



**PETRONAS**

Integrated  
Report  
**2021**



**Recharge**  
the **Future**

Passionate  
about Progress



## Cover Rationale

The sheer pace and magnitude of energy transition are rapidly shifting how the world consumes energy. Society is demanding for a lower-carbon future, demonstrating a critical movement for sustainability goals to become even more central for governments and corporations.

In fulfilling our responsibility as a progressive energy and solutions partner, PETRONAS is committed to providing energy that is affordable, secure and sustainable for Malaysia and our customers across the globe.

By working closely with our stakeholders, we ensure that the oil and gas as well as the cleaner energy solutions we produce along our integrated value chain, are delivered with sustainability at the heart of our efforts.

Anchored to our purpose of enriching lives for a sustainable future, let's progress forward together and recharge the future for a better tomorrow.

**We Aspire to Deliver  
on Our Purpose:**

**A Progressive  
Energy and  
Solutions Partner  
Enriching Lives  
for a Sustainable  
Future**

**Welcome to**

**the PETRONAS Integrated Report 2021**



# Our Three- Pronged Growth Strategy

## Maximising Cash Generators



Cash generators are existing assets which provide strong and stable cash flows. Protecting and maximising these assets are paramount to provide a solid base for profitability and a foundation for growth.



Malaysia Integrated  
Value Chain



International Asset



## Expanding Core Business



It is essential to expand the core business with a lower carbon footprint as it matures into becoming PETRONAS' new cash generator.

The strategies are as follows:



Deliver Material Resources



Monetise Unconventional Resources



Grow the Integrated Business Model and Expand Adjacencies



## Stepping Out



Global trends brought on by the Energy Transition are reshaping the energy landscape, consumption patterns and consumer preferences. PETRONAS continues to build capabilities and allocate resources to step-out beyond its current core business.



Specialty Chemicals



Customer-Centric Solutions



New Energy

# Our Sustainability Agenda

Sustainability is deeply rooted in our Statement of Purpose, "A progressive energy and solutions partner enriching lives for a sustainable future". As a purpose-driven organisation, sustainability considerations contribute directly to what we do as a business, how we operate and how we engage with employees, customers, suppliers, service providers, local communities, regulators, investors and other stakeholders.

Scientific findings on climate change are accelerating the pace of the energy transition which demands tangible and urgent actions to reduce greenhouse gas (GHG) emissions to the atmosphere. Recognising the signs early on, PETRONAS' leadership has taken progressive steps to position the organisation forward. The leadership team, together with a strong mandate from the Board, has announced our net zero carbon emissions by 2050 (NZCE 2050) aspiration, the first from an oil and gas company in Southeast Asia. We are making this pledge to make a positive change, not only to pursue new opportunities in the energy transition, but because a fundamental shift is needed, and the organisation wants to be part of the solution towards a more sustainable future.

In stepping up our sustainability efforts, PETRONAS is shaping our approach to net zero carbon emissions and deliver on our aspiration. In the process of developing our Paris Agreement-aligned pathways, we will be conducting a systematic climate risk evaluation and quantification, as well as reviewing our emissions baseline and strengthening our carbon management capabilities. In doing so, we aim to shape our wider ecosystem and catalyse national and regional green growth. We are continuously guided by our four sustainability lenses and seven prioritised United Nations' Sustainable Development Goals (SDGs).



## Lens

1

### Continued Value Creation

Drive long-term business value creation through responsible investments.

## Lens

2

### Safeguard the Environment

Collaboratively reduce environmental impact by transitioning to lower-carbon energy solutions and deploying innovative operations and technologies.

## Lens

3

### Positive Social Impact

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

## Lens

4

### Responsible Governance

Safeguard the organisation's commitment through strong governance mechanisms and ethical business practices.



## Our Sustainability Agenda

The delivery of our NZCE 2050 aspiration will build resilience and better prepare the organisation and Malaysian value chain for a sustainable future. As we decarbonise, we must also create social value and enable progress for society that will offer better prospects for more people, with the notion of leaving no one behind, thus promoting a Just Transition.

In pursuing our NZCE 2050 aspiration, we remain steadfast in achieving three short-term targets that were set in 2019:



### Our Short-Term Targets

#### Greenhouse Gas Emissions

Cap GHG emissions at **49.5 million tonnes** of carbon dioxide equivalent (MtCO<sub>2</sub>e) for our Malaysia operations **by 2024**.

#### Renewable Energy

Increase renewable energy capacity to **3,000 MW by 2024**.

#### Education Beneficiaries

Reach over **24,000 beneficiaries** through education programmes cumulatively between **2020 and 2024**.

As part of our broader efforts to achieve our NZCE 2050 aspiration, we are collaborating with various global organisations. In November 2021, we endorsed the World Bank's Zero Routine Flaring by 2030 Initiative and the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) to deliver greater transparency around actions on climate change.

The Zero Routine Flaring Initiative aims to end flaring of associated gas from oil production. We have pledged to avoid routine flaring in new field developments and end routine flaring at existing oil production sites by 2030. This is applicable to our upstream operations within operational control and excludes flaring sources due to safety and non-routine flaring. We will publicly report our flaring data on an annual basis, with our first disclosure targeted in 2023.

We have also announced our support towards the recommendations of the TCFD and will work to adopt the disclosure framework from 2023 onwards. We intend to proactively strengthen our reporting while shaping Malaysia's national climate-related risk disclosures.

In April 2021, we joined other oil and gas companies in submitting a letter of commitment to the World Economic Forum's Stakeholder Capitalism Metrics. We agreed to adopt the Stakeholder Capitalism Metrics in our reporting, promote the further convergence of existing environmental,

social and governance (ESG) frameworks and principles, as well as support the progress of a globally accepted solution for common ESG metrics. We have published the first PETRONAS disclosure on World Economic Forum Stakeholder Capitalism Metrics in our corporate website.

Meanwhile our membership in the World Business Council for Sustainable Development (WBCSD) helps us further align our efforts with global best practices, strengthen capacity and capability as well as raise awareness among leadership on sustainability. Our President and Group Chief Executive Officer, and Vice President and Chief Sustainability Officer are actively involved as Council Member and Liaison Delegate respectively. Additionally, our Executive Vice President and Chief Financial Officer is part of the WBCSD Chief Financial Officer (CFO) Network, and our Senior Vice President Group Human Resource Management is a member of the WBCSD Business Commission to Tackle Inequality.

Our President and Group Chief Executive Officer also chairs the CEO Action Network, a coalition of leaders of major Malaysian businesses that focus on sustainability advocacy, capacity building, action, and performance improvements.



**PETRONAS**

# What's Inside

We are pleased  
to present our

# 2021

Integrated Report





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# About This Report

## Dear Stakeholders,

We are pleased to present the PETRONAS Integrated Report 2021, which showcases our performance in creating financial and non-financial values for our stakeholders during the year. The report aims to offer a balanced assessment of our performance, progress and future direction. We continue to make great strides as a progressive energy and solutions partner; developing meaningful relationships with our stakeholders to create sustainable value and **Recharge the Future**.

While we are not a public listed company, we are committed to this process as a means of adding value for our stakeholders as it creates better visibility, transparency and allows an informed assessment of our operations.

## Scope and Boundaries

The PETRONAS Integrated Report is produced and published annually, covering the full calendar year from 1 January to 31 December 2021, unless stated otherwise. The report covers all our operations and activities across PETRONAS and its subsidiaries (PETRONAS Group), joint operations and associates.

This report extends beyond financial reporting. It includes our non-financial performance, governance, key strategies, material topics, risks and opportunities, as well as stakeholder value creation. The non-financial data in this report includes data from our owned and operated businesses, in line with industry best practices. It does not include data from equity interest fields/projects, such as joint ventures, where we do not have operational control. Those areas that we do not have operational control over are included in disclosures of the management approach.

## Reporting Frameworks

This report is guided by local and global standards, including:

- The International Integrated Reporting Council (IIRC) <IR> Framework, a principles-based approach that promotes the six capitals concept and considers material inputs as well as resources required to create and sustain value in the long term.
- International Financial Reporting Standards (IFRS).
- Malaysian Financial Reporting Standards (MFRS).
- Ipieca/API/IOPG Sustainability reporting guidance for the oil and gas industry.
- Global Reporting Initiative (GRI) Standards.
- World Economic Forum's Stakeholder Capitalism Metrics.

## Sustainability Reporting

We aim to embed sustainability consistently into our business strategy and decisions. We see this as an essential component of our value creation. By focusing on responsible environmental, social and governance (ESG) practices, we are better able to create long-term value for all stakeholders. With this in mind, this report includes our sustainability aspiration and performance aligned with

relevant international standards. Additionally, we seek to demonstrate how our business strategy and initiatives contribute to the United Nations' Sustainable Development Goals (SDGs).

## Forward-Looking Statements

This report contains forward-looking statements. Words such as "believe", "anticipate", "intend", "seek", "will", "plan", "could", "may", "endeavour" and similar expressions are intended to identify such forward-looking statements but are not the exclusive means of identifying such statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances and should be considered in light of the various important factors. While these forward-looking statements represent our judgements and future expectations, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from our expectations.

The key factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include changes to IFRS and associated interpretations, applications and practices as they apply to past, present and future periods; ongoing and future acquisitions; changes to domestic and international businesses and market conditions such as exchange rate and interest rate movements; changes in domestic and international regulatory and legislative environments; changes to domestic and international operational, social, economic and political conditions; any labour disruptions and industrial action; and the effects of both current and future litigations.

## Assurance

The financial information contained in this report, which has been extracted from the consolidated Audited Financial Statements for the financial year ended 31 December 2021, and was audited by KPMG PLT.

We have also completed third party verification for the Lifecycle Carbon Footprint (partial CFP) for PC Ethylene products by DNV, USA. This increases the credibility of internally conducted Life Cycle Assessment (LCA) towards our disclosure to stakeholders, particularly customers.