs

- Pay for job & 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 282 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 182 to 187 and pages 194 to 207 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 346 to 348 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 control within the Group as set out on pages 194 to 207 of this <IR>

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP 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.

For more information on Investor Relations, please refer to pages 98 to 101 of this <IR>

Annual General Meeting

The AGM is the principal forum of open dialogue with shareholders. The notice and agenda of our 39th 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.

In view of COVID-19 pandemic conditions, the 39th AGM on 28 April 2021 was fully virtual which is in line with the Securities Commission Malaysia's Guidance Note on the Conduct of General Meetings for Listed Issuers issued on 18 April 2020 (revised on 16 July 2021) to ensure companies can continue to fulfil their obligation under the law and to shareholders during this pandemic.

The Company had notified the shareholders on the conduct of the fully virtual AGM via the Remote Participation Voting (RPV) application, together with the instructions in the Administrative Guide on 29 March 2021. The same was also published through the announcement to Bursa Malaysia and the PDB's corporate website respectively.

During the fully 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 fully 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 45 live questions and 29 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, each resolution to be tabled at an AGM is to be voted by poll. At the 39th AGM, PDB has engaged Tricor Investor & 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 705 shareholders and proxies logged in through RPV, which represented a total of 206,559,778 shares.

PDB will continue to offer remote shareholders' participation in future general meetings and will undertake a further review to determine the measures that can be taken to facilitate shareholders' participation and enhance the quality of general meetings through the use of digital tools.

For more information on minutes of AGMs, please refer to PDB's corporate website at www.mymesra.com.my

INTEGRITY AND ETHICS

The Board further acknowledges its role in establishing a corporate culture comprising ethical conduct within the Group. In line with this principle, PDB adopts and applies PETRONAS' Code of Conduct and Business Ethics (COBE), PETRONAS' Anti Bribery and Corruption Policy and Guidelines (ABC Manual) and PETRONAS' Whistleblowing Policy (WBP) in its business operations and is committed to ensure compliance with the Malaysian Anti-Corruption Commission Act, 2009 (MACC Act 2009) and Section 17A, MACC Amendment Act, 2018. The adoption of these policies is to ensure that the conduct of business of PDB and its employees is consistently carried out ethically and with integrity.

For more information on CoBE, WBP and ABC, please refer to pages 191 to 193 of this <IR>

Corporate Liability

Taking cognisance of the introduction of Corporate Liability in the recent amendment to the MACC Act 2009, which came into force on 1 June 2020, the Company has taken proactive actions to ensure that it has Adequate Procedures in place, designed to prevent associated persons from undertaking conduct that would trigger the newly introduced Section 17A of the MACC Act 2009. The Corporate Liability provision criminalises a company based on illegal actions by the employee without the presence of adequate procedures, for the benefit of the Company.

During the year under review, PDB's Directors, officers and employees are also required to undertake online training modules covering the five (5) critical legal areas, namely Competition Law, Anti-Bribery and Corruption Policy and Guidelines, Personal Data Protection and Privacy Compliance, Sanctions and Export Control, and Third-Party Risk Management.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 Tenders and Contract Administrative Manual for vendors' selection. Generally, the main selection criteria is based on technically acceptable and commercially attractive bid.

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. Only with the endorsement of the Tender Committee will the award recommendation be forwarded to the approving authority for consideration and approval.

The tendering processes are as follows:

i) Tender Plan approval;
ii) Technical Evaluation;
iii) Commercial Evaluation; and
iv) Award Recommendation.

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 once 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 184 to 186 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 282. Details of the Company and the Group's financial statements for the financial year ended 31 December 2021 are set out on pages 280 to 372 of this <IR>.

Internal Audit

PDB's Internal Audit reports directly to the BAC with unrestricted access to BAC. The Internal Audit is an independent function that conducts regular audit engagements on the effectiveness of PDB's Governance, Risk Management and Internal Control (GRC) to the auditable entities within PDB Group. The audit report highlights the finding, root cause, implication and remediation to address the gaps which being presented to the BAC for deliberation on quarterly basis.

For more information on Internal Audit Function, please refer to pages 186 to 187 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 2021.

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 are set out in the CG Report. The explanation for the departures is further elaborated in the CG Report.

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 2021 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 2022.

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 2021 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 senior management. As at the date of this report, the NRC is made up of three (3) Independent Non-Executive Directors (INEDs).

TERMS OF REFERENCE

The Terms of Reference (TOR) of the NRC which was revised recently 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). All the requirements under the TOR have been complied with.

The NRC is responsible for regularly reviewing and making recommendations to the Board on the structure, size and composition of the Board. The NRC furthermore ensures that an appropriate balance exists at the Board between Executive, Non-Executive and Independent Directors. The NRC also assists with the identification and nomination of new directors and appointment by the Board and/or shareholders and oversees the training of Directors. In addition, the NRC also evaluates the performance and effectiveness of the Board as a whole, Board Committees and individual Directors.

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 changes made in the composition of the NRC whereby Lim Beng Choon who completed his 9-year tenure as an Independent Non-Executive Director (INED) of the Company on 12 August 2021 ceased as a member of the NRC on the same date. Moreover, in line with Practice 1.4 of MCCG 2021, Datuk Anuar Ahmad, who was re-designated as Non-Independent Non-Executive Director (NINED) and Chairman of the Company on 1 January 2022 has relinquished his role as the Chairman of the NRC on the same day.

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 (Re-designated as Chairman on 24 January 2022)	4 years
Alvin Michael Hew Thai Kheam *INED*	17 November 2020	1 year 3 months
Tang Saw Hua *INED*	17 November 2020	1 year 3 months

MEETINGS AND ATTENDANCE

The NRC meetings for the financial year 2021 were pre-scheduled in November 2020, 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. The attendance at all NRC meetings met the requisite quorum as stipulated in the NRC TOR. Aside from the NRC meetings, urgent decisions were also approved via NRC circular resolution, which was circulated via e-Signature tool for approval. The manner on how the NRC conducts its meetings has changed due to COVID-19 pandemic, whereby all the meetings in the financial year ended 31 December 2021 were held via digital platform.

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, not less than five (5) business days before the date of each meeting. Not only does this software ease the process of distribution of meeting papers and minimises leakage of sensitive information, but it also enables the Directors to access the proposed papers electronically.

During the year under review, the NRC met three (3) 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
Lim Beng Choon *INED* *(Re-designated as Member of NRC on 26 May 2021)* *(Ceased as Member of NRC on 12 August 2021)*	2/2
Datuk Anuar Ahmad *NINED* *(Appointed as Member of NRC on 19 February 2021)* *(Re-designated as Chairman of NRC on 26 May 2021)* *(Ceased as Chairman of NRC on 1 January 2022)*	1/1

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.

Each year, the NRC invites all other members of the Board for the January meeting to discuss the annual performance of the Leadership Team (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 meeting and circular resolution were tabled for confirmation at the following NRC meeting, after which the minutes were presented to the Board for notation.

NOMINATION AND REMUNERATION COMMITTEE REPORT

FUNCTIONS OF THE NRC AND RELATED ACTIVITIES IN 2021

SUCCESSION PLAN

Board and Senior Management Succession Plan

The Board has established a 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.

Since 2014, the NRC has implemented a policy whereby INEDs are appointed for a tenure of three (3) 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.

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 and/or noted the following cessation of office (as applicable):

i) The appointment of Datuk Anuar Ahmad as Member of NRC effective 19 February 2021.

ii) The appointment of Nirmala Doraisamy as Member of Board Audit Committee (BAC) effective 19 February 2021.

iii) The re-designation of Datuk Anuar as Chairman of the NRC effective 26 May 2021, and re-designation of Lim Beng Choon as Member of NRC on the same day, being part of the Board succession planning in anticipation of Lim Beng Choon's retirement from the Board on 12 August 2021.

iv) The resignation of Nuraini Ismail as NINED effective 31 May 2021 due to her retirement from Petroliam Nasional Berhad (PETRONAS). In tandem therewith, she also relinquished her position as a Member of BAC on the same day.

v) The appointment of Arni Laily Anwarrudin as NINED on 1 June 2021 succeeding Nuraini Ismail. She was also appointed as BAC Member on the same date.

vi) The retirement of Lim Beng Choon as INED on 12 August 2021, having completed his 9-year tenure. In tandem therewith, he also ceased as the SID of the Company and relinquished his position as Member of NRC.

vii) The appointment of Datuk Anuar Ahmad as the SID of the Company on 12 August 2021.

viii) The resignation of Datuk Md Arif Mahmood as NINED and Chairman of the Company effective 1 January 2022 following his retirement from PETRONAS. He is succeeded by Datuk Anuar Ahmad who was re-designated as NINED and Chairman of the Company on the same date. Consequently, Datuk Anuar Ahmad has relinquished his position as Chairman of NRC, Member of BAC and Board Risk Committee and as SID of the Company effective 1 January 2022.

ix) The re-designation of Shafie Shamsuddin as Chairman of NRC and as SID of the Company effective 24 January 2022.

Having reviewed the Board composition, the NRC has recommended for the Board to onboard additional INED to be 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 also recommended for the Board to enrich its composition further by onboarding INEDs with skills require by the PDB Group.

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 152 of this <IR>

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 (1/3) of the Directors of the Company for the time being shall retire by rotation at an AGM at least once in three (3) 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 are required to give their consent on their re-election prior to PDB's Board meeting and these Directors have given their consent for re-election at the forthcoming AGM to be held on 25 April 2022.

In assessing the candidates' eligibility, the NRC considers their competencies, commitment, contribution and performance based on the Board Effectiveness Evaluation (BEE) and their ability to act in the best interest of PDB.

In line with Article 107 of the Constitution, Azrul Osman Rani and Nirmala Doraisamy are the Directors representing one-third (1/3) 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.

There was one (1) new Board appointment during the year under review namely Arni Laily Anwarrudin, who shall retire and shall be considered for re-election pursuant to Article 100 of the Company's Constitution, at the forthcoming AGM to be held on 25 April 2022.

The NRC and the Board had at their meetings held on 11 February 2022 and 22 February 2022 respectively gave their endorsement and approval for the abovementioned Directors to be considered for re-election pursuant to Articles 100 and 107 of PDB's Constitution at PDB's 40th AGM to be held on 25 April 2022.

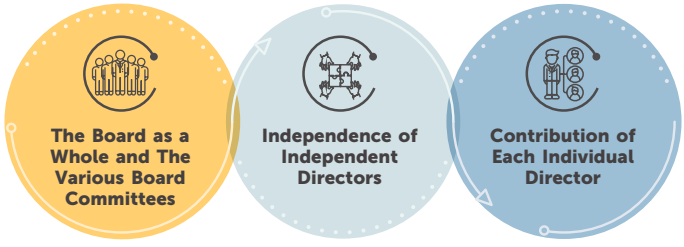
In line with the exemplary practice as recommended by MCCG 2021, the Board has also adopted a tenure policy whereby INED's total tenure is now capped at nine (9) years. As at the date of this report, none of the INEDs has served the Board more than nine (9) years.

MD/CEO and Senior Management Performance Appraisal

During the year under review, the NRC deliberated on the MD/CEO and Senior Management's 2021 scorecard and their performance against the set targets.

BOARD EFFECTIVENESS EVALUATION

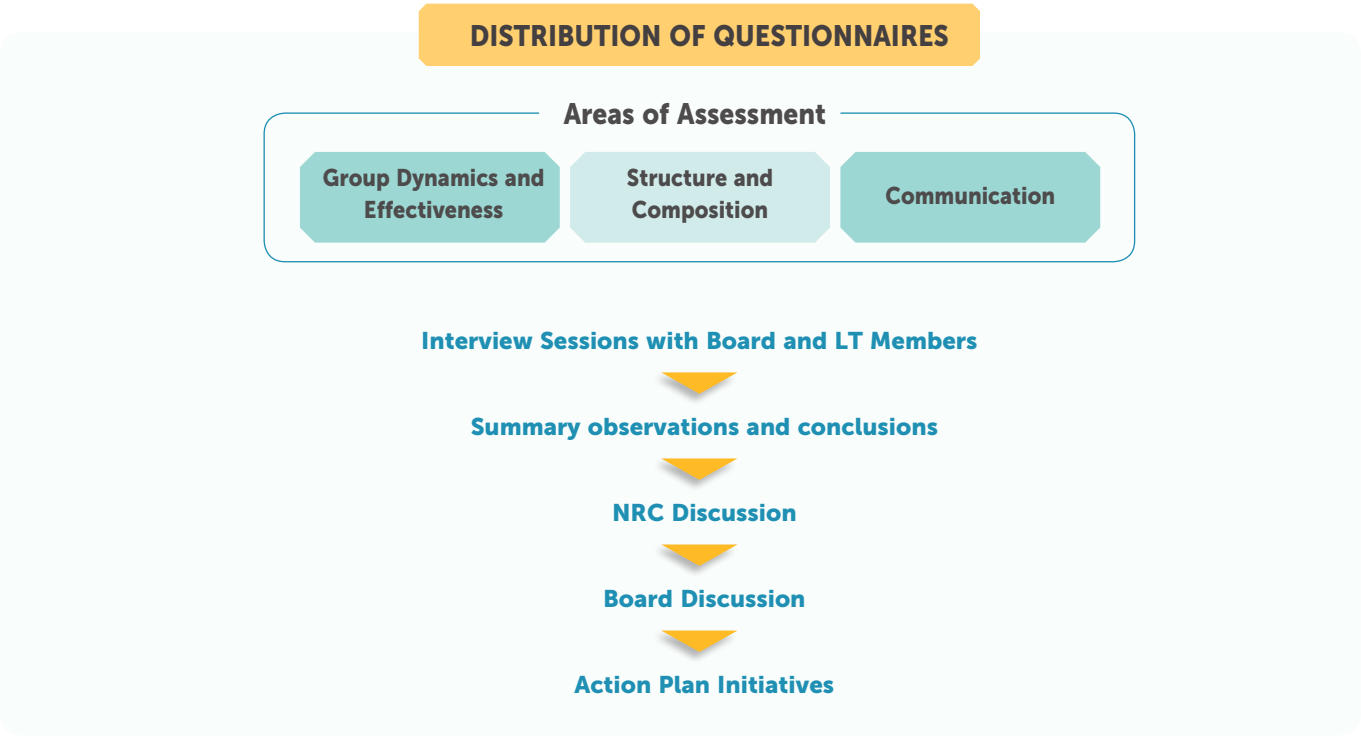
Every year, under the purview of the NRC, a Board Effectiveness Evaluation (BEE) is undertaken to assess the effectiveness of the following:



NOMINATION AND REMUNERATION COMMITTEE REPORT

BOARD EFFECTIVENESS EVALUATION 2021

The BEE 2021 was conducted by an independent third-party leadership consulting firm which covered the Board, Board Committees, Peer and Self Evaluations of the Board members. This is in line with Practice 6.1 of MCCG 2021 whereby the Board is to engage an independent expert at least every three (3) years to facilitate, an objective and candid board evaluation. 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 by an independent third-party leadership consulting firm.



The BEE questionnaires were circulated through a digital platform in December 2021. 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. The assessment criteria were anchored on governance framework, best practices and industry norms.

The BEE 2021 was carried out through questionnaires and 1-on-1 interview sessions with Board members. The interview sessions allowed consultants from the independent third-party leadership consulting firm to explore selected issues in an in-depth manner to garner first-hand insights.

The evaluation also entailed an assessment of each individual Director with a focus on their capabilities. Completed questionnaires were routed directly to independent third-party leadership consulting firm without any intermediation by the Management.

Feedback and inputs from some members of LT on the performance of the Board were also obtained.

As a culmination to this exercise, the independent third-party leadership consulting firm prepared a report on the performance of the Board, Board Committees and individual Directors, assessed against other large companies in their benchmark repository covering a wide cross-section of industries. The Board, through the NRC, reviewed the outcome of BEE 2021 and noted that PDB continued to be led by an effective, committed and well-run Board. The results of the BEE 2021 were presented at the NRC and Board meetings on 11 February 2022 and 22 February 2022 respectively. The Board noted the findings and areas that necessitated further improvements.

One of the key areas for improvement highlighted in the BEE 2021 is for the Board to enrich its composition further by onboarding INEDs with skills require by the PDB Group.

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 the 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 2021 to ensure that it was prepared in compliance with the relevant regulatory requirements and guidelines.

NRC'S EFFECTIVENESS REVIEW AND PERFORMANCE

Based on the BEE 2021 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 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 Senior Management.

ACTIVITIES OF THE NRC DURING THE FINANCIAL YEAR 2021

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 BAC Member.
- Reviewed, assessed and recommended the nomination of NRC Member, NRC Chairman and SID;
- 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 39th AGM; and
- 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.

ii) Senior Management's Appointment, Remuneration and Performance

- Reviewed the Succession Planning and Talent Strategy for Senior Management.

iii) Performance Management

- Reviewed and evaluated the Senior Management performance for financial year 2020;
- Reviewed the PDB LT Succession Planning; and
- Reviewed the MD/CEO Scorecard.

iv) Board Effectiveness Evaluation

- Assessed the findings financial year 2020; and
- Reviewed the follow up actions on BEE 2020 recommendations.

v) Annual Reporting

- Reviewed and endorsed the disclosures in the NRC Report for the financial year ended 31 December 2020 for inclusion in the Integrated Report 2020.

NRC PRIORITY AREAS IN FY2022

In addition to the matters which are under the purview of NRC, the following activities are the priority areas in 2022:

(a) Striving to achieve majority Independent Directors on the Board; and

(b) Succession Planning for Directors and Senior Management.

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 2021 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 three (3) Non-Executive Directors (NEDs).

TERMS OF REFERENCE

The Terms of Reference (TOR) of the BAC which was revised recently 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 the requirements under the TOR have been complied with.

The BAC is responsible 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 three (3) BAC members including its Chairman are NEDs whereby two (2) are Independent Directors, who fulfil the criteria of independence as defined in the MMLR. None of the Independent Directors has appointed alternate directors.

Following the recent update to the MCCG 2021, the BAC Selection Criteria has been enhanced, specifically on the requirement of a former partner of the Company's external auditors to observe a cooling-off period of at least three (3) years (from the previous two (2) 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. Nirmala Doraisamy was appointed as member of BAC effective 19 February 2021. Nuraini Ismail who resigned as a Non-Independent Non-Executive Director (NINED) of the Company due to her retirement from Petroliam Nasional Berhad (PETRONAS) ceased as a member of the BAC effective 31 May 2021. Arni Laily Anwarrudin was appointed as BAC member upon her appointment as NINED on 1 June 2021. Besides that, Lim Beng Choon who had completed his 9 years' tenure as an Independent Non-Executive Director (INED) of the Company on 12 August 2021, ceased as a member of the BAC effective on the same date. In addition, Datuk Anuar Ahmad, who was re-designated as Chairman and NINED of the Company also ceased as a member of the BAC effective 1 January 2022.

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 (Re-designated as Chairman on 17 November 2020)	1 year 7 months
Nirmala Doraisamy *INED*	19 February 2021	1 year
Arni Laily Anwarrudin *NINED*	1 June 2021	8 months

All 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 (1) 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 2020 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 (4) times in discharging its duties and functions as a committee of the Board. The record of attendance of the BAC members are as follows:

Members	Number of Meetings Attended
Tang Saw Hua *Chairman, INED*	4/4
Nirmala Doraisamy *INED* *(Appointed as a Member of BAC on 19 February 2021)*	3/3
Arni Laily Anwarrudin *NINED* *Appointed as a Member of BAC on 1 June 2021)*	2/2
Nuraini Ismail *NINED* *(Ceased as a Member of BAC on 31 May 2021)*	1/2
Lim Beng Choon *INED* *(Ceased as a Member of BAC on 12 August 2021)*	2/2
Datuk Anuar Ahmad *NINED* *(Ceased as a Member of BAC on 1 January 2022)*	4/4

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 approved via BAC circular resolution, which was circulated via e-Signature tool for approval. The manner on how the BAC conducts its meeting has also changed due to COVID-19 pandemic, whereby all meetings were held via digital platform.

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.

BOARD AUDIT COMMITTEE REPORT

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 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 10 February 2021, 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, not less than five (5) business days before the date of each meeting. Not only does this software ease the process of distribution of meeting papers and minimise leakage of sensitive information, it also enables the Directors to have access to the proposal 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 confirmation and 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 2021

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 external audit 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.

(e) Total audit and non-audit fees paid to the External Auditors are as follows:

Particulars	2021		2020	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Statutory Audit Fees	**784**	**557**	744	541
Non-Audit Fees	**190**	**120**	109	106
Percentage of Non-Audit Fees over Statutory Audit Fees	**24%**	**22%**	15%	20%

3. Internal Audit

(a) Reviewed and approved the risk based Financial Year 2021 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 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 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 and his staff with regard to their 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.

(b) PDB adopts the enhanced PETRONAS Financial Policy which provides strategic direction towards financial resiliency through efficient capital management practices for long term sustainability. The PETRONAS Financial Policy governs financial management and financial risk management through three (3) inter-related policies namely PETRONAS Financial Policy, PETRONAS Tax Policy and PETRONAS Risk Policy.

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 2020 for inclusion in the Integrated Report 2020.

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 (7) years and is required to observe a cooling-off period of five (5) 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, sustainability and independence of the external auditors based on the following four (4) key areas, and will continue to do so on an annual basis:

- Quality of engagement team and services
- Adequacy of resources
- Quality of communication and interaction
- 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 2021 to ensure that they were prepared in compliance with the relevant regulatory requirements and guidelines.

These statements are as set out on pages 142 to 175, 182 to 187 and 194 to 207 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 (4) years in Internal Audit function at PETRONAS Group specifically overseeing the downstream business. He had nine (9) 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 (5) 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 Talent Management and Capability Management
- Shareholder Audit on JV Terminals
- Audit on HSE Management and Culture in PDB
- Audit on Secondary Distribution and Order Fulfillment
- Audit on GREAT Project and Operational Excellence
- Audit on DOVE Implementation in PDB
- Audit on Complementary Business Activities of Non-Fuel Business
- Audit on Cost to Serve of Aviation Operations
- Audit on PDB Digital Blueprint and Transformation
- Review on Implementation of PDB Sustainability Agenda

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 Risk Management Governance Committee and 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 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, four (4) 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 2021 was RM4.09 million.

RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST SITUATION

The BAC ensured that there are adequate Policies and Procedures in place to identify and monitor RPTs and RRPTs such that they were conducted at arm's length basis and normal commercial terms, and not detrimental to the interests of the minority shareholders.

The BAC performed a quarterly review of all RRPTs entered by the Group during the year under review to ensure compliance with PDB's policies and procedures.

The BAC is satisfied that during the year under review, all the RPTs/RRPTs were fairly concluded on prevailing market rate/prices, had been carried out at arm's length basis and normal commercial terms/conditions, applicable industry norms and not detrimental to the interests of PDB and its minority shareholders. The RPTs/RRPTs were reported to the BAC on a quarterly basis.

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 2021, 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 RISK COMMITTEE REPORT



Dear Valued Shareholders,

On behalf of the Board Risk Committee (BRC), I am pleased to present the BRC Report for the Financial Year Ended 31 December 2021.

ALVIN MICHAEL HEW THAI KHEAM
Chairman

OVERVIEW

This report provides an insight into the activities of the BRC during the year under review. As at the date of this report, the BRC is made up of four (4) Independent Non-Executive Directors (INEDs).

TERMS OF REFERENCE

The BRC is governed by its Terms of Reference (TOR) which was revised recently to be in line with the requirements of the Malaysian Code on Corporate Governance 2021 (MCCG 2021). The TOR of the BRC sets out the authority, duties and responsibilities of the BRC to discharge its primary responsibilities of reviewing the process of identifying, managing, evaluating and monitoring principal risks 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 BRC assists the Board in ensuring the Company has in place 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.

In carrying out its oversight responsibilities, each BRC member provides individual independent opinions to the fact-finding, analysis and decision-making process of the BRC, based on their expertise, experience and industrial knowledge.

The TOR of the BRC is accessible to the public on PDB's corporate website at www.mymesra.com.my

COMPOSITION

The BRC consists of four (4) members including its Chairman. All four (4) BRC members are Independent Non-Executive Directors (INEDs) and possess sound judgment, objectivity, independent attitude, management experience, professionalism, integrity and knowledge on the industry. None of the BRC members has appointed alternate directors.

There was a change in the composition of the BRC whereby Datuk Anuar Ahmad, who was re-designated as Non-Independent Non-Executive Directors and Chairman of the Company on 1 January 2022, has relinquished his position as a member of the BRC on the same day.

As at the date of this report, the composition of the BRC is as follows:

Members	Date of Appointment as BRC Member	Tenure on the BRC
Alvin Michael Hew Thai Kheam *Chairman, INED*	26 February 2019	3 years
Shafie Shamsuddin *INED*	26 February 2019	3 years
Nirmala Doraisamy *INED*	15 October 2019	2 years 4 months
Tang Saw Hua *INED*	17 November 2020	1 year 3 months

MEETINGS AND ATTENDANCE

The BRC meetings for the year under review were pre-scheduled in November 2020 to allow the members to plan ahead and incorporate the BRC meetings into their respective schedules. This also serves to provide the members ample notice of the meetings.

The BRC meets quarterly in a year with additional meetings convened as and when necessary. During the year under review, the BRC met five (5) times in discharging its duties and functions as a committee of the Board. The record of attendance of the BRC members are as follows:

Members	Number of Meetings Attended
Alvin Michael Hew Thai Kheam *Chairman, INED*	5/5
Shafie Shamsuddin *INED*	5/5
Nirmala Doraisamy *INED*	5/5
Tang Saw Hua *INED*	5/5
Datuk Anuar Ahmad *(Ceased as a Member of BRC on 1 January 2022)*	5/5

The record of attendance of the BRC met the requisite quorum as stipulated in the BRC TOR. The manner on how the BRC conducts its meeting was changed due to the COVID-19 pandemic, whereby all meetings in the financial year ended 31 December 2021 were held via a digital platform.

To facilitate deliberation of risk issues, the Managing Director/Chief Executive Officer, Chief Financial Officer, Head of Risk Management Department (RMD) and Head of Legal attended all BRC meetings and provided the BRC with their inputs, advice, appropriate relevant information and clarification on relevant items on the agenda. The Company Secretary acted as Secretary to the BRC.

The Head of RMD presented the risk management reports including updates on risk monitoring and the corporate risk profile to the BRC. As and when required, relevant members of the Leadership Team were invited to apprise the BRC 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 BRC members via a secure collaborative software, not less than five (5) business days before the date of 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 BRC 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 BRC's review and guidance on the risk aspects thereof.

All proceedings of the BRC meetings were duly recorded in the minutes of each meeting, and the signed minutes of each BRC meeting are properly kept by the Secretary. Minutes of the BRC meetings and circular resolutions were tabled for confirmation and notation at the following BRC meeting, after which the minutes were presented to the Board for notation.

BOARD RISK COMMITTEE REPORT

ANNUAL REPORTING

The BRC reviewed this BRC report and the Statement on Risk Management and Internal Control (SORMIC) for the financial year ended 31 December 2021 to ensure that they were prepared in compliance with the relevant regulatory requirements and guidelines.

ACTIVITIES OF THE BRC DURING THE FINANCIAL YEAR 2021

During the year under review, the BRC carried out the following activities in discharging its functions and duties:

i) Risk Appetite

Monitored the risk appetite and level of tolerance that the Group is willing to accept in pursuing its strategic objectives.

ii) Risk Monitoring

- Reviewed and endorsed the refinement of PDB's critical risks as registered in the Corporate Risk Profile, for Board's approval.
- 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).

iii) Risk Assessment for Decision Making

Reviewed various business propositions and deliberated on key risks and mitigation of the proposals. The business propositions reviewed include:

- Commercial transactions with high complexity and exposure
- Key capital projects and new partnerships
- New business ventures and/or special projects
- Business expansions and/or new business models

iv) Governance

- Reviewed, critiqued, and endorsed the PDB Cyber Security Roadmap and the governance structure in relation thereto to ensure effective and efficient cyber security controls are put in place.
- Reviewed and endorsed enhancements to the Whistleblowing Policy to comply with the Guidelines on Adequate Procedures issued pursuant to Section 17A(5) of the Malaysian Anti-Corruption Commission Act 2009) and acceptability for PDB's procedures.

The BRC plays a vital role in reviewing the adequacy and effectiveness of risk management processes for PDB. In this regard, the BRC reviews and challenges the BRR focusing on the status of KRIs and risk mitigation implementation in ensuring effective management of risk.

v) Annual Reporting

Reviewed and endorsed the disclosures in the BRC Report and SORMIC for the financial year ended 31 December 2020 for inclusion in the Integrated Report 2020.

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 Risk Committee

CORPORATE INTEGRITY AND ETHICS

WITH THE CONSTANTLY EVOLVING REGULATORY REQUIREMENTS, IT IS CRUCIAL FOR CORPORATIONS TO EMBED INTEGRITY AND ETHICS INTO THEIR POLICIES AND PROCEDURES BY ENSURING EFFECTIVE CORPORATE GOVERNANCE AND COMPLIANCE ARE IN PLACE WITH THE AIM OF UPHOLDING THEIR BUSINESS SUSTAINABILITY.

IN REAFFIRMATION, PDB HAS IMPLEMENTED INTEGRITY PROGRAMMES COORDINATING THE ADOPTION OF THE CODE OF CONDUCT AND BUSINESS ETHICS, ANTI-BRIBERY AND ANTI-CORRUPTION POLICIES, THE WHISTLEBLOWING POLICY AND ADEQUATE PROCEDURES, VIA T.R.U.S.T. IMPLEMENTATION AS A DEFENSE AGAINST CORPORATE LIABILITY TO ENSURE THAT PDB, ITS EMPLOYEES AND ITS THIRD PARTY STAKEHOLDERS CONDUCT THEIR BUSINESS ETHICALLY, COUPLED WITH THE HIGHEST STANDARD OF INTEGRITY.

PETRONAS CODE OF CONDUCT AND BUSINESS ETHICS

In today's environment where corporate governance is a vital prerequisite for business sustainability, PETRONAS employees are expected to conduct themselves and their business dealings by strictly complying with CoBE (Code of Conduct and Business Ethics). As we further expand our business horizons globally, the internalisation of PETRONAS Shared Values among directors and employees plays a greater role in the continuous efforts of safeguarding PETRONAS' reputation, assets and businesses from extraterritorial regulatory risks.

The CoBE contains detailed policy statements on the standards of behaviour and ethics applicable to all directors and employees within PETRONAS Group worldwide. In addition, PETRONAS also requires all contractors, sub-contractors, consultants, agents, representatives and others performing work or services for or on behalf of PETRONAS to fully adhere to relevant parts of the CoBE. In addition, the CoBE explicitly prohibits improper solicitation, bribery and corruption by all directors, employees and third parties performing work or services for or on behalf of companies in the PETRONAS Group.

In line with PETRONAS Shared Values, CoBE is the guiding beacon for all PETRONAS directors and employees in governing ourselves and our business dealings, taking into consideration domestic and international laws as well as the latest technological advancements. Acknowledging the significance of organisational integrity as a defense against unethical and corrupt activities, PDB expects all directors and employees to carry themselves professionally at all times, guided by the CoBE.



For more information on CoBE, please refer to PDB Corporate Website at www.mymesra.com.my

CORPORATE 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 caters to the needs of PDB businesses since 2017.

In 2021, there was a holistic and synergistic collaboration among Compliance Department, Strategy Division, Human Resource Division and IAD to continue executing Integrity Programmes for PDB employees as part of ongoing efforts in raising awareness and enhancing competency to uphold the highest standard of Integrity and Ethics within PDB.

The following Integrity Programmes were implemented in 2021:

Programme	No. of Sessions	Duration
PDB Integrity Month	3	November
PDB Integrity Campaigns (Communication Blasts)	11	March – December
Leaders Integrity Moment (Videos)	4	May – December
Leaders Speak Integrity (Quotes)	14	January – February
Awareness on Section 17(A) of MACC Act	8	February

For more information on CoBE, please refer to PDB Corporate Website at www.mymesra.com.my

ANTI-BRIBERY AND CORRUPTION

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 ABC Policy and Procedures accordingly. Therefore, clauses in relation to compliance with the ABC Manual are incorporated into all agreements formalised with counterparties (customers, suppliers, partners and vendors).

For more information on ABC Manual, please refer to PDB Corporate Website at www.mymesra.com.my

CORPORATE LIABILITY PROVISION

The Corporate Liability Provision under Section 17(A) 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 of 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 – 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 integrity and ethics in 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, the organisation is required to establish appropriate controls and contingency measures, in line with the current business and regulatory requirements, to effectively address the corruption risks identified which include due diligence, reporting channels as well as policies and procedures.

- **S – Systematic Review, Monitoring and Enforcement**
  In view of the organisation's growth and expansion, regular assessment on the effectiveness of the current Anti-Corruption Policies, Procedures and Programmes must be carried out and properly documented as evidence to defend the organisation if required.

- **T – Training and Communication**
  Training and communication on organisation's Anti-Corruption Policy would help the employees and other associated persons (contractors, suppliers, vendors etc) to better understand the forms of corruption, the mitigations against risks of corruption and the consequences of corruption.

WHISTLEBLOWING

With the establishment of Section 17(A) of Malaysian Anti-Corruption Commission Act 2009, it is now a requirement for Malaysian corporate organisations to place adequate procedures via the T.R.U.S.T. implementation. Under T.R.U.S.T. Principles, Top Level Commitment stresses that senior management is to promote available reporting channels to report actual or suspected corruption within the organisation.

In line with PETRONAS' aspiration to achieve the highest standard of Integrity in conducting its businesses and operations, PDB adopted the Whistleblowing Policy (WBP), which provides a platform for all PETRONAS employees and members of the public to disclose any improper conduct within PETRONAS. The WBP 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

PDB embarked on numerous initiatives throughout the year in support of the internalisation of CoBE and ABC Manual. The journey began with conducting comprehensive Corruption Risk Assessment to effectively identify gaps and mitigate the Key Corruption Risks identified within PDB. In addition, PDB organised a series of Awareness Sessions on Section 17(A) of MACC Act for PDB Management and staff. PDB also conducted Integrity Campaigns, Leaders Speak Integrity and Leaders Integrity Moment throughout the year promoting key messages on Integrity and Ethics. PDB also had its inaugural celebration of PDB Integrity Month in November with the implementation of three (3) PDB Integrity Programmes highlighting the significance of Integrity and Ethics, symptoms and mitigations of organisational corruption as well as WBP and procedures.

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 financial risks effectively to be able to maximise business opportunities.

Responsibility and Accountability

The Board is committed to maintaining and continuously improving the Group's system of risk management and internal control. The Board acknowledges the importance of having in place a sound risk management system and internal control practices for good corporate governance with the objective of safeguarding the shareholders' interest and the Group's assets. It is cognisant of the fact that implementation of a sound risk management framework helps the Group to achieve its performance and profitability targets by incorporating risk information for better decision-making, whilst firm internal controls enable appropriate preventive measures to manage risks. The Group's system of risk management and internal control aims to manage and control risks appropriately. In view of the limitations that are inherent in any system of internal control, this system is designed to manage, rather than eliminate the risks that hinder the Group from achieving its objectives. Hence, it can only provide reasonable, but not absolute assurance against material misstatements or losses or the occurrence of unforeseeable circumstances.

The Board is supported by the Board Audit Committee (BAC) and Board Risk Committee (BRC) 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. Risks are reviewed at Risk Management and Governance Committee (RMGC) before it is deliberated at the BRC and Board.

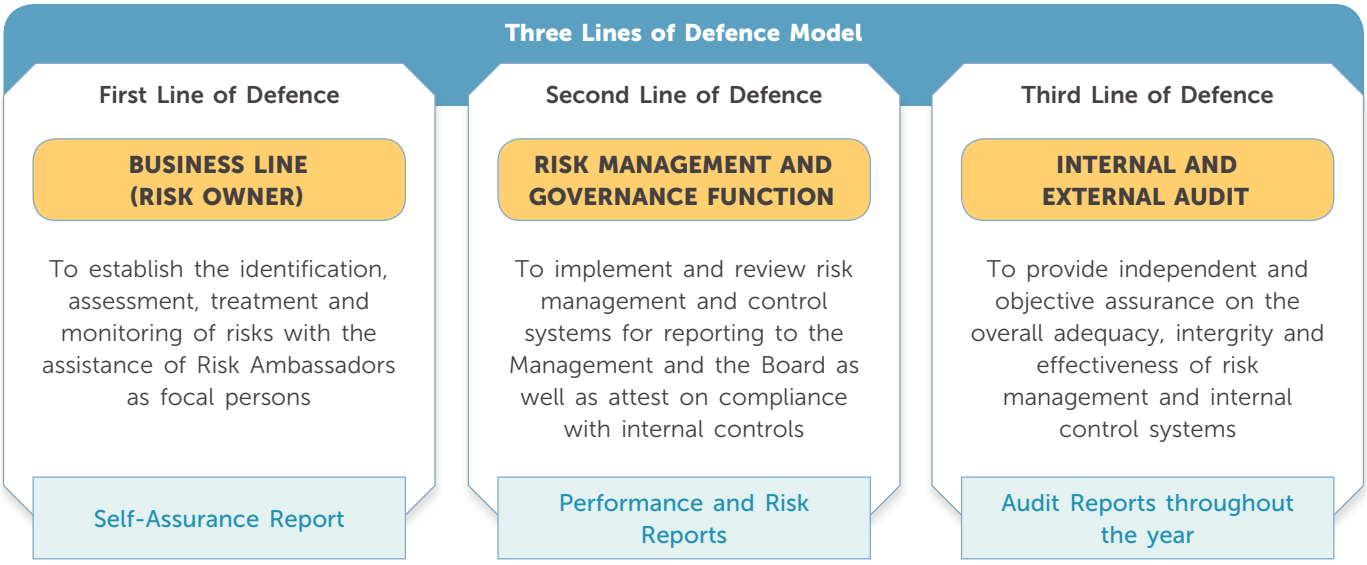
BOARD OF DIRECTORS

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 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

In 2021, the Head of Risk and Governance, as Secretary of RMGC, provides updates on PDB's overall risk management implementation during the quarterly RMGC meeting which is chaired by Managing Director/Chief Executive Officer (MD/CEO). The structure also facilitates risk identification and escalation whilst providing assurance to the Board.

The Group's risk oversight structure is backed up by a Three Lines of Defence' 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.



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 become 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 (ERM), Crisis Management (CM) and Business Continuity Management (BCM). 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, BRC and Board.

PETRONAS Resiliency Model

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

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

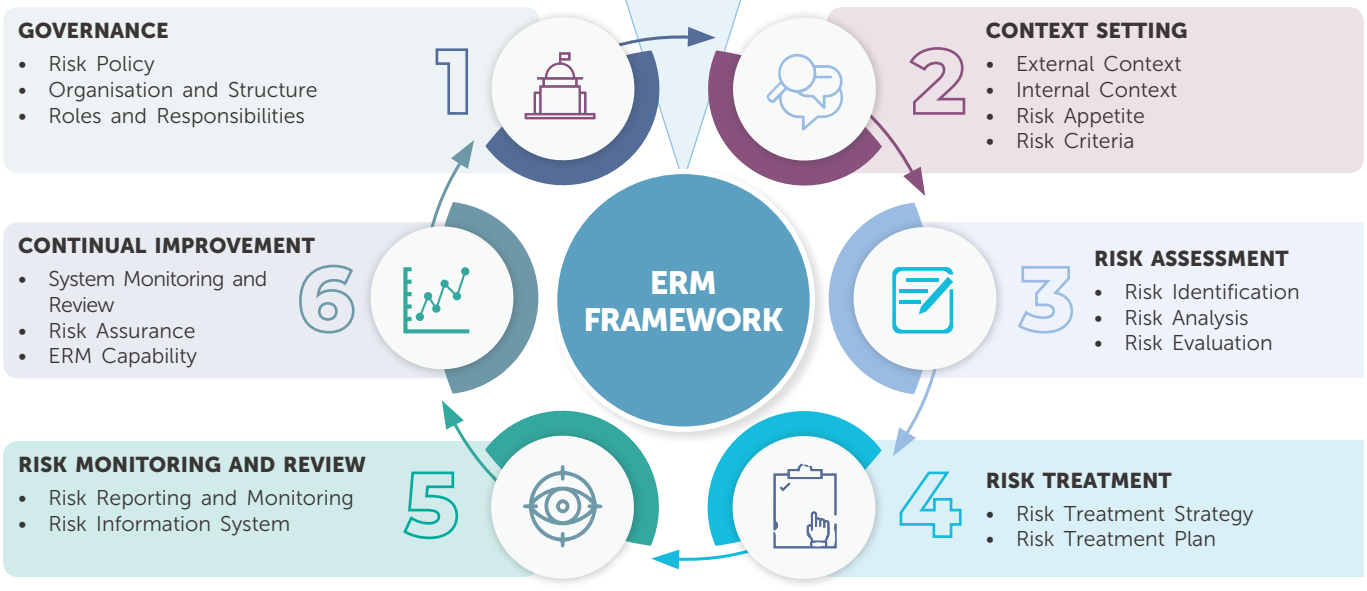
Business Continuity Management
BCM is a holistic management process that aims to build the capability of an organisation to recover and continue delivery of products or services at acceptable predefined levels following a prolonged disruptive incident

Enterprise Risk Management (ERM)

The Group adheres to PETRONAS ERM Framework as depicted in the diagram below:

PETRONAS Enterprise Risk Management Framework

- The ERM Framework 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



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 by respective units, endorsed by the Heads of Division or Department and reported to RMGC, BRC 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. On an annual basis, existing risk profile is reviewed to identify significant risks to be escalated to the Corporate Risk Profile (CRP).

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, BRC and Board during their quarterly meetings.

The following structured process within the ERM Framework was adopted:

CONTEXT SETTING

- Define the scope of the risk assessment (i.e. 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 pursue)*

RISK ASSESSMENT

Risk Identification	Risk Analysis	Risk Evaluation
• Develop risk descriptions and risk statements • Assign risk ownership • Identify causes and consequences	• Identify and assess existing mitigations • Determine the current risk impact • Establish current risk rating by using the Risk Matrix	• Evaluate the level of the identified risk - High, Medium and Low • Evaluate which risks need treatment • Prioritise risk which requires treatment implementation

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 (i.e. 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, BRC 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.

For more information on PDB's critical risks, kindly refer to Key Risks and Mitigation on pages 80 to 85 of this <IR>

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Risk in Decision Making

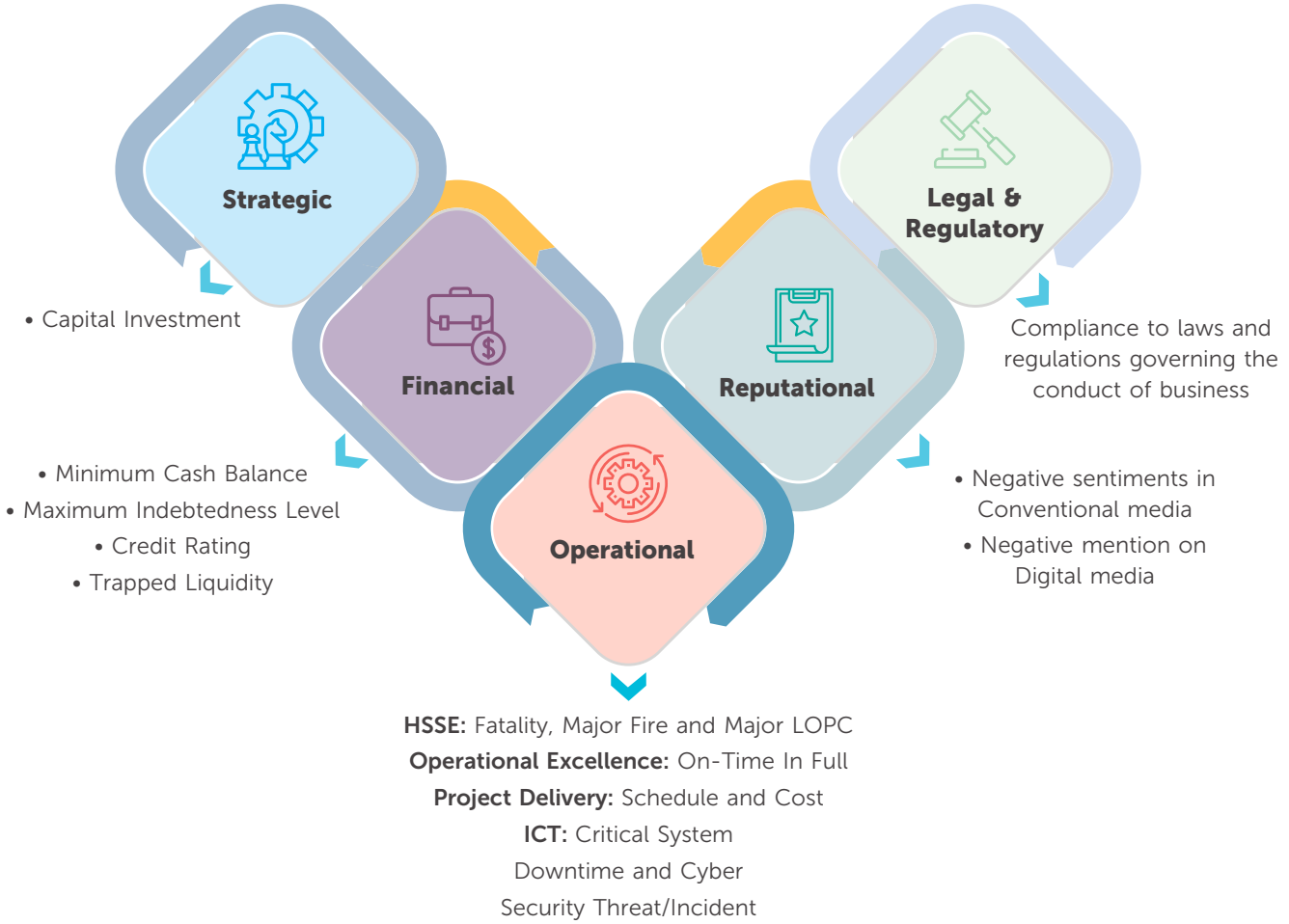
The Group mandated that all board and management decision papers are equipped with risk assessment to ensure that decision makers make fully informed decision making, considering the level of risks they want to take and implement necessary controls to achieve the desired business objectives. During the year, BRC deliberated risks related to key growth projects and its mitigations 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.

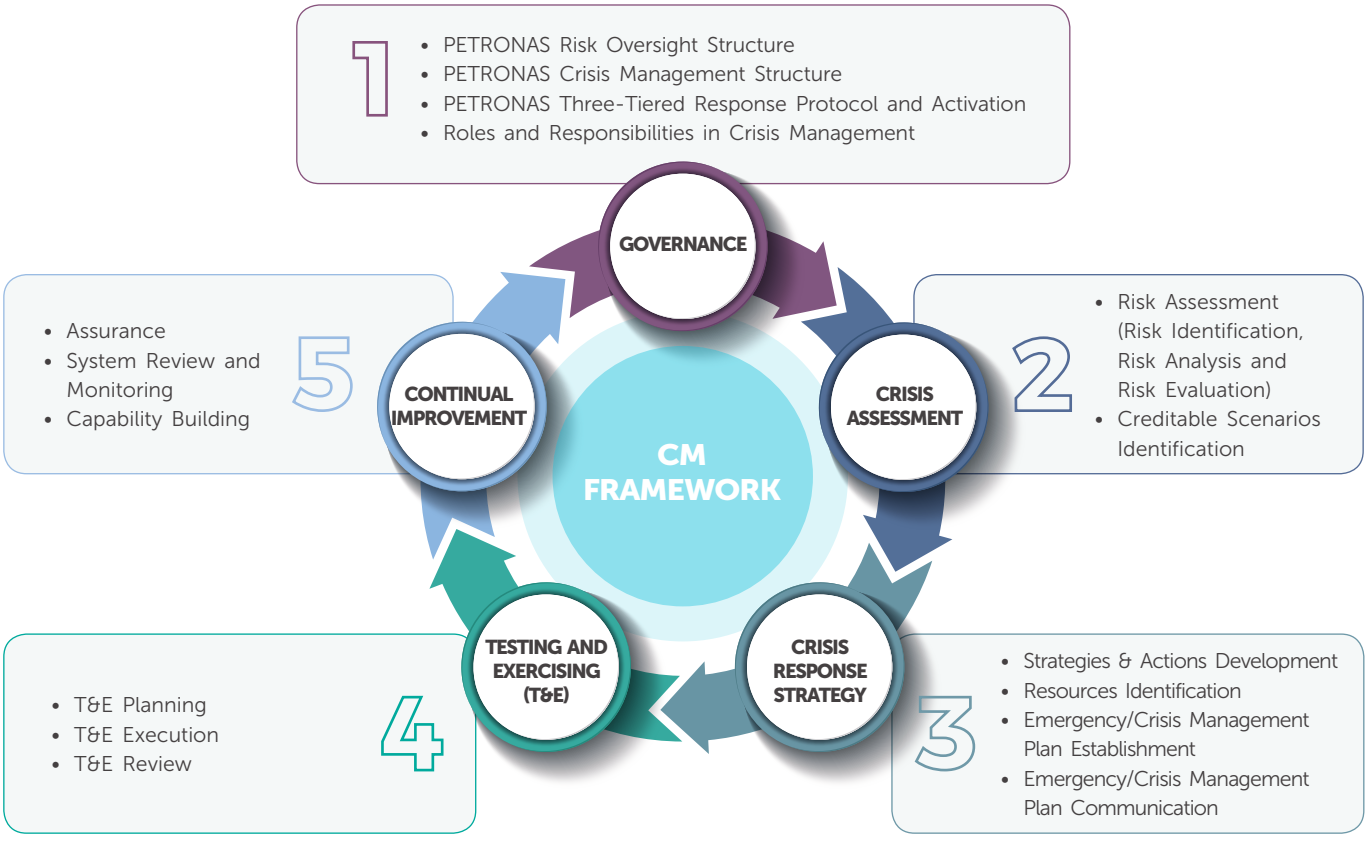


Monitoring and Review

Risk Appetite monitoring and reporting were established to ensure any breach of the Risk Threshold is escalated to risk owner, management and Board on timely basis to trigger deliberation for specific action or decision.

During the year under review, PDB Risk Appetite has undergone enhancements to be in line with changes in business environment and PDB strategic direction.

Crisis Management (CM)



The Group implements PETRONAS Crisis Management Framework (CMF), a comprehensive set of processes that aims to prepare the Group to respond and manage crises.

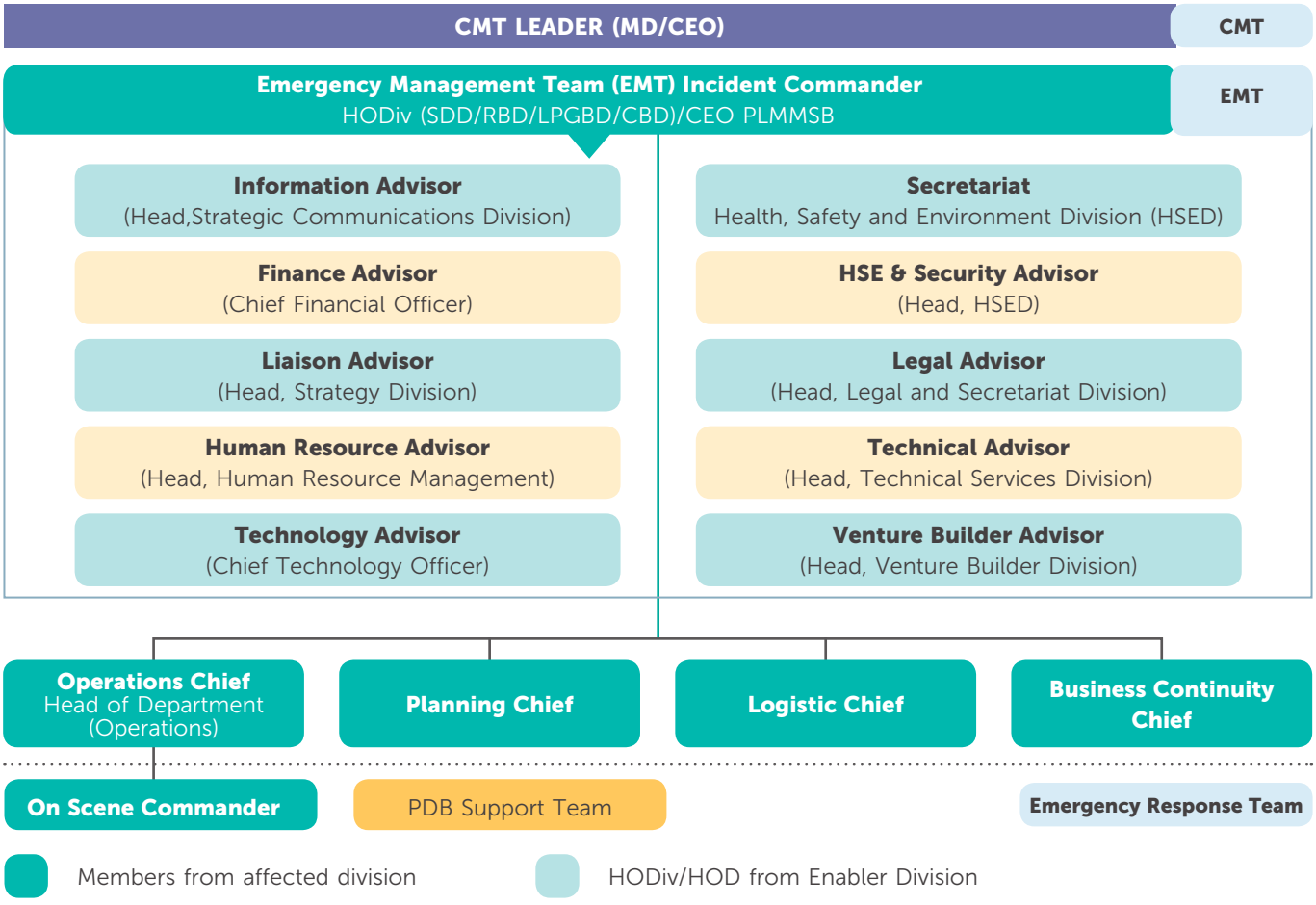
The Group has developed PDB Crisis Management Plan (CMP) in compliance to PETRONAS CMF to provide strategic support, control and mitigate crises including detailing out the roles and responsibilities of the Crisis Management Team (CMT).

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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

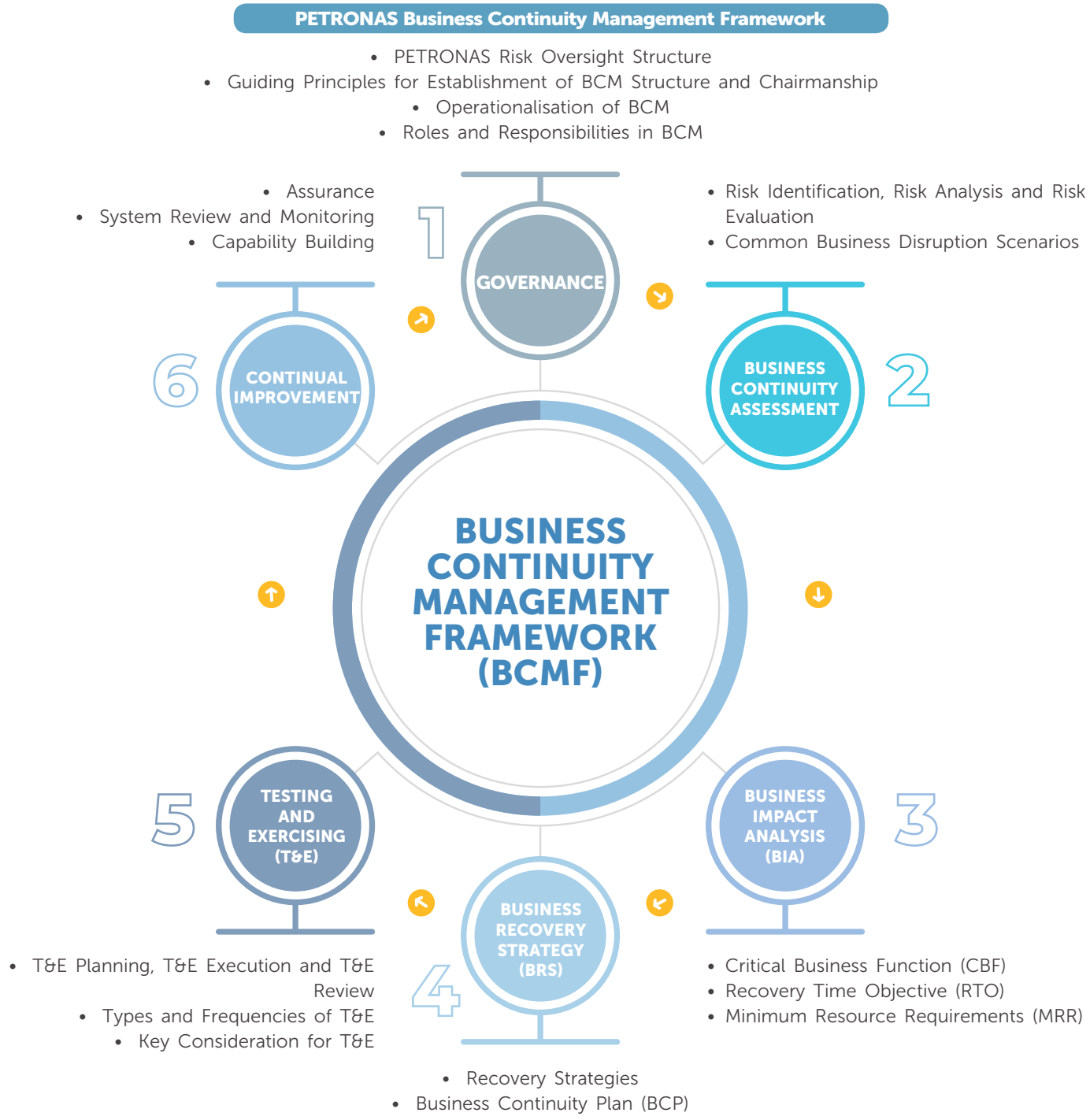
Overall Crisis and Emergency Management Structure in PDB



During the year under review, the Group has also conducted an integrated CMT testing which tested the Pasir Gudang Fuel Terminal Emergency Response Plan (ERP) and overall management of crisis.

Business Continuity Management (BCM)

The Group implements the PETRONAS Business Continuity Management Framework (BCMF) as a systematic approach for consistent BCM practices to ensure effective recovery and continuation of business operation during prolonged disruption or crisis.



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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 Supply and Facilities as well as ICT failure.

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.

INTERNAL AUDIT

The Internal Audit Division (IAD) of PDB provides an independent and its mission is to protect PDB's value by providing risk-based, objective assurance, advice and insight that helps to achieve its 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, whistleblowing, operations and selected key activities based on 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 defence also ensures the effectiveness of first and second line of defence.

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 reported to the BAC within the agreed time frame on quarterly basis and closed satisfactorily.

The Board and the Management are committed to maintain 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 in 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.

HSE Management System

PDB HSE Management System (HSE MS) is a management framework that provides guidelines for effective HSE management in PDB operations. The system provides a comprehensive and standardised guidance on all aspects of HSE management as a common framework for all stakeholders to be collaboratively managing the overall HSE implementation.

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 and transportation are reduced to As Low As Reasonably Practicable (ALARP) level which is defined as Level of risk, objectively assessed, at which the time, effort, difficulty and cost of further reduction measures becomes unreasonably disproportionate to the additional risk reduction obtained from the incremental efforts.

HSE assurances are conducted as part of PDB Integrated First Line Assurances leveraging digital platform (MyAssurance) with digital analysis and tracking as an integral part of the HSE MS. Annual HSEMS Management Review was conducted to assess the effectiveness of HSEMS implementation in PDB.

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.

LOA is reviewed as and when the need arises but so far it has been reviewed annually since 2019 to reflect the dynamic changes to its business requirement.

PETRONAS Financial Policy

PDB adopts the enhanced PETRONAS Financial Policy which provides overarching philosophy on commitment towards becoming financially resilient for longer term sustainability through institutionalising robust capital and liquidity management practices. The adoption of PETRONAS Financial Policy results in the financial management and financial risk management being governed by three inter-related policies namely PETRONAS Financial Policy, PETRONAS Tax Policy and PETRONAS Risk Policy.

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.

Enhancement of the PETRONAS Whistleblowing Policy

Enhancement of the PETRONAS Whistleblowing Policy and its procedures is essential to comply with Guidelines on Adequate Procedures under Section 17A(5) of the Malaysian Anti-Corruption Commission Act ("MACC Act"). The Policy encourages staff and members of the public that disclosures are secure and dealt with, confidentially, and through our accessible whistleblowing channels, which are operated with the highest standards of integrity and accountability. The Policy provides clarity on the oversight and responsibilities of the whistleblowing process, the reporting process, protection to whistleblowers and the confidentiality afforded to whistleblowers globally.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The PETRONAS Whistleblowing Policy applies to every employee, director and officer of PETRONAS. Joint venture companies in which PETRONAS is not a controlling stakeholder and associate companies of PETRONAS are encouraged to adopt the PETRONAS Whistleblowing Policy whilst contractors, agents, outsourced workers and business associates are required to always act consistently with the applicable parts of the PETRONAS Whistleblowing Policy when dealing with, acting on behalf of or in the name of PETRONAS.

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 an 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 Securities Berhad ("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 training and to enhance the employees' understanding on the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Malaysia"), the Company has, during the year under review, provided training program covering various important aspects of compliance with the MMLR ranging from RPTs to RRPTs, provision of financial assistance and disclosure obligations of PDB and its subsidiaries.

Economic Sanctions and Export Control Policy and Guidelines

PDB adopts and applies 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.

Corporate Privacy Policy

PDB has put in place the 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 enables PDB to meet and comply with applicable privacy and personal data protection laws in Malaysia and other countries in which PDB operates.

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 and quarterly at the PDB Credit Control Committee, where overdue balances, with certain criteria, are highlighted and actions to be taken agreed upon.

Integrated Assurance

PDB's First Line Assurance has been implemented via Integrated Assurance, initiative driven by PETRONAS Group with the objective 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.

For year 2021, Financial Reporting Control (FRC), previously known as Financial Control Framework (FCF) and Risk Control Self-Assessment (RCSA) have been incorporated and assurance execution was conducted via Integrated Assurance platform.

This assurance process provides more ownership and accountabilities at PDB level to drive self-assurance programs using a structured approach for a better line of sight and oversight for effective informed decisions.

PDB has given reasonable assurance to its holding company in ensuring the enterprise risks mitigation are adequately and effectively controlled and mitigated for risk areas of Financial, Tax, Reputation, HSE, Plant & Facilities, Legal & Regulatory, Human Resource, Financial Reporting Control, Risk Management, Project as well as specific Risk area for PDB – Retail, Commercial, LPG and Supply and Distribution. However, Setel Ventures Sdn. Bhd. has started to implement Integrated Assurance for Financial Reporting Control (FRC) and Tax during the year and the other assurance category will be conducted in FY2022.

Anti-Money Laundering and Counter Financing of Terrorism

The Group is committed to enforce 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 i.e. SmartPay, PDB has implemented AML/CFT Framework to comply with requirements set forth by Bank Negara Malaysia and to combat any ML/TF risks arising from SmartPay.

Third Party Risk Management

PDB adopts PETRONAS Third Party Risk Management controls under the legal compliance framework and established a due diligence tool being the "Know Your Counterparty (KYC)" process. The KYC process which comes into effect allows PDB to assess and safeguard itself against reputational and legal risks posed by parties outside the organisation in relation to 5 critical legal areas namely, Ethics and Integrity, Data Privacy, Competition and Trade, Sanctions and Export Controls.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Guidelines for Competition Law

PDB has put in place the Guidelines for Competition Law which are applicable to all business transactions to manage competition law related risks and ensure compliance with the competition laws of every country in which PDB operates.

In addition, PDB has also adopted the Competition Law Compliance Protocols which have been issued to supplement the Competition Law Guidelines as per below:

a) **Protocol on Meetings and Information Sharing**

General guidance on competition law for attending meetings with competitors and information sharing during those meetings which is applicable to all meetings held under PETRONAS business and operations whether conducted in PETRONAS premises or outside. Informal discussions before, during and after the meetings are also covered under this protocol.

b) **Protocol on Merger and Acquisition (M&A) Transactions**

General guidance on competition law which requires PETRONAS to secure prior clearance or formal approval from the relevant competition authorities in the market which PDB operates. Obtaining prior approval is often a prerequisite for concluding a M&A transaction which must be notified to the relevant competition authorities.

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.

Data Privacy and Protection Compliance

PDB has put in place the 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 enables PDB to meet and comply with applicable privacy and personal data protection laws in relevant countries in which PDB operates. PDB also implements Data Secrecy Manual to ensure that the confidentiality of customers' personal data is protected and managed effectively. The manual framework consists of the following key elements which include the roles and responsibilities, data management, access controls, managing breaches and training requirements for both employees and third-party service providers.

Training for Critical Legal Areas

In the year 2021, PDB has continued providing on-line training modules covering the five (5) Critical Legal Areas of Ethics and Integrity, Data Privacy and Protection, Competition, Sanction and Export Control to PDB's directors, officers and employees.

PDB had also conducted a virtual Awareness Session on Section 17(A) of Malaysian Anti-Corruption Commission Act 2009 to ensure that employees have firm grasp on the requirements of Corporate Liability Provision under the Act, significance of Adequate Procedures implementation as well as the consequences of non-compliance. In addition, PDB had also organised a virtual Sanctions Training for management and employees to reinforce the comprehension on sanctions requirements, compliance controls and tools as well as consequences of any violation.

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 Tender and Contract Administrative Manual and Limits of Authority/Summary of Authority, whichever is applicable.

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 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.

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.

Information Technology

The Group adopts policies which aim to uphold and govern the integrity of the Group's cyber security, data governance and framework which are in line with PETRONAS Group's policies.

The ever-changing environments and evolution of information technology call for continuous reviews, updates, enhancements, and implementation of security measures to protect the Group's stakeholders as well as the businesses from the emerging threats of cyber security risks. 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

General requirement that translates agreed step by step work process and procedures into a governing document. 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. The SOPs will govern day-to-day operations and ensure necessary controls are in place. The SOPs are also reviewed as and when required to ensure the effectiveness and relevancy to current business arrangement.

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 2021. 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 2022.

SUSTAINABILITY REPORT 2021

SUSTAINABILITY@PDB, A REPORT

How Our Sustainability Statement Is Structured 211
What We Cover In This Statement 211
Our Reporting Approach 211
Driving Sustainability 212
Materiality 213
Our Sustainability Roadmap 216

SUSTAINABILITY GOVERNANCE

Our Sustainability Governance 219
ESG Risk Management 220
Looking Ahead 221

CONTINUED VALUE CREATION

Economic Growth and Performance 223
Driving Entrepreneurial Spirit 225
Innovation 228
Customer-Centricity 229
Data Solutions 232
Looking Ahead 233

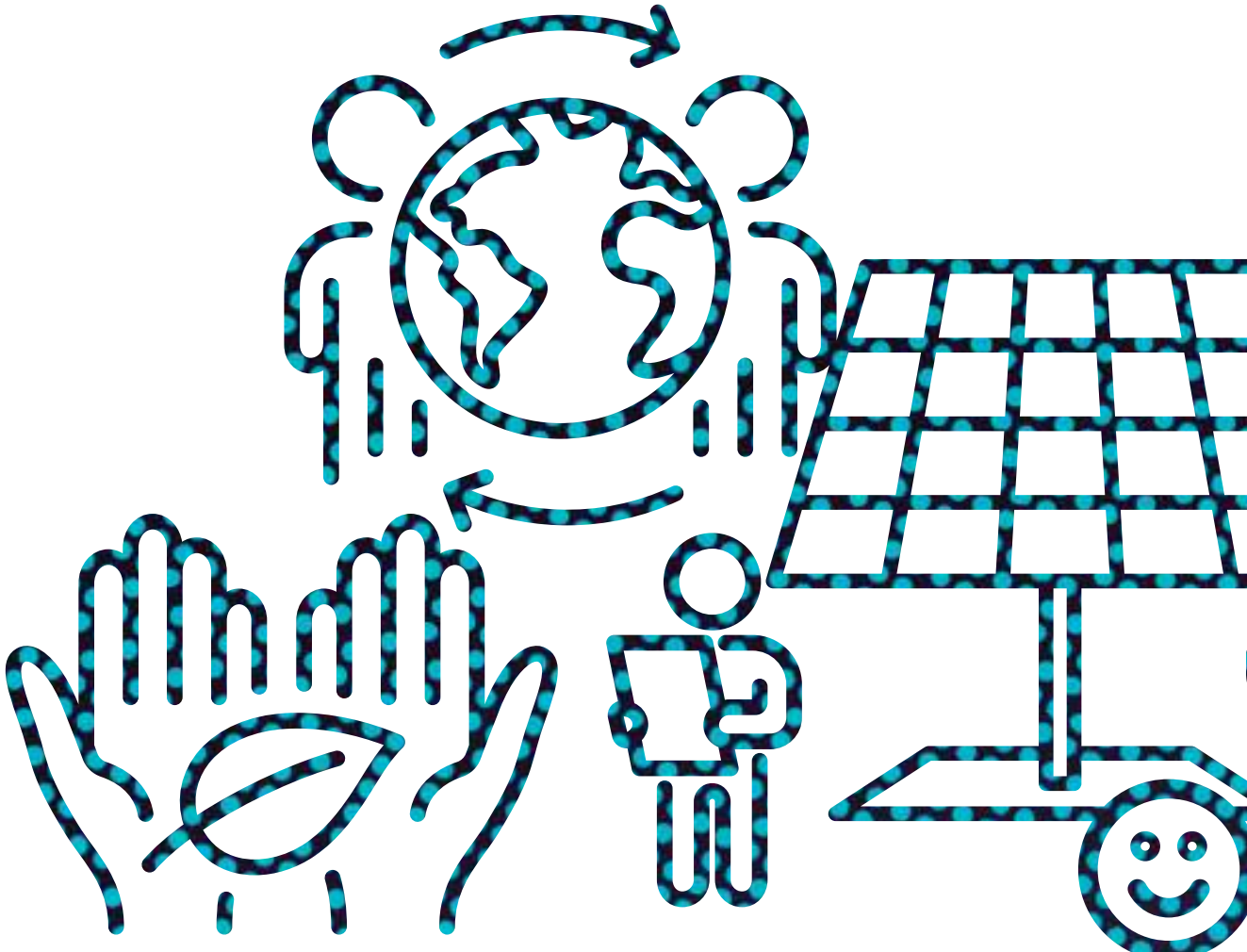
SAFEGUARD THE ENVIRONMENT

Management Approach 235
Climate Change 236
Environmental Management 244
Looking Ahead 249

POSITIVE SOCIAL IMPACT

Management Approach 251
Health and Well-Being 251
Human Capital 258
Governance and Business Ethics 264
Capability Building 269
Community Investment 273
Looking Ahead 276

SUSTAINABILITY PERFORMANCE AT A GLANCE



Key Sustainability Highlights

RM1.58 million spent in training investment

Deliver2Me is a new feature on Setel® that allows customers to conveniently purchase selected items on-the-go, and have the items delivered to them when they are refueling

Our 3R (reuse, recycle or recover) volume jumped from 51.8% to 68.4% and led to an estimated **RM500,000** in cost avoidance

Sustainability governance framework with Board oversight

Received an **Independent Assurance Statement** for 2017-2020 Scope 1 and 2 GHG emissions data

Enabling energy equity by providing easier access to fuel to 5 rural communities surrounding Kampung Limbawang with an estimated population of **14,000**



SUSTAINABILITY@PDB, A REPORT

Sustainability is integral to the way we approach our business and how we operate – from the way we manage our operations and our employees, to the way we deliver sustainable returns to our investors and shareholders, exceed the expectations of our customers, and create positive outcomes for our local communities – all the while reducing our environmental footprint.

Through our sustainability platform, we aim to achieve a balanced triple bottom line, in line with our purpose of 'Making lives simpler and better' and the Group's Vision of Moving Forward Together.

As our business expands, environmental and social issues will pose increasingly more critical challenges to our business and the energy-related industry generally. By understanding these issues and playing our part to mitigate them, we will effectively future-proof our company through the ability to better manage our non-financial risks, exploit opportunities for increased efficiencies, and enter new markets as we also enhance our reputation and position in our industry.

In 2021, we have 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.

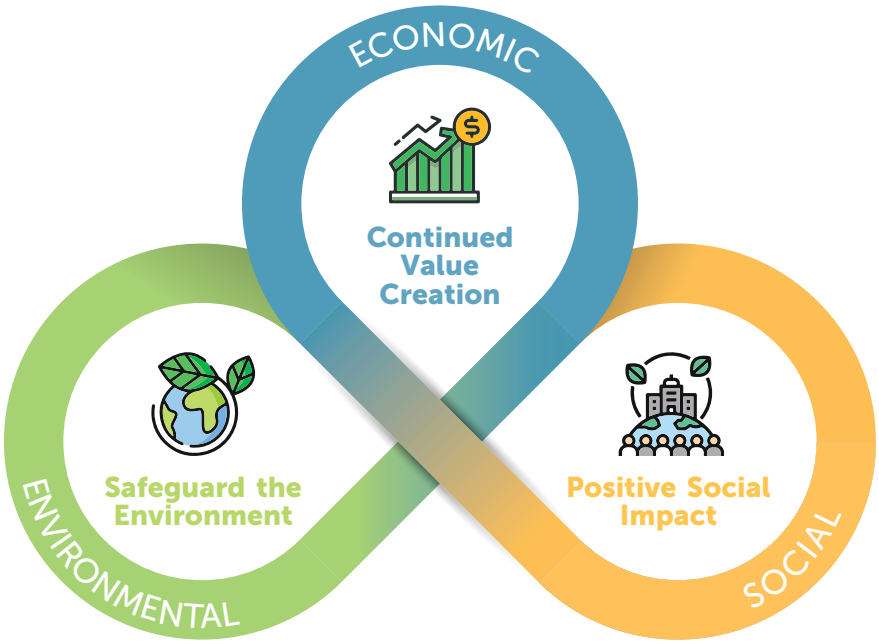


HOW OUR SUSTAINABILITY STATEMENT IS STRUCTURED

The development of our Sustainability Roadmap necessitated a review of our material matters. 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.

As in previous years, we have continued to frame our disclosures under the three themes of 'Economic Value – Continued Value Creation'; 'Environmental – Safeguard the Environment' and 'Social – Positive Social Impact'.

PDB's Sustainability Framework – Enriching Lives For A Sustainable Future



WHAT WE COVER IN THIS STATEMENT

This Sustainability Statement addresses matters that are material to our business and that could significantly impact our stakeholders from an EESG perspective. Relevant sustainability initiatives carried out by PDB throughout 2021 are also reported.

Unless otherwise indicated, our disclosures follow the scope and boundaries of our <IR>, and cover all of PDB's operations comprising Retail, Commercial, LPG, Lubricant as well as Supply and Distribution, together with the subsidiaries in which we have operational control.

OUR REPORTING APPROACH

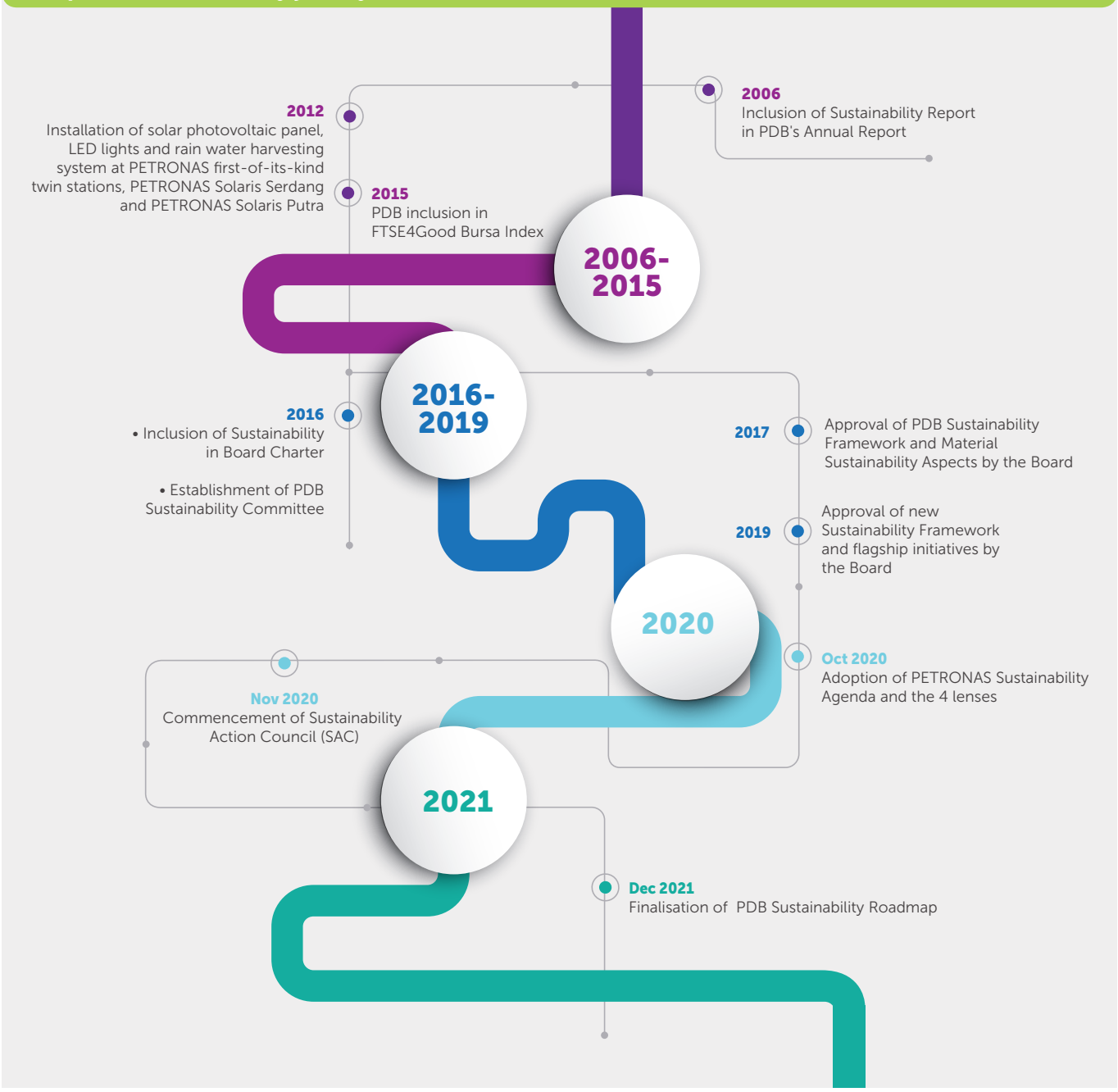
In presenting this Sustainability Statement, we have adhered to the Main Market Listing Requirements (MMLR) of Bursa Malaysia under the Amended Listing Requirements for Sustainability Statement. The statement has also been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core Option, while referring to the United Nations' Sustainable Development Goals (UN SDGs), the Sustainability Accounting Standards Board (SASB) and IPIECA.

SUSTAINABILITY@PDB, A REPORT

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 more intent and purpose. We have been making good progress culminating in a more long-term and meaningful view in our sustainability strategic approach, based on the expectations of our stakeholders and the ever-changing demands of our industry and business. Our key sustainability milestones and achievements include:

Snapshot of Sustainability journey in PDB



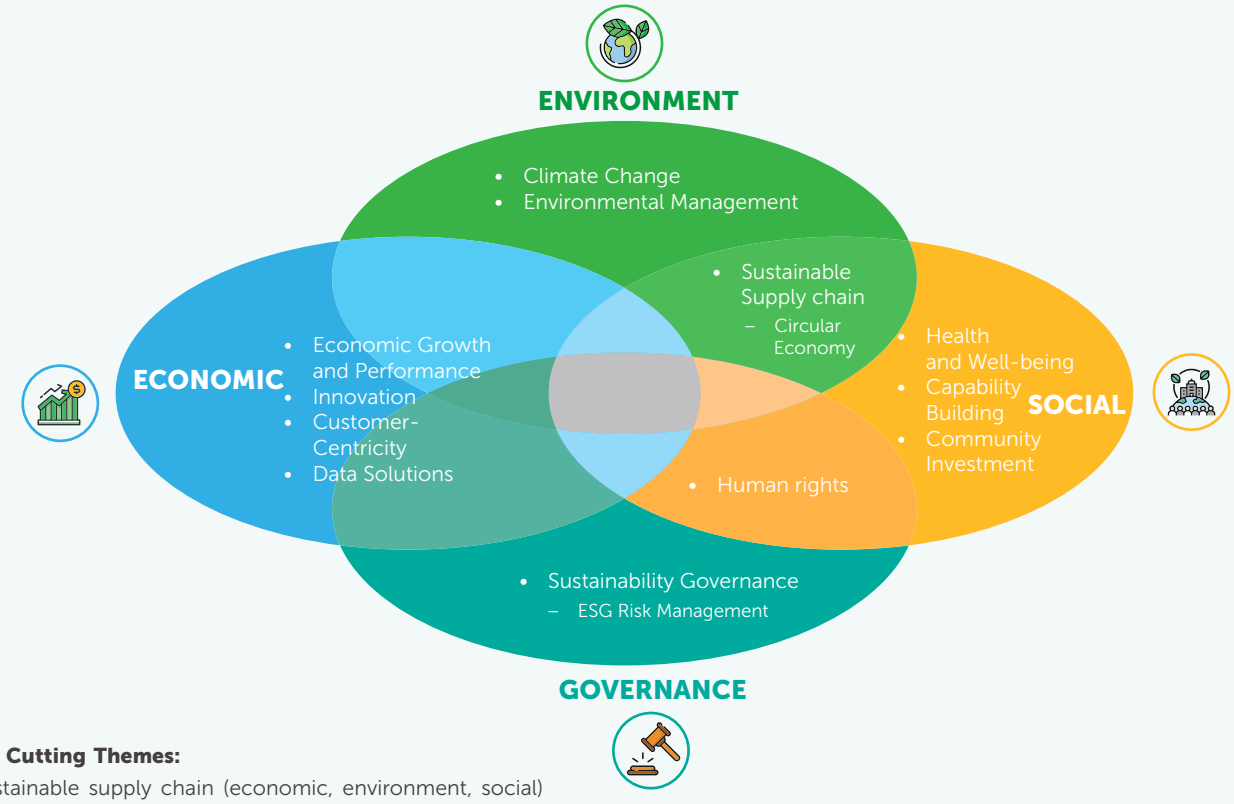
MATERIALITY

Due to significant global changes brought about by the pandemic, in 2021 we undertook a comprehensive materiality assessment as a result of which we have refreshed our materiality matrix. The new material matters identified will form the basis of PDB's long-term Sustainability Strategy.

The process of deriving our material matters comprised the following five steps:

1	2	3	4	5
Benchmarking against industry peers and sustainability leaders	**Review of relevant standards, frameworks and guidelines (incl. GRI, SASB, IPIECA, SDGs, FTSE4Good)**	**Internal assessments with key personnel**	**External stakeholder engagement**	**Workshops with key focal persons across various functions within PDB**
To compare PDB's sustainability position, performance and identification of gaps against peers	To provide a sense-check on where PDB stands and to identify areas of further improvement	To obtain the perspectives of key personnel across PDB, including members of the Leadership Team	To obtain feedback from external stakeholders via surveys & other platforms	To agree collectively on the identified material matters, and prioritise them according to the EESG pillars

Inclusivity was key in the assessments and engagement sessions, to ensure that our strategic framework is relevant, reliable and representative of the organisation as a whole.



Cross Cutting Themes:

- Sustainable supply chain (economic, environment, social)
- Human rights (social, governance)
- Innovation (economic, environment)

SUSTAINABILITY@PDB, A REPORT

Economic

Drive long-term value creation through responsible investments and optimum business partnerships

Materiality	What It Means	Ongoing initiatives	Sections	SDGs
Economic growth and performance	Contribute 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	• Entrepreneur support via *Kedai Mesra*, Segar@ Mesra, Foodlab, PETRONAS AutoExpert, PUMP, Mini PCS stations • Enhancing employability via PROTÉGÉ • Serving customers better with Setel®, PRYSM, POMEN • Protecting customers' data via PETRONAS' Enterprise Cyber Security Framework	Continued Value Creation, pages 222 to 233	
Innovation	Continuously seek innovative solutions for the benefit of all parties, ultimately enhancing the efficiency of our offerings and customer experience			
Customer-centricity	Enhance the customer experience by evolving along with their needs and preferences – as they are key to our business success			
Data solutions	Further build our digital solutions in view of changing consumer behaviours, while reinforcing our security systems against cyber threats			

Environmental

Reduce our environmental impact by transitioning to lower carbon energy solutions and deploying innovative operations and technologies

Materiality	What It Means	Ongoing initiatives	Sections	SDGs
Climate change	Contribute towards climate change mitigation via energy efficiency and investment in renewable energy, while outlining adaptation measures	• Net Zero 2050 (climate change) roadmap • Solarisation and promotion of biodiesel, LNG, SAF • ChargEV network • Reduced idling time of transport fleet • Green Office Handbook • Single-Use Plastics Handbook • Dustbuster at Bintulu LPG Terminal • Rainwater harvesting • Installation of Automatic Tank Gauging, use of oil interceptors • Environmentally-friendly products eg RSPO-certified PME • Sustainable supply chain • Recycling	Safeguard the Environment, pages 234 to 249	
Sustainable supply chain	Ensure our partners, suppliers and contractors uphold the same principles of ESG as PDB, especially in highly-regulated areas such as the sourcing of palm oil			
Circular economy	Ensuring responsible production and consumption, aligned with national and international standards and regulations to minimise waste and reuse resources via tools including Extended Producer Responsibility (EPR)*			
Environmental management	Ensure the sustainable management of water resources, emissions, pollution, spills and waste to prevent any environmental degradation			

Social

Workplace

Protect, nurture and develop our employees as we add value to their employment at PDB

Community

Create positive alliances with the local communities where we operate

Materiality	What It Means	Ongoing initiatives	Sections	SDGs
Health and well-being	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	• Full compliance to HSE requirements • Improve operating discipline • HSE Excellence through HSE Generative Culture • Sharpen employee competency • Business improvement and transformation • Develop the foundation of Agile Enterprise with talent upskilling • Conducive WFH arrangements • Mental health and well-being • Physical health – MestiFit4Health • Human rights assessment • Diversity and inclusion – GoWomen series	Positive Social Impact, pages 250 to 276	1, 8, 10, 11, 16
Capability building	Invest in our people through development programmes to achieve a high-performance, competent and talented workforce that adds value to the organisation			
Human rights	Ensure that we have the appropriate measures in place to be proactive in the management of human rights, especially with regard to foreign labour			
Community investment	Strengthen our position in local communities by developing targeted community investment programmes that address societal needs in a meaningful way	• Flood relief assistance • Mini PCS in remote areas • ROVR enabling access to fuel • PETRONAS Coffee Break for Frontliners • COVID-19 support and contributions • *Ikhlas Ramadhan Bersama Gas PETRONAS* • Food Bank programme		

Governance

To ensure a robust, structured and systematic approach in the governance of sustainability

Materiality	What It Means	Ongoing initiatives	Sections	SDGs
Sustainability governance	Strengthen our processes and systems of sustainability governance to ensure a more robust, systematic and structured approach, aligned with global and local standards, guidelines and frameworks	• Sustainability Action Council • Code of Conduct and Business Ethics • Risk profile and framework • FTSE4Good Index Assessment • Sustainability Reporting	Sustainability Governance, pages 218 to 221	16, 17
ESG risk management	Application of EESG lens and considerations in risk assessment processes to ensure continued viability, appeal and sustainability of the business			

** While we have identified Circular Economy as a material matter, we are still working on a structured programme which will be closely linked with our supply chain management in order to contribute to a world in which we use less and waste less. To ensure the credibility of our Sustainability Governance at PDB, we are also looking into reinforcing our ESG risk management. We hope to report on our programme/initiatives from next year onwards.*

OUR SUSTAINABILITY ROADMAP

In 2021, we took our first steps towards developing a strategic Sustainability Roadmap to guide our sustainability journey. This five-year blueprint represents a more structured and integrated long-term approach towards PDB's sustainability management and performance. It serves to make sustainability "a way of being" at PDB, embedding it into our business philosophy, principles and value systems. Through the Roadmap, we will achieve greater social integrity, environmental stewardship and economic value for our stakeholders.

The Roadmap will ensure our material areas and the initiatives we embark on are in line with PDB's Vision and Mission, as well as the requirements of the various regulations/legislations and expectations of our stakeholder community – enabling us to strengthen our market position as we adapt to changes around us.

The following is an overview of PDB's Sustainability Roadmap. Further details including the approach, processes, specific aims, targets, objectives, action plans and performance will be disclosed in our next Sustainability Report.

PILLARS



Entrepreneurship and growth



Cleaner energy solutions



Sustainable supply chain



Human rights



Targeted community investment



Sustainability governance and ESG risk management

AIMS	SDGs
To provide further opportunities and support MSME/ SME growth and expansion.	
To support the aspiration and drive towards Net Zero 2050/ carbon neutral position through cleaner energy solutions.	
To contribute to the circular economy by mitigating our environmental footprint along our value chain	
To have in place an effective system and processes that ensure full compliance and adherence with applicable Human Rights and Labour standards and requirements.	
To establish a flagship community investment programme that is recognisable, targeted and long-term, based on social impact assessment	
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	

SUSTAINABILITY GOVERNANCE

Good governance supports the integrity of our business, ensuring that we meet our obligations to various stakeholders. It is overseen by our Board of Directors, who set the tone for an ethical and transparent culture that cascades to everyone in the organisation.



AREAS DISCUSSED

- Our Sustainability Governance
- ESG Risk Management

KEY HIGHLIGHTS FOR 2021

Establish Sustainability Action Council to further **enhance our sustainability governance framework**

OUR SUSTAINABILITY GOVERNANCE

As a member of the PETRONAS Group, sustainability governance at PDB is largely underpinned by PETRONAS' sustainability framework and policies. We adhere to the Group's Code of Business Ethics (CoBE) while prescribing to its Shared Values of Loyalty, Integrity, Professionalism and Cohesiveness. CoBE underlines our commitment to sustainable economic, environmental and social development. In addition to guiding our operations, the code is also applied to our partners, contractors and suppliers to ensure a sustainable and responsible value chain.

The Board of Directors (BOD) of PDB has ultimate oversight of our sustainability matters, initiatives and performance, with sustainability being fully integrated into its mandate. At the managerial 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.

Further enhancing this governance structure, in 2020 we established a Sustainability Action Council (SAC), comprising selected LT members and employees across the various functions, departments and units. The SAC 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.

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.

Board

- Highest oversight on sustainability (Incl. cilmate change matters)
- Quarterly sustainability performance updates
- Twice a year in depth update

Leadership Team

- Chaired by PDB CEO and represented by heads of all Divisions
- Provides guidance, recommendation and support on sustainability matters (incl. climate change, anti-corruption etc) based on updates from PETRONAS Group and direction from Board

Sustainability Action Council (SAC)

- Secretariat to Steering Committee/climate change working group
- Coordinates updates and engagement events with Divisions
- Provides updates, guidance and recommendations
- Proposes initiatives, plans, strategy on way forward
- Ensures alignment with all Divisions on proposals, plans and initiatives
- Monthly updates to Leadership Team

Environment Tribe | **Economic Tribe** | **Social Tribe**

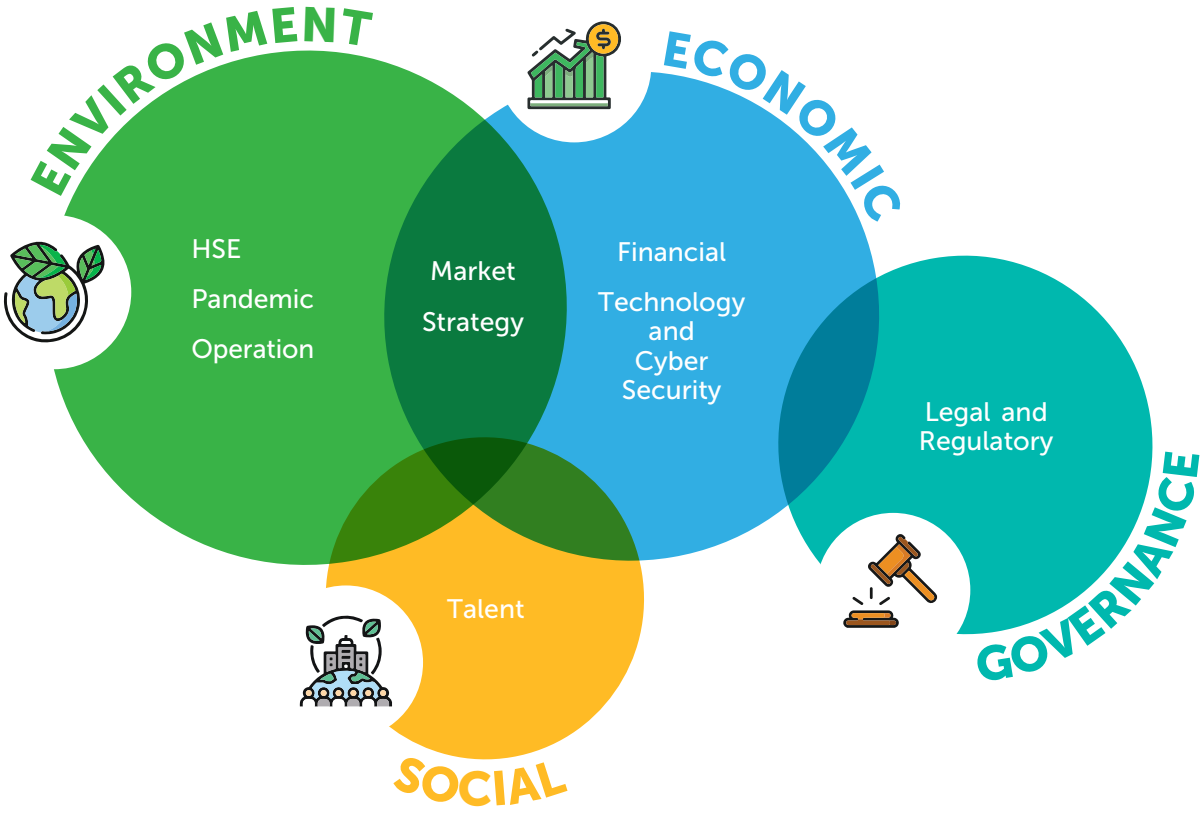
- Tribes are lead by Subject Matter Experts
- Pods are **cross functional agile teams** working on the same goals

Further details of the updated Sustainability Governance Framework will be disclosed in our next Sustainability Report.

SUSTAINABILITY GOVERNANCE

ESG RISK MANAGEMENT

We take a consistent approach to addressing the risks and uncertainties affecting our business. Our Enterprise Risk Management has the aim 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 including ESG risks.



The management of risks and opportunities related to climate change and energy transition is considered and integrated into all stages of the business cycle.

For more information on risks and opportunities related to climate change, please refer to 'Analysing Our Risks and Opportunities' on pages 236 to 237 of this <IR>

For more information on Key Risks and Mitigation, please refer to pages 80 to 85 of this <IR>

LOOKING AHEAD

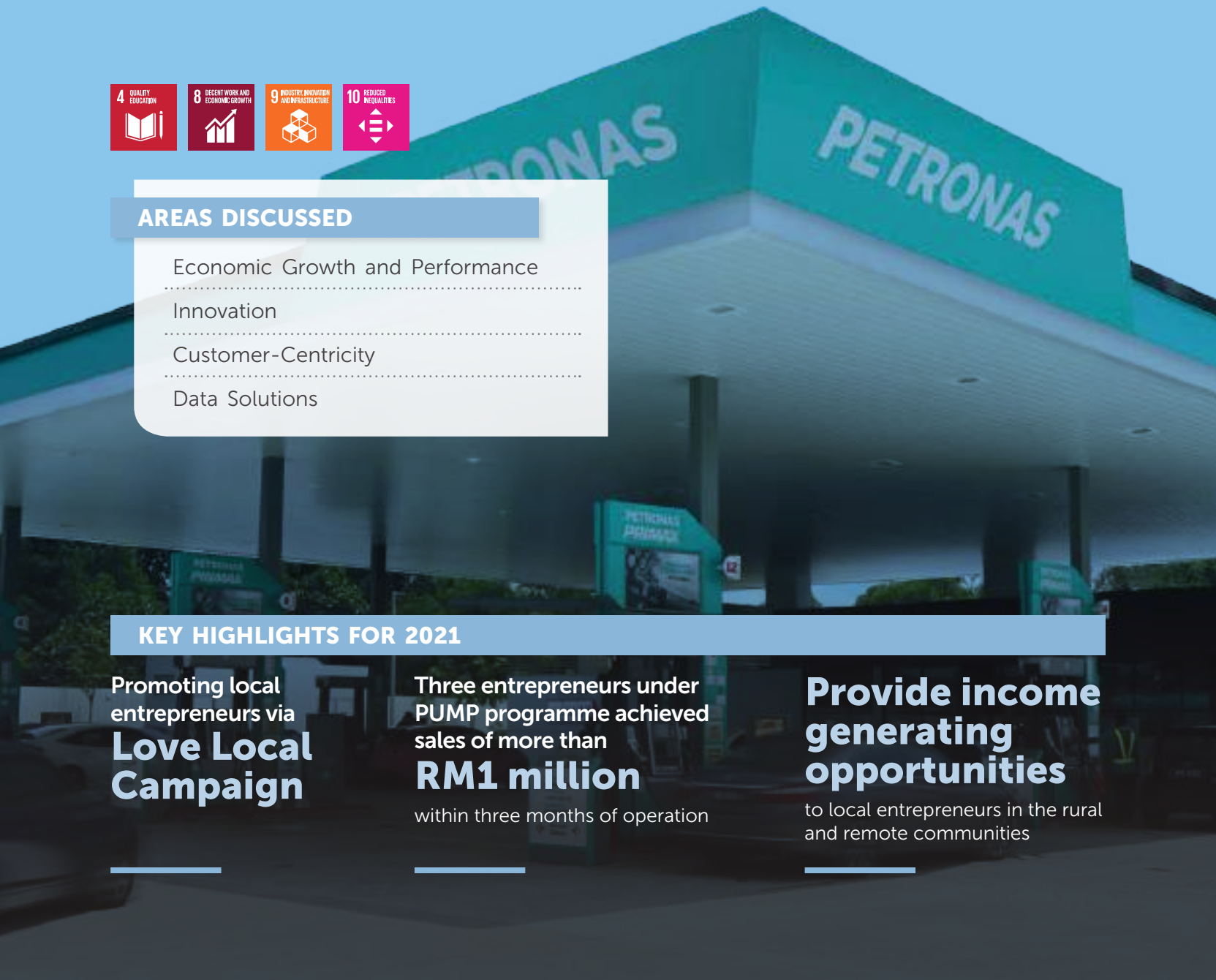
We seek to continuously enhance our sustainability governance through constant engagement of the Board of Directors and Leadership Team in sustainability matters. Working Committees, steered by Sustainability champions, will be established to ensure agile execution of our Sustainability Roadmap. These committees will assist in planning, coordinating as well as implementing sustainability initiatives to ensure alignment with PDB's sustainability objectives. At their monthly meetings, they will also deliberate and monitor progress, identify obstacles in achieving targeted outcomes and provide solutions to overcome these.



Sustainability Roadmap presentation to BOD during Board Management Strategy Retreat.

CONTINUED VALUE CREATION

We seek to optimise the economic and social value we are able to create through a customer-centric approach that places the customer at the centre of our universe; and by supporting the expanding ecosystem of SMEs and entrepreneurs linked to PDB.



AREAS DISCUSSED

- Economic Growth and Performance
- Innovation
- Customer-Centricity
- Data Solutions

KEY HIGHLIGHTS FOR 2021

Promoting local entrepreneurs via
Love Local Campaign

Three entrepreneurs under PUMP programme achieved sales of more than
RM1 million
within three months of operation

Provide income generating opportunities
to local entrepreneurs in the rural and remote communities

ECONOMIC GROWTH AND PERFORMANCE

MANAGEMENT APPROACH

As Malaysia's leading retailer and marketer of downstream petroleum products, PDB has a significant impact on the financial well-being of a large number of stakeholders. We therefore seek to be agile and resilient, and to future-proof our business through constant innovation and reinvention. Our ultimate objective is to achieve sustainable profits in order to deliver on our commitments to various stakeholders, namely our shareholders, employees, business partners, suppliers/vendors, customers and society.

LOCAL ECONOMIC OPPORTUNITIES

PDB supports the local economy by engaging local suppliers and vendors through our Retail, Commercial, LPG and Lubricant businesses. Almost all our dealers, contractors and suppliers 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.



Dividend paid to Investors

2021
RM606.0 million
2020: RM606.0 million

Tax paid to the Government

2021
RM150.4 million
2020: RM162.6 million

Salaries paid to Employees

2021
RM283.0 million
2020: RM226.1 million

Percentage of Local Suppliers/Contractors

2021
98.3%
2020: 99.0%

Payment to Contractors/ Suppliers/Business Partners

2021
RM23,249.2 million
2020: RM18,719.1 million

For more information on the Company's Financial Performance, please refer to pages 90 to 101 of this <IR>

CONTINUED VALUE CREATION

Through our partners and dealers, we contribute significantly towards job creation. As at end 2021, we were supporting the employment of approximately 14,900 individuals either directly or indirectly.

RETAIL

Reach

>900 ***Rakan Niaga*** nationwide, which employ **>9,000** **Krew PETRONAS**

Partnership with **>1,700** **local SME food suppliers** nationwide

Initiatives

Love Local Campaign to promote local products and brands

COMMERCIAL

Reach

>200 **channel partners/ dealers nationwide**

Channel partners/dealers employ **>1,000** **Individuals**

Initiatives

- Develop entrepreneurial skills of channel partners/ dealer
- Organised virtual Channel Partner Summit 2021 themed "Moving Forward Together" with 51 key dealers

LPG

Reach

Our **>350** **Channel members nationwide** have created business opportunities for **530 sub-dealers** in all regions

Channel members employ **~1,000** **Malaysians**

Initiatives

Continuous development and upgrading of sub-dealers to become dealers or premier dealers, improving their capabilities and income

LUBRICANTS

Reach

40 **market execution partners (MEPs) nationwide**

MEPs employ **180** **Sales Representatives**

14 **PETRONAS AutoExpert outlets**

Initiatives

- Provide entrepreneurial development and skills enhancement training for MEPs
- Launch of entrepreneur development programme, PUMP, with MARA
- Development of PETRONAS AutoExpert and POMEN app, giving motorists easy access to network of workshops for regular maintenance as well as emergency service

DRIVING ENTREPRENEURIAL SPIRIT

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.

POP GOES THE BUSINESS



Rose Yasmin Abdul Karim and Zuraini Zulkifli are among hundreds of Malaysian entrepreneurs who have seen their business expand in partnership with PDB. The duo created a unique popsicle that is not only healthy but also does not require to be kept in freezers to remain cold. Recognising the potential of their product, called Pops Malaya, PDB has been stocking it in *Kedai Mesra* since 2016.

Initially, the popsicles were sold at 30 *Kedai Mesra*. Following their participation in the Buy Malaysian Campaign jointly organised by the Ministry of Domestic Trade and Consumer Affairs and PDB, however, sales increased and the partners were able to undertake an expansion programme in 2020.

Although the pandemic was a challenge, they were once again aided by PDB. Using PDB's digital merchandising system, they were able to monitor stocks in outlets without having to make physical visits. "We managed to save resources and time instead of manually going to each station as everything could be easily monitored digitally, from stocks, orders to deliveries," said Rose.

Today, the popsicles are available in 449 stations.

CONTINUED VALUE CREATION

FOODPRENEUR SUPPORT

In 2020, many among those who lost their jobs due to the pandemic shifted their focus towards earning an income doing what they do best: cooking. However, most did not have the funds nor the entrepreneurial know-how for a startup. Enter Foodlab, an outcome of the Social Enterprise Education Lab (SEEd.Lab) organised by PETRONAS and Tata Consultancy Services.





Foodlab is a cloud kitchen that provides foodpreneurs physical kitchen space complete with all the equipment needed to prepare meals... *plus* accounting assistance, point of sales (POS) support for transactions, access to markets and marketing, and photography services.

Currently three F&B teams are operating out of Foodlab's 650 sq ft space in Publika: Pasta Kitchen, PichaEats and Periuk Bujang. Their food is available at *Kedai Mesra* and on GrabFood.

SEGAR@MESRA

Segar@Mesra is a collaboration with Ministry of Domestic Trade and Consumer Affairs (KPDNHEP), Ministry of Agriculture and Food Industries (MAFI) with its agencies National Farmers Organisation (NAFAS), Persatuan Nelayan Kebangsaan Malaysia (NEKMAT) and Federal Agricultural Marketing Authority (FAMA) 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. This initiative is available at more than 40 PETRONAS stations in Peninsular Malaysia and Sarawak.







Love Local Campaign

In September 2020, PDB rolled out its Love Local Campaign to promote local entrepreneurs. Vendors were provided with guidance covering several areas such as pricing strategy, product presentation, merchandising rules, logistics and distribution as well as planogram implementation.

MARA PETRONAS Automotive Entrepreneur Development Programme (PUMP)

PDB and MARA rolled out PUMP to enhance the capability and competitiveness of entrepreneurs, especially Bumiputras, in the automotive industry. In December 2021, a new PETRONAS AutoExpert opened at Bandar Sri Sendayan and make up to date, 8 entrepreneurs on the program have upgraded their workshops to become PETRONAS AutoExperts; and three of the entrepreneurs achieved sales of more than RM1 million within three months of operation. MARA has channeled a total of RM6.45 million to entrepreneurs under the program. Meanwhile, the training module was jointly developed with our subsidiary, PETRONAS Lubricants Marketing Malaysia Sdn. Bhd. (PLMM), to be industry relevant.

Economic Sustainability With Setel®

Setel® is committed to contributing towards economic sustainability through local employment opportunities, the provision of paid internships, and prioritising strategic partnerships with local businesses both big and small. In addition, it offers value-add to customers through referral programmes such as Refer A Friend where Setel® customers can earn free Setel Credit, higher cashback via CardTerus; and partnerships such as Grab Mesra Fuel Savers that offer discounts to Grab delivery-partners and driver-partners.

AT LEAST FIVE COMMUNITIES IN THE AREA – MAINLY FARMERS AND FISHERMEN – WILL NO LONGER NEED TO TRAVEL GREAT DISTANCES FOR THEIR DAILY FUEL SUPPLY.

Launch of Mini PCS Station

Our mobile refuelling service, ROVR, officially launched its Mini Portable Container Storage (PCS) programme this year, beginning with a station in Kg Limbawang, Beaufort, Sabah. Through the initiative, run in partnership with the Ministry of Domestic Trade and Consumer Affairs, dealers are engaged to operate the Mini PCS stations which provide rural and remote communities reliable access to fuel at retail pump prices (previously fuel would be sold in jerry cans and bottles at higher prices).

While serving the fuel needs of the local community, the programme also provides income-generating opportunities to local entrepreneurs who are given training to develop their business skills once they have been appointed 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.

With the ROVR Mini PCS in Kg. Limbawang, at least five communities in the area – mainly farmers and fishermen – will no longer need to travel great distances for their daily fuel supply. The plan is to expand the concept to nine sites in Sabah and Sarawak in 2022.

Professional Training and Education for Growing Entrepreneurs (PROTÉGÉ)

PDB fully supports the Government's Professional Training and Education for Growing Entrepreneurs (PROTÉGÉ) programme, under which unemployed graduates are on-boarded and given the opportunity to develop important work-related skills. Integrating PROTÉGÉ with PETRONAS' Graduate Employability Enhancement Scheme (GEES), in we took in 38 trainees in 2020 who completed their on-the-job training between December 2020 and August 2021. Another 33 trainees were placed within PDB at the end of 2021 and are expected to finish their on-job-training by November 2022.



CONTINUED VALUE CREATION

INNOVATION

Setel®

Sete® has set out to offer innovative solutions right from the start with its pioneering refuel-on-the-go app, offering services such as Deliver2Me where users are able to order items from the comfort of their car minimising contact; and Setel Share, Malaysia's first e-wallet sharing solution where users can share their wallet with their loved ones to pay for fuel.



INNOVATION ENGINE

This holistic programme that develops employee through Innovation Engine Masterclass was designed with a mission to build a "Sustainable Culture of Innovation" across PETRONAS where every employee is empowered with the right tools, support, and structure they need to think big, experiment with breakthrough ideas and drive them into production through a customer-obsessed lens. Coupled with the aspiration to transform the organisation into an Agile Enterprise, the programme also aims to enable the organisation to continuously create new opportunities and revenue streams at pace to meet the MFT targets, especially in the space of 30% revenue by 2030 from non-traditional business and low-carbon solutions.

PRYSM

PRYSM has achieved a veritable sustainability innovation with The Grow Your Green Stationery set containing plantable pens, pencils and notepads.



CUSTOMER-CENTRICITY

SUPERIOR CUSTOMER EXPERIENCE

As a retail organisation, we exist for our customers and have adopted a customer-first mindset to create the best possible customer experience at our stations and on our online channels. We seek to be an integral part of our customers' everyday lives, hence are curating new services and products to meet their needs as we gain their trust.

Our commitment to customers is manifest through:

- Ensuring their safety and health at all times
- Protecting their data
- Providing the best experience with customised offerings and omni-channel communication
- Offering a range of healthy and safe food at our convenience stations

Setel®

By putting customers first, Setel® seeks to fulfil all customers' needs and expectations to offer a positive experience at every stage of their journey with the app. This includes using customer insights when app updates are rolled out every two weeks ensuring a continuously enhanced experience with new and value-driven features such as Malaysia's first e-wallet sharing solution Setel Share, as well as partnerships and campaigns that allow users to earn Mesra points when they pay for products or services at participating merchants.





POMEN

The POMEN app allows drivers to get help in the event of a breakdown, as well as to book regular car service appointments at any one of the 650 workshops featured. Services available in the app include engine oil change, battery change or jump-starting, changing tyres and car repairs. It also enables real-time service tracking and transparent pricing.

DATA PRIVACY

Recognising the importance of protecting our customers' data, we adhere strictly with protocols and guidelines under the Personal Data Protection Act 2010, and the Bank Negara Secrecy Provisions Act 2013. To protect customers' data, as well as our own, we have implemented PETRONAS' Enterprise Cyber Security Framework which ensures our infrastructure and applications are configured and operated in a manner that protects the personal information of our customers at all times. Under this framework, a Security Operation Centre has been established that has the visibility to monitor threats.

To further reinforce our security protocols, in 2021 we implemented additional compensating controls at our stations. We engaged a Payment Card Industry Data Security Standard Qualified Security Assessor to assess the robustness of our systems and processes and to recommend measures for continuous improvement, especially in the card data environment.

Our Commitment to Customers

We will continuously enhance our risk controls and secure customers' personal information by:

Having strict control over customers' information in our database and regularly updating our security solutions



Establishing an effective data breach preparedness process in the event that customers' privacy is compromised via Cyber Defence Security Incident Management

CUSTOMER SUPPORT AND ENGAGEMENT

In order to strengthen our customer relationships, we listen to their voice and act on it. We have made available various channels for customers to provide feedback, including emails, web chats and social media platforms such as Facebook, Instagram and Twitter.

All customer feedback is channelled to relevant units within the company, where it is analysed and used to shape the development of new products and services. It is through customer feedback that we launched campaigns such as Mesra Bonanza and Mornings@Mesra, as well as our digital payment platform Setel®, which was the country's first refuel on the go app as well as the first e-wallet sharing solution through which users can pay for their loved ones' fuel.

We also continuously enhance the capabilities of our contact centre team to address customers' concerns.

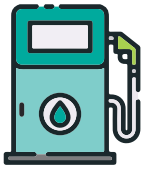
Efforts to listen to our customers' voice have led to PDB continued to soar high by achieving the highest NPS and further widening the gap against the competitors.

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 Business



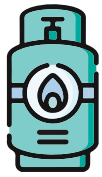
- Go-to-Safety-Point Programme in which members of the public can seek refuge at PETRONAS stations in emergencies. The ongoing initiative is organised in collaboration with the police and local authorities.
- Signages at PETRONAS stations recommending safe behaviours before, during and after refuelling.
- Monthly Station Audit is carried out out to ensure compliance with standards and regulations on cleanliness and safety while, annually, we carry out housekeeping projects to ensure our facilities are well-functioning and safe.

Commercial Business

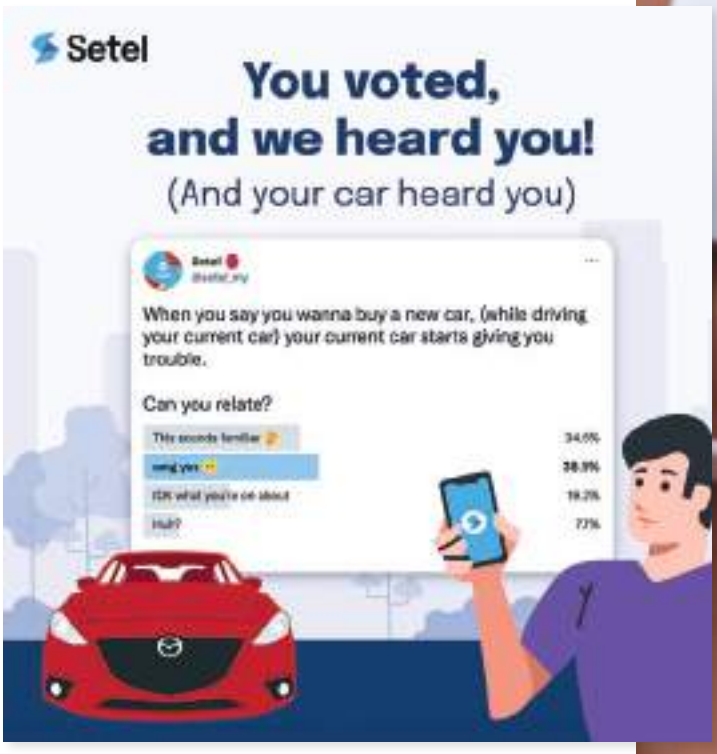


- Risk assessments are carried out at customers' sites covering safety and health aspects.
- Safe product handling training is provided to customers.
- Engagement sessions are held with dealers to keep them abreast of industry best practices.
- Engagement sessions are organised between dealers/customers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

LPG Business



- Rigorous cylinder inspection at terminals to ensure product safety and reliability before delivery to customers.
- Complimentary LPG cylinder safety checks during delivery of gas cylinders via the Gas PETRONAS Home Delivery hotline.
- 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 impart product and safety knowledge to bulk customers on proper usage/ handling of cylinders and LPG Bulk Facilities through safety talks and inspections.





DATA SOLUTIONS

Setel®

Setel® solutions serve the interests of both our customers and PDB. Customers benefit from the ability to track and monitor their fuel and other expenses. With Setel®, they can also convert Mesra points into Setel Credit and use it to purchase fuel or items from *Kedai Mesra*. Meanwhile, the digital receipts, vouchers, partnerships and marketing materials enable PDB to minimise our use of natural resources while promoting an environmentally sustainable future.



LOOKING AHEAD

Moving forward, we seek to further enhance the support that we provide to entrepreneurs in the country by planning, implementing and managing all related programmes and initiatives across PDB with close support and collaboration with the respective units, functions and departments. We are currently developing mechanisms to measure and assess the effectiveness of our programmes, and will be implementing them in the near future to continuously improve all our initiatives. Our ultimate goal is to establish a robust MSME/SME ecosystem that is sustainable and inclusive.

SAFEGUARDING THE ENVIRONMENT

Environmental issues have become among the most pressing and urgent in the global arena today. We are committed to redressing some of these issues by transitioning to lower carbon energy solutions to mitigate climate change. At the same time, we contribute to a healthier environment through responsible waste management and more efficient use of natural resources.



AREAS DISCUSSED

Climate Change

Environmental Management

KEY HIGHLIGHTS FOR 2021

Received an **Independent Assurance Statement** for 2017-2020 Scope 1 and 2 GHG emissions data

Our 3R (reuse, recycle or recover) volume jumped from 51.8% to 68.4% and led to an estimated **RM500,000** in cost avoidance

Completed a **high-level qualitative risk** and opportunities assessment under different climate scenarios

MANAGEMENT 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.



SAFEGUARDING THE ENVIRONMENT

CLIMATE CHANGE

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 Paris Conference in 2015 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. Various initiatives have been implemented towards this end, such as promoting the greater use of renewable energy including solar and biofuels. In 2012, the biofuel programme was launched with the B5 blend, in which palm oil made up 5% of biodiesel. Over the years, the percentage of palm oil in the blend has increased, and in 2020, B20 made its debut in certain states. This will be expanded to the rest of Malaysia over the next couple of years.

Our Approach

Our climate actions are driven by PETRONAS' Climate Change Position, PETRONAS Carbon Commitments (PCC) and NZCE aspiration 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

Meanwhile, we continue to engage with global stakeholders on climate change initiatives, through PETRONAS, which is a member of the Climate Change Working Group of the International Petroleum Industry Environmental Conservation Association, 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 and contributes data to the National Communication and Biennial Update Report for submission to United Nations Framework Convention on Climate Change, towards realising the country's Paris Agreement pledge.



Analysing Our 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, in 2021 we undertook a qualitative analysis of the physical as well as transition risks (ie policy, market and technology risks) associated with climate change.

Key drivers and business impacts were identified, and a high-level qualitative assessment of potential short, medium and long-term (up to 2050) risks and opportunities under different climate scenarios based on established IPCC's Representative Concentration Pathways (RCPs) were conducted, with proposed high-level response actions.

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

For more information on PETRONAS Climate Change Position Statement and PCC, please refer to PETRONAS Annual/Sustainability Reports; and for the NZCE aspiration, refer to https://www.petronas.com/sustainability



PDB is a marketing channel for LNG Bunkering in Malaysia

Based on our risk assessment, a preliminary Climate Strategy framework was prepared as a foundation for future alignment with recommendations from the Task Force on Climate-related Financial Disclosures (TCFD) to address increasing stakeholders' expectations for higher 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 have to be considered in the context of the diversity of PDB's business and offerings.

Vulnerability and Adaptation

We are aided in protecting our assets against climate change risks through PETRONAS' strategies and capability building initiatives. Building on the vulnerability assessment and adaptation plan conducted at two locations in 2020, six other locations were included in the assessments during the year under review. We will conduct further analysis to better understand how climate change may impact our facilities in coming years.



SAFEGUARDING THE ENVIRONMENT



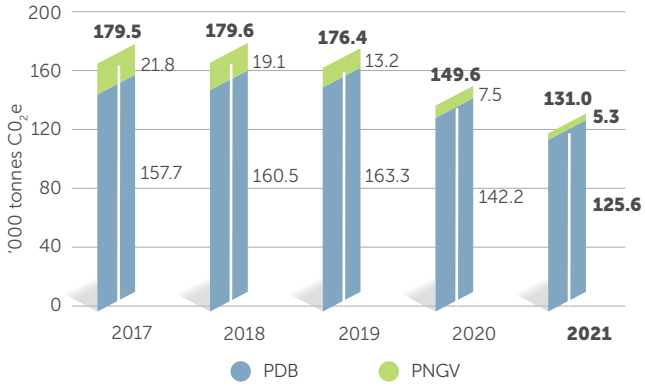
OUR PERFORMANCE

Scope 1 and Scope 2 Emissions

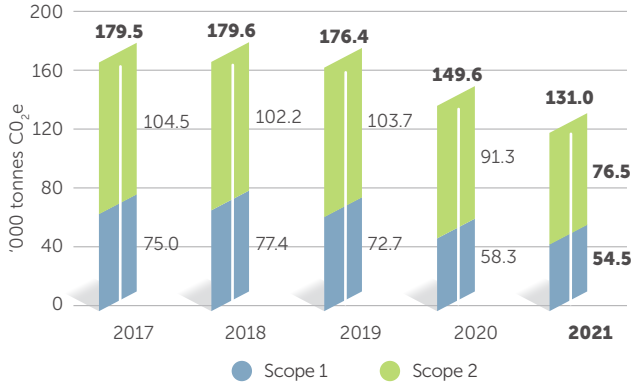
We have been monitoring our Scope 1 and Scope 2 emissions closely since 2017. Scope 1 includes all direct GHG emissions from assets that we own or control, such as company vehicles and trucks dedicated to transport our fuels, as well as emissions during equipment maintenance at PETRONAS NGV (PNGV) stations. Scope 2, or indirect GHG emissions, are those generated via the consumption of electricity at our terminals, retail stations, regional offices and training centre.

This year, to set our records right, we undertook independent verification of our 2017–2020 Scope 1 and Scope 2 emissions data according to ISO 14064-3:2006: Specification with guidance for the validation and verification of greenhouse gas assertions. The Independent Assurance Statement is included on page 387 of this <IR>. The 2017-2020 data in the graph below reflect the verification exercise. It also includes Scope 1 and 2 emissions from the NGV operations that PDB operates and maintains on behalf of PNGV.

Total PDB Annual GHG Emissions



PDB Scope 1 and 2 GHG Emissions



Emissions from PDB in 2021 totalled approximately 131.0 thousand tonnes of carbon dioxide equivalent ($ktCO_2e$). The overall reduction in emissions in 2020 and 2021 was due to movement restrictions during the pandemic.

Scope 3 Emissions

During the year under review, we identified the main sources of our Scope 3 GHG emissions and determined our baseline. Scope 3 emissions are from sources that are not owned or directly controlled, but are related to our activities. A hotspot analysis was carried out to identify and prioritise our material Scope 3 GHG emissions activities. We then applied the Intergovernmental Panel on Climate Change Tier 1 method to calculate our emissions from:

- Category 1 – Purchased Goods and services
- Category 11 – Use of Sold Products

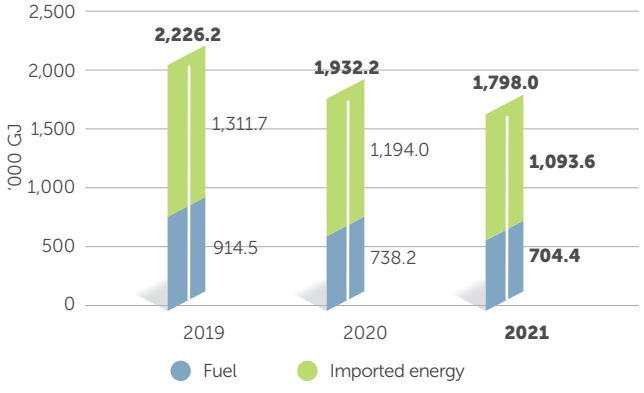
SCOPE 3 GHG Emissions	2019	2020	2021
Total (million tonnes CO_2e)	44.4	33.8	**31.0**
Purchased Materials (Category 1)	7.7	5.8	**5.3**
Use of Sold Products (Category 11)	36.7	28.0	**25.7**

Note:

- *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.*

Over the next few years, we will focus on understanding our Scope 3 emissions better and continue to expand the range of sources included for disclosure.

PDB Energy Use



Note:

The energy consumption values have been restated to include adjustments made post-verification of GHG emissions.



SAFEGUARDING THE ENVIRONMENT

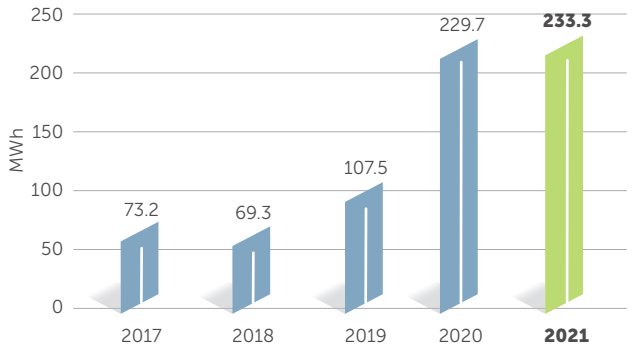
GHG EMISSIONS REDUCTIONS IN OUR OPERATIONS

We constantly seek to improve our energy efficiency, reduce emissions across our operations and invest in low-emission, renewable technologies. Ongoing efforts are detailed below.

Rooftop Solar

We installed our first rooftop solar panels at two stations in 2012, and are now powering a total of eight stations with solar. As at end 2021, our total installed capacity stood at 400 kWp, equivalent to powering 100 households for a year. During the year under review, approximately 233 MWh of electricity was generated, cutting our Scope 2 emissions by 155.6 tonnes of CO_2e. In the coming year, we target to install additional solar panels at our stations and assets to further reduce GHG emissions.

Solar Power Generated



CUTTING OUR SCOPE 2 EMISSIONS BY
155.6 tonnes OF **CO_2e**
THROUGH EXISTING ROOFTOP SOLAR









Adoption of Biodiesel by Hauliers

Our hauliers utilise biodiesel to power their fleet for the distribution of our products to customers and retail stations. This year, we encouraged them to use a higher biodiesel grade where possible. As a result, we have been able to reduce our Scope 1 emissions by 1,272 tonnes CO_2e in 2021 compared to 2017 base year levels.

To further reduce their emissions, we constantly introduce new measures to enhance their fuel efficiency. In 2021, we piloted the following initiatives:

Road tanker engine idling time:
We educated drivers at two of our haulier companies to reduce their engine idling time. In 2022, the initiative will be expanded across all our hauliers.

Leak Detection and Repair:
We conducted an exercise to detect and mitigate fugitive emissions at all our NGV stations.



SAFEGUARDING THE ENVIRONMENT

HELPING CUSTOMERS REDUCE THEIR EMISSIONS

We are committed to helping customers avoid GHG emissions by offering lower carbon solutions.

LNG as a Lower Carbon Fuel

Over the last few years, we have been expanding our capabilities to deliver LNG, which is the cleanest fossil-based 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.

During the year under review, 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 CO_2e, which is the equivalent to CO_2 sequestered by three million mangrove trees in one year.



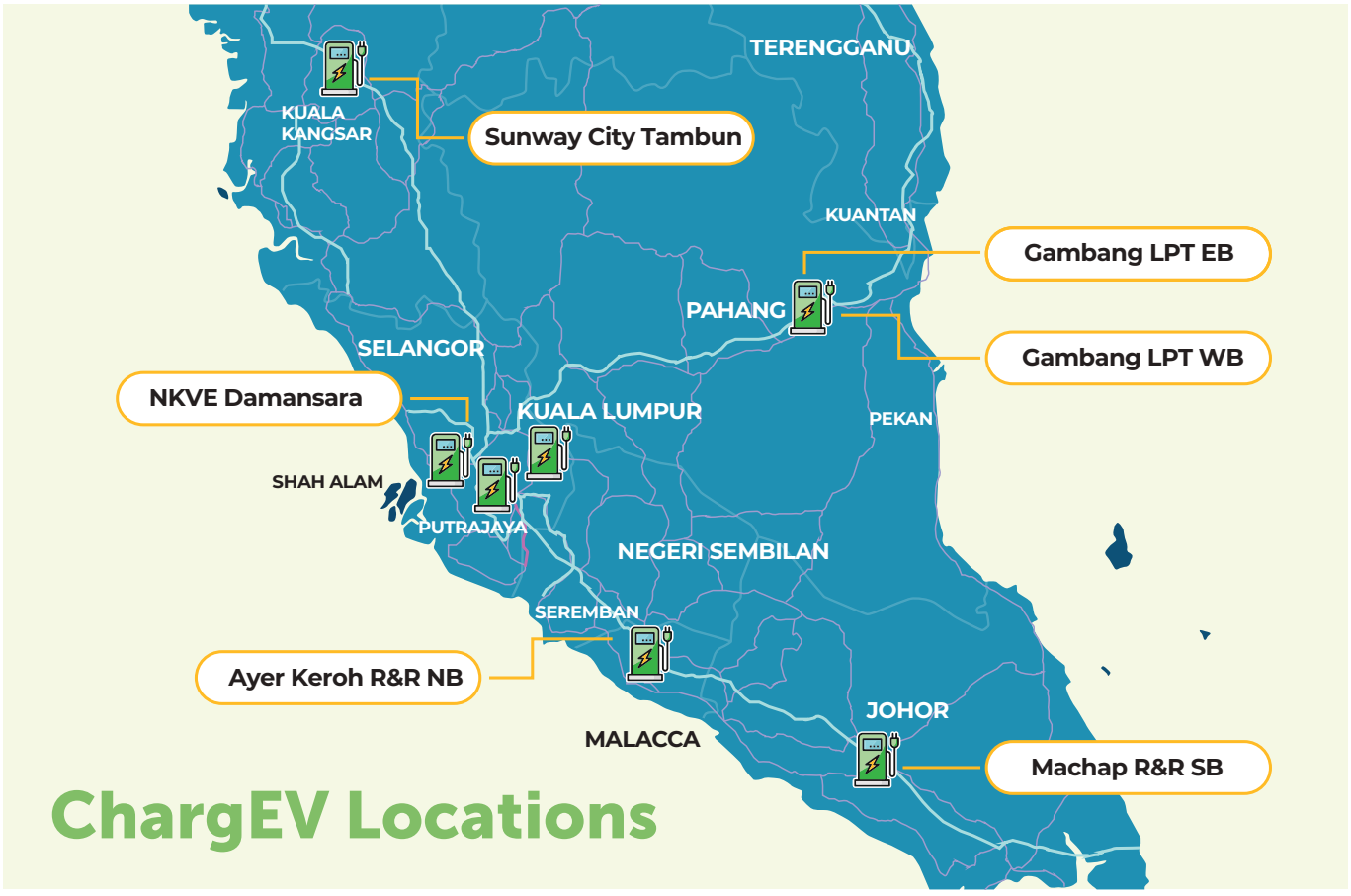
Sustainable Aviation Fuel

During the year under review, PDB 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.



On 17 December 2021, MAG operated its inaugural flight using SAF in partnership with PDB and Neste, the world's leading producer of renewable diesel and SAF. An Airbus 330-200 aircraft flew from Amsterdam to KLIA using a blend with approximately 38% SAF. 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 with established life cycle assessment methodologies, like CORSIA methodology.*



EV Charging Facilities

In 2021, PDB inked an MoU with Mercedes-Benz Malaysia Sdn. Bhd. and EV Connection Sdn. Bhd., the operator of JomCharge network in Malaysia, to deploy direct current Fast EV chargers at five PETRONAS stations in the first half of 2022. This will ensure coverage along the entire North-South Expressway and part of East-Coast Expressway, complementing the existing ChargEV network at 61 PETRONAS stations since 2017.



Biodiesel B10 to B20

In support of the Government's plan to increase the composition of biodiesel in the biodiesel blend from 10% to 20%. 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.

As a result of PDB biodiesel sales in 2021, we have helped to reduce as much as 616,000 tonnes CO_2e, thereby positively contributing to the Malaysian Government's commitment to the Paris Agreement.

SAFEGUARDING THE ENVIRONMENT

ENVIRONMENTAL MANAGEMENT

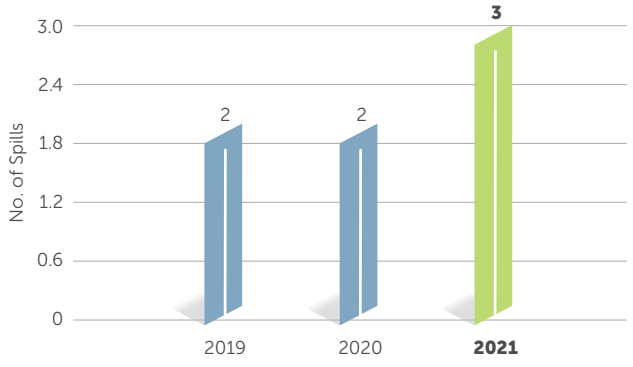
MANAGING OUR ENVIRONMENTAL IMPACT

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

In 2021, there were three hydrocarbon spills. These were immediately rectified, investigated and all recommended corrective actions were monitored for closure.

Spills to Environment (>1 bbl)



Note:
1 bbl is equivalent to 159 liters.

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.

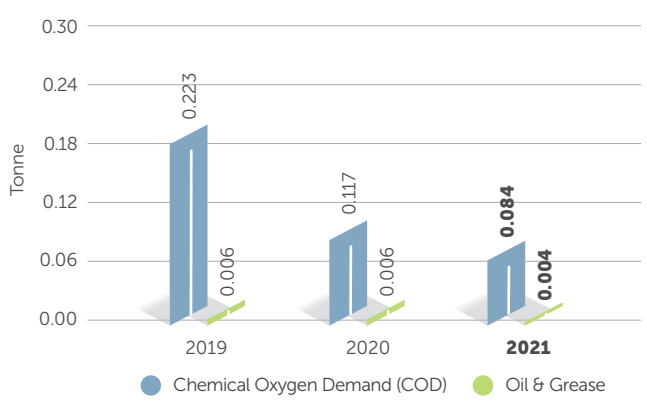
In 2021, we worked with and assisted the Department of Environment (DOE) in Penang to reduce the impact of an oil spill in the state.

Water (Effluent) Discharge

Waste water 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.

While there were no non-compliance to water quality standards during the year, we regretted that we received a compound notice amounting to RM10,000 for a regulatory enforcement action related to inadequate licensing in 2019 which have been swiftly remedied.

Treated Waste Water Discharge (MT)



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

For more information on our spills reduction initiative, please refer to 'Process Safety' on page 255 of this <IR>

For more information on our oils spills response initiatives, please refer to 'Emergency Preparedness' on page 256 of this <IR>

Waste Management

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

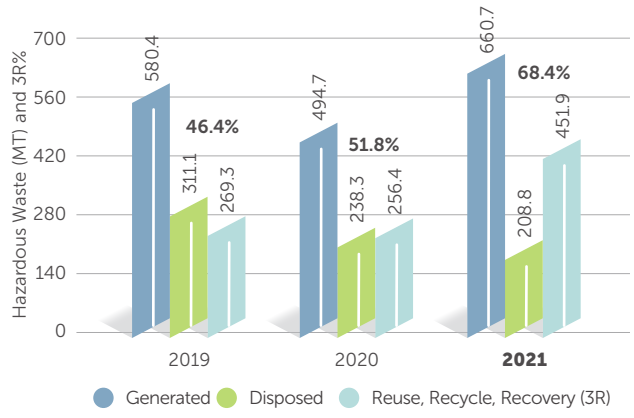
Hazardous Waste

During the year under review, we intensified all efforts to reuse, recycle or recover (3R) our hazardous waste, mainly waste oil and oily sludge from maintenance activities. This led to a significant increase in the volume of 3R waste, from 51.8% in 2020 to 68.4%. It also meant that, although the total volume of hazardous waste generated increased, the total volume that was disposed decreased. Our 3R activities led to about RM500,000 in cost avoidance.

Non-Hazardous Waste

Meanwhile, we are progressing towards a 3R culture with regard to non-hazardous waste, in line with our policy of using natural resources sustainably. 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.

Hazardous Waste (MT) and 3R (%)



Note:

Adjustments have been made to align with revised technical standards by PETRONAS, thus 2019 and 2020 values have been restated.

OUR 3R (REUSE, RECYCLE OR RECOVER) VOLUME JUMPED FROM 51.8% TO 68.4% AND LED TO AN ESTIMATED RM500,000 IN COST AVOIDANCE

BINTULU TERMINAL GREEN EFFORT

As part of efforts to create a clean and efficient workplace, Bintulu LPG Terminal has invented the Dust Buster. The innovation is made of recycled materials and powered by an existing pneumatic machine that collects waste under the Filling Hall's conveyer belt. The Dust Buster reduces effluents as the waste is collected in the container instead of being flushed out into the drain. The innovation won GOLD 5 Stars and GOLD Awards from the Malaysia Productivity Corporation at the national and regional levels respectively, as well as numerous awards at the PETRONAS Making Impossible Possible Awards & Convention 2021.



SAFEGUARDING THE ENVIRONMENT

3R TERMINALS

During the year under review, a number of our terminals strengthened their environmental scorecards by embarking on 3R initiatives for general waste. Sepangar Bay Fuel and LPG terminals, for example, organised a virtual Recycling Awareness Campaign with the DOE in Sabah during the MCO, during which a total of 1,250kg of general waste was collected for recycling.





3R ON WHEELS

In our second year of collaboration with Alam Flora Sdn. Bhd., we organised a drive-through recycling initiative for customers and the local community in which they could drop off household recyclable items ranging from electrical goods to paper, boxes and used cooking oil. In return, customers were rewarded with Mesra Loyalty Points and cash. The 3R on Wheels initiative, held at eight PETRONAS stations in the Klang Valley, collected 8.72 tonnes of recyclable items.



The 3R on Wheels campaign at the Bukit Bandaraya station in April 2021 also supported DOE's e-Waste Campaign.

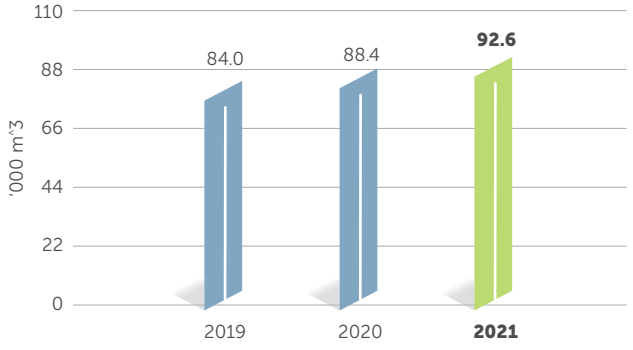
SUSTAINABLE USE OF NATURAL RESOURCES

Conserving Water Use

Although Malaysia is not a water-stressed country, water supply disruptions are becoming increasingly common in the Klang Valley due to pollution of water bodies and, occasionally, low levels of water in major dams. We are committed to using water efficiently and minimising our impact on water resources, as reflected in our HSE Policy.

Water consumption at PDB is greatest at our terminals, where it is used for cylinder washing, tank cleaning and maintenance, and conveyor chain lubrication as well as for general purposes. Our resolve to use water in our operations efficiently is strengthened by the fact that an assessment conducted by PETRONAS in 2020 identified six regions where we have terminals as being likely to experience water stress by 2040. Our water consumption at these terminals in 2021 was recorded at 11,600 m^3. We will closely monitor water usage in these regions and strive to reduce our water footprint.

Municipal Water Withdrawal (Terminals)



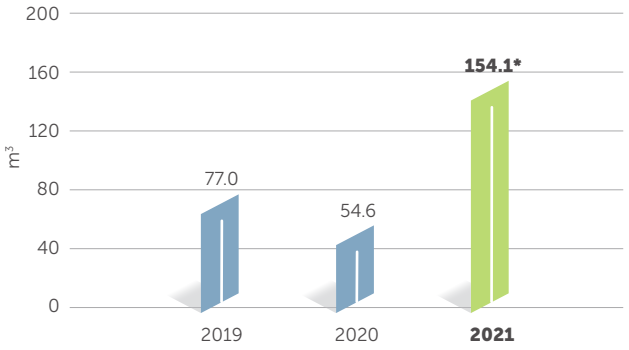
Actions taken to reduce water consumption throughout our operations include:

- 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

Rainwater Harvesting

Prior to 2021, we had installed rainwater harvesting systems at all four terminals in the Sabah and Labuan region. During the year, we expanded this initiative to three other terminals. Rainwater from roof gutters is channelled into harvest tanks then used for general cleaning and gardening. We have also installed rainwater harvesting tanks at a number of our retail and incorporated the feature into the design of all new stations.

Water Withdrawal from Harvested Rainwater



Note:

** Equivalent to the quantity of water used for 1,000 commercial vehicle washes.*



Rainwater harvesting with solar powered pumps at Kuching Aviation Terminal

SAFEGUARDING THE ENVIRONMENT

Sustainable Packaging

Following on the discontinuation of single-use straws at all PETRONAS stations in 2020, we are now avoiding single-use plastic bags. In 2021, we sent directives to all our station dealers to issue only biodegradable and compostable bags to customers. Additionally, we have piloted the use of sustainable packaging for our Makan@Mesra range, using paper bags featuring the eco-label by SIRIM.



Paper bag in the Makan@Mesra range accorded SIRIM eco-label



Sugarcane bagasse, which is certified to be compostable, is used for food packaging under Foodlab

SUSTAINABLE SUPPLY CHAIN

To ensure sustainability across our value chain, we hold our partners, contractors and suppliers to similar standards of conduct that guide us. Environmental requirements are spelt out and communicated in contract documentation and the respective contractual agreements and arrangements with contractors, suppliers, dealers and business partners. In addition, suppliers and contractors are made aware of the importance of HSE standards upheld by PETRONAS and must comply with Minimum Technical Requirements set by PETRONAS Licensing and Registration Requirement in Malaysia, which is communicated via the PETRONAS website. Risk assessments are carried out on all suppliers and contractors based on their scope and nature of work to ensure all risks toward people, environment, asset and reputation are identified, controlled and mitigated.

We require suppliers and contractors to establish and implement their own HSE plans that detail the practices, procedures and control measures for effective HSE management when performing work for PDB.

Programmes undertaken during the year included:

- 5 Contractor HSE Assurance exercises which included document reviews, physical inspections and interviews with relevant personnel. Results were communicated to the contractors and mitigation actions to address non-compliance or to reduce negative HSE impacts are being monitored. Appropriate actions will be taken on any major non-compliance.
- HSE induction and refresher training courses were conducted for all contractors and suppliers.
- Specific refresher training sessions on hazardous waste management were conducted for our retail maintenance contractors.

Special attention is given to the sourcing of palm methyl ester, one of the components of our biodiesel fuel. Given sensitivities surrounding the palm oil industry, we require PME to be acquired only from sources that have been certified by the Roundtable on Sustainable Palm Oil. RSPO certification provides assurance that palm oil has been produced in a manner that is environmentally and socially responsible.

PRYSM GOES GREEN

In 2021, we worked closely with the manufacturers and suppliers of our PRYSM merchandise to produce environmentally enhanced designs for PETRONAS. For example, for our new line of t-shirts and jerseys, we ensured the manufacturers used only sustainable materials (eg organic cotton and recycled yarns). Additionally, biodegradable bags are used for t-shirts and jersey packaging. During the year, PRYSM also introduced a new line of Grow Your Green Stationery that include plantable pens, pencils and notepads.



Recycled paper with recycled strings



LOOKING AHEAD

Going forward, our focus will be channelled towards:

- Building on the qualitative work that has been carried out on our climate change risks and opportunities, with more detailed quantitative analysis to deepen our understanding of ways to mitigate and adapt to those risks.
- Better understanding of our Scope 3 emissions and conducting analyses on other Scope 3 emission sources in relation to our business operations.
- Collaboration with PETRONAS New Energy to develop more solutions to help our customers to decarbonise, such as solar solutions as part of our B2B offerings.
- More sustainable use of natural resources in our operations as well as in our packaging.
- Further strengthening the sustainability of our supply chain.

POSITIVE SOCIAL IMPACT

Given the size of our operations and our reach, PDB necessarily has an impact on a large number of internal and external communities – from our employees and business partners to our customers and the community at large. As a responsible organisation, we are driven to create value for all these communities in ways that are meaningful and sustainable.



AREAS DISCUSSED

- Health and Well-Being
- Human Capital
- Capability Building
- Community Investment

KEY HIGHLIGHTS FOR 2021

Recorded our third **best HSE performance** in the last 10 years

Introduced a new category in Mesralink to **address grievances on labour** and working conditions

2,142,000 recipients benefitted from Food Bank programme

MANAGEMENT APPROACH

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, and aligning our practices with business norms and industry benchmarks.

HEALTH AND WELL-BEING

SAFETY AND HEALTH

HSE Oversight in PDB

PDB places the highest priority on the health and safety of our workforce and the protection of our assets, communities, environment and all stakeholders, as reflected in our HSE Policy which sets out the Company's guiding principle in managing risks and hazards relevant to our business operations. We seek to achieve a generative HSE culture in which everyone takes responsibility for health and safety so we are able to achieve zero incidence and zero noncompliance by 2030. Towards this end, a long-term HSE strategy has been developed encompassing people and culture initiatives, seamless solution for risk management, focused intervention for compliance, digital analytics and HSE sustainability development. This long-term strategy and initiatives aimed to support the aspiration of sustainable generative culture, moving towards.



POSITIVE SOCIAL IMPACT

HSE Governance

The LT demonstrates their commitment in HSEMS by leading and integrating HSE aspects into business plans and targets. These plans and targets are cascaded to all working levels. While setting clear expectations, targets and objectives for each employee, our leaders carry the greatest accountability for HSE. They uphold and drive safety excellence through their leadership values, competencies and generative HSE culture behaviours.

Our annual PDB HSE scorecard, comprising key performance indicators (KPIs), is developed with the aim of improving our safety performance year-on-year. HSE risks, incidents, performance and issues are deliberated at LT meetings on a monthly basis. Meanwhile, strategic conversations are held during HSE Steering Committee meetings chaired by the MD/CEO and subsequently reported to the Board. In addition, the HSE Management Reviews are conducted annually.

In embracing PETRONAS' Generative HSSE Culture, employees are involved in monthly worksite HSE Committee meetings where site-specific issues, programmes and performance are discussed. Any HSE matter that has to be escalated is communicated to the LT for immediate action and improvements.





HSE Assurance

PDB adopts PETRONAS' Assurance Framework to assess compliance across all HSE requirements. The entire assurance process, from planning to post-assurance monitoring, is conducted annually on an online platform known as myAssurance. In 2021, PDB completed the assurance programme for all our terminals and stations across Malaysia.

To ensure our operations comply with emerging regulatory requirements, PDB collaborates with the Department of Occupational Safety & Health (DOSH) to conduct self-assessments at all PETRONAS stations. In 2021, the joint verification assurance was conducted with DOSH representatives at 291 PETRONAS stations nationwide.

We also require our contractors to comply with our HSE standards. To date, we have conducted compliance assurance assessments on identified high-risk contractors. In addition to compliance checks, we have introduced Contractor HSE Capability assessments to ensure our contractors are equipped to adhere to our HSE requirements. These assessments also help to ensure our contractors are able to manage their HSE sustainably for their own long-term benefit.

Findings from all assurance assessments are analysed and reported on a quarterly basis at HSE Steering Committee meetings. Meanwhile, annual HSE Management System reviews are carried out for continuous enhancement.

Safety Performance

This year, we recorded our third best HSE performance in the last 10 years, with zero fatality and minor loss of primary containment (LOPC) cases. There was one lost time injury case involving a third-party driver at a terminal; and two major LOPC cases involving land transport. All incidents were investigated, and corrective actions were recommended, monitored and tracked for closure. This is a testament to our deep commitment to safeguard our valuable workforce and assets by vigorously strengthening HSE compliance, managing HSE risks and improving HSE monitoring at sites.

	2019	2020	2021
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	0	1	**0**
Contractors	0	0	**1**
Lost Time Injury Frequency			
Employees	0	0.33	**0**
Contractors	0	0	**0.30**
No. of Total Reportable Case			
Employees	3	1	**0**
Contractors	0	1	**2**
Total Reportable Case Frequency (TRCF)			
Employees	0.98	0.33	**0**
Contractors	0	0.32	**0.57**

TOTAL OF
6,699,388 MAN-HOURS
FOR PDB EMPLOYEE AND CONTRACTORS



We will continue to improve our HSE controls and sharing of lessons learnt with employees as well as contractors to prevent the recurrence of incidents. As we continue to make safety a priority across all our business activities, we will intensify our focus on contractor in 2022 to ensure full compliance with our HSE Contractor Management requirements.

For more information on PDB's Environmental aspects, please refer to Managing Environmental Impact on page 244 of this <IR>

POSITIVE SOCIAL IMPACT

Generative HSSE Culture

In 2021, we sought to enhance our Generative culture by influencing everyone throughout the organisation to embody the five Generative HSSE Culture Behaviours, namely Role Model HSE, Feedback Truthfully, Empower Through Capability, Act Interdependently and Engage Authentically.

A key initiative was the JomCARE programme which included HSE walkabouts, engagement and campaigns involving LT nationwide. We also engaged various subject matter experts and authorities on a monthly basis; and conducted sharing sessions through HSE stand-down and conversations with contractors. Finally, PDB HSE Leadership Conversation was organised to foster effective communication and feedback from LT on how we can improve our Generative HSE Culture.



Risk Management

A key challenge of the prolonged COVID-19 has been to maintain business continuity while keeping risk levels across our operations at 'As Low As Reasonably Practicable'. HSE risk evaluations have been incorporated in all processes to ensure the appropriate controls are implemented. Gaps will be identified through HSE risk evaluation for continuous improvement and will be monitored and presented to Management periodically.

The risk appetites of several stakeholders were scrutinised, leading to changes across our Corporate Risk Profiling. This was done to aid decision-making by Management on the appropriate tools to mitigate each potential risk. In addition, new HSE Risk Profiling for PETRONAS stations was established with four identified Key Risk Indicators to manage potential risks with the appropriate tools.

A number of risk-based approaches were also applied across our value chain, encompassing new projects and existing operations, such as Hazard Identification (HAZID), Job Hazard Analysis, Chemical Health Risk Assessment (CHRA), Environment Impact Assessment and Fire Safety Adequacy Review.

Along with continuous efforts to improve our operations, requests for CAPEX for HSE projects is increasing. To prioritise these projects, HSE evaluations were conducted to rate the risks of each proposal.

At the same time, greater emphasis is being placed on mitigating the risks of supporting new business opportunities. A structured methodology for HSE hazard identification, assessment of associated risks together with the identification of feasible controls and critical positions has been established for the respective Hazard and Effect Management Processes (HEMPs). A HEMP was also developed for our Training Centre and regional offices to assess the effectiveness of existing controls to safeguard people in our buildings and assets for continuous improvement.

We continue to maintain a Legal Register and Evaluation of Compliance for LNG operations which is assessed yearly for continuous improvement.



Transport Safety

Land Transport Safety in PDB aims to protect the safety of everyone involved or impacted by our transportation activities, including staff, dealers, contractors and the communities around us. Our focus is primarily on land transport because this is performed in public areas. Continuous efforts to enhance our land safety also serve to protect our assets, the environment and our reputation from harm.

We provide the latest defensive driving training to all employees who are required to travel to perform their tasks. Other than defensive driving techniques, the training includes ergonomic modules and fatigue management. During the MCO, theory classes and assessment were conducted.

To ensure contractors operating our ROVR trucks are competent, we assessed their capability and compliance with contract requirements. Training on ROVR Safety Guidelines and Defensive Driving for Heavy Goods Vehicle was also conducted for identified contractors to close gaps that had been identified. As part of continuous improvements, our ROVR Safety Guidelines are being revised to cover new operations, such as pick-up truck delivery.

LPG dealers' drivers were provided defensive driving training, while an upskilling session was held for our LPG Area Managers to increase their capability in monitoring the driving behaviours of dealers' drivers.

We also engage with hauliers and other transporters who deliver PDB products to customer sites. In 2021, a fatigue management module named FReSH (Fatigue Management and Sleep Hygiene) was rolled out to three contractors that deliver LNG, drums and LPG cylinders. All hauliers and transporters who deliver bulk fuel and LPG are subjected to annual assurance by PDB.

TO ENSURE CONTRACTORS OPERATING OUR
ROVR TRUCKS
ARE COMPETENT, WE ASSESSED THEIR CAPABILITY AND COMPLIANCE WITH CONTRACT REQUIREMENTS.





Process Safety

Process safety management is the application of management principles and systems to the identification, understanding and control of process hazards in order to prevent process safety events. Our aspiration is to achieve zero leaks and zero process safety events across all PDB businesses.

In preventing process safety events, we strive to ensure all our assets are:



In 2021, we deployed a Process Safety Loss of Primary Containment Reduction (PSLR) Programme as a structured approach to manage process safety events. PSLR focuses on design integrity, technical integrity and operational integrity covering underground/aboveground equipment corrosion prevention, inspection, Equipment Reliability Strategy and operations management.

Our focus in 2022 will be on digitalisation of safety work processes.

POSITIVE SOCIAL IMPACT

Contractor and Supplier HSE Management

To ensure our contractors perform their work safely, we introduced the Contractor HSE Capability Assessment in 2021. By identifying the strengths and weaknesses of our contractors, we are able to develop appropriate intervention plans. We have also introduced an HSE Induction programme for newly-appointed contractors.

To enhance the Generative HSSE Culture among contractors, the first inaugural Contractor CEO HSE Capability Forum was held in 2021. This forum was conducted to share our desired HSE culture with contractors' CEOs.

In addition, we continued to conduct contractor assurance through our annual contractor assurance plan. We also communicated with our contractors through various platforms including induction, trainings and engagement. These engagements provide contractors the opportunity to upskill and remain in compliance with our standards. 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. We improved our operational efficiency through various process simplification initiatives and leveraged digital solutions in Permit To Work implementation to maintain our cost competitiveness.

PDB continues to implement our Contractor Mentorship Programme with selected contractors.

COVID-19 Management

PDB is committed to ensuring readiness to minimise the impact of COVID-19 on our people and operations, without jeopardising the safety of our activities. Numerous guidelines and procedures have been developed for all operations, specifying control and precaution measures along with clear case management process exceeding Government and Group HSSE's requirements for PDB facilities ie our terminals, PETRONAS stations, offices and events. The PDB Pandemic Preparedness and Response Plan acts as the main guideline for us to address all reasonable steps in preventing, containing and reducing the risk of spreading COVID-19, as well to provide access to treatment where required for employees and their families. Compliance with SOP guidelines is monitored closely to ensure safety of our working environment.

A key strategy to curb transmission within PDB was to strengthen communications and issue alerts on COVID-19 constantly to our employees and contractors. We also communicated continuously via Aspire email, PDB HSE Byte email, WhatsApp, MyStation and our daily tool box sessions while engaging with employees on case alerts and to highlight the importance of compliance with COVID-19 SOPs at all times.

We also developed a clear and detailed case management process for our people, comprising: testing, quarantine, business disruption management, close contact tracing, sanitisation and Return to Work assessment.

A critical part in this pandemic was to ensure the continuity of our operations through split team arrangements with minimum manning, including Business Recovery Plan strategies for each facility where special working arrangements were activated based on scenarios identified in the Business Recovery Plan. We remain committed to ensuring an uninterrupted end-to-end supply chain to deliver products to our customers in a safe, timely and reliable manner, regardless of the zone status of the delivery areas.

Emergency Preparedness

PDB Emergency and Crisis Management Procedures have been developed to ensure the Group is capable of dealing and managing crisis and emergency situations for all type of operations in PDB. The Procedures specify the emergency response structure and process along with clear roles and responsibilities.

Credible emergency scenarios were developed in site-specific Emergency Response Plan with periodic review. Emergency drills were conducted by the Emergency Response Team to ensure adequacy and effectiveness of controls to manage emergencies. COVID-19 had exposed the mobility limitation, hence Tier 3 Virtual Emergency Exercise OPS Kurung was conducted using Digital platform namely Microsoft Team and Crisis Management Information System.

Emergency oil spill response exercises continued to be carried out as part of our emergency preparedness and crisis management programme. PDB leverages strategic partnerships with relevant authorities and organisations such as the Petroleum Industry of Malaysia Mutual Aid Group and Oil Spill Response Limited to enhance our vigilance and ensure faster response in the event of an oil spill.

HIGHLIGHTS OF 2021

- **Developed Emergency Response Plans** for four NGV mother stations, two fuel terminals, one aviation fuel terminal and one regional office.



- **Developed Oil Spill Response Plan** for three fuel terminals.



- **Ensured the continued development of Fire Safety Adequacy Review Study** at six terminals to identify critical fire safety hazards, assess the adequacy and effectiveness of provided safeguards against fire safety hazards and confirm compliance with applicable standards and design basis.



- **Developed the Fire Safety Building Assessment** for CEC JKAL and Bukit Kemuning NGV Mother Station to identify areas for improvement where fire prevention at building is absent or ineffective, leading to failed mitigation and recovery barriers.



- **Conducted Emergency Response Plan Training** for non-terminal Emergency Response Team (ERT) members at NGV mother stations, PDB Training Centre and regional offices.



- **Continued the development of the Oil Spill Response Capability Assessment and Oil Spill Response Plan** for Aviation and Fuel Terminals to assess the facility's overall oil spill response preparedness and capability and strengthening oil spill management.



POSITIVE SOCIAL IMPACT

Health and Well-being

The year 2021 saw the transition from Working From Home (WFH) to Working In Office (WIO). To ensure this transition took place safely, PDB separated our workforce into two groups that alternated between WFH and WIO on a bi-weekly basis. Each employee was also required to undergo a COVID-19 test (valid for two weeks) prior to returning to our premises. Meanwhile, strict SOPs have to be adhered to at all times in all PDB facilities.

We view mental health as a vital component in the overall well-being of our personnel. Several mental health talks and engagements were therefore held throughout the year, in collaboration with mental health practitioners from Mental Illness Awareness & Support Association (MIASA). These engagements provided beneficial insights on assessing and caring for one's mental health, as well as where to go for help if needed.

We also care for the mental health of our PETRONAS station dealers and their employees, especially in the challenging part of early to mid-2021. A virtual Mental Health Engagement session organised attracted the participation of over 800 station dealers and their employees. The session provided tips on remaining resilient amid adversity, caring for one's mental health, and where to reach out for help if needed. A survey on the mental health of our dealers and their employees was also conducted, which showed that most had maintained good mental health, despite the challenges, with the support of colleagues and their families.

In line with PETRONAS' MESTIfit4health campaign, we organised our second PDB Virtual Run, attracting over 260 participants in the 5km, 10km and 21km categories. To keep the runners motivated, weekly training sessions were organised at which a professional coach imparted important insights on the correct method to train safely and efficiently. Cumulatively, the runners covered over 13,000 km during the challenge period.

The year also saw us refresh our Generic CHRA at all our 13 fuel terminals, 11 aviation terminals, six LPG terminals as well as over 1,000 PETRONAS stations nationwide. The assessment is crucial to ensure the safety and health of our personnel who handle various hazardous chemicals in their daily activities.

A VIRTUAL MENTAL HEALTH ENGAGEMENT SESSION ORGANISED ATTRACTED THE PARTICIPATION OF OVER 800 STATION DEALERS AND THEIR EMPLOYEES.



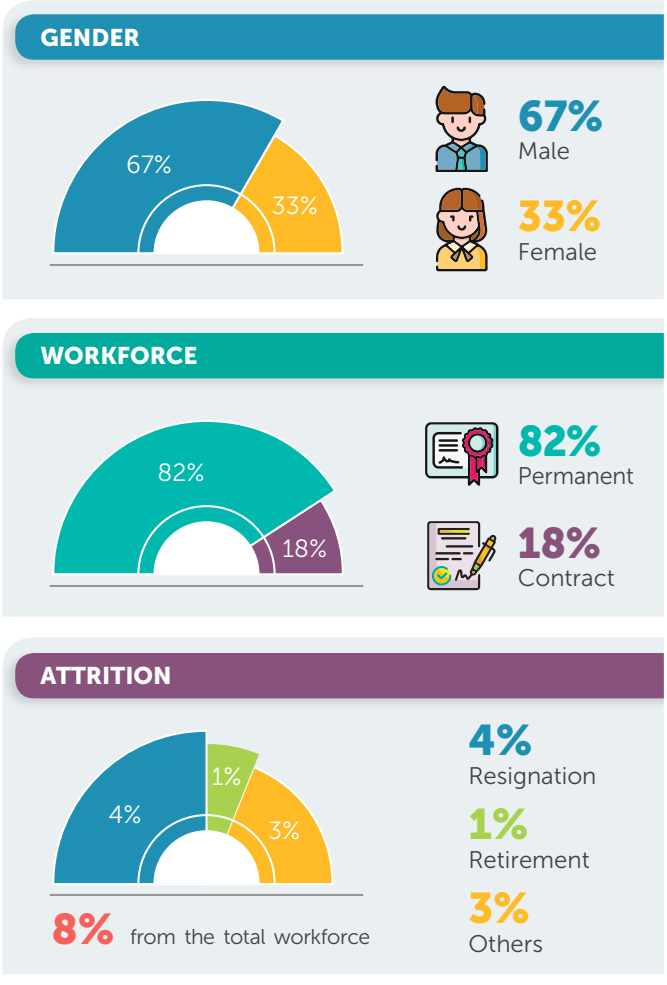
HUMAN CAPITAL

Workforce Development

Our people and our partners 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 professional development.

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 approach in recruiting and managing 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.

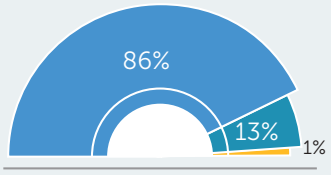
Workforce Profile



Diversity and Inclusion

In line with our Talent Sourcing policies and procedures, talents are sourced through a wide range of recruitment channels and selected based on experience, knowledge and skills. PDB celebrates a diverse and inclusive workforce, as we believe varied talents, experiences and expertise will enhance our value creation. 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. PDB's LT 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.

ETHNICITY



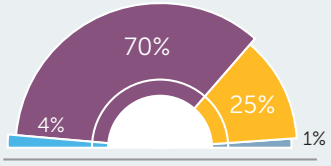
86% Bumiputera

13% Non-Bumiputera

1% Non-Malaysian

Thailand, Indonesia, Philippines, Vietnam, Australia, Singapore, Bangladesh, Brazil, Syria, Afghanistan, United Kingdom

GENERATION



4% Gen Z (≤24)

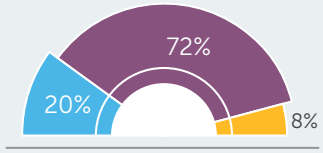
70% Gen Y (25-40)

25% Gen X (41-56)

1% Baby Boomers (57≥)

RECRUITMENT

Generation



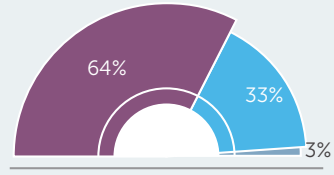
20% Gen Z (<24)

72% Gen Y (25-40)

8% Gen X (41-56)

0% Baby Boomers (57≥)

Ethnicity

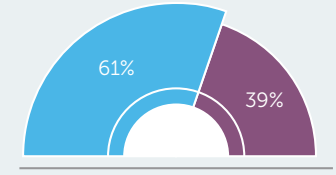


64% Bumiputera

33% Non-Bumiputera

3% Non-Malaysian

Gender





Male **61%**



Female **39%**

We strive towards gender equality in the workplace and are committed to creating an inclusive workplace for women. Employees who are seven months pregnant or more may leave for home an hour earlier. Fully-paid maternity leave for 90 consecutive calendar days is provided for up to five deliveries throughout a female employee's service with the Company. Once they return to the office, dedicated nursing rooms are available within our premises.

POSITIVE SOCIAL IMPACT

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.

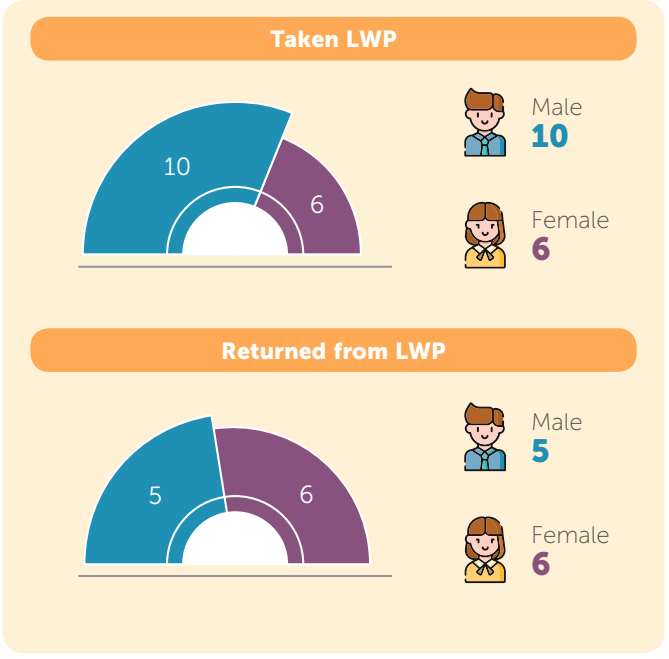
PETRONITA

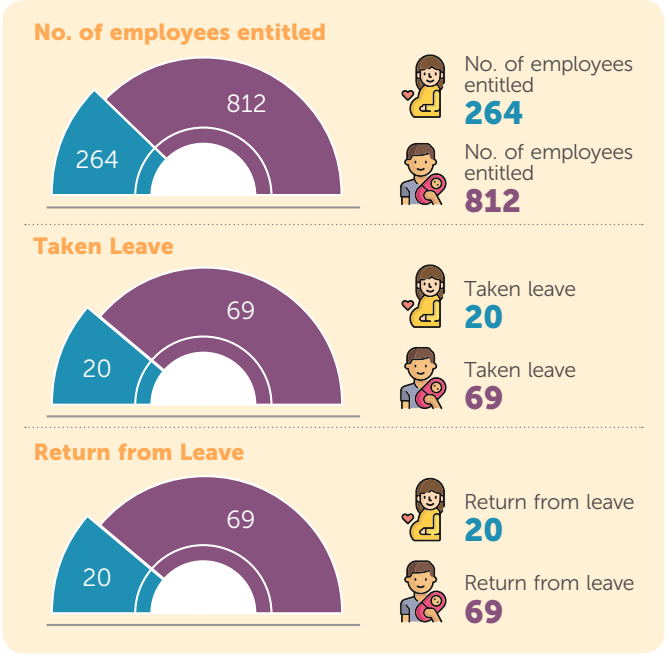
PETRONITA is an association for PETRONAS female employees and wives. Its presents a platform for our employees to network as well as to organise or take part in community programmes. By end 2021, 156 PDB employees were members of the association.

Leave

PDB offers the following types of leave:

- Leave Without Pay (LWP) – for employees who need to attend to important personal matters, and who have exhausted other leave provisions.
- Maternity and Paternity Leave – we provide three months' fully-paid maternity leave and five days' paternity leave.





NOTE: *50% of employees taking LWP mentioned a parental reason*

- Hajj Leave – Allows permanent Muslim employees to take up to 40 days' leave to fulfil their 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.

Preventive Health Screening

As a measure of our commitment to ensuring our employees' health, we provide preventive health screening for all permanent employees aged 30 years and above. In 2021, 277 employees made use of the facility.

Flexible Work Options (FWO)

The FWO has been instituted to enable all non-shift employees to strike a good work-life balance. The FWO comprises:

- Compressed Work Week which allows 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 which allows 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, which allows employees to work from home up to five working days in the event that a dependent is affected by a contagious disease such as Hand, Foot and Mouth Disease, Influenza A, etc. This is applicable only to Malaysia-based employees with normal working hours and subject to their superior's approval.

In addition, PDB introduced Flexible Working Arrangement in 2016 enabling employees to work from locations other than the usual/standard place of work, with access to the necessary communication technology. During the pandemic last year, most of the PDB employees (especially those who were previously on normal working schedule) have benefitted from the Flexible Working Arrangement.



Employee Relations

With a large number of employees working from home or remotely, there is a greater need than ever for effective employee engagement which, in turn, is critical to creating the Right Environment to develop agile talent.

Engagement Sessions

VIRTUAL LEADERS ENGAGEMENT

Various virtual engagement sessions were carried out throughout the year to ensure employees are 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:

- *Jom Tanya* Azrul – MD/CEO engagement sessions with regions
- Our Promise – regional roadshows hosted by the PDB Leadership Team
- Jom Kahoot with the LTs – to enhance awareness of PETRONAS Culture Belief (PCB), HSE, Our Promise, Cyber Security and Integrity
- Focused Recognition Session with MD/CEO – to celebrate individual milestones and achievements



POSITIVE SOCIAL IMPACT

Employee Appreciation

LONG SERVICE AWARD

An annual event held to recognise and appreciate employees' commitment, dedication and contribution to the company. In 2021 due to the pandemic, no physical event was held. Instead, 118 employees were awarded tokens of appreciation for their loyalty and long service with PETRONAS, at the point of their 15th, 20th, 25th, 30th or 35th anniversary or retirement.



YOU'RE SPECIAL PROGRAMME

A programme to demonstrate the value placed on all employees where they are encouraged to share their stories of resilience, nimbleness and adaptability, especially during the pandemic. On Secretaries' Day, International Women's Day and Father's Day, relevant videos and interactive virtual games were published on our online portal HRKlik. During Ramadan, we also distributed kurma to 2,814 employees who continued to man our terminals or who were working from home.

Employee Activities

HRCAFETALK

With a large number of employees working remotely, there has been blurring of boundaries, burnout, increased absenteeism and other health issues. This inspired 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, moreover, employees get to engage with leaders to reinforce their sense of connectedness with the Company.



To date, speakers have included representatives from AKPK, a financial agency under Bank Negara Malaysia, the MIASA and Group HSSE.

GOWOMEN

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







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.



INTEGRITY STARTS WITH ME CAMPAIGN

For more information on Integrity Starts with Me Campaign, please refer to Corporate Integrity and Ethics on page 192 of this <IR>

COVID-19 SUPPORT

During the lockdown, PDB extended extra support to employees. Employees who were required to work in the office were issued Release Letters. We also provided meal assistance at selected sites for those affected by the MCO; facilitated medical assistance for employees under quarantine or infected with COVID-19; and provided access to mental health support and social support services. In addition, spiritual sessions were organised. As a gesture of goodwill to ease the burden and concerns around internet connectivity and other utilities cost incurred while employees are working remotely during the lockdown, PDB provided monetary support through the introduction of Connectivity Assistance that begun in June 2021 for all eligible employees who are at the level of Senior Managers and below.

PDB FLOOD ASSISTANCE

Towards the end of 2021, we were challenged to our limit when the nation was not spared by the devastating flood crisis, some of PDB's employees within the Klang Valley were not spared. In response, friends and colleagues of PDB volunteered to lend a hand to ease the burden of post-flood recovery. At the same time, PDB Management had also approved a special assistance package that included food and consumables, temporary accommodation, daily meal allowance, additional financial assistance and special paid leave for the affected staff and their family.

GOVERNANCE AND BUSINESS ETHICS

COBE PART III
WORKPLACE CULTURE AND ENVIRONMENT

PETRONAS is committed to provide employees, a safe, secure and conducive workplace culture and environment, where the values of mutual and reciprocal respect, trust and confidence are upheld and actively promoted.



Workplace Culture and Environment Standard

Under 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 the number of non-compliance cases within PDB. Additionally, PETRONAS periodically reviews the effectiveness of its CoBE.

PETRONAS CULTURAL BELIEFS

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

Amidst the unprecedented challenges brought about by the pandemic, we continue to adopt PCB to strengthen the culture of personal accountability and shape the way we think and act in delivering results. We believe that an invigorating culture will transform the organisation to stand ahead of the curve amidst adversity and challenges. The focus is for everyone to internalise and embrace these beliefs in carrying out their day-to-day functions.



During the year, several programmes were implemented to ensure our people internalised PCB. These included the dissemination of no less than 280 communiqués focused on culture on various platforms via PDB Culture email blasts, Ceritera Channel and Aspire. We also introduced four new communication platforms:



PDB Culture Corner

used to share monthly updates on PCB, celebrate Influencers of the Month and BOC Top Givers. We also introduced monthly Motivational Quotes.



People of PDB

where people on the ground share inspiring stories.



Our Promise in Me

to showcase how our day-to-day functions contribute to the new Promise.



Moving Forward Together

sharing sessions were held monthly to keep everyone informed of MFT initiatives, such as Setel®, Gas PETRONAS mobile app and PRYSM.

To instil a Generative Culture, we are strengthening a sense of accountability using the Balance of Consequence (BoC) approach. This helps to shape behaviours through positive and negative reinforcements leveraging our internal app, Dot. Positive consequences comprise Rewards and Recognition, Most of those recognised (42.5%) were rewarded for seeking/providing feedback, followed by complying and following work procedures (33.4%). A total of 3,421 Focused Recognitions were issued across PDB while a lot of feedback was exchanged physically and virtually throughout the year. In addition, leaders were profiled every quarter, providing them with appreciative and constructive feedback to ensure they demonstrate the right PCB behaviours and create positive experiences throughout the organisation.



POSITIVE SOCIAL IMPACT

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 are guided in our efforts by PETRONAS' Human Rights Commitment, which reference the United Nations Guiding Principles on Business and Human Rights. Based on these guiding principles, we have established human rights risk assessment processes and grievance mechanisms. In overseeing the integrity of our operations, moreover, our Board ensures PDB operates in a manner that is ethical and that respects human rights, in line with all relevant laws, rules and regulations.

In 2020, we intensified our Social Risk Assessment to identify human rights issues specific to our business. Engaging with stakeholders whose businesses are directly impacted by PDB, namely our contractors, vendors, suppliers and dealers, we unravelled their key concerns and identified ways we could support them. This was captured in a Business Human Rights Framework, including a medium-term plan, to manage our salient human rights risks.

In PDB, we focus on the following human rights areas:

- Labour and Working Conditions, including supply chain
- Community Well-Being
- Customer Health and Safety

In addition to treating our contractors, vendors and dealers with integrity, we seek to work with contractors/vendors/dealers who share our same values. Our business partners are required to fill a 'Know Your Counterparty Self Declaration' questionnaire comprising 30 questions on critical legal areas including human rights. After the business relationship has been established, our extended supply chain is subsequently expected to comply with PETRONAS' Contractors Code of Conduct on Human Rights (CoCHR).

As a minimum, we require our contractors to adhere to the following principles:

- **Freedom of Labour,** by not engaging or employing anyone against their free will or engaging in bonded labour/debt slavery.
- **Prevention of Child Labour,** by not employing children below the legal minimum working age in the host country (18 years in Malaysia).
- **Wages and Benefits,** by complying with all applicable laws related to employee compensation, including minimum wage, overtime and legally mandated benefits.
- **Working Hours,** by complying with local laws of the host country or agreements regarding working hours, overtime and work during holidays.



Freedom of Labour | Prevention of Child Labour | Wages and Benefits | Working Hour

PDB assesses our human rights impacts on an ongoing basis as part of our core business processes. Together with relevant stakeholders, we continuously assess the social risks of every project. Through these assessments, we are able to strategise to reduce our exposure to human rights violation. In 2021, we conducted human rights due diligence focusing on two salient areas, ie our social supply chain as well as labour and working conditions. The exercise covered 25% of our extended supply chain including dealers and contractors. The results have been integrated into a detailed human rights plan that supports our Business Human Rights Framework.

Apart from risk assessment, we have integrated elements such as fatigue management, land acquisition and emergency response into our existing systems and processes. This will support us in managing and minimising our impacts on surrounding communities as well as reducing the human rights risks of stakeholders.

- **Establish Grievance Mechanisms** to provide a means of grievance reporting and appropriate follow-up measures while protecting the identity of the complainant.
- **Non-Discrimination,** by respecting diversity in the workplace and not engaging in any form of unlawful discrimination based on gender, race, ethnicity, skin colour, religion, nationality, sexual orientation, age, marital status, pregnancy, political affiliation or disability in hiring and employment practices.
- **Freedom of Association,** by respecting the legal rights of employees to become members of labour unions or otherwise.
- **Humane Treatment,** by respecting employees' rights and ensuring no harsh or inhumane treatment, including any form of mental or physical coercion or verbal abuse.
- **Fair Treatment of Foreign or Migrant Workers,** whereby foreign or migrant employees are to be employed in full 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 their native language or language they understand. Passports and other forms of personal identification must remain in the employee's possession at all times and never withheld by the contractor or any third party.



Establish Grievance Mechanism



Non-Discrimination



Freedom of Association



Humane Treatment



Fair Treatment of Foreign or Migrant Workers

During the year, we conducted a series of capability building initiatives focusing on significant human rights risks covering Act 446 (Amendment) 2019 On Workers' Minimum Standards of Housing and Amenities which highlights new requirements on workers' accommodation, employees' basic rights and managing migrant workers. Three sessions of three hours each were attended by 400 staff, contractors, suppliers, vendors and dealers. We also analysed and shared lessons learnt on human rights incidents from other industries to all our contract partners to avoid similar incidents happening within our business.

Having in place a functional grievance mechanism is critical to opening up channels for dialogue, problem-solving, investigation and, when required, the provision of remedial action. PDB enables stakeholders to raise HSSE and social concerns, anonymously if required, through the Mesralink contact centre. 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.

During the year, we introduced a new category in Mesralink to address grievances on labour and working conditions. This enables us to gather baseline data that can eventually be analysed for early intervention towards remediation. We also surveyed 500 Mesra cardholders to obtain feedback on our grievance mechanism. The results indicate that Mesralink is working effectively as our grievance mechanism. While ensuring sufficient channels to address HSE and social related issues, we are working on integrating these into a single holistic grievance mechanism system.

We expect our contractors to establish their own grievance mechanism for their workforce and to provide timely feedback to PETRONAS regarding their human rights performance within the duration of the contract when required. We offer both internal and external channels for raising concerns, anonymously if required.

Our dedicated team of Social Performance Technical Professionals works collaboratively with different parts of the business and external stakeholders to manage human rights risks and opportunities for the benefit of our employees, contractors and communities living in areas where we operate.

POSITIVE SOCIAL IMPACT

Anti-Discrimination

To enforce our stance against discrimination, we have a formal platform for employees to lodge official complaints on any breach of the terms and conditions of their employment contract, as well as harassment and discrimination. Our first line of action, as recommended under PETRONAS' Grievance Management, is to reach an amicable settlement. This approach goes a long way towards maintaining good relations between PDB and our employees, as reflected in zero incidents of discrimination being reported throughout 2021.

Gender Equity

Equal pay is accorded to men and women for the same role and position.

Minimum Wage

Along with the PETRONAS Group, 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 also reviewed every three years as part of the negotiation process of the Collective Agreement between Management and KAPENAS' representatives.

Elimination of Excessive Working Hours

We believe strongly that employees' should not over-work as it not only infringes on their rights but is counterproductive and unsafe. Non-shift personnel are encouraged to put in no more than 39 hours a week and are entitled to a two-day weekend, while personnel who work shifts have a maximum of 42 working hours. Legally, we are bound by the Employment Act 1955, including the Employment (Limitation of Overtime Work) Regulations 1980, that caps overtime at 104 hours a month.

With the help of a tracking tool, 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.

During 2021, a fatigue management module named FReSH was embedded into our Defensive Driving trainings that involved participants from PDB business lines who are categorized as at-risk drivers. At the same time, FReSH specifically was also rolled out to three contractors that deliver LNG, drums and LPG cylinders.

Forced and Child Labour

As a socially responsible organisation, and in line with prevailing labour legislation, we do not condone any forced or child labour. In line with the Employment Act 1955, Sarawak Labour Ordinance (ACT A1237) and Sabah Labour Ordinance (CAP 67), all new hires enter into contract of service on their own free will. As stipulated in our CoCHR, we expect our contractors and dealers to comply with this standard as well.

Complying with the Children and Young Persons (Employment) Act 1966, PETRONAS' Talent Sourcing Policy and Procedure clearly stipulates that the Group will not hire individuals below the legal minimum working age, which is 18 years.

Freedom of Association and Collective Bargaining

PDB respects the rights of our employees to freedom of association and collective bargaining, consistent with Article 10 of the Constitution of Malaysia. At the same time, employees are expected to adhere to CoBE Part II G on Conduct Contrary to Duty, ie to fulfil their obligation to serve diligently while involved in such activities or associations.

PETRONAS has five in-house unions with different entities serving employees in Peninsular Malaysia, Sarawak, Sabah and Labuan. The establishment of these unions is in line with the Industrial Relations Act 1967. We recognise each union as the sole principal and collective bargaining body for member employees.

PDB maintains an open and constructive relationship with KAPENAS through regular engagement for the benefit of the Company and the 447 employees who are union members. During the year under review, three engagement sessions were held with KAPENAS which saw the participation of Management and employees to address concerns pertaining to wages, and terms of work such as working conditions, occupational safety and health matters as well as benefits. Agreed outcomes will be incorporated into the Collective Agreement when it is renewed. PETRONAS renews its Collective Agreement with KAPENAS every three years.

CAPABILITY BUILDING

TALENT AND CAPABILITY DEVELOPMENT

As part of our Employee Value Proposition, we pay close attention to employees' professional and personal growth. We identify with employees' aspirations to further develop their potential and provide opportunities for them to enhance their expertise, skills as well as experience in order to enjoy enriching and fulfilling careers.

Our Capability Framework 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.

Total Training Man-days
4,751

Functional Training **4,145 (87%)**

Leadership Training **606 (13%)**

HSE Training Man-days
2,146

Average Training Man-days **3.3**

Average Training Man-hours **26.4**

2,242
HSE Training Participants
- PDB Employees | **929**
- Contractors | **1,313**

RM1.58 million
Training Investment

Training attended by employee:

Male | **69%**

Female | **31%**

Category

Non-Executive | **29%**
Executive | **46%**
Manager & above | **25%**

LEADERSHIP DEVELOPMENT PROGRAMMES

LEADERSHIP LEARNING SERIES/LEADERSHIP EXCELLENCE

Designed for leaders who are transitioning into managerial and senior management roles.

LEADERSHIP SHARING BY INDUSTRY LEADERS

Virtual leadership sharing by PETRONAS Leaders including VP Marketing, Ahmad Adly Alias and Ahmad Munir Akram bin Ahmad Faiz, Head of HRM, to PDB Potential Leaders on career journey and experience in leadership.



POSITIVE SOCIAL IMPACT

Training and Development Programmes for Employees

Internship Programme

Designed for undergraduates to undertake internship programmes for a duration stipulated by their respective academic institutions. In terms of career development, this platform enhances the students' employability through real work experience, giving them the opportunity to explore their interests as well as develop professional skills and competencies. During the year under review, we placed 121 students from 28 universities across PDB.



Onboarding Programme

Familiarisation programme to integrate new or recently transferred-in employees into the organisation.



PETRONAS Competency-based Assessment System

Structured assessment system for non-executive technical employees encompassing knowledge, skills and attitude.



Functional and Behavioural Programmes

Development opportunities provided to all employees to ensure competence and capability in performing their job functions.

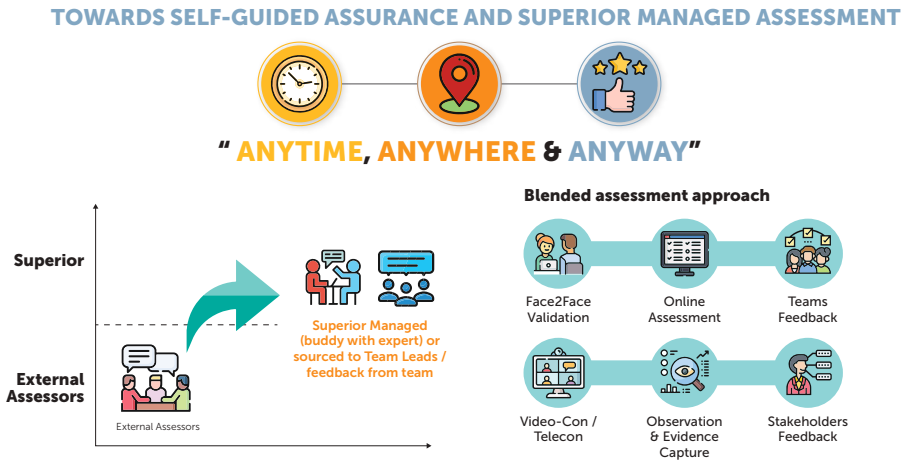
HSE Competency and Training

HSE training programmes in PDB are specifically designed for all staff to prevent harm or damage to our people, assets and reputation as well as the environment. Information on General HSE Training provided can be found in our HSE Training Matrix. It contains a list of HSE training requirements, targeted participants, duration of training, refresher frequency as well as the training provider and whether the training will be conducted internally or externally. All trainers are subject matter experts and industry professionals. Upon completion, training effectiveness is evaluated to gauge the quality and impact of the training.



Superior Managed Assessment

Superior Managed Assessment is a process that empowers superiors to manage, review, track and analyse talents' competency development through an "Anytime, Anyway, Anywhere" approach. This newly introduced process inculcates a culture of self-accountability among individual talents, in which they are responsible for closing competency gaps as per Fit-For-Purpose, guided by feedback from Competency Conversations, Personal Development Plans and Coaching.



Territory Managers Development Programme (TMDP)

A structured programme designed specifically for our Retail Territory Managers with the aim of enhancing their capabilities through on-the-job coaching and panel assessments.

Power BI Byte Size



Three virtual Power BI sharing sessions were conducted, attracting the participation of more than 100 employees from across PDB. The objective was to introduce basic database knowledge whilst encouraging the use of Power BI in our daily tasks and monthly reporting.

PDB Learning Hub (PDBLH)

PDBLH was developed as an integrated learning platform for PDB's external stakeholders, and the platform was rolled out to 1,850 pilot users in October 2021. It is expected for PDBLH to provide easy access to all standard and up-to-date learning for all users such as PETRONAS station dealers, supervisors and *Krew* PETRONAS. With its implementation, six standard PDB e-learning modules and 20 retail industry related e-learning modules were deployed to the users. Of which, from the feedback given by pilot users, 97% of gave positive response on the module content, learning experience, relevancy and impact to their job. The mass deployment of PDBLH commenced in January 2022 and it is still ongoing; with more than 6,000 users registered already, the number is still increasing. This integrated learning platform will provide learning access to the whole PETRONAS Station *Krew* PETRONAS with potential for expansion to other businesses' external stakeholders by the end of the year.

PDB Legal Training

This comprehensive training programme covered various important aspects of compliance related to the MMLR of Bursa Malaysia, ranging from related party transactions to recurrent related party transactions, the provision of financial assistance and PDB's disclosure obligations.

The programme was attended by 50 delegates from across PDB's divisions, who were nominated based on their involvement in dealings with contracts and negotiations. As the training has been identified as being critical to support PDB's business governance and operations, it will be held annually.

POSITIVE SOCIAL IMPACT

Training and Development Programmes for Dealers and Other Partners

Dealers' Capability Programmes

Serving customers through PDB's extensive network, our *Rakan Niaga* upholds the drive and values that keep PDB ahead of the game. In 2021, there were 167 virtual trainings sessions conducted for the Retail Dealers' Capability Programme; comprising of 13 types of programmes held for our *Rakan Niaga* and *Krew* PETRONAS nationwide. Apart from that, our Dealers' Capability Programmes also ensure consistent delivery of quality customer experience to our customers. In 2021, 30 sessions comprising seven types of programmes were held for our LPG dealers nationwide.

Succession Management

We undertake rigorous talent identification and review exercises to build our talent pipeline. Each talent identified is reviewed under a holistic approach to determine his or her strengths as well as areas of development to help chart their individual career plans, all of which is mapped against critical positions within PDB or across PETRONAS.

We develop succession plans for critical positions and review these annually to ensure feasibility of their implementation.

Employee Performance Management (EPM)

We engage continuously with our employees in order 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 managing their performance, 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 are developed for employees who are not meeting their targets, to help them close the gaps. This involves continuous coaching by superiors and constructive review of their performance.

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.

COMMUNITY INVESTMENT

CORPORATE SOCIAL RESPONSIBILITY

Despite COVID-19, we remain committed to enriching lives for a sustainable future. In 2021, we adapted our flagship CSR initiatives and launched new ones to continue to support communities in need and help them get through tough times.

Key CSR initiatives as well as contributions and activations in 2021 included:

Contributions for COVID-19

As additional acknowledgement and appreciation of frontliners' gallant efforts, we contributed Mesra mineral water, grocery packs and Mesra Bites to healthcare and economic frontliners at selected PPVs, as well as taxi drivers.

We also collaborated with the COVID-19 Immunisation Task Force to activate a Mesra Chill and Heal booth at the Kuala Lumpur Convention Centre PPV, where we distributed amenities packs to frontliners and members of the public who were vaccinated at the centre. Each pack contained a bottle of Mesra mineral water, a pack of Mesra Bites, a pocket-sized Mesra sanitiser and a Setel® voucher.

PETRONAS Coffee Break for Frontliners

Due to the MCO, we redirected our PETRONAS Coffee Break distribution during the festive seasons to frontliners in appreciation of their hard work and sacrifices in battling the pandemic. Recipients included frontliners stationed at vaccination centres, hospitals, roadblocks and quarantine centres as well as delivery riders. Traditionally, coffee is provided for free to motorists who stop at our stations while driving to their hometowns to celebrate the festivities. However, the PETRONAS Coffee Break items for this year were pre-packed to ensure a safe experience for the recipients.

Partners:
Nestlé Products Sdn. Bhd., Delfi Marketing Sdn. Bhd., iNova Pharmaceuticals (Singapore) Pte Ltd (Malaysia Branch), Julie's Manufacturing Sdn. Bhd., Shopee Mobile Malaysia Sdn. Bhd., Karabao Marketing (M) Sdn. Bhd., S.L. Marketing (M) Sdn. Bhd., Yee Lee Trading Co Sdn. Bhd. and Adabi Consumer Industries Sdn. Bhd.

Beneficiaries:
40,000 frontliners and public



Food Bank Programme

With the support of our *Rakan Niaga* and partners, we launched a Food Bank programme at over 400 PETRONAS stations nationwide to reach out to fellow Malaysians. Our programme was further amplified by contributions from employees and surrounding communities. We also activated new features in Setel® and PRYSM where customers can contribute to the Food Bank programme easily.

Partners:
Rakan Niaga, Yayasan PETRONAS, PETRONAS Chemicals Group Berhad, Persatuan Isteri-Isteri dan Kakitangan Wanita PETRONAS, Kelab Sukan Rekreasi PETRONAS and Yayasan JCorp

Beneficiaries:
2,142,000 recipients



POSITIVE SOCIAL IMPACT



PETRONAS Power of 7 Virtual Run

PETRONAS Power of 7 Virtual Run was organised in conjunction with the seventh consecutive win by the Mercedes-AMG PETRONAS Motorsport F1 Team at the World Constructors' Championship, and to promote the launch of our new Ron 97. The virtual run encouraged participants to stay active by clocking in 7-kilometre run over a period of two months. A portion of the participation fees was later donated to a mobile vaccination programme by the Malaysian Red Crescent Society.



Ramadhan Community Service

Through our yearly *Ikhlas Ramadhan Bersama Gas PETRONAS* initiative, PDB made in-kind contributions at 14 charitable homes nationwide, including cooking gas cylinders, food and other essential items.

We also continued the *Bubur Lambuk* tradition, albeit through a different approach. In the face of restrictions, instead of hosting the session, we contributed cooking gas cylinders to Masjid Jamek Kampung Baru, Kuala Lumpur to assist them with their cooking needs.

Partners:
PDB Strategic Communications and PDB LPG dealers

Beneficiaries:
1,200 residents of **14** charity homes



Flood Relief Assistance

We contributed Mesra mineral water, LPG cooking gas cylinders and stoves for the victims of flood-hit states, including Johor, Pahang, Terengganu and Selangor. In addition, we collaborated with the Department of Irrigation and Drainage to deploy ROVR trucks to Pahang and then to Sri Muda, Shah Alam to help power up generators for temporary water pumps.

PETRONAS StreetSmart

We developed a pilot programme that transitioned PETRONAS StreetSmart online. Through this refreshed programme aimed at promoting road safety awareness among youth, we also introduced the students to Design Thinking, enabling them to develop higher order thinking skills (HOTS).

Partners:
Ministry of Education, Department of Safety and Health, Malaysian Institute of Road Safety Research and Petrosains Sdn. Bhd.

Beneficiaries:
100 students



Community Drumming

Our mobile refuelling service, ROVR, launched its first Mini Portable Container System (Mini PCS) to provide the community in Kampung Limbawang, Beaufort, Sabah with easier access to fuel. The Mini PCS is designed to serve remote areas located 10km or more away from petrol stations, to ensure communities in rural areas have access to basic necessities at the same prices as in urban areas.

Partners:
Ministry of Domestic Trade and Consumer Affairs and ROVR dealers



Deployment of ROVR to IIUM Selangor

ROVR also collaborated with the International Islamic University Malaysia (IIUM) Student Union to provide refuelling services to the students and staff on campus during the Emergency Movement Control Order (EMCO).

Partners:
IIUM and IIUM Student Union

Beneficiaries:
> 1,000 fills of fuel for an estimated campus population of **20,000**



Beneficiaries:
5 rural communities surrounding Kampung Limbawang, with an estimated population of **14,000**

POSITIVE SOCIAL IMPACT



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 that creates 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	2019	2020	2021
Environment and Climate Change	Greenhouse Gas (GHG) Scope 1 & 2 Emissions	'000 tonnes CO_2e	176.4	149.6	**131.0**
	Scope 3 GHG Emissions	Million tonnes CO_2e	44.4	33.8	**31.0**
	Energy Use	'000 GJ	2,226.2	1,932.2	**1,798.0**
	Total Energy Generated from Solar Photovoltaic Installations	MWh	107.5	229.7	**233.3**
	GHG Emissions Avoided from Use of Solar Energy	tonnes CO_2e	73.5	157.12	**155.6**
	Spill to Environment above 1 barrel (159 litre)	Number	2	2	**3**
	Hazardous Waste Reuse-Recycle-Recover % (3R)	Rate (%)	46.4	51.8	**68.4**
Safety and Health	Fatalities Employees Contractors	Number	 0 0	 0 0	 **0** **0**
	Fatality Accident Rate Employees Contractors	Recordable fatalities per 100 million man-hours	 0 0	 0 0	 **0** **0**
	Lost Time Injury Frequency Employees Contractors	No. of LTI per one million man-hours	 0 0	 0.33 0	 **0** **0.30**
	Total Reportable Case Frequency Employees Contractors	No. of Total Reportable Case per one million man-hours	 0.98 0	 0.33 0.32	 **0** **0.57**
Human Capital	Total employees*	Number	1,354	1,417	**1,466**
	Female Employee Composition Total Workforce* Leadership Team Board Composition	%	 32 27 33	 31 47 30	 **32** **43** **38**
	Contract Workforce	%	11	13	**18**
	Employee Turnover	%	6	6.2	**8**
	Manpower Investment* (salaries and benefits excluding training)	RM million	264	275	**275**
	Training Investment*	RM million	5.3	1.45	**1.58**
	Average Training Man-days per employee*	Days	2.14	2.8	**3.3**
	Talent Ratio per Critical Positions*	Ratio	2.8:1	2.0:1	**1.8:1**
Human Rights	Employees under Collective Bargaining Agreements	Number	488	426	**447**
Corporate Social Responsibility	Water for Life	Recipients	800	N/A	**N/A**
	PETRONAS StreetSmart	Recipients	600	N/A	**100**
	PETRONAS Coffee Break	Recipients	1,520,000	760,000	**40,000**
	PROTÉGÉ (Previously Skim Latihan 1Malaysia)	Recipients	20	38	**33**
	Ramadhan Community Service	Recipients	Covered 16 mosques	700 beneficiaries	**1,200**
	Food Bank programme	Recipients	N/A	N/A	**2,142,000**

NOTE

* PDB Company only.



FINANCIAL STATEMENTS

280 Approaching the Financial Statements

282 Financial Statements

- Statement of Directors' Responsibility in Relation to the Financial Statements
- Directors' Report
- Statement by Directors
- Statutory Declaration
- Consolidated Statement of Financial Position
- Consolidated Statement of Profit or Loss and Other Comprehensive Income
- Consolidated Statement of Changes in Equity
- Consolidated Statement of Cash Flows
- Statement of Financial Position
- Statement of Profit or Loss and Other Comprehensive Income
- Statement of Changes in Equity
- Statement of Cash Flows
- Notes to the Financial Statements
- Independent Auditors' Report



APPROACHING THE FINANCIAL STATEMENTS

for the year ended 31 December 2021

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 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 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 2021. It also shows how the economic resources contributed by lenders and shareholders are used in the business.



STATEMENT OF CASH FLOWS

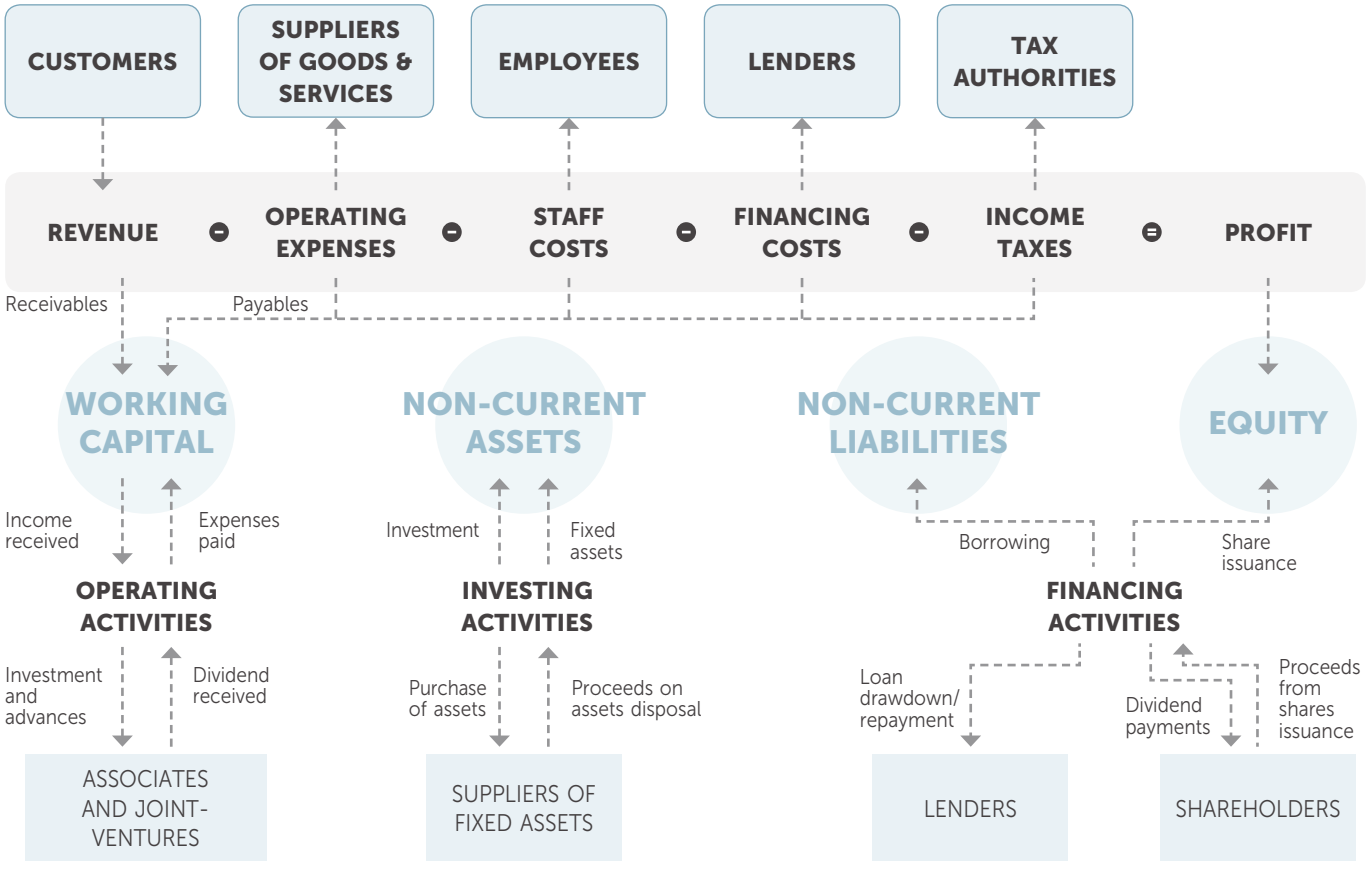
"A report on sources and uses of cash"

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.

The diagram below illustrates the relationships between the statement of profit or loss and 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

in relation to the Financial Statements

The financial statements of the Group and of the Company as set out on pages 280 to 372, 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 2021 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 2021

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 2021.

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.

Subsequent to year end, the Company has expanded its principal activities to include non-fuel business.

The principal activities of the subsidiaries, associates and joint ventures are stated in Note 33, Note 34 and Note 35 to the financial statements respectively.

ULTIMATE HOLDING COMPANY

The holding and ultimate holding company is Petroliam Nasional Berhad ("PETRONAS"), a company incorporated in Malaysia. The Company is wholly-owned by the Government of Malaysia.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 33 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Profit for the year	531,231	678,959
Attributable to:		
Shareholders of the Company	529,754	678,959
Non-controlling interests	1,477	–
	531,231	678,959

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 2020 as reported in the Directors' Report of that year:

   i. an interim dividend of 17.0 sen per ordinary share amounting to RM168,887,180 declared on 19 February 2021 and paid on 19 March 2021; and

DIRECTORS' REPORT

for the year ended 31 December 2021

DIVIDENDS (CONTINUED)

b) In respect of the financial year ended 31 December 2021:

i. an interim dividend of 14.0 sen per ordinary share amounting to RM139,083,560 declared on 25 May 2021 and paid on 24 June 2021;

ii. an interim dividend of 10.0 sen per ordinary share amounting to RM99,345,400 declared on 23 August 2021 and paid on 22 September 2021; and

iii. an interim dividend of 20.0 sen per ordinary share amounting to RM198,690,800 declared on 26 November 2021 and paid on 24 December 2021.

The Directors have on 22 February 2022 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 2021. The financial statements for the current financial year do not reflect this declared interim dividend. The dividend will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2022.

Further details on dividends are disclosed in Note 25.

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
Shafie bin Shamsuddin
Alvin Michael Hew Thai Kheam
Nirmala a/p Doraisamy
Tang Saw Hua
Ahmad Adly bin Alias
Arni Laily binti Anwarrudin (appointed on 1 June 2021)
Datuk Md Arif bin Mahmood (resigned on 1 January 2022)
Lim Beng Choon (retired on 12 August 2021)
Nuraini binti Ismail (resigned on 31 May 2021)

In accordance with Article 107 of the Company's Constitution, Azrul bin Osman Rani and Nirmala a/p Doraisamy are due for retirement by rotation at the forthcoming Annual General Meeting (AGM) of the Company. Azrul bin Osman Rani and Nirmala a/p Doraisamy, 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, Arni Laily binti Anwarrudin, who was appointed as Director during the year shall hold office until the conclusion of the forthcoming AGM, and being eligible, offer herself for re-election.

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.

DIRECTORS (CONTINUED)

The names of Directors of subsidiaries are available on the Company's corporate website and 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 1.1.2021/ Date of appointment	Bought	Sold	Balance at 31.12.2021
Datuk Md Arif bin Mahmood	20,000	—	—	20,000
Azrul bin Osman Rani – spouse	1,000	—	—	1,000
Arni Laily binti Anwarrudin	6,000	—	—	6,000
Ahmad Adly bin Alias	6,000	—	—	6,000

None of the other Directors holding office at 31 December 2021 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 included in the aggregate amount of remuneration received or due and receivable by Directors as shown in Note 26 to the financial statements or the fixed salary of a full time employee of the Company or of related corporations), 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.

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 2021

INDEMNITY AND INSURANCE COSTS

During the financial year, Petroliam Nasional Berhad ("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 (2020: RM1,290 million) per occurrence and in the aggregate. The insurance premium for the Group and the Company is RM112,300 (2020: RM112,300) and RM108,300 (2020: 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.

OTHER STATUTORY INFORMATION (CONTINUED)

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2021 have not been substantially affected by any item, transaction or event of a material and unusual nature 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.

In respect of the Directors or past Directors of the Company:

(i) the amount of fees and other benefits paid to or receivable by them from the Company or its subsidiary companies as remuneration for their services to the Company or its subsidiary companies; and

(ii) the 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.

are disclosed in Note 26 Related Parties Disclosures.

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.

SIGNIFICANT EVENTS

On 8 July 2021, the Group incorporated a wholly-owned subsidiary, Mesra Retail & Cafe Sdn. Bhd. ("MESRA") and on 10 September 2021, the Group acquired 100% equity interests in Setel Express Sdn. Bhd. ("Setel Express") (formerly known as D-Two Couriers (M) Sdn. Bhd.) which has subsequently become a wholly-owned subsidiary of the Group, as disclosed in Note 22.

On 29 October 2021, the Group completed its divestment of 100% equity interests in a subsidiary, PETRONAS International Marketing (Thailand) Co., Ltd. ("PIMTCL") to PETRONAS Lubricants International Sdn. Bhd. ("PLISB") as disclosed in Note 23.

AUDITORS

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 19 to the financial statements.

Signed on behalf of the Board of Directors
in accordance with a resolution of the Directors:



DATUK ANUAR BIN AHMAD
Chairman



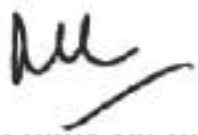
AZRUL BIN OSMAN RANI
Director

Kuala Lumpur,
Date: 22 February 2022

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 280 to 372, 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 2021 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 2022

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 280 to 372 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 2022



BEFORE ME:



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2021

	Note	2021 RM'000	2020 RM'000
ASSETS			
Property, plant and equipment	3	**4,017,549**	4,067,023
Intangible asset	4	**806**	–
Investments in associates	6	**2,008**	1,665
Investments in joint ventures	7	**20,327**	19,449
TOTAL NON-CURRENT ASSETS		**4,040,690**	4,088,137
Trade and other inventories	8	**158,866**	410,229
Trade and other receivables	9	**3,490,185**	1,169,444
Cash and cash equivalents	10	**1,911,062**	2,691,820
TOTAL CURRENT ASSETS		**5,560,113**	4,271,493
TOTAL ASSETS		**9,600,803**	8,359,630
EQUITY			
Share capital	11	**993,454**	993,454
Reserves	12	**4,588,619**	4,650,291
Total equity attributable to shareholders of the Company		**5,582,073**	5,643,745
Non-controlling interests	13	**33,378**	31,901
TOTAL EQUITY		**5,615,451**	5,675,646
LIABILITIES			
Borrowings	14	**92,166**	96,778
Deferred tax liabilities	15	**102,723**	104,609
Other long term liabilities and provisions	16	**31,272**	30,328
TOTAL NON-CURRENT LIABILITIES		**226,161**	231,715
Trade and other payables	17	**3,645,060**	2,342,061
Borrowings	14	**24,266**	81,392
Taxation		**89,865**	28,816
TOTAL CURRENT LIABILITIES		**3,759,191**	2,452,269
TOTAL LIABILITIES		**3,985,352**	2,683,984
TOTAL EQUITY AND LIABILITIES		**9,600,803**	8,359,630

The notes set out on pages 301 to 368 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2021

	Note	2021 RM'000	2020 RM'000
Revenue	18	**22,505,326**	18,710,947
Cost of revenue		**(19,936,900)**	(16,439,243)
Gross profit		**2,568,426**	2,271,704
Selling and distribution expenses		**(998,424)**	(1,066,348)
Administration expenses		**(1,160,826)**	(1,166,613)
Other income		**342,011**	363,791
Operating profit	19	**751,187**	402,534
Financing costs	20	**(11,640)**	(16,035)
Share of profit/(loss) after tax of equity accounted associates and joint ventures		**1,221**	(78)
Profit before taxation		**740,768**	386,421
Tax expense	21	**(209,537)**	(114,007)
Profit for the year		**531,231**	272,414
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising from translation of financial statements of foreign operation		**5,802**	(2,156)
Reclassification of foreign currency translation differences to profit or loss on disposal of subsidiary		**8,779**	–
Total other comprehensive income/(loss) for the year, net of tax		**14,581**	(2,156)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**545,812**	270,258
Profit/(loss) attributable to:			
Shareholders of the Company		**529,754**	275,964
Non-controlling interests		**1,477**	(3,550)
PROFIT FOR THE YEAR		**531,231**	272,414
Total comprehensive income/(loss) attributable to:			
Shareholders of the Company		**544,335**	273,808
Non-controlling interests		**1,477**	(3,550)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**545,812**	270,258
Basic earnings per ordinary share	24	**53.3 sen**	27.8 sen

The notes set out on pages 301 to 368 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2021

	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 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**
Distribution to shareholders of the Company								
Dividends to shareholders of the Company	25	**–**	**–**	**–**	**(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 301 to 368 are an integral part of these financial statements.

	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 2020		993,454	(18,935)	(18,732)	5,020,157	5,975,944	35,451	6,011,395
Exchange difference arising from translation of financial statements of foreign operations		–	(2,156)	–	–	(2,156)	–	(2,156)
Total other comprehensive loss for the year		–	(2,156)	–	–	(2,156)	–	(2,156)
Profit/(loss) for the year		–	–	–	275,964	275,964	(3,550)	272,414
Total comprehensive (loss)/ income for the year		–	(2,156)	–	275,964	273,808	(3,550)	270,258
Distribution to shareholders of the Company								
Dividends to shareholders of the Company	25	–	–	–	(606,007)	(606,007)	–	(606,007)
Total transactions with owners of the Group		–	–	–	(606,007)	(606,007)	–	(606,007)
Balance at 31 December 2020		993,454	(21,091)	(18,732)	4,690,114	5,643,745	31,901	5,675,646
		Note 11	Note 12	Note 12			Note 13	

The notes set out on pages 301 to 368 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2021

	Note	2021 RM'000	2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**740,768**	386,421
Adjustments for:			
Depreciation and amortisation		**412,155**	497,839
Net impairment losses on:			
– Trade and other receivables		**12,351**	5,530
– Property, plant and equipment		**4,124**	–
Share of (profit)/loss after tax of equity accounted associates and joint ventures		**(1,221)**	78
Net loss on disposal of property, plant and equipment		**1,710**	4,199
Interest income		**(61,265)**	(71,270)
Financing costs		**11,640**	16,035
Net inventories written off		**346**	37
Net inventories written-back to net realisable value		**(4,088)**	(302)
Property, plant and equipment written off		**1,096**	1,393
Property, plant and equipment expensed off		**2,627**	7,119
Net unrealised foreign exchange gain		**(1,045)**	(2,255)
Operating profit before changes in working capital		**1,119,198**	844,824
Changes in working capital:			
Trade and other receivables		**(2,332,048)**	392,040
Inventories		**255,106**	386,553
Trade and other payables		**1,305,223**	(1,097,988)
Cash generated from operations		**347,479**	525,429
Taxation paid		**(150,374)**	(162,600)
Net cash generated from operating activities		**197,105**	362,829
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income		**61,265**	71,270
Net withdrawal of fund investment		**–**	51,004
Purchase of property, plant and equipment		**(374,313)**	(443,231)
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 property, plant and equipment		**9,471**	1,565
Net cash used in investing activities		**(297,012)**	(319,392)

The notes set out on pages 301 to 368 are an integral part of these financial statements.

	Note	2021 RM'000	2020 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		**(606,007)**	(606,007)
Net drawdown of revolving credits		**6,500**	4,114
Repayment of Islamic financing facilities		**(9,880)**	(19,876)
Repayment of lease liabilities		**(63,842)**	(141,163)
Interest paid on revolving credits		**(423)**	(40)
Profit margin paid for Islamic financing facilities		**(139)**	(788)
Interest paid on lease liabilities		**(8,968)**	(14,047)
Net cash used in financing activities	14	**(682,759)**	(777,807)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(782,666)**	(734,370)
NET FOREIGN EXCHANGE DIFFERENCES		**1,908**	690
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**2,691,820**	3,425,500
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**1,911,062**	2,691,820
CASH AND CASH EQUIVALENTS			
Cash with PETRONAS Integrated Financial Shared Services Centre		**1,813,765**	2,467,302
Cash and bank balances		**68,862**	135,264
Deposits placed with licensed banks		**—**	68,485
Restricted cash		**28,435**	20,769
	10	**1,911,062**	2,691,820

Total cash outflows for leases amounts to RM236,892,000 (2020: RM401,885,000) which comprise repayment and interest paid in relation to lease liabilities, short-term lease, low-value assets and variable lease payments.

The notes set out on pages 301 to 368 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

as at 31 December 2021

	Note	2021 RM'000	2020 RM'000
ASSETS			
Property, plant and equipment	3	**3,756,521**	3,781,623
Investments in subsidiaries	5	**177,325**	173,010
Investments in associates	6	**530**	530
Investments in joint ventures	7	**25**	25
TOTAL NON-CURRENT ASSETS		**3,934,401**	3,955,188
Inventories	8	**157,478**	402,411
Trade and other receivables	9	**3,364,798**	1,052,969
Cash and cash equivalents	10	**1,737,014**	2,311,097
TOTAL CURRENT ASSETS		**5,259,290**	3,766,477
TOTAL ASSETS		**9,193,691**	7,721,665
EQUITY			
Share capital	11	**993,454**	993,454
Reserves	12	**4,431,503**	4,358,551
TOTAL EQUITY		**5,424,957**	5,352,005
LIABILITIES			
Borrowings	14	**14,717**	21,717
Deferred tax liabilities	15	**81,718**	81,761
Other long term liabilities and provisions	16	**31,272**	29,495
TOTAL NON-CURRENT LIABILITIES		**127,707**	132,973
Trade and other payables	17	**3,547,161**	2,152,887
Borrowings	14	**7,464**	60,302
Taxation		**86,402**	23,498
TOTAL CURRENT LIABILITIES		**3,641,027**	2,236,687
TOTAL LIABILITIES		**3,768,734**	2,369,660
TOTAL EQUITY AND LIABILITIES		**9,193,691**	7,721,665

The notes set out on pages 301 to 368 are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2021

	Note	2021 RM'000	2020 RM'000
Revenue	18	**22,005,563**	18,254,411
Cost of revenue		**(19,555,604)**	(16,088,620)
Gross profit		**2,449,959**	2,165,791
Selling and distribution expenses		**(980,507)**	(1,042,173)
Administration expenses		**(1,128,306)**	(1,098,125)
Other income		**541,433**	479,534
Operating profit	19	**882,579**	505,027
Financing costs	20	**(4,745)**	(8,698)
Profit before taxation		**877,834**	496,329
Tax expense	21	**(198,875)**	(103,328)
PROFIT FOR THE YEAR REPRESENTING TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**678,959**	393,001

The notes set out on pages 301 to 368 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2021

	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 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	25	**—**	**(606,007)**	**(606,007)**
Balance at 31 December 2021		**993,454**	**4,431,503**	**5,424,957**
Balance at 1 January 2020		993,454	4,571,557	5,565,011
Profit for the year representing total comprehensive income for the year		—	393,001	393,001
Dividends paid	25	—	(606,007)	(606,007)
Balance at 31 December 2020		993,454	4,358,551	5,352,005
		Note 11		

The notes set out on pages 301 to 368 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

for the year ended 31 December 2021

	Note	2021 RM'000	2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**877,834**	496,329
Adjustments for:			
Depreciation and amortisation		**413,333**	454,581
Net impairment losses on:			
– Trade and other receivables		**9,845**	2,532
– Property, plant and equipment		**4,124**	–
Net loss on disposal of property, plant and equipment		**1,384**	4,175
Interest income		**(58,059)**	(66,009)
Dividend income		**(193,165)**	(121,770)
Property, plant and equipment written off		**6**	1,299
Property, plant and equipment expensed off		**2,546**	7,075
Net unrealised foreign exchange gain		**(998)**	(2,272)
Inventories (written back)/written down to net realisable value		**(4,088)**	4,088
Financing costs		**4,745**	8,698
Operating profit before changes in working capital		**1,057,507**	788,726
Changes in working capital:			
Trade and other receivables		**(2,320,676)**	322,690
Inventories		**249,021**	387,283
Trade and other payables		**1,393,941**	(1,095,632)
Cash generated from operations		**379,793**	403,067
Taxation paid		**(136,014)**	(149,418)
Net cash generated from operating activities		**243,779**	253,649
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received		**193,165**	121,770
Interest income		**58,059**	66,009
Investment in subsidiaries		**(4,315)**	(113,000)
Purchase of property, plant and equipment		**(401,757)**	(411,561)
Proceeds from disposal of property, plant and equipment		**7,572**	599
Net cash used in investing activities		**(147,276)**	(336,183)

The notes set out on pages 301 to 368 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS (CONTINUED)

for the year ended 31 December 2021

	Note	2021 RM'000	2020 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	25	**(606,007)**	(606,007)
Repayment of lease liabilities		**(61,944)**	(139,556)
Interest paid on lease liabilities		**(2,635)**	(7,538)
Net cash used in financing activities		**(670,586)**	(753,101)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(574,083)**	(835,635)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**2,311,097**	3,146,732
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	10	**1,737,014**	2,311,097
CASH AND CASH EQUIVALENTS			
Cash with PETRONAS Integrated Financial Shared Services Centre		**1,698,348**	2,273,559
Cash and bank balances		**38,666**	37,538
	10	**1,737,014**	2,311,097

Total cash outflows for leases amounts to RM228,356,000 (2020: RM393,228,000) which comprise repayment and interest paid in relation to lease liabilities, short-term lease, low-value assets and variable lease payments.

The notes set out on pages 301 to 368 are an integral part of these financial statements.

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 2021, 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 36.

MASB has also issued 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 are set out in Note 37. New and revised pronouncements that are not relevant to the operations of the Group and of the Company are set out in Note 38.

These financial statements were approved and authorised for issue by the Board of Directors on 22 February 2022.

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 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.

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 14 : Borrowings;
(iv) Note 15 : Deferred tax;
(v) Note 21 : Tax expense; and
(vi) Note 30 : 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of consolidation (continued)

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 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.

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, 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Associates (continued)

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.

2.4 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Property, plant and equipment and depreciation (continued)

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Leases (continued)

(ii) Recognition and initial measurement (continued)

As a lessee (continued)

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.

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 assets

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.

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.

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.

Interest rate benchmark reform

The Group and the Company will apply 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)* in future periods if they become applicable.

As of 31 December 2021, the Group and the Company had no transactions for which the benchmark rate had been replaced with an alternative benchmark rate and therefore have not yet applied the practical expedients provided in the amendments.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial instruments (continued)

Classification and subsequent measurement (continued)

(i) Financial assets (continued)

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial instruments (continued)

Classification and subsequent measurement (continued)

(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.

Financial liabilities

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Impairment (continued)

(i) Financial assets (continued)

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.

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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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").

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Provisions (continued)

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.

In particular, information about provisions that have the most significant effect on the amount recognised in the financial statements is described in Note 16.

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").

A foreign subsidiary of the Group make contributions to its country's statutory pension scheme and certain other independently-administered funds which are defined contribution plans.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Taxation (continued)

(ii) Deferred tax (continued)

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Borrowing costs and foreign currency exchange differences relating to projects-in-progress (continued)

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.

2.18 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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

2.22 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 uses 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).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Fair value measurement (continued)

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 recognise transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3. PROPERTY, PLANT AND EQUIPMENT

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
					Note 22	Note 23	

* Mainly relates to discount obtained in 2021 for property, plant and equipment ("PPE") acquired in prior year upon finalisation of cost.

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 31.12.2021 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)	(652)
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
					Note 22	Note 23	

* Charge for the year includes adjustment on discount obtained in 2021 for PPE acquired in prior year upon finalisation of cost.

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group 2020	At 1.1.2020 RM'000	Additions RM'000	Disposals/ write-offs RM'000	Transfers RM'000	Translation exchange difference RM'000	At 31.12.2020 RM'000
At cost:						
Own use						
Freehold land	1,027,567	—	—	13,441	—	1,041,008
Buildings	2,163,062	—	(23,536)	54,408	—	2,193,934
Plant, machinery, tankage and pipeline	2,613,165	12,282	(84,113)	114,366	—	2,655,700
Office equipment, furniture and fittings	556,901	8,006	(12,192)	20,956	(18)	573,653
Computer hardware and software	724,882	15,093	(168,752)	108,261	(54)	679,430
Motor vehicles	106,894	1,938	(5,210)	8,893	(29)	112,486
Projects-in-progress	191,898	403,962	(9,374)	(353,157)	—	233,329
	7,384,369	441,281	(303,177)	(32,832)	(101)	7,489,540
Right-of-use						
Leasehold land	1,189,426	2,988	(2,748)	32,832	—	1,222,498
Buildings	6,616	—	(94)	—	—	6,522
Other plant and equipment	3,360	—	—	—	—	3,360
Vessels	279,148	—	—	—	—	279,148
Motor vehicles	4,675	—	—	—	—	4,675
	1,483,225	2,988	(2,842)	32,832	—	1,516,203
	8,867,594	444,269	(306,019)	—	(101)	9,005,743

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group 2020	At 1.1.2020 RM'000	Charge for the year RM'000	Disposals/ write-offs RM'000	Translation exchange difference RM'000	At 31.12.2020 RM'000
Accumulated depreciation and impairment losses:					
Own use					
Freehold land	809	—	—	—	809
Buildings	1,537,484	92,795	(23,218)	—	1,607,061
Plant, machinery, tankage and pipeline	1,827,108	154,585	(81,228)	—	1,900,465
Office equipment, furniture and fittings	423,678	37,501	(12,077)	(10)	449,092
Computer hardware and software	612,987	47,676	(167,731)	(23)	492,909
Motor vehicles	85,206	4,793	(5,210)	(36)	84,753
Projects-in-progress	—	—	—	—	—
	4,487,272	337,350	(289,464)	(69)	4,535,089
Right-of-use					
Leasehold land	139,076	39,274	(2,279)	—	176,071
Buildings	1,261	1,776	—	—	3,037
Other plant and equipment	1,034	1,034	—	—	2,068
Vessels	102,297	116,652	—	—	218,949
Motor vehicles	1,753	1,753	—	—	3,506
	245,421	160,489	(2,279)	—	403,631
	4,732,693	497,839	(291,743)	(69)	4,938,720

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**

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company 2021	At 1.1.2021 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)

Company 2020	At 1.1.2020 RM'000	Additions RM'000	Disposals/ write-offs RM'000	Transfers RM'000	At 31.12.2020 RM'000
At cost:					
Own use					
Freehold land	1,027,567	—	—	13,441	1,041,008
Buildings	2,135,763	—	(23,536)	54,408	2,166,635
Plant, machinery, tankage and pipeline	2,215,990	12,182	(84,007)	108,017	2,252,182
Office equipment, furniture and fittings	551,492	5,783	(12,192)	20,956	566,039
Computer hardware and software	622,252	212	(168,752)	100,516	554,228
Motor vehicles	98,474	1,550	(4,970)	8,893	103,947
Projects-in-progress	178,984	389,884	(8,374)	(339,063)	221,431
	6,830,522	409,611	(301,831)	(32,832)	6,905,470
Right-of-use					
Leasehold land	1,149,218	2,407	(2,748)	32,832	1,181,709
Buildings	311	420	—	—	731
Other plant and equipment	3,360	—	—	—	3,360
Vessels	279,148	—	—	—	279,148
Motor vehicles	4,675	—	—	—	4,675
	1,436,712	2,827	(2,748)	32,832	1,469,623
	8,267,234	412,438	(304,579)	—	8,375,093

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company 2020	At 1.1.2020 RM'000	Charge for the year RM'000	Disposals/ write-offs RM'000	At 31.12.2020 RM'000
Accumulated depreciation and impairment losses:				
Own use				
Freehold land	809	—	—	809
Buildings	1,510,589	92,688	(23,218)	1,580,059
Plant, machinery, tankage and pipeline	1,595,287	138,602	(81,156)	1,652,733
Office equipment, furniture and fittings	420,377	36,008	(12,077)	444,308
Computer hardware and software	582,187	24,938	(167,731)	439,394
Motor vehicles	78,355	4,743	(4,970)	78,128
Projects-in-progress	—	—	—	—
	4,187,604	296,979	(289,152)	4,195,431
Right-of-use				
Leasehold land	137,425	37,954	(2,279)	173,100
Buildings	207	209	—	416
Other plant and equipment	1,034	1,034	—	2,068
Vessels	102,297	116,652	—	218,949
Motor vehicles	1,753	1,753	—	3,506
	242,716	157,602	(2,279)	398,039
	4,430,320	454,581	(291,431)	4,593,470

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Carrying amount				
Own use				
Freehold land	**1,047,924**	1,040,199	**1,047,924**	1,040,199
Buildings	**539,165**	586,873	**538,943**	586,576
Plant, machinery, tankage and pipeline	**733,539**	755,235	**582,661**	599,449
Office equipment, furniture and fittings	**112,928**	124,561	**111,801**	121,731
Computer hardware and software	**247,597**	186,521	**204,958**	114,834
Motor vehicles	**38,046**	27,733	**37,940**	25,819
Projects-in-progress	**240,814**	233,329	**218,225**	221,431
	2,960,013	2,954,451	**2,742,452**	2,710,039
Right-of-use				
Leasehold land	**1,041,706**	1,046,427	**1,005,231**	1,008,609
Buildings	**7,097**	3,485	**105**	315
Other plant and equipment	**258**	1,292	**258**	1,292
Vessels	**6,720**	60,199	**6,720**	60,199
Motor vehicles	**1,755**	1,169	**1,755**	1,169
	1,057,536	1,112,572	**1,014,069**	1,071,584
	4,017,549	4,067,023	**3,756,521**	3,781,623

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.

4. INTANGIBLE ASSET

Group 2021	At 1.1.2021 RM'000	Acquisition of subsidiary RM'000	At 31.12.2021 RM'000
At cost:			
Goodwill	**—**	**806**	**806**

The goodwill recognised relates to the acquisition of a subsidiary as disclosed in Note 22. The goodwill is merely a provisional amount, pending the finalisation of the purchase price allocation ("PPA") exercise within 12 months from the date of acquisition.

5. INVESTMENTS IN SUBSIDIARIES

	Company	
	2021 RM'000	2020 RM'000
Unquoted shares at cost	**177,325**	173,010

On 8 July 2021, the Group incorporated a wholly-owned subsidiary, Mesra Retail & Cafe Sdn. Bhd. ("MESRA") and on 10 September 2021, the Group acquired 100% equity interests in Setel Express Sdn. Bhd. ("Setel Express") (formerly known as D-Two Couriers (M) Sdn. Bhd.) which has subsequently become a wholly-owned subsidiary of the Group as disclosed in Note 22.

Details of subsidiaries are stated in Note 33 to the financial statements.

6. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Unquoted shares at cost	**530**	530	**530**	530
Share of post-acquisition profits and reserves	**1,478**	1,135	**—**	—
	2,008	1,665	**530**	530

Summary of financial information on associates:

	2021 Total RM'000	2020 Total RM'000
As at 31 December		
Total assets	**11,372**	10,574
Total liabilities	**(1,330)**	(2,246)
Net assets	**10,042**	8,328
Year ended 31 December		
Revenue	**21,639**	17,992
Total comprehensive income	**1,714**	1,047

Details of the associates are stated in Note 34 to the financial statements.

7. INVESTMENTS IN JOINT VENTURES

	Group		Company	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Unquoted shares at cost	**4,121**	4,121	**25**	25
Share of post-acquisition profits and reserves	**16,206**	15,328	**—**	—
	20,327	19,449	**25**	25
Dividend received	**—**	1,827	**—**	500

Summary of financial information on joint ventures:

	2021 Total RM'000	**2020 Total RM'000**
As at 31 December		
Total assets	**108,675**	79,243
Total liabilities	**(54,129)**	(28,235)
Net assets	**54,546**	51,008
Year ended 31 December		
Revenue	**334,220**	225,131
Total comprehensive income/(loss)	**2,689**	(566)

Details of the joint ventures are stated in Note 35 to the financial statements.

8. INVENTORIES

	Group		Company	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Petroleum products	**157,641**	408,861	**157,478**	402,411
Stores and spare	**1,225**	1,368	**—**	—
	158,866	410,229	**157,478**	402,411
Recognised in profit or loss:				
Inventories recognised as cost of sales	**19,912,820**	16,410,105	**19,559,692**	16,084,532
Write-down to net realisable value	**—**	4,223	**—**	4,088
Reversal of write-down to net realisable value	**(4,088)**	—	**(4,088)**	—
Inventories written off	**346**	37	**—**	—

9. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2021 RM'000	2020 RM'000	**2021 RM'000**	2020 RM'000
Trade				
Trade receivables	**1,344,196**	918,385	**1,243,729**	812,858
Amounts due from:				
– Holding company	**39**	94	**39**	94
– Subsidiaries	**—**	—	**173**	101
– Associates and joint ventures	**7**	3	**7**	3
– Related companies	**274,570**	48,642	**260,245**	42,303
Less: Impairment losses	**(22,676)**	(12,236)	**(16,180)**	(6,428)
	1,596,136	954,888	**1,488,013**	848,931
Non-trade				
Other receivables, deposits and prepayments	**97,067**	86,033	**77,411**	69,433
Advances and loans to:				
– Associates and joint ventures	**3,282**	1,016	**3,282**	1,016
Amounts due from:				
– Holding company	**921**	5,016	**700**	4,270
– Subsidiaries	**—**	—	**2,495**	7,060
– Related companies	**76,369**	3,678	**75,758**	3,446
Subsidy receivables	**1,852,220**	253,806	**1,852,220**	253,806
Less: Impairment losses	**(135,810)**	(134,993)	**(135,081)**	(134,993)
	1,894,049	214,556	**1,876,785**	204,038
Trade and other receivables	**3,490,185**	1,169,444	**3,364,798**	1,052,969

The trade amounts due from holding company, 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.

10. CASH AND CASH EQUIVALENTS

	Group		Company	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Cash with PETRONAS Integrated Financial Shared Services Centre	**1,813,765**	2,467,302	**1,698,348**	2,273,559
Cash and bank balances	**68,862**	135,264	**38,666**	37,538
Deposits placed with licensed banks	**—**	68,485	**—**	—
Restricted cash	**28,435**	20,769	**—**	—
	1,911,062	2,691,820	**1,737,014**	2,311,097

A portion of the Group's and of the Company's cash and cash equivalents are held in the In-House account ("IHA") managed by PETRONAS Integrated Financial Shared Services 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 RM1,899,268,000 (2020:RM2,678,720,000) and RM1,728,602,000 (2020: RM2,297,997,000) respectively.

Included in cash and cash equivalents of the Group are RM28,435,000 (2020: RM20,769,000) 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

	2021		2020	
Group and Company	**No. of share '000**	**Amount RM'000**	**No. of share '000**	**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.

12. RESERVES (CONTINUED)

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of subsidiaries whose functional currencies are 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 subsidiary.

14. BORROWINGS

	Group		Company	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Non-current				
Secured				
Lease liabilities	**92,166**	96,778	**14,717**	21,717
Total non-current borrowings	**92,166**	96,778	**14,717**	21,717
Current				
Secured				
Lease liabilities	**8,266**	62,012	**7,464**	60,302
Unsecured				
Islamic financing facilities	**—**	9,880	**—**	—
Revolving credits	**16,000**	9,500	**—**	—
Total current borrowings	**24,266**	81,392	**7,464**	60,302
Total borrowings	**116,432**	178,170	**22,181**	82,019

14. BORROWINGS (CONTINUED)

Terms and debt repayment schedule

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 credits	**16,000**	**16,000**	**—**	**—**	**—**
	116,432	**24,266**	**1,994**	**5,866**	**84,306**

Group 2020	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	158,790	62,012	10,318	4,190	82,270
Unsecured					
Islamic financing facilities	9,880	9,880	—	—	—
Revolving credit	9,500	9,500	—	—	—
	178,170	81,392	10,318	4,190	82,270

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**

Company 2020	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	82,019	60,302	9,106	2,030	10,581

Unsecured Islamic financing facilities

The unsecured Islamic financing facilities are governed by the Musharakah Mutanaqisah and Commodity Murabahah principles and bear a profit margin ranging from 2.75% to 3.59% (2020: 2.78% to 4.32%) per annum with principal repayment by quarterly instalments until September 2021. The unsecured Islamic financing facilities was fully paid during the financial year.

Unsecured revolving credits

The unsecured revolving credits bears an interest rate ranging from 2.83% to 2.89% (2020: 2.80% to 2.89%) per annum.

14. BORROWINGS (CONTINUED)

Secured lease liabilities

The lease liabilities of the Group and the Company bear interest at rates ranging from 3.24% to 8.43% (2020: 3.68% to 8.43%) and 3.24% to 7.80% (2020: 3.68% 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
Balance at 1 January 2021	**178,170**	**–**
Changes from financing cash flows		
Drawdown/(Repayment) of:		
– Islamic financing facilities	**(9,880)**	**–**
– Revolving credits	**6,500**	**–**
– Lease liabilities	**(63,842)**	**–**
Interest expenses:		
– Revolving credits	**(423)**	**–**
– Lease liabilities	**(8,968)**	**–**
Profit margin paid for Islamic financing facilities	**(139)**	**–**
Dividends paid	**–**	**(606,007)**
Total changes from financing cash flows	**(76,752)**	**(606,007)**
Other changes		
– Dividends declared	**–**	**606,007**
– Finance costs	**9,530**	**–**
– Addition of new leases	**7,534**	**–**
– Termination of leases	**(1,962)**	**–**
– Disposal of subsidiary	**(88)**	**–**
Balance at 31 December 2021	**116,432**	**–**

14. BORROWINGS (CONTINUED)

Reconciliation of movement of liabilities to cash flows arising from financing activities (continued)

Group	Borrowings RM'000	Dividends RM'000
Balance at 1 January 2020	334,155	—
Changes from financing cash flows		
Drawdown/(Repayment) of:		
– Islamic financing facilities	(19,876)	—
– Revolving credit	4,114	—
– Lease liabilities	(141,163)	—
Interest expenses:		
– Revolving credit	(40)	—
– Lease liabilities	(14,047)	—
Profit margin paid for Islamic financing facilities	(788)	—
Dividends paid	—	(606,007)
Total changes from financing cash flows	(171,800)	(606,007)
The effect of changes in foreign exchange rates	(80)	—
Other changes		
– Dividends declared	—	606,007
– Finance costs	14,875	—
– Addition of new leases	1,235	—
– Termination of leases	(215)	—
Balance at 31 December 2020	178,170	—

14. BORROWINGS (CONTINUED)

Reconciliation of movement of liabilities to cash flows arising from financing activities (continued)

Company	Borrowings RM'000	Dividends RM'000
Balance at 1 January 2021	**82,019**	**—**
Changes from financing cash flows		
Repayment of lease liabilities	**(61,944)**	**—**
Interest expense on lease liabilities	**(2,635)**	**—**
Dividends paid	**—**	**(606,007)**
Total changes from financing cash flows	**(64,579)**	**—**
Other changes		
– Dividends declared	**—**	**606,007**
– Finance costs	**2,635**	**—**
– Addition of new leases	**2,106**	**—**
Balance at 31 December 2021	**22,181**	**—**

Company	Borrowings RM'000	Dividends RM'000
Balance at 1 January 2020	220,697	—
Changes from financing cash flows		
Repayment of lease liabilities	(139,556)	—
Interest expense on lease liabilities	(7,538)	—
Dividends paid	—	(606,007)
Total changes from financing cash flows	(147,094)	(606,007)
Other changes		
– Dividends declared	—	606,007
– Finance costs	7,538	—
– Addition of new leases	878	—
Balance at 31 December 2020	82,019	—

15. DEFERRED TAX

The components and movements of deferred tax liabilities and assets during the year are as follows:

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)**

Group	At 1.1.2020 RM'000	Credited/ (Charged) to profit or loss RM'000	At 31.12.2020 RM'000
Deferred tax liabilities			
Property, plant and equipment	(138,767)	(2,724)	(141,491)
Contract liability – Loyalty Programme	21,651	87	21,738
Lease liabilities	16,208	(2,189)	14,019
Expected credit loss	590	535	1,125
	(100,318)	(4,291)	(104,609)

15. DEFERRED TAX (CONTINUED)

The components and movements of deferred tax liabilities and assets during the year are as follows: (continued)

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)**

Company	At 1.1.2020 RM'000	Credited/ (Charged) to profit or loss RM'000	At 31.12.2020 RM'000
Deferred tax liabilities			
Property, plant and equipment	(106,048)	(1,560)	(107,608)
Contract liability – Loyalty Programme	21,650	87	21,737
Lease liabilities	7,689	(4,577)	3,112
Expected credit loss	359	639	998
	(76,350)	(5,411)	(81,761)

16. OTHER LONG-TERM LIABILITIES AND PROVISIONS

	Group		Company	
	2021 RM'000	2020 RM'000	**2021 RM'000**	2020 RM'000
Dismantling, removal and restoration costs	**31,272**	29,495	**31,272**	29,495
Other long term liabilities	**—**	833	**—**	—
	31,272	30,328	**31,272**	29,495

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	**2021 RM'000**	2020 RM'000
Balance at 1 January	**29,495**	27,680
Net changes in provision	**(333)**	655
Unwinding of discount	**2,110**	1,160
Balance at 31 December	**31,272**	29,495

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.

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.

17. TRADE AND OTHER PAYABLES

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Trade				
Trade payables	**33,719**	31,699	**30,583**	13,455
Contract liability	**74,541**	90,572	**74,541**	90,572
Amounts due to:				
– Related companies	**2,720,684**	1,160,424	**2,670,648**	1,126,689
– Subsidiaries	**—**	—	**5,917**	893
– Associates and joint ventures	**22**	21	**22**	21
	2,828,966	1,282,716	**2,781,711**	1,231,630
Non-trade				
Other payables	**616,164**	633,566	**583,868**	583,037
Amounts due to:				
– Holding company	**125,818**	164,359	**122,019**	83,910
– Subsidiaries	**—**	—	**16,861**	12,614
– Associates and joint ventures	**5,988**	7,964	**5,988**	7,925
– Related companies	**33,847**	48,512	**30,514**	45,677
E-Money liabilities	**28,077**	16,850	**—**	—
Duties payables	**6,200**	188,094	**6,200**	188,094
	816,094	1,059,345	**765,450**	921,257
Trade and other payables	**3,645,060**	2,342,061	**3,547,161**	2,152,887

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.

18. REVENUE

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Revenue from contracts with customers				
Sales of petroleum products	**22,480,514**	18,699,386	**22,005,563**	18,254,411
Rendering of services	**24,812**	11,561	**—**	—
	22,505,326	18,710,947	**22,005,563**	18,254,411

Disaggregation of revenue from contracts with customers

In the following table, revenue is disaggregated by major products/services lines.

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Major products/services lines				
– Retail	**12,612,599**	11,178,291	**12,479,088**	11,031,030
– Commercial	**9,867,915**	7,521,095	**9,526,475**	7,223,381
– Others	**24,812**	11,561	**—**	—
	22,505,326	18,710,947	**22,005,563**	18,254,411

Revenue derived from petroleum products are predominantly sold to the retail and commercial sectors in Malaysia which have been disclosed in the Operating Segments (Note 28). The timing and recognition of revenue derived from petroleum products is recognised at a point in time.

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.	Payment for the products supplied shall be made on delivery or within stipulated credit period.
Others	Revenue is recognised over time when services are rendered to customer.	Payment for the services rendered shall be made 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.

19. OPERATING PROFIT

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Included in operating profit are the following charges:					
Audit fees:					
– KPMG Malaysia		**784**	744	**557**	541
– other auditors		**113**	117	**—**	—
Non Audit fees:					
– KPMG Malaysia		**190**	109	**120**	106
Depreciation of property, plant and equipment	3	**412,155**	497,839	**413,333**	454,581
Expenses relating to short-term leases (Note a)		**36,440**	124,150	**36,228**	124,150
Expenses relating to leases of low-value assets (Note b)		**234**	123	**147**	29
Expenses relating to variable lease payments not included in the measurement of lease liabilities		**127,408**	122,407	**127,402**	121,955
Impairment losses on:					
– property, plant and equipment		**4,124**	—	**4,124**	—
– trade receivables		**16,002**	10,532	**13,024**	7,077
– other receivables		**871**	33	**142**	33
Inventories written down to net realisable value	8	**—**	4,223	**—**	4,088
Net loss on disposal of property, plant and equipment		**1,710**	4,199	**1,384**	4,175
Loss on disposal of subsidiary	23	**10,314**	—	**—**	—
Property, plant and equipment written off		**1,096**	1,393	**6**	1,299
Property, plant and equipment expensed off		**2,627**	7,119	**2,546**	7,075
Facility charges:					
– plant and equipment		**2,458**	907	**2,354**	900
– land and buildings		**28,416**	28,887	**28,410**	28,887
Staff costs:					
– wages, salaries and others		**282,947**	220,766	**243,414**	193,196
– contributions to EPF		**39,372**	37,231	**33,535**	32,995
Inventories written off	8	**346**	37	**—**	—
Net realised loss on foreign exchange		**3,136**	1,028	**3,029**	954

19. OPERATING PROFIT (CONTINUED)

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
and credits:					
Dividend income:					
– subsidiary		**—**	—	**193,165**	121,270
– joint ventures	7	**—**	—	**—**	500
Net unrealised gain on foreign exchange		**1,045**	2,255	**998**	2,272
Interest income		**61,265**	71,270	**58,059**	66,009
Income from rental of premises		**1,503**	991	**746**	441
Reversal of inventories written down to net realisable value	8	**4,088**	—	**4,088**	—
Write back of impairment losses:					
– trade receivables		**4,468**	4,384	**3,267**	3,927
– other receivables		**54**	651	**54**	651
COVID–19 related rent concessions		**—**	139	**—**	—

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 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Recognised in profit or loss:				
Unwinding of discount				
– Provision for dismantling, removal and restoration costs	**2,110**	1,160	**2,110**	1,160
Profit margin on Islamic financing facilities	**139**	788	**—**	—
Interest on revolving credits	**423**	40	**—**	—
Interest on lease liabilities	**8,968**	14,047	**2,635**	7,538
	11,640	16,035	**4,745**	8,698

21. TAX EXPENSE

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Current tax expense				
Current year	**208,602**	116,103	**194,827**	104,021
Under/(Over) provision in prior years	**2,821**	(6,387)	**4,091**	(6,104)
	211,423	109,716	**198,918**	97,917
Deferred tax expense				
Origination/(Reversal) of temporary differences	**(5,446)**	7,853	**(3,637)**	8,937
Under/(Over) provision in prior years	**3,560**	(3,562)	**3,594**	(3,526)
Total deferred tax expense	**(1,886)**	4,291	**(43)**	5,411
Total tax expense	**209,537**	114,007	**198,875**	103,328

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	%	2021 RM'000	%	2020 RM'000
Profit before taxation		**740,768**		386,421
Taxation at Malaysian statutory tax rate	**24**	**177,784**	24	92,741
Effect of different tax rates in foreign jurisdiction	**—**	**3,538**	—	65
Non-deductible expenses, net of non-assessable income	**4**	**28,816**	6	22,919
Effect of net deferred tax benefits not recognised	**(1)**	**(6,982)**	2	8,231
	27	**203,156**	32	123,956
Under/(Over) provision in prior years				
– current tax expense	**—**	**2,821**	(2)	(6,387)
– deferred tax expense	**1**	**3,560**	(1)	(3,562)
Tax expense	**28**	**209,537**	29	114,007

Company	%	2021 RM'000	%	2020 RM'000
Profit before taxation		**877,834**		496,329
Taxation at Malaysian statutory tax rate	**24**	**210,680**	24	119,119
Non-assessable income, net of non-deductible expenditure	**(2)**	**(19,490)**	(1)	(6,161)
	22	**191,190**	23	112,958
Under/(Over) provision in prior years				
– current tax expense	**—**	**4,091**	(1)	(6,104)
– deferred tax expense	**—**	**3,594**	(1)	(3,526)
Tax expense	**22**	**198,875**	21	103,328

21. TAX EXPENSE (CONTINUED)

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:

	Group	
	2021 RM'000	**2020 RM'000**
Property, plant & equipment	**(19,680)**	(24,834)
Unutilised tax losses	**29,786**	21,968
Unabsorbed capital allowance	**14,909**	56,974
	25,015	54,108

The temporary differences arising from property, plant and equipment, unutilised tax losses and unabsorbed capital allowance above in relation to a subsidiary have not been recognised as the Group is uncertain if future taxable profits of sufficient quantum will be available against which the Group can utilise the benefits therefrom. The unutilised tax losses carry-forward will be limited to 10 years of assessment starting from the year of assessment 2019.

22. ACQUISITION OF SUBSIDIARY

On 10 September 2021, 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 goodwill as disclosed below are based on provisional figures which will be finalised within twelve months after the acquisition date. The goodwill, reflects the synergy that Setel Express will contribute to the Group.

The net profit contributed by Setel Express from the date of acquisition to the year ended 31 December 2021 is not material in relation to the consolidated net profit of the Group for the year.

The effect of the acquisition on the cash flows and fair values of assets and liabilities acquired are 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: Goodwill 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 33 to the financial statements.

23. DISPOSAL OF SUBSIDIARY

On 29 October 2021, 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 RM13,128,161 to another related company.

The net effect of the above disposal on the cash flows and carrying amount of assets and liabilities disposed are as follows:

Cash flow from disposal of subsidiary

	Group	
	2021 RM'000	2020 RM'000
Net cash generated 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 derecognised to retained earnings.

24. 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	
	2021 RM'000	**2020 RM'000**
Profit for the year attributable to shareholders	**529,754**	275,964
Number of ordinary shares ('000)	**993,454**	993,454
Basic earnings per ordinary share (in sen)	**53.3**	27.8

Diluted earnings per share

No diluted earnings per share is disclosed in these financial statements as there is no potential dilutive ordinary share.

25. DIVIDENDS

	Company	
	2021 RM'000	**2020 RM'000**
In respect of financial year ended 31 December 2020:		
Quarter 4:		
– Interim dividend of 17.0 sen per ordinary share (2019: 25.0 sen)	**168,887**	248,363
– Nil special dividend (2019: 15.0 sen)	**—**	149,018
In respect of financial year ended 31 December 2021:		
Quarter 1: interim dividend of 14.0 sen per ordinary share (2020: 5.0 sen)	**139,084**	49,673
Quarter 2: interim dividend of 10.0 sen per ordinary share (2020: 5.0 sen)	**99,345**	49,673
Quarter 3: interim dividend of 20.0 sen per ordinary share (2020: 11.0 sen)	**198,691**	109,280
	606,007	606,007

The Directors had on, 22 February 2022, 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 2021 which has not been accounted for in the financial statements for the year ended 31 December 2021.

26. RELATED PARTIES DISCLOSURES

Significant transactions with related parties

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	
	2021 RM'000	**2020 RM'000**
Directors		
– Fees	**1,212**	1,314
– Other short-term employee benefits	**28**	32
	1,240	1,346

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.

26. RELATED PARTIES DISCLOSURES (CONTINUED)

Key management personnel compensation (continued)

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	2021 RM'000	2020 RM'000
Federal and State Government of Malaysia:		
Sales of petroleum products	**260,714**	228,355
Government of Malaysia's related entities:		
Sales of petroleum products	**1,584,880**	1,721,959
Holding company:		
Sales of petroleum products	**373**	406
Facility charges	**(22,457)**	(22,365)
Reimbursement of key management personnel costs and benefits	**(949)**	(1,352)
Interest income from PETRONAS IFSSC	**60,473**	69,498
Fees for representation in the Board of Directors*	**(710)**	(659)
Information, communication and technology charges	**(58,315)**	(48,425)
Centralised support function services	**(23,234)**	(23,261)
Related companies:		
Sales of petroleum products	**1,010,094**	742,899
Purchases of petroleum products	**(21,815,735)**	(14,355,098)
Information, communication and technology charges	**(91,749)**	(75,083)
Facility charges	**(14,441)**	(16,851)
Lease expenses	**(13,191)**	(93,890)
Technical manpower services and training	**(22,223)**	(10,010)
Proceeds from divestment of a subsidiary (Note 23)	**13,128**	—
Associate companies:		
Sales of petroleum products	**283**	224
Facility charges	**(10,840)**	(9,532)
Joint ventures:		
Sales of petroleum products	**68**	67
Facility charges	**(18,984)**	(24,205)

* Fees paid directly to holding company in respect of directors who are appointees of the holding company.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

26. RELATED PARTIES DISCLOSURES (CONTINUED)

Company	2021 RM'000	2020 RM'000
Federal and State Government of Malaysia:		
Sales of petroleum products	**260,714**	228,355
Government of Malaysia's related entities:		
Sales of petroleum products	**1,575,895**	1,713,095
Holding company:		
Sales of petroleum products	**373**	406
Facility charges	**(22,457)**	(22,365)
Reimbursement of key management personnel costs and benefits	**(949)**	(1,352)
Interest income from PETRONAS IFSSC	**57,724**	65,596
Fees for representation in the Board of Directors*	**(710)**	(659)
Information, communication and technology charges	**(56,429)**	(47,598)
Centralised support function services	**(21,418)**	(21,540)
Related companies:		
Sales of petroleum products	**983,176**	716,344
Purchases of petroleum products	**(21,493,395)**	(14,080,472)
Information, communication and technology charges	**(91,749)**	(75,083)
Facility charges	**(14,441)**	(16,851)
Lease expenses	**(13,191)**	(93,890)
Technical manpower services and training	**(22,223)**	(10,010)
Associate companies:		
Sales of petroleum products	**283**	224
Facility charges	**(10,840)**	(9,532)
Joint ventures:		
Sales of petroleum products	**68**	67
Facility charges	**(18,984)**	(24,205)

* 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 2021 are disclosed in Note 9 and Note 17 as well as lease liabilities balances as follows:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Related companies	**505**	13,409	**505**	13,409

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.

27. 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	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Property, plant and equipment				
Approved and contracted for	**137,220**	81,140	**136,975**	80,407
Approved but not contracted for	**401,434**	207,648	**389,567**	186,923
	538,654	288,788	**526,542**	267,330

28. OPERATING SEGMENTS

The Group's reportable segments comprise of Retail, Commercial and Others. 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 to the commercial sector.
- Others – comprise mainly of aviation fuelling services, technical services and business activities other than retail and commercial segments.

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.

28. OPERATING SEGMENTS (CONTINUED)

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 2021	Retail RM'000	Commercial RM'000	Others RM'000	Total RM'000
Business Segments				
Revenue	**12,612,599**	**9,867,915**	**24,812**	**22,505,326**
Depreciation and amortisation	**357,845**	**61,996**	**(7,686)**	**412,155**
Other income/(expense)	**303,106**	**47,847**	**(8,942)**	**342,011**
Operating profit/(loss)	**487,091**	**284,636**	**(20,540)**	**751,187**
Financing costs	**(3,805)**	**(1,081)**	**(6,754)**	**(11,640)**
Share of profit after tax of associates and joint ventures				**1,221**
Profit before taxation				**740,768**

Group 2020	Retail RM'000	Commercial RM'000	Others RM'000	Total RM'000
Business Segments				
Revenue	11,178,291	7,521,095	11,561	18,710,947
Depreciation and amortisation	374,049	88,040	35,750	497,839
Other income	308,742	51,568	3,481	363,791
Operating profit/(loss)	229,451	225,046	(51,963)	402,534
Financing costs	(6,852)	(2,106)	(7,077)	(16,035)
Share of loss after tax of associates and joint ventures				(78)
Profit before taxation				386,421

Geographical information

There is no disclosure on geographical segment information as the Group's operations outside of Malaysia are not material during the year under review.

Major customers

As at 31 December 2021, there are no major customers with revenue that contribute to more than 10 percent of the Group's revenue.

29. CONTINGENCIES

Group	2021 RM'000	2020 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

There were no material contingent liabilities since the last consolidated statement of financial position as at 31 December 2020.

30. FINANCIAL INSTRUMENTS

Categories of financial instruments

The table below provides an analysis of financial instruments categorised as Amortised Cost ("AC").

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)**

Group 2020	Note	Amortised cost RM'000	Total carrying amount RM'000
Financial assets			
Trade and other receivables*	9	1,148,153	1,148,153
Cash and cash equivalents	10	2,691,820	2,691,820
		3,839,973	3,839,973
Financial liabilities			
Borrowings	14	(19,380)	(19,380)
Trade and other payables*	17	(2,251,453)	(2,251,453)
		(2,270,833)	(2,270,833)

* These balances exclude non-financial instruments balances.

30. FINANCIAL INSTRUMENTS (CONTINUED)

Categories of financial instruments (continued)

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)**

Company 2020	Note	Amortised cost RM'000	Total carrying amount RM'000
Financial assets			
Trade and other receivables*	9	1,040,758	1,040,758
Cash and cash equivalents	10	2,311,097	2,311,097
		3,351,855	3,351,855
Financial liability			
Trade and other payables*	17	(2,062,308)	(2,062,308)

* 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, the Group and the Company adopt appropriate measures to mitigate these risks in accordance with their view of the balance between risk and reward.

30. 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 Malaysia 2 Wawasan ("ASM 2 Wawasan") and bank guarantees.

The Group uses ageing analysis to monitor the credit quality of the receivables. As at the year end, 96% (2020: 94%) 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.

30. 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 13% (2020: 11%) 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 95% (2020: 75%) 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 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.

30. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (continued)

Trade and other receivables (continued)

Recognition and measurement of impairment loss (continued)

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2021 which are grouped together as they are expected to have similar risk nature.

Group 2021	Note	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
Credit Risk Rating				
Sovereign rating		**40,757**	**—**	**40,757**
Excellent rating		**208,343**	**(66)**	**208,277**
Good rating		**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**

Group 2020	Note	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
Credit Risk Rating				
Sovereign rating		12,811	—	12,811
Excellent rating		231,099	(46)	231,053
Good rating		448,513	(541)	447,972
Fair rating		267,293	(4,241)	263,052
		959,716	(4,828)	954,888
Credit impaired:				
Individually impaired		7,408	(7,408)	—
		967,124	(12,236)	954,888
Representing:				
Trade receivables	9	967,124	(12,236)	954,888

30. 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 rating		**40,757**	**—**	**40,757**
Excellent rating		**189,477**	**(58)**	**189,419**
Good rating		**623,367**	**(426)**	**622,941**
Fair rating		**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**

Company 2020	Note	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
Credit Risk Rating				
Sovereign rating		12,811	—	12,811
Excellent rating		150,128	(41)	150,087
Good rating		423,321	(340)	422,981
Fair rating		267,293	(4,241)	263,052
		853,553	(4,622)	848,931
Credit impaired:				
Individually impaired		1,806	(1,806)	—
		855,359	(6,428)	848,931
Representing:				
Trade receivables	9	855,359	(6,428)	848,931

30. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (continued)

Trade and other receivables (continued)

Recognition and measurement of impairment loss (continued)

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	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
At net				
Current	**1,556,875**	912,436	**1,460,619**	823,974
Past due 1 to 30 days	**13,836**	20,963	**12,094**	16,531
Past due 31 to 60 days	**9,455**	5,181	**9,220**	2,277
Past due 61 to 90 days	**2,216**	1,683	**934**	519
Past due more than 90 days	**13,754**	14,625	**5,146**	5,630
	1,596,136	954,888	**1,488,013**	848,931
Representing:				
Trade receivables (Note 9)	**1,618,812**	967,124	**1,504,193**	855,359
Less: Impairment losses (Note 9)	**(22,676)**	(12,236)	**(16,180)**	(6,428)
	1,596,136	954,888	**1,488,013**	848,931

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, ASM 2 Wawasan and bank guarantees.

Trade receivables which are credit impaired amounting to RM22,676,000 (2020: RM12,236,000) 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 RM166,340,000 (2020: RM163,024,000).

30. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (continued)

Trade and other receivables (continued)

Recognition and measurement of impairment loss (continued)

The movements in the allowance for impairment losses of trade receivables during the year are as follows:

	Group		Company	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Opening balance	**12,236**	10,469	**6,428**	3,321
Impairment loss recognised	**16,002**	10,532	**13,024**	7,077
Impairment loss reversed	**(4,468)**	(4,384)	**(3,267)**	(3,927)
Impairment loss written off	**(45)**	(4,381)	**(5)**	(43)
Disposal of subsidiary	**(1,049)**	—	**—**	—
Closing balance	**22,676**	12,236	**16,180**	6,428

Fund investments

The Group and the Company are also exposed to counterparty credit risk from financial institutions through fund investment activities which was 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 criterias, 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.

30. 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 2021	Carrying amount RM'000	Effective profit margin/ 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 credits 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**

Group 2020	Carrying amount RM'000	Effective profit margin/ 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 Islamic financing facilities floating rate	9,880	2.78 – 4.32	9,988	9,988	–	–	–
Unsecured revolving credit fixed rate	9,500	2.80 – 2.89	9,775	9,775	–	–	–
Lease liabilities	158,790	3.68 – 8.43	301,602	82,757	18,682	33,131	167,032
Trade and other payables	2,251,453	–	2,251,453	2,251,453	–	–	–
	2,429,623		2,572,818	2,353,973	18,682	33,131	167,032

30. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk (continued)

Maturity analysis (continued)

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**

Company 2020	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	82,019	3.68 – 7.80	108,249	74,514	11,126	5,973	16,636
Trade and other payables	2,062,308	—	2,062,308	2,062,308	—	—	—
	2,144,327		2,170,557	2,136,822	11,126	5,973	16,636

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.

The Group's exposure to the risk of changes in cash flow in the prior year was due to changes in profit margin or interest rates relates primarily to the Islamic financing facilities of a subsidiary with floating profit margin. Short term receivables and payables are not significantly exposed to interest rate risk.

The Group's remaining 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 2021, 100% (2020: 94%) 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.

30. 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 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	2021 RM'000	2020 RM'000
Denominated in USD		
Financial assets		
Cash and cash equivalents	**—**	680
Trade and other receivables	**251,591**	34,703
Financial liabilities		
Trade and other payables	**(58,011)**	(13,370)
Lease liabilities	**(7,835)**	(54,366)
	185,745	(32,353)

Company	2021 RM'000	2020 RM'000
Denominated in USD		
Financial assets		
Trade and other receivables	**250,854**	34,468
Financial liabilities		
Trade and other payables	**(55,432)**	(12,583)
Lease liabilities	**(7,835)**	(54,366)
	187,587	(32,481)

Sensitivity analysis for a given market variable provided in this note, discloses the effect on profit or loss and equity as at 31 December 2021 assuming that a reasonably possible change in the relevant market variable had occurred at 31 December 2021 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.

30. FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (continued)

Foreign exchange risk (continued)

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.

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
2021			
USD	**10**	**18,575**	**18,759**
2020			
USD	10	(3,235)	(3,248)

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 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.

30. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value information (continued)

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.

Group	Fair value of financial instruments not carried at fair value		Carrying amount
	Level 3 RM'000	Total RM'000	RM'000
2021			
Financial liability			
Revolving credits	**15,801**	**15,801**	**16,000**
2020			
Financial liabilities			
Islamic financing facilities	9,713	9,713	9,880
Revolving credit	9,500	9,500	9,500
	19,213	19,213	19,380

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.

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
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**
2020					
Financial assets at amortised cost	71,270	—	(5,530)	4,635	70,375
Financial liabilities at amortised cost	—	(828)	—	(3,408)	(4,236)
Total	71,270	(828)	(5,530)	1,227	66,139

30. FINANCIAL INSTRUMENTS (CONTINUED)

Gains and losses arising from financial instruments (continued)

Company	Interest income RM'000	Interest expense RM'000	Impairment loss RM'000	Others RM'000	Total RM'000
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**
2020					
Financial assets at amortised cost	66,009	—	(2,532)	4,726	68,203
Financial liabilities at amortised cost	—	—	—	(3,408)	(3,408)
Total	66,009	—	(2,532)	1,318	64,795

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.

31. CAPITAL MANAGEMENT

The Group defines capital as total 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 shareholders' 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 2021 is 2.1:100 (2020: 3.1:100).

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.

32. HOLDING AND ULTIMATE HOLDING COMPANY

The holding company as well as ultimate holding company is Petroliam Nasional Berhad ("PETRONAS"), a company incorporated in Malaysia.

33. SUBSIDIARIES AND ACTIVITIES

	Effective ownership interest and voting interest		Principal Activities
	2021	2020	
Companies incorporated in Malaysia			
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
PETRONAS Lubricants Marketing (Malaysia) Sdn. Bhd.	**100%**	100%	To market and distribute petroleum products.
PETRONAS Aviation Sdn. Bhd.	**100%**	100%	To provide technical consultancy services.
Setel Ventures Sdn. Bhd.	**100%**	100%	To provide a seamless payment solution.
Setel Express Sdn. Bhd. (formerly known as D-Two Couriers (M) Sdn. Bhd.)	**100%**	–	Engaged in the business of courier services, general carriers and forwarding agents.
***Mesra Retail & Cafe Sdn. Bhd.	**100%**	–	Managing and oversee the operations of Mesra C-stores, food & beverage and PDB's petrol station.
Company incorporated in Netherlands			
**PDB (Netherlands) B.V.	**100%**	100%	To hold activities and hold investment in any business of marketing and distributing lubricants.
Company incorporated in Thailand			
*PETRONAS International Marketing (Thailand) Co., Ltd.[1]	**–**	100%	To market and distribute lubricants.

* Audited by firm of auditors other than KPMG PLT. The subsidiary was divested during the financial year (refer to Note 23).

** 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.

*** Consolidated based on management accounts as Section 248 of Companies Act 2016 allows newly incorporated companies to prepare financial statements within 18 months from the date of its incorporation.

[1] Directly owned by PDB (Netherlands) B.V.

34. ASSOCIATES AND ACTIVITIES

	Effective ownership interest and voting interest		
	2021	2020	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.

35. JOINT VENTURES AND ACTIVITIES

	Effective ownership interest and voting interest		
	2021	2020	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.
Company incorporated in Kingdom of Saudi Arabia			
*United Fuel Company Limited (Limited Liability Company)[2]	**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.
[2] Interest owned by PETRONAS Aviation Sdn. Bhd.

36. 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 2021

Amendments to MFRS 7 *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*, MFRS 9 *Financial Instruments*, MFRS 16 *Leases (Interest Rate Benchmark Reform – Phase 2)* and MFRS 139 *Financial Instruments: Recognition and Measurement*.

Effective for annual periods beginning on or after 1 April 2021

Amendment to MFRS 16 *Leases (COVID-19 Related Rent Concessions beyond 30 June 2021)*

The principal changes in accounting policies and their effects are set out below:

Amendments to MFRS 7 *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*, MFRS 9 *Financial Instruments*, MFRS 16 *Leases (Interest Rate Benchmark Reform – Phase 2)* and MFRS 139 *Financial Instruments: Recognition and Measurement*.

The amendments provide practical expedients whereby modifications due to changes in interest rate benchmark resulting from interest rate benchmark reform, would only require an update to the effective interest rate to reflect the change in the interest rate benchmark and would not result in derecognition or adjustment to the carrying amount of financial instruments and leases. The amendments also provide practical reliefs for hedge accounting requirements.

These amendments had no material impact on the consolidated financial statements of the Group and the Company. The Group and the Company intend to use the practical expedients in future periods if they become applicable. As at reporting date, transitional activities are currently ongoing, and the Group and the Company have no transactions for which the benchmark rate had been replaced with an alternative benchmark rate.

The initial application of the above-mentioned pronouncements did not have any material impact to the financial statements of the Group and the Company.

37. 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 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)*

37. PRONOUNCEMENTS YET IN EFFECT (CONTINUED)

Effective for annual periods beginning on or after 1 January 2023

Amendments to MFRS 101 *Presentation of Financial Statements (Classification of Liabilities as Current or Non-current)*
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 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.

38. NEW AND REVISED PRONOUNCEMENTS NOT APPLICABLE TO THE GROUP AND THE COMPANY

The MASB has issued pronouncements which is 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)*

Effective for annual periods beginning on or after 1 January 2023

MFRS 17 *Insurance Contracts*
Amendments to MFRS 17 *Insurance Contracts*
Amendment to MFRS 17 *Insurance Contracts (Initial Application of MFRS 17 and MFRS 9 – Comparative Information)*

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 2021 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 290 to 368.

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 2021, 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' *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 315 (Note 2.18 Significant Accounting Policies) and page 339 (Note 18) to the financial statements.

The key audit matter

The main revenue streams of the Group are split into retail and commercial. 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 Technology auditor to test the overall general Information Technology control environment and application controls relevant to recognition of commercial and retail 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.

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.

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 (CONTINUED)

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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Notes 31 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 2022

ANALYSIS OF SHAREHOLDINGS

as at 22 February 2022

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	1,001	12.63	4,705	0.00
100 – 1,000	2,233	28.17	1,313,719	0.13
1,001 – 10,000	4,034	50.90	10,809,550	1.09
10,001 – 100,000	453	5.71	14,897,378	1.50
100,001 to less than 5% of issued shares	203	2.56	225,245,048	22.67
5% and above of issued shares	2	0.03	741,183,600	74.61
TOTAL	**7,926**	**100.00**	**993,454,000**	**100.00**

CLASSIFICATION OF SHAREHOLDERS

	No. of Shareholders		No. of Shares		% of Total Shareholdings	
Category	**Malaysian**	**Foreign**	**Malaysian**	**Foreign**	**Malaysian**	**Foreign**
• Individuals	6,401	67	14,626,830	247,041	1.47	0.03
• Body Corporate						
a. Banks/Finance Companies	28	1	111,638,200	53,400	11.24	0.01
b. Investment Trusts/ Foundation/Charities	0	0	0	0	0.00	0.00
c. Other types of companies	175	4	2,461,202	44,000	0.24	0.00
• Government Agencies/ Institutions	7	0	7,418,300	0	0.75	0.00
• Nominees	683	560	781,022,085	75,942,942	78.62	7.64
• Others	0	0	0	0	0.00	0.00
TOTAL	**7,294**	**632**	**917,166,617**	**76,287,383**	**92.32**	**7.68**

ANALYSIS OF SHAREHOLDINGS

as at 22 February 2022

LIST OF SUBSTANTIAL SHAREHOLDERS

Substantial Shareholders	Direct		Indirect	
	No. of Shares	% of Total Shareholding	No. of Shares	% of Total Shareholding
CIMB Group Nominees (Tempatan) Sdn. Bhd.				
(Exempt AN for Petroliam Nasional Berhad)	635,000,400	63.92	Nil	Nil
(Exempt AN for Petroliam Nasional Berhad (PRF))	200,900	0.02	Nil	Nil
TOTAL	635,201.300	63.94	Nil	Nil
Citigroup Nominees (Tempatan) Sdn. Bhd.				
(Employees Provident Fund Board)	115,658,400	11.64	Nil	Nil

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.	Ahmad Adly Alias	Nil	Nil	Nil	Nil
8.	Arni Laily Anwarrudin	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.	Farzlina Ahmad Murad	Nil	Nil	Nil	Nil
3.	Koh Tat Chong	Nil	Nil	Nil	Nil
4.	Khalil Jaffri Muhammad Muri	Nil	Nil	Nil	Nil
5.	Mazlin Erawati Ab Manan	Nil	Nil	Nil	Nil
6.	Ramzulhakim Ramli	Nil	Nil	Nil	Nil
7.	Pramela Vallinayagan	Nil	Nil	Nil	Nil
8.	Hardeep Singh Kirpal Singh	Nil	Nil	Nil	Nil
9.	Normah Basri	Nil	Nil	Nil	Nil
10.	Ahmad Munir Akram Ahmad Faiz	Nil	Nil	Nil	Nil
11.	Suria Kamarul Baharin	Nil	Nil	Nil	Nil
12.	Norliana Aida Ramli	Nil	Nil	Nil	Nil
13.	Mohd Imran M. Ashraf	Nil	Nil	Nil	Nil
14.	Rosnan Hamzah	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.*

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*	106,183,200	10.69
3.	AMANAH RAYA TRUSTEES BERHAD *AMANAH SAHAM BUMIPUTERA*	48,598,500	4.89
4.	AMANAH RAYA TRUSTEES BERHAD *AMANAH SAHAM MALAYSIA*	15,535,900	1.56
5.	CARTABAN NOMINEES (ASING) SDN. BHD. *EXEMPT AN FOR STATE STREET BANK & TRUST COMPANY (WEST CLT OD67)*	10,622,100	1.07
6.	AMANAH RAYA TRUSTEES BERHAD *AMANAH SAHAM MALAYSIA 2 – WAWASAN*	9,266,700	0.93
7.	PERMODALAN NASIONAL BERHAD	7,524,700	0.76
8.	LEMBAGA TABUNG HAJI	6,380,000	0.64
9.	PERTUBUHAN KESELAMATAN SOSIAL	5,958,700	0.60
10.	AMANAH RAYA TRUSTEES BERHAD *AMANAH SAHAM BUMIPUTERA 2*	5,589,700	0.56
11.	CARTABAN NOMINEES (TEMPATAN) SDN. BHD. *PAMB FOR PRULINK EQUITY FUND*	5,119,600	0.52
12.	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. *GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 1)*	5,033,500	0.51
13.	HSBC NOMINEES (ASING) SDN. BHD. *JPMCB NA FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND*	4,789,407	0.48
14.	AMANAH RAYA TRUSTEES BERHAD *AMANAH SAHAM MALAYSIA 3*	4,344,000	0.44
15.	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. *EMPLOYEES PROVIDENT FUND BOARD (AFFIN-HWG)*	4,207,000	0.42

ANALYSIS OF SHAREHOLDINGS

as at 22 February 2022

No.	Name	No. of Shares	% of Total Shares
16.	HSBC NOMINEES (ASING) SDN. BHD. *JPMCB NA FOR VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND*	3,845,140	0.39
17.	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. *MAYBANK TRUSTEES BERHAD FOR PUBLIC ITTIKAL FUND (N14011970240)*	3,000,000	0.30
18.	AMANAH RAYA TRUSTEES BERHAD *AMANAH SAHAM BUMIPUTERA 3 – DIDIK*	2,635,100	0.27
19.	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. *EMPLOYEES PROVIDENT FUND BOARD (CIMB PRIN)*	2,500,000	0.25
20.	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. *MAYBANK TRUSTEES BERHAD FOR PUBLIC REGULAR SAVINGS FUND (N14011940100)*	2,432,000	0.24
21.	AMANAH RAYA TRUSTEES BERHAD *PUBLIC ISLAMIC DIVIDEND FUND*	2,104,400	0.21
22.	DB (MALAYSIA) NOMINEE (ASING) SDN. BHD. *BNYM SA/NV FOR PEOPLE'S BANK OF CHINA (SICL ASIA EM)*	2,094,300	0.21
23.	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. *SETIAUSAHA KERAJAAN PULAU PINANG*	2,000,000	0.20
24.	STATE FINANCIAL SECRETARY SARAWAK	2,000,000	0.20
25.	STATE SECRETARY KEDAH INCORPORATED	1,800,000	0.18
26.	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. *GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 3)*	1,732,400	0.17
27.	HSBC NOMINEES (ASING) SDN. BHD. *J.P. MORGAN SECURITIES PLC*	1,698,000	0.17
28.	AMANAH RAYA TRUSTEES BERHAD *PUBLIC ISLAMIC EQUITY FUND*	1,674,700	0.17
29.	DB (MALAYSIA) NOMINEE (ASING) SDN. BHD. *BNYM SA/NV FOR PEOPLE'S BANK OF CHINA*	1,666,600	0.17
30.	HSBC NOMINEES (ASING) SDN. BHD. *JPMCB NA FOR BLACKROCK INSTITUTIONAL TRUST COMPANY, N.A. INVESTMENT FUNDS FOR EMPLOYEE BENEFIT TRUSTS*	1,581,900	0.16

NET BOOK VALUE OF LAND AND BUILDINGS OF THE COMPANY

as at 31 December 2021

	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	284,690	93	19,678,893	697,060	209	23,966,965	196,034
NORTHERN REGION	192,282	86	3,741,189	49,233	41	5,689,004	241,514	127	9,430,193	99,390
SOUTHERN REGION	362,986	139	5,521,997	79,058	45	1,664,964	442,044	184	7,186,962	114,096
EAST COAST REGION	68,351	37	1,593,158	37,132	55	1,955,778	105,482	92	3,548,935	66,952
SARAWAK	11,721	4	183,095	24,587	36	1,441,916	36,308	40	1,625,011	34,993
SABAH	215	1	49,223	31,821	37	2,534,198	32,036	38	2,583,421	27,477
Grand Total	**1,047,924**	**383**	**15,376,734**	**506,521**	**307**	**32,964,754**	**1,554,444**	**690**	**48,341,488**	**538,943**

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	–	–	–	–	181	–	3	184
EAST COAST REGION	–	–	1	–	86	–	5	92
SARAWAK	3	–	–	–	37	–	–	40
SABAH	3	–	–	–	33	–	2	38
Grand Total	**9**	**2**	**1**	**1**	**652**	**1**	**24**	**690**

** This represents usage of freehold and leasehold land belonging to the Company.*

LIST OF TOP 10 LANDED PROPERTIES

as at 31 December 2021

Name of facilities and location	Net Book Value (RM)
LUMUT FUEL TERMINAL Lumut Port Industrial Park, Kg Acheh, 32000 Sitiawan, Perak	9,002,262
PSS SEMABOK PERDANA Lot 1366/1367 75050 Semabok Perdana, Melaka	7,536,508
PASIR GUDANG LPG BOTTLING PLANT Lot 108, Lorong Sawit 2, Kawasan Pelabuhan Johor, 81700 Pasir Gudang, Johor	7,324,551
PSS JLN KOLAM AYER AMPANG Lot 36904, Jalan Kolam Air Lama, 68000 Ampang, Kuala Lumpur	7,241,293
PSS LEBUH SPA PT 9921 76100 Mukim Durian Tunggal, Melaka	5,614,967
PSS LEBUHRAYA SILK DENGKIL Lot 44116, KM 26.8 Lebuhraya Silk (Arah Kajang), 43300 Seri Kembangan, Selangor	5,481,380
PRAI LPG BOTTLING PLANT Lot 93, Prai Industrial Area, 13600 Prai, Penang	5,169,559
PSS BANDAR SUNGAI MERAB Lot PT 2, Bandar Sungai Merab, 43000 Sepang, Selangor	4,972,176
PSS PLUS/BESRAYA HIGHWAY KM 305, PLUS Arah Selatan, Lot 896, GRN 46223, Mukim Kajang, 43650 Hulu Langat, Selangor	4,700,050
PSS PERSIARAN SETIA Lot PT 33442 Setia Alam, 40170 Bukit Raja, Selangor	4,426,329

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

Nirmala Doraisamy
Independent Non-Executive Director

Tang Saw Hua
Independent Non-Executive Director

Ahmad Adly Alias
Non-Independent Non-Executive Director

Arni Laily Anwarrudin
Non-Independent Non-Executive Director

BOARD AUDIT COMMITTEE
Tang Saw Hua *(Chairman)*
Nirmala Doraisamy
Arni Laily Anwarrudin

NOMINATION AND REMUNERATION COMMITTEE
Shafie Shamsuddin *(Chairman)*
Alvin Michael Hew Thai Kheam
Tang Saw Hua

BOARD RISK COMMITTEE
Alvin Michael Hew Thai Kheam *(Chairman)*
Shafie Shamsuddin
Nirmala Doraisamy
Tang Saw Hua

SENIOR INDEPENDENT DIRECTOR
Shafie Shamsuddin
Email: shafie.shamsuddin@petronas.com.my

COMPANY SECRETARIES
Wong Lay See
(SSM Practising Certificate No. 201908000304) (MAICSA 7018684)
Yeap Kok Leong
(SSM Practising Certificate No. 202008001750) (MAICSA 0862549)

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

SHARE REGISTRARS
Boardroom Share Registrars Sdn. Bhd.
(Registration No.: 199601006647 (378993-D))
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13, 46200 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel : (+603) 7890 4700 (Helpdesk)
Fax : (+603) 7890 4670
Email : BSR.Helpdesk@boardroomlimited.com

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
Email : 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.*

CORPORATE DIRECTORY



HEAD OFFICE

1 Level 27-32, Tower 1
PETRONAS Twin Towers
Kuala Lumpur City Centre
50088 Kuala Lumpur
Tel : (+603)-2051 5000

REGIONAL OFFICES

2 **Northern Region**
Lot No. 93
Prai Industrial Estate
13600, Prai, Pulau Pinang
Tel : (+604)-390 7291/7201
Fax: (+604)-399 0211

3 **Southern Region**
2nd Floor
Bangunan PETRONAS
Lot 12106, Bandar Baru UDA
KM 7, Jalan Skudai
81200, Johor Bahru, Johor
Tel : (+607)-233 6000
Fax: (+607)-233 6001

4 **Eastern Region**
A-39 and A-43, 2nd Floor
Jalan Haji Abdul Aziz
25000, Kuantan, Pahang
Tel : (+609)-513 7022/7099
Fax: (+609)-514 4040

5 **Sarawak Region**
4th Floor, Wisma Naim
Lot 2679, Jalan Rock
93200, Kuching, Sarawak
Tel : 1 300 88 8181

Sabah Region
6 Lot 7AF08-7AF13
Block A, Level 7
Karamunsing Complex
88300, Kota Kinabalu, Sabah
Tel : (+6088)-525 777

GRI CONTENT INDEX

GRI Standards	Brief Description of the Disclosures	Page number(s)
Organisational Profile		
102-1	Name of the organisation	4
102-2	Activities, brands, products and services	8-13
102-3	Location of headquarters	382
102-4	Location of operations	20-21
102-5	Ownership and legal form	18-19
102-6	Markets served	8-13
102-7	Scale of the organisation	20-21
102-8	Information on employees and other workers	258-259
102-9	Supply chain	22-23
102-11	Precautionary Principle or approach	194-207
Strategy		
102-14	Statement from senior decision-maker	30-45
Ethics and Integrity		
102-16	Values, principles, standards, and norms of behaviour	5
Governance		
102-18	Governance structure	219
102-21	Consulting stakeholders on economic, environmental, and social topics	64-67
102-31	Review of economic, environmental, and social topics	213-215
102-32	Highest governance body's role in sustainability reporting	219
Stakeholder Engagement		
102-40	List of stakeholder groups	64-67
102-41	Collective bargaining agreements	268
102-42	Identifying and selecting stakeholders	64-67
102-43	Approach to stakeholder engagement	64-67
102-44	Key topics and concerns raised	64-67
Reporting Practice		
102-45	Entities included in the consolidated financial statements	364-366
102-46	Defining report content and topic boundaries	211
102-47	List of material topics	73-79
102-48	Restatements of information	73
102-50	Reporting period	i
102-51	Date of most recent report	i
102-52	Reporting cycle	i
102-54	Claims of reporting in accordance with the GRI Standards	211
102-55	GRI content index	383-384
102-56	External assurance	238, 369-372, 387
Management Approach		
103-1	Explanation of the material topic and its boundary	73
103-2	The management approach and its components	73
103-3	Evaluation of the management approach	73-79

GRI CONTENT INDEX

GRI Standards	Brief Description of the Disclosures	Page number(s)
	Topic-Specific Disclosures	
201-1	Direct economic value generated and distributed	222-233
201-2	Financial implications and other risks and opportunities due to climate change	236
202-2	Proportion of senior management hired from the local community	124-138
203-1	Infrastructure investments and services supported	225-227
203-2	Significant indirect economic impacts	224
204-1	Proportion of spending on local suppliers	223
205-2	Communication and training about anti-corruption policies and procedures	264-265
302-1	Energy consumption within the organisation	238
303-1	Water withdrawal by source	247
303-3	Water withdrawal	247
303-5	Water consumption	247
305-1	Direct (Scope 1) GHG emissions	238
305-2	Energy indirect (Scope 2) GHG emissions	238
305-3	Other indirect (Scope 3) GHG emissions	239
305-5	Reduction of GHG emission	240-243
306-1	Water discharge by quality and destination	244
306-2	Waste by type and disposal method	245-246
306-3	Significant spills	244
306-4	Waste diverted from disposal	245-246
306-5	Waste directed to disposal	245-246
307-1	Non-compliance with environmental laws and regulations	244
308-2	Negative environmental impacts in the supply chain and actions taken	248
401-1	New employee hires and employee turnover	258-259
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	260
401-3	Parental leave	260
403-1	Workers representation in formal joint management-worker health and safety committees	252
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	253
403-4	Worker participation, consultation, and communication on occupational health and safety	254
403-5	Worker training on occupational health and safety	255-257, 269-270
403-6	Promotion of worker health	258
404-1	Average hours of training per year per employee	269
404-2	Programmes for upgrading employee skills and transition assistance programmes	269-272
405-1	Diversity of governance bodies and employees	259
405-2	Ratio of basic salary and remuneration of women to men	268
406-1	Incidents of discrimination and corrective actions taken	268
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	266-268
412-2	Employee training on human rights policies or procedures	267
413-1	Operations with local community engagement, impact assessments, and development programmes	273-276

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
BRC	Board 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
IPIECA	International Petroleum Industry Environmental Conservation Association
IPCC	Intergovernmental Panel on Climate Change
IR	Investor Relations
ISO	International Organization 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 2017	Malaysian Code on Corporate Governance 2017
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	PETRONAS International 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

INDEPENDENT ASSURANCE STATEMENT

to PETRONAS

ERM Certification and Verification Services (ERM CVS) was engaged by PETROLIAM NASIONAL BERHAD ('PETRONAS') to provide assurance on the greenhouse gas (GHG) emissions of PETRONAS Dagangan Berhad ('PDB') for the calendar years ending 31st December 2017, 2018, 2019 and 2020 as disclosed in PDB's Integrated Report 2021.

Engagement Summary	
Scope	Whether the consolidated corporate GHG emissions data for PETRONAS Dagangan Berhad for the period 1st January – 31st December 2017, 2018, 2019 and 2020 for PDB and Natural Gas Vehicles (NGV) Operations combined, PDB operations (excluding NGV), and NGV only, are, in all material respects, fairly presented in accordance with the reporting criteria. The GHG emissions inventory, reported on an operational control basis and covering emissions of CO_2, N_2O and CH_4, includes: • Total Scope 1 Direct GHG emissions from stationary fuel combustion, mobile fuel combustion, and fugitive sources. • Total Scope 2 Indirect GHG emissions (location-based) from purchased electricity.
Reporting criteria	PETRONAS Technical Standard – Greenhouse Gas Monitoring, Reporting and Verification (PTS 18.72.05, December 2018 version).
Verification standard	ISO 14064-3:2006: Specification with guidance for the validation and verification of greenhouse gas assertions
Level of Assurance	Limited assurance.
Respective responsibilities	PDB is responsible for preparing the GHG emissions data and for the presentation of the information in its Integrated Report 2021. ERM CVS's responsibility is to provide conclusions on the agreed scope based on the verification activities performed and exercising our professional judgement.

Our conclusion

Based on our activities, nothing has come to our attention to indicate that the following total Scope 1 and Scope 2 GHG emissions data of PETRONAS Dagangan Berhad, for PDB and Natural Gas Vehicles (NGV) Operations combined, PDB operations (excluding NGV), and NGV only for the calendar years ending 31st December 2017, 2018, 2019 and 2020, as disclosed in PDB's Integrated Report 2021, are not fairly presented, in all material respects, with the reporting criteria:

Total Scope 1 and Scope 2 GHG Emissions Verified (Metric Tonnes CO2e) – PDB and NGV Operations

2017: 179.5 *thousand* tonnes CO_2e

2018: 179.6 *thousand* tonnes CO_2e

2019: 176.4 *thousand* tonnes CO_2e

2020: 149.6 *thousand* tonnes CO_2e

Breakdown:

1. *Scope 1 and Scope 2 GHG Emissions Verified (Metric Tonnes CO2e) – PDB Operations excluding NGV:*

2017: *157.7 thousand tonnes CO_2e*

2018: *160.5 thousand tonnes CO_2e*

2019: *163.2 thousand tonnes CO_2e*

2020: *142.1 thousand tonnes CO_2e*

2. *Scope 1 and Scope 2 GHG Emissions Verified (Metric Tonnes CO2e) – NGV only*

2017: *21.8 thousand tonnes CO_2e*

2018: *19.1 thousand tonnes CO_2e*

2019: *13.2 thousand tonnes CO_2e*

2020: *7.5 thousand tonnes CO_2e*

Our verification activities

Our objective was to assess whether the GHG emissions data are reported in accordance with the principles of relevance, completeness, consistency, transparency and accuracy. We planned and performed our work to obtain all the information and explanations that we believe were necessary to provide a basis for our conclusion. A team of GHG and verification specialists performed the following activities:

- Reviews of relevant documentation and interviews with PETRONAS Downstream business unit and PDB corporate personnel to understand PETRONAS' GHG accounting and reporting processes, including the alignment of PETRONAS' Technical Standard (PTS 18.72.05) with ISO 14064-1, and the GHG data management and reporting systems and tools;
- An analytical review of the 2017, 2018, 2019 and 2020 GHG emissions data from all PETRONAS Dagangan Berhad operations, including from its fuel terminals, service stations, fuel delivery fleet, offices and natural gas vehicle ('NGV') stations, and a check on the completeness and accuracy of the data consolidation at the PDB corporate level;
- An evaluation of the data management systems and processes (including data collection and internal review processes) used for collecting and reporting the GHG data;
- A desk-based review of evidence for samples of activity data underlying the GHG emissions for each of 2017, 2018, 2019 and 2020;
- A review of the calculation of the GHG emissions from the underlying activity data, including a review of the conversion factors and emission factors used; and
- A review of the internal GHG verifications carried out by PDB during the 2017-2020 period, including a review of the status of the findings from those verifications.

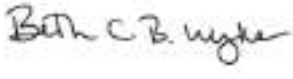
The limitations of our engagement

The reliability of the verified data is subject to inherent uncertainties, given the available methods for determining, calculating or estimating the underlying information. It is important to understand our assurance conclusions in this context.

Our verification activities on the 2017, 2018, 2019 and 2020 GHG emissions data were carried out through a combination of desk-based reviews of data and supporting evidence, and virtual interviews and meetings with the PETRONAS Downstream business unit and PDB corporate-level GHG accounting and reporting teams. We did not undertake any in-person visits to PDB operations.

Our observations

Based on the work outlined above, we have provided PDB management with a separate, confidential verification report detailing our assessment of its GHG emissions data for the calendar years ending 31st December 2017, 2018, 2019 and 2020.



31 December 2021
Beth Wyke
Partner, Head of Corporate Assurance

ERM Certification and Verification Services
www.ermcvs.com

ERM CVS is a member of the ERM Group. The work that ERM CVS conducts for clients is solely related to independent assurance activities and auditor training. Our processes are designed and implemented to ensure that the work we undertake with clients is free from bias and conflict of interest. ERM CVS and the staff that have undertaken work on this assurance exercise provide no consultancy related services to PETRONAS in any respect.

NOTICE OF 40TH ANNUAL GENERAL MEETING

PETRONAS DAGANGAN BERHAD
Registration No. 198201008499 (88222-D)
(INCORPORATED IN MALAYSIA)

NOTICE IS HEREBY GIVEN THAT the 40th Annual General Meeting (AGM) of PETRONAS Dagangan Berhad will be held fully virtual through live streaming via a remote participation and voting facilities at the Broadcast Venue, Meeting Rooms 406 – 407 (Virtual Studio), Level 4, Kuala Lumpur Convention Centre, Kuala Lumpur City Centre, 50088 Kuala Lumpur on Monday, 25 April 2022 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 2021 together with the Reports of the Directors and Auditors thereon. *Please refer to Explanatory Note A*	
2.	To re-elect Arni Laily Anwarrudin who retires in accordance with Article 100 of the Company's Constitution and being eligible, offers herself for re-election. *Please refer to Explanatory Note B*	**(Resolution 1)**
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) Azrul Osman Rani (b) Nirmala Doraisamy *Please refer to Explanatory Note B*	 **(Resolution 2)** **(Resolution 3)**
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 26 April 2022 until the next annual general meeting of the Company. *Please refer to Explanatory Note C*	**(Resolution 4)**
5.	To approve the re-appointment of KPMG PLT, as Auditors of the Company for the financial year ending 31 December 2022 and to authorise the Directors to fix their remuneration. *Please refer to Explanatory Note D*	**(Resolution 5)**
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 40th AGM, the Company shall be requesting the Record of Depositors as at 18 April 2022. Only a depositor whose name appears on the Record of Depositors as at 18 April 2022 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

WONG LAY SEE (SSM Practicing Certificate No. 201908000304) (MAICSA 7018684)
YEAP KOK LEONG (SSM Practicing Certificate No. 202008001750) (MAICSA 0862549)
Company Secretaries

Kuala Lumpur
25 March 2022

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 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 40TH ANNUAL GENERAL MEETING

PETRONAS DAGANGAN BERHAD
Registration No. 198201008499 (88222-D)
(INCORPORATED IN MALAYSIA)

(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 **ALL** the particulars as required in the proxy form are completed, signed and dated accordingly.

(i) Last date and time for lodging the proxy form is Saturday, 23 April 2022, 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 40th AGM and any adjournment thereof.

3. 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 40th AGM will be put to vote as a poll.

4. EXPLANATORY NOTES

Note A

Audited Financial Statements for the Financial Year Ended 31 December 2021

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 Director 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 Arni Laily Anwarrudin was appointed after the last AGM held on 28 April 2021, she will be retiring under Article 100 of the Company's Constitution. She is eligible for re-election and have also given her 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 40th AGM, two directors will be retiring in accordance with Article 107 of the Company's Constitution. They are Azrul Osman Rani and Nirmala Doraisamy, 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 40th 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 2021 (FY2021) for the Director's performance and contribution.

Based on the results of the BEE conducted for FY2021, the performance 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 126 to 131 (inclusive) of the Integrated Report 2021.

NOTICE OF 40TH ANNUAL GENERAL MEETING

PETRONAS DAGANGAN BERHAD
Registration No. 198201008499 (88222-D)
(INCORPORATED IN MALAYSIA)

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 28 April 2021 approved the Directors' fees and allowances of up to an amount of RM2,500,000 for the period from 29 April 2021 until the next AGM of the Company. The actual Directors' fees and other benefits paid to NEDs for the said period was RM1,773,672.04.

The Directors' fees and allowances for NEDs for the period from 26 April 2022 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 FY 2021 is disclosed in the Corporate Governance Report 2021, 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, sustainability and independence of external auditors based on the following four key areas:

(a) Quality of the audit 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 2022 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 2022 recommended the re-appointment of KPMG PLT as External Auditors of the Company for the financial year ending 31 December 2022 for approval of the shareholders under Resolution 5.

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 40TH ANNUAL GENERAL MEETING (AGM)
OF PETRONAS DAGANGAN BERHAD (THE COMPANY)

Date	:	Monday, 25 April 2022
Time	:	10.00 a.m.
Broadcast Venue	:	Meeting Rooms 406 - 407 (Virtual Studio), Level 4, Kuala Lumpur Convention Centre, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia

PRECAUTIONARY MEASURES AGAINST THE CORONAVIRUS DISEASE (COVID-19)

- The Securities Commission Malaysia had, on 16 July 2021, issued a revised Guidance Note on the Conduct of General Meetings for Listed Issuers stating various modes of conducting general meetings for areas with movement restriction subject to the requirements under the prevailing and applicable Standard Operating Procedure ("SOPs") (Revised Guidance Note). The Revised Guidance Note further states that listed issuers are encouraged to continue leveraging technology to conduct their general meetings beyond the Movement Control Order in accordance with the recommendation stated under Practice 13.3 of the Malaysian Code on Corporate Governance 2021.

- In line with the Government's directive and Revised Guidance Note, the Company will conduct the 40th 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 40th 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 40th 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 40th AGM.

- In view of the uncertainties and the surge in COVID-19 infections, the Company will have to observe the guidelines or new procedures as may be issued by the Government from time to time, which may affect the administration of the 40th AGM as set out in this Administrative Guide. If there is any material change required to the proceeding of the meeting, the Company will issue announcement, and please check the Company's corporate website for the latest updates on the status of the 40th 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 40th 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 40TH 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 40th AGM using the RPV facilities:

	Procedure	Action
		BEFORE THE 40TH 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 40th AGM remotely	• **Registration is open from 10.00 a.m. on Friday, 25 March 2022 until the day of 40th AGM on Monday, 25 April 2022.** Shareholder(s) or proxy(ies) or corporate representative(s) or attorney(s) are required to pre-register their attendance for the 40th AGM to ascertain their eligibility to participate the 40th 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 40TH 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 18 April 2022, the system will send you an e-mail after 23 April 2022 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 40TH AGM DAY
i.	Login to TIIH Online	Login with your user ID and password for remote participation at the 40th AGM at any time from **9.00 a.m.** i.e. 1 hour before the commencement of meeting at **10.00 a.m. on Monday, 25 April 2022.**
ii.	Participate through Live Streaming	• Select the corporate event: **(Live Stream Meeting) PETRONAS DAGANGAN BERHAD 40TH AGM** to engage in the proceedings of the 40th 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 40th 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 Monday, 25 April 2022** until a time when the Chairman announces the end of the session. • Select the corporate event: **(Remote Voting) PETRONAS DAGANGAN BERHAD 40TH 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 40th 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 18 April 2022 shall be eligible to participate at the 40th AGM or appoint a proxy(ies) and/or the Chairman of the Meeting to participate on his/her behalf.

- In view that the 40th 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 40th AGM yourself, please do not submit any proxy form for the 40th AGM. You will not be allowed to participate in the 40th 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 40th AGM and any adjournment thereof.

ADMINISTRATIVE GUIDE

FOR THE 40TH 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 40th AGM whether in hard copy or by electronic means shall be deposited or submitted with Tricor in the following manner not later than **Saturday, 23 April 2022 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 40TH 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.

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 40TH 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 40TH 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 40th AGM will be conducted 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 40th 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 40TH ANNUAL GENERAL MEETING (AGM)
OF PETRONAS DAGANGAN BERHAD (THE COMPANY)

RESULTS OF THE VOTING

- The resolutions proposed at the 40th AGM and the results of the voting will be announced at the 40th 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 40th AGM is a valuable opportunity for the Board to engage with shareholders. In order to enhance the efficiency of the proceedings of the 40th AGM, shareholders may in advance, before the 40th 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 **Saturday, 23 April 2022 at 10.00 a.m.** The Board of Directors will endeavour to address the questions received at the 40th AGM.

- Alternatively, you may also send your questions for the 40th AGM to the following email address: Investor Relations: petdagIR@petronas.com

INTEGRATED REPORT 2021

- The Integrated Report 2021 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 2021 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 2021. 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 40TH ANNUAL GENERAL MEETING

PETRONAS

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 40th Annual General Meeting (AGM) of the Company which will be held fully virtual through live streaming via a remote participation and voting facilities at the Broadcast Venue, Meeting Rooms 406 – 407 (Virtual Studio), Level 4, Kuala Lumpur Convention Centre, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia on **Monday, 25 April 2022** 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 Arni Laily Anwarrudin as a Director		
2	Re-election of Azrul Osman Rani as a Director		
3	Re-election of Nirmala Doraisamy as a Director		
4	Approval of Directors' fees and allowances payable to the Non-Executive Directors of up to an amount of RM2,600,000 with effect from 26 April 2022 until the next annual general meeting of the Company		
5	Re-appointment of KPMG PLT as Auditors of the Company		

Note:
* Please refer to the Notice of 40th 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: _____ 2022.

_____
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 ALL the particulars as required in the proxy form are completed, signed and dated accordingly.
9. Last date and time for lodging the proxy form is on Saturday, 23 April 2022 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 40th AGM and any adjournment thereof.

FOLD HERE

AFFIX
STAMP
HERE

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

FOLD HERE

PETRONAS DAGANGAN BERHAD
198201008499 (88222-D)

Level 27-32, Tower 1, PETRONAS Twin Towers, Kuala Lumpur City Centre, 50088 Kuala Lumpur
Tel: (03) 2051 5000

www.mymesra.com.my