

Sustainability Disclosure

2nd Half 2020



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Letter from the Chairman, SD & HSSE Council



The year 2020 was undoubtedly a challenging period for many businesses including the oil and gas industry, having to navigate our way through a climate of low oil prices, and weakening demand compounded by the impact of the COVID-19 pandemic. Despite these challenges, an unparalleled opportunity was presented. The industry had shifted beyond oil and gas with the acceleration of energy transition, and PETRONAS aims to be a committed partner in this journey. We had set clear ambitions to support climate change while delivering value to our stakeholders.

In October 2020, PETRONAS announced its aspiration in becoming Net Zero Carbon Emissions (NZCE) by 2050. This aspiration serves as our North Star in providing cleaner energies to societies, for the betterment of the people and planet through climate-friendly solutions.

Our Statement of Purpose – to be 'A progressive energy and solutions partner enriching lives for a sustainable future' – demonstrates our commitment in delivering energy solutions that fuel progress in a responsible manner. This is guided by our Sustainability Lenses of Continued Value Creation, Safeguard the Environment, Positive Social Impact and Responsible Governance.

As we pursue cleaner energy solutions through innovative offerings and leveraging our technological advancements, collaboration will be the key driver for PETRONAS to grow our portfolio and support a green and clean agenda together with our partners.

This includes partnering with Sarawak Energy Berhad to provide measurable insights into the potential of a hydrogen supply chain in Asia. We also entered into the nation's largest long-term power purchase agreement with Tesco Stores (Malaysia) Sdn Bhd, now rebranded as Lotuss Stores Malaysia Sdn Bhd, to install solar rooftops at selected stores across Malaysia. In addition, we strengthened our global alliances with memberships to the World Business Council of Sustainable Development (WBCSD), BCSD (Malaysia), as well as Methane Guiding Principles (MGP) to fortify our pledge towards sustainable development.

Moving forward, innovative business models will be a key strategic driver for PETRONAS to further support our sustainability goals. We will continue to make progress in terms of disclosure in accordance with relevant standards and monitor our performance against established sustainability Environment, Social and Governance matrices.

Guided by our NZCE aspiration and Statement of Purpose, we will navigate the energy transition and drive change towards a better future.

A handwritten signature in black ink, appearing to read "Dzafri Sham Ahmad".

Dzafri Sham Ahmad

Chairman
SD & HSSE Council

Net Zero Carbon Emissions (NZCE) 2050 Aspiration

In October 2020, PETRONAS declared our aspiration to achieve Net Zero Carbon Emissions (NZCE) by 2050. For us, this means strengthening our corporate responsibility to produce affordable and reliable energy that bring positive impact to people, while balancing it with greater climate action.

With this aspiration, PETRONAS is embracing our role in providing access to affordable, secure and sustainable energy to businesses and society.

Our aspiration of achieving Net Zero Carbon Emissions by 2050 is grounded on the principles of Measure, Reduce and Offsets. While Scope 1 and Scope 2 emissions are measured and verified to meet the capping of our 49.5 mil tCO₂e target by 2024, we will continue to mitigate emissions through our strong base of Operational Excellence. This allows us to gradually reduce emissions as planned whilst increasing energy efficiencies through reduction of hydrocarbon flaring/venting/fuel gas usage from our operations.

We have also lined-up Carbon Offsets by means of energy-based technologies through renewables such as solar & hydrogen, and other low emission solutions such as circular economy and Nature-Based Solutions. This holistic approach is steered by our 4 Sustainability Lenses of Continued Value Creation, Safeguard the Environment, Positive Social Impact and Responsible Governance.

We believe this will enable us to create new and inclusive opportunities that contribute towards a just socioeconomic development.

“Stepping-Out” as a Solution Provider of Hydrogen

As part of PETRONAS’ strategy to achieve Net Zero Carbon Emissions by 2050, we have lined up efforts to further reduce our greenhouse gas emissions while ensuring reliable supply of clean and low carbon energy to customers. This includes deploying more low carbon solutions such hydrogen, a clean and versatile energy carrier which can be used as fuel for industry.

To this end, the formation of a Hydrogen Unit under our Gas and New Energy business supports our energy transition journey and positions the organization to become an end-to-end solution provider of hydrogen.

In November 2020, PETRONAS signed a Memorandum of Understanding with Sarawak Energy Berhad (SEB) to undergo a joint techno-commercial study of green hydrogen production and its value chain.

This collaboration is expected to provide an insight to the potential of a hydrogen supply chain in Asia. Among the key areas in this partnership is the exploration of techno-commercial evaluation of a large-scale hydrogen production facility through electrolysis process by utilizing renewable energy supplied by SEB.

With the expanding renewables portfolio along with strong partnership, PETRONAS will continue to grow our presence in the hydrogen value chain globally.

“On the back of our experience in producing blue hydrogen which we currently extract from by-products at our facilities in the country, we are excited to explore further infrastructure development to produce blue and green hydrogen to provide reliable supply of clean energy moving forward.”

*- PETRONAS President and Group Chief Executive Officer,
Tengku Muhammad Taufik*



Continued Value Creation



Towards Clean Energy with Tesco & Ness.

In partnership with

TESCO

NEFIN

"Harnessing the Power of the Sun" via Solar Rooftop at Lotuss Stores (formerly known as Tesco)

Solar is deemed as one of the world's favorite types of electricity generation and is actively pursued in Malaysia for its long-term benefit as a cleaner energy source to further reduce carbon footprints.

Recognizing its benefits and in line with our aspiration to become the leading cleaner energy solutions provider, PETRONAS entered into the largest long-term Power Purchase Agreement (PPA) for solar energy in Malaysia with Lotus Stores (formerly known as TESCO) in July 2020. This was made possible through NE Suria Satu Sdn. Bhd. (NESS), a joint venture company between PETRONAS and NEFIN Group.

The 20-years PPA entails the provision of solar rooftop solutions covering the design, installation, operation and maintenance of

solar photovoltaic panels for selected Lotus stores in Malaysia. Upon completion, the solar panels will collectively generate about 18 Gigawatt-hours of clean energy per year, enabling Lotus Stores to reduce more than 13,500 tonnes of carbon emissions into the atmosphere. This complements PETRONAS' existing solar generation from our assets of 150.9 Megawatt-hours during the same period. As of the third quarter of 2020, we have completed solar rooftop installations at 13 out of the 15 Lotus Stores across Malaysia.

With over 650MW of solar projects under construction and operating in India and Dubai, and more than 1GW of projects under development world-wide, we are confident that we will continue to deliver customer-centric solutions for the benefit of the planet and people.



Safeguard the Environment



Hawksbill Sea Turtle Conservation Project in Mexico

The Hawksbill sea turtle is one of the most endangered marine animals in the world, with only 20,000 nesting females remaining and a population decline of more than 80% in the last century. Hence, their protection during the egg-to-ocean stage is one of the key components of any sea turtle conservation projects.

Driven by the need to safeguard the environment and give back to society, PETRONAS subsidiary PC Carigali Mexico Operations (PCCMO) partnered with Grupo Ecologista Quelonios (GEQ), a non-profit organization dedicated to the protection and preservation of endangered Hawksbill sea turtles in Punta Xen Centre, located in Champoton, Campeche.

The collaboration enables PCCMO to facilitate the rehabilitation and improvement

of the Centre's facilities, including the rehabilitation of the main building to improve workers' living accommodations; warehouse to store equipment and materials which contributes to more efficiency in the conservation effort; larger and protected nesting area for the eggs; and a better shelter to protect the baby turtles before its release to the sea.

The dedication of the team in managing the project paid off when in May 2020, they witnessed a tremendous increase in the number of eggs hatching.

As of September 2020, a total of 167,288 turtles have been safely released to the sea, a 16% increase from the same period in 2019.



Safeguard the Environment

**SUSTAINABLE
DEVELOPMENT
GOALS**



United in Combating COVID-19

Since the onset of the COVID-19 pandemic, PETRONAS' priority has always been to safeguard the health and safety of our employees and partners. In January 2020, we established the Pandemic Preparedness Response Team (PPRT) to drive coordinated actions for our businesses across the value chain, providing timely oversight and deliberation in facilitating decisions that protect and support the wellbeing of our people.

Among the efforts taken were continuous communication and issuance of COVID-19 directives to create awareness among staff. We also collaborated closely with the relevant government agencies such as Malaysia's Ministry of Health and the National Disaster Management Agency (NADMA), to deliberate and deliver decisive actions throughout these challenging times.

Coming to the aid of the communities badly affected by the pandemic, our employees

voluntarily contributed a portion of their salary and raised RM6.4 million for NADMA. This is in addition to the contribution already made by PETRONAS, bringing the total to RM37.8 million as of May 2020.

Our contribution to humanitarian efforts also extended to global communities. For example, Arexons SpA, a division under PETRONAS Lubricants Italy SpA, successfully converted its production plant to facilitate the production of new Hygiene detergent, which were then donated to hospitals. This effort supported the Italian communities in alleviating the impact of COVID-19. Through PETRONAS Lubricants International (PLI), we also provided fluids for truck fleets involved in the construction of hospitals in Wuhan, China. Meanwhile, in the United Kingdom, our Mercedes-AMG PETRONAS F1 team developed a breathing aid that helps COVID-19 patients with lung infections to breathe more easily, effectively halving intensive care stays for survivors.

Aside from that, we acknowledge the toll that the pandemic has taken on our employees and partners. As such, we have prepared all the necessary assistance in relieving anxiety and providing emotional support as we go through this difficult time. Though the road ahead is still paved with challenges, we believe that together, we will emerge from this stronger.



Positive Social Impact

SUSTAINABLE DEVELOPMENT GOALS

In alignment



Mussels Farming Restores Livelihoods of Indigenous Communities

At PETRONAS, we believe in conducting our business responsibly to enrich lives for a sustainable future. Hence, in April 2019, we launched the green mussel aquaculture project, dedicated to the indigenous Seletar community in Pengerang. The three-year project aims to restore and provide an enhanced and sustainable source of income through improved aquaculture methods and technology.

The project was executed in two phases involving a total of 100 families from five villages namely, Kampung Pasir Salam in Ulu Tiram; Kampung Pasir Putih, Kampung Kuala Masai, Kampung Teluk Jawa and Kampung Teluk Kabong in the Pasir Gudang vicinity.

Through the concerted effort and support from local authorities, the Seletar community achieved their first harvest of mussels in October of the same year. As a result, the community gained an additional income of RM200 per month for every farmer, thus enriching the livelihoods.

To date, 30,000 collector trundles have been installed for mussel breeding.



Positive Social Impact

SUSTAINABLE DEVELOPMENT GOALS

In alignment



PETRONAS Dagangan Berhad Goes on “Love Local” Campaign

COVID-19 and the ensuing pandemic-related restrictions have affected everyone across the nation, especially the Small and Medium Enterprises (SMEs) and Tourism industry. Compelled to create greater awareness on local brands to boost Malaysia's economic recovery journey, PETRONAS Dagangan Berhad (PDB) launched the “Love Local” campaign in September 2020 through February 2021.

The campaign echoes the Ministry of Domestic Trade and Consumer Affairs' Kempen Beli Barang Malaysia in rallying Malaysians to buy local products as part of efforts to stimulate domestic consumption. It is also in line with our SME programme, which has been established for over 25 years to support local entrepreneurs' businesses.

Since the launch, 50 local brands have collaborated with us to offer exciting deals including food and beverages (F&B), health and beauty products, hotels and tourism companies.

We also collaborated to jointly promote a range of locally-produced F&B offerings at our retail store, Kedai Mesra, by featuring customised shelves at 100 selected stores to highlight various products by SMEs.

For more information on Kedai Mesra's latest campaign and promotions, visit <https://www.mymesra.com.my/for-consumer/promotions>.



MARI DEWA
**SOKONG PRODUK
KEBANGGAAN**

Jom beli produk lokal di Kedai Mesra dan tunjukkan sokongan anda!



Positive Social Impact

SUSTAINABLE DEVELOPMENT GOALS

In alignment



Seeding Social Enterprise – SEEd.Lab

PETRONAS and Tata Consulting Services established Social Enterprise Education Lab (SEEd.Lab), a 12-month end-to-end incubation program where inspired youths would ideate, incubate and commercialise sustainable business solutions through digital and technology, while supporting PETRONAS' sustainability agenda and the UN Sustainable Development Goals.

At PETRONAS, we believe youth-led solutions that create a positive and tangible social impact will garner the multiplier effect, which will extend our reach beyond what we can achieve on our own.

Our role is to nurture them to make it happen. This includes business and leadership mentoring, technical expertise for solution development, funding, as well as market testing, and commercialisation.

In January 2020, 36 participants joined SEEd.Lab and one year on, three up-and-coming social enterprises were established. Teman befriends the elderly

and empowers their everyday lives, Solvnex aims to open doors and carve opportunities for young gig-economy professionals, and Foodlab aims to help food entrepreneurs scale-up and sustain. Under Foodlab, 25 foodpreneurs have scaled their business since the company began its operations in September 2020.

Change happens from the ground up and can create a ripple effect. Our pioneering participants, dubbed SEEd.lings, rose to the challenge and joined the arena of advancing the change they want to see in their society.

They are making waves and will continue to crack the code forward.

To learn more, follow @seedlab.my on Instagram for the latest happenings and announcements on the Cohort 2 intake, or visit www.seedlab.my to stay updated on their journey.



SEEd.Lab
Social Enterprise Education Lab

The image shows three young adults (two men and one woman) sitting at a table, smiling and giving each other high-fives. A laptop is open on the table in front of them. The background is a plain white wall.



Positive Social Impact

The diagram consists of four colored segments arranged in a circle, each containing a small icon and text:

- Yellow segment: Positive Social Impact (with a people icon)
- Blue segment: Responsible Governance (with a building icon)
- Green segment: Safeguard the Environment (with a tree icon)
- Red segment: Continuous Value Creation (with a graph icon)

SUSTAINABLE DEVELOPMENT GOALS

8 INCLUSIVE AND ECONOMIC GROWTH

In alignment



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“As if to acknowledge my advocacy over shared value, global player PETRONAS has produced its Statement of Purpose for a path towards a more sustainable future, determined and resolute in its purpose, it has become Asia’s first oil company to commit to Zero Net Carbon by 2050”

Mr Ban Ki Moon

8th Secretary General of
the United Nations



PETRONAS

