



# Move Like Never Before



INTEGRATED REPORT 2019

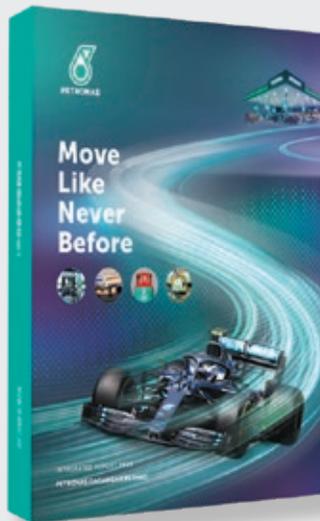
PETRONAS DAGANGAN BERHAD



The previous Annual and Integrated Reports are available on our corporate website at [www.mymesra.com.my](http://www.mymesra.com.my) and Bursa Malaysia's website



PDB's full <IR> is available at PDB's corporate website at [www.mymesra.com.my](http://www.mymesra.com.my)



### **Move Like Never Before**

#### **Rationale**

*In pursuit of excellence, we will Move Like Never Before as we go beyond the norm to deliver seamless and frictionless customer experiences through innovative and differentiated services as well as product offerings in our four core business segments.*

*With breakthrough products, innovative solutions and strategic partnerships, we are delivering greater convenience, unmatched choices, unbeatable value and complete business solutions. In line with our ongoing transformation programme, we will continue to enhance our efficiencies while strengthening our brand.*

*As Malaysia's leading retailer and marketer of downstream petroleum products, PDB will continue to Move Like Never Before to deliver value to our shareholders, consumers, people and the nation.*

#### **Cover Design**

*Lenticular 3D printing adds reality to the printed graphics and pictures with illusions of depth and movement when viewed from different angles.*

## **ABOUT THIS REPORT**

**Our Integrated Report is prepared to provide a transparent, concise and balanced overview of the Group's performance and how we seek to create value for our stakeholders. This year marks the 4<sup>th</sup> year of our integrated reporting journey with our emphasis on improving clarity and conciseness of the Report.**

### **REPORTING SCOPE AND BOUNDARY**

This Report covers our financial and non-financial performances during the period from **1 January 2019 to 31 December 2019**.

Our Report consists of PDB's <IR> FY2019 which is prepared in accordance with International Integrated Reporting Council, Audited Financial Statement ended 31 December 2019 and Sustainability Report.

Through this Report, we hope to give a comprehensive and holistic overview of the Group's key developments, market challenges, our strategies and initiatives as well as our approach to risk and governance.

### **REPORTING FRAMEWORK**

This Report applies the Content Elements and Guiding Principles of the International <IR> Framework by the International Integrated Reporting Council. Other reporting requirements and frameworks applied are the MMLR by Bursa Malaysia, Companies Act 2016, MCCG 2017 and the Corporate Governance Guide (3<sup>rd</sup> Edition) issued by Bursa Malaysia.

## ASSURANCE

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

## MATERIAL MATTERS

This <IR> provides information that is material to PDB. We apply the principle of materiality in assessing what information should be included in <IR>. The information focuses on issues, opportunities and challenges that impact materially on PDB in ensuring a sustainable future while consistently delivering value and enriching lives of our stakeholders.

## FORWARD LOOKING STATEMENTS

This <IR> contains certain forward looking statements, typically with words such as 'aim', 'may', 'plan', 'will' and 'expected' or other similar expressions. These statements discuss future expectations concerning the dispositions of assets or financial conditions or provide other forward looking information into 2020. These forward looking statements are not guarantees or predictions of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond our control and may cause actual results to differ materially from those expressed in the statements contained in this <IR>. Readers are cautioned not to put undue reliance on the forward looking statements.

### NAVIGATION ICONS

The following navigation icons are used to link our Capitals and Strategic Priorities to Material Matters, Key Risks and Mitigation and Business Review.

#### Our Capitals

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

#### Our Strategic Priorities

-  Market Leadership
-  Safe, Reliable and Efficient
-  Great Place to Work
-  Digitally Enabled

# INSIDE THIS REPORT



**01**

**ABOUT THIS REPORT**



**02**

**OVERVIEW OF PETRONAS DAGANGAN BERHAD**

- 6** WHO WE ARE AND WHAT WE DO
  - VISION
  - MISSION
  - SHARED VALUES
  - PETRONAS CULTURAL BELIEFS
- 8** WHAT WE OFFER – OUR CORE BUSINESS SEGMENTS: PRODUCTS AND SERVICES
- 10** GROUP CORPORATE STRUCTURE
- 12** WHERE WE OPERATE
- 14** OUR VALUE CHAIN
- 16** OUR STRATEGIC ALLIANCES



**03**

**KEY MESSAGES**

- 18** MD/CEO'S STATEMENT
- 24** CHIEF FINANCIAL OFFICER'S REVIEW



**04**

**2019 HIGHLIGHTS**

- 30** BUSINESS HIGHLIGHTS
- 31** FINANCIAL HIGHLIGHTS
- 32** AWARDS AND ACCOLADES
- 34** CORPORATE MILESTONES



**05**

**MANAGEMENT DISCUSSION AND ANALYSIS**

**STRATEGIC GROWTH**

- 36** OUR VALUE CREATING BUSINESS MODEL
- 39** OPERATING ENVIRONMENT AND MARKET OUTLOOK
- 44** MATERIAL MATTERS
- 48** STAKEHOLDER ENGAGEMENT
- 50** KEY RISKS AND MITIGATION
- 54** OUR STRATEGY
- 55** KEY PERFORMANCE INDICATORS

**PERFORMANCE REVIEW**

**BUSINESS REVIEW**

- 58** OUR KEY OPERATIONS
- 61** RETAIL
- 65** COMMERCIAL
- 68** LPG
- 71** LUBRICANT
- 74** DIGITALLY ENABLED

**FINANCIAL PERFORMANCE**

- 76** 5-YEAR GROUP FINANCIAL HIGHLIGHTS
- 77** 5-YEAR GROUP FINANCIAL SUMMARY
- 78** SIMPLIFIED GROUP STATEMENT OF FINANCIAL POSITION
- 79** SEGMENTAL ANALYSIS
- 80** GROUP QUARTERLY FINANCIAL PERFORMANCE
- 81** KEY INTEREST BEARING ASSETS AND LIABILITIES
- 82** STATEMENT OF VALUE ADDED
- 83** DISTRIBUTION OF VALUE ADDED
- 84** FINANCIAL CALENDAR
- 85** INVESTOR RELATIONS

## 06

### LEADERSHIP

- 90 OUR BOARD AT A GLANCE
- 92 BOARD OF DIRECTORS' PROFILE
- 98 LEADERSHIP TEAM
- 100 LEADERSHIP TEAM'S PROFILE
- 104 ORGANISATION STRUCTURE

## 07

### GOVERNANCE

- 105 CHAIRMAN'S CORPORATE GOVERNANCE OVERVIEW
- 107 CORPORATE GOVERNANCE OVERVIEW STATEMENT
  - OUR GOVERNANCE STRUCTURE
  - HOW THE BOARD OPERATES
- 120 • NOMINATION AND REMUNERATION COMMITTEE REPORT
- 126 • BOARD AUDIT COMMITTEE REPORT
- 132 • BOARD RISK COMMITTEE REPORT
- 134 • RELATIONSHIP WITH SHAREHOLDERS
- 137 STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
  - BUSINESS CONTINUITY MANAGEMENT
- 148 CORPORATE INTEGRITY AND ETHICS

## 08

### SUSTAINABILITY REPORT

- 150 DRIVING SUSTAINABILITY
- 156 ECONOMIC
- 160 ENVIRONMENT
- 166 SOCIAL
- 188 SUSTAINABILITY PERFORMANCE AT A GLANCE

## 09

### FINANCIAL STATEMENTS

- 190 APPROACHING THE FINANCIAL STATEMENTS
- 192 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

## 10

### SHAREHOLDERS' INFORMATION

- 284 ANALYSIS OF SHAREHOLDINGS
  - 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
- 288 NET BOOK VALUE OF LAND AND BUILDINGS OF THE COMPANY
- 289 USAGE OF LAND
- 290 LIST OF TOP 10 LANDED PROPERTIES
- 291 CORPORATE INFORMATION
- 293 CORPORATE DIRECTORY
- 294 GRI CONTENT INDEX
- 297 GLOSSARY
- 299 NOTICE OF ANNUAL GENERAL MEETING
- 303 ADMINISTRATIVE DETAILS

PROXY FORM

# 38<sup>th</sup>

## ANNUAL GENERAL MEETING



EXHIBITION HALL 1,  
GROUND FLOOR,  
KUALA LUMPUR  
CONVENTION CENTRE,  
JALAN PINANG,  
50088 KUALA LUMPUR,  
MALAYSIA



WEDNESDAY, 10 JUNE 2020



AT 10.00 A.M.

//

*Our company's tagline 'Move Like Never Before' is not just an advertising slogan, it is the underlying philosophy of our approach to business //*





PETRONAS

12

14

More

More

Advertisement or sign on the right side of the store entrance.

# OVERVIEW OF PETRONAS DAGANGAN BERHAD

## WHO WE ARE AND WHAT WE DO

**PDB is Malaysia’s leading retailer and marketer of downstream petroleum products. We are committed to delivering innovative and differentiated offerings to fuel the nation’s growth.**

Over the years, we have leveraged PETRONAS’ extensive investments in R&D to deliver world-class petroleum products in four core businesses:

The scale of operations, facilities and manpower involved in the day-to-day logistics and distribution network of the Company necessitates a culture that prioritises Health, Safety and Environment.

Over the last 37 years, the hard work, determination and dedication of our passionate workforce and strong collaboration with our business partners and contractors have seen PDB grow from strength to strength.

Our continuous transformation journey anchored on customer-first mindset drives us to *Move Like Never Before* to ensure we create and deliver a **seamless and frictionless customer experience**.



## OVERVIEW OF PETRONAS DAGANGAN BERHAD



### VISION

**'Brand of 1<sup>st</sup> Choice'** drives the core essence of what PDB stands for in terms of delivering quality, innovation, excellence and differentiating experience for petroleum products and services in Malaysia. Given its wide range of innovative products and differentiated services, PDB is driven to ensure that customers will continue to recognise, endorse and recommend PETRONAS as their leading preferred brand in the downstream oil and gas sector.



### MISSION

#### Value-Driven Fuel Marketing with Market Leadership in Malaysia

To be the **'Brand of 1<sup>st</sup> Choice'**, we are committed to delivering quality fuel products and reliable services to our consumers nationwide via our sound network of facilities and business partners. This market leadership is achieved by focusing on value, having in place a high performance-driven culture, ensuring operational and HSE excellence as well as prudent risk management and corporate governance best practices.



### SHARED VALUES



#### LOYALTY

Loyal to Corporation



#### INTEGRITY

Honest and Upright



#### PROFESSIONALISM

Strive for Excellence



#### COHESIVENESS

United, Trust and Respect for Each Other



### PETRONAS CULTURAL BELIEFS



#### RESULTS MATTER

I stretch my limits to deliver superior results



#### OWN IT!

I own the results and do not blame others



#### FOCUSED EXECUTION

I plan, commit and deliver with discipline



#### NURTURE TRUST

I always keep my promise and build mutual trust



#### TELL ME

I seek, give and act positively on feedback



#### SHARED SUCCESS

I collaborate for the greater good of PETRONAS

# WHAT WE OFFER

## OUR CORE BUSINESS SEGMENTS: PRODUCTS AND SERVICES

### RETAIL



**OFFERS FUEL AND NON-FUEL PRODUCTS, SERVICES AND SEAMLESS EXPERIENCE TO CONSUMERS AT ITS NETWORK OF MORE THAN 1,000 PETRONAS STATIONS AND 700 KEDAI MESRA ACROSS THE COUNTRY**

#### KEY HIGHLIGHTS

**RM14,214.4** million Revenue

**>800** Rakan Niaga/Dealers

**>4 million** Registered Kad Mesra Members

#### Fuel

- PETRONAS Primax 97 with Advanced Energy Formula
- PETRONAS Primax 95 with Pro-Drive
- PETRONAS Dynamic Diesel (B10)
- PETRONAS Dynamic Diesel Euro 5 with Pro-Drive

#### Non-Fuel

- Kedai Mesra
- Quick Service Restaurants
- Food Solutions
- Banking Facilities
- Hypermarkets
- Terminal Services
- Courier Services
- Car Wash
- White Label Products
- Co-Working Space
- Other Convenience Offerings

#### Setel®

- Malaysia's first mobile application that creates seamless on-the-go refuel and retail experience for PETRONAS customers

#### Card Business

- PETRONAS SmartPay
- Co-Branded Cards – CIMB and Maybank
- PETRONAS Credit Cards, CIMB PETRONAS Debit Card
- PETRONAS Gift Card

#### Loyalty Programme

- PETRONAS Mesra Loyalty Programme

#### ROVR

- Malaysia's 1<sup>st</sup> innovative mobile refuelling service

### COMMERCIAL



**FULLY INTEGRATED BUSINESS FOCUSING ON SALES AND MARKETING OF BULK PETROLEUM PRODUCTS WITH MARKET LEADERSHIP IN DOMESTIC COMMERCIAL MARKET**

#### KEY HIGHLIGHTS

**RM14,248.0** million Revenue

**>1,000** Commercial Customers



**Jet A-1**



**Fuel Oil**



**Diesel**



**Sulphur**



**Bitumen**



**Gasoline**



**Petroleum Coke**



**Kerosene**

## WHAT WE OFFER

### LPG



**SELLS AND MARKETS LIQUEFIED PETROLEUM GAS TO HOUSEHOLD, COMMERCIAL AND INDUSTRIAL CUSTOMERS. WE ARE THE INDUSTRY LEADER, HOLDING THE LARGEST MARKET SHARE IN MALAYSIA**

#### KEY HIGHLIGHTS

**RM1,263.6** million Revenue

**>300** Dealers

#### Household



12kg cylinders



14kg cylinders

#### Commercial



14kg cylinders



50kg cylinders

#### Industrial



Bulk LPG

### LUBRICANT



**PETRONAS LUBRICANTS MARKETING (MALAYSIA) SDN BHD UNDERTAKES ALL SALES AND MARKETING FUNCTIONS OF PETRONAS LUBRICANT PRODUCTS IN MALAYSIA**

#### KEY HIGHLIGHTS

**RM540.9** million Revenue

**>2,000** Customers

#### Key Strategic Brands

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

#### Automotive Functional Fluids and Oils

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

#### Passenger Car Motor Oils

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

#### Industrial and Marine Lubricants Fluids and Oils

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

#### Motorcycle Oils (4T, 2T and Scooter)

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

#### Other Service

- AutoExpert

#### Commercial Vehicle Lubricants

- Heavy duty diesel engine oil

# GROUP CORPORATE STRUCTURE



## PETRONAS Dagangan Berhad

### NETHERLANDS

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

Investment holding company for international subsidiary



### THAILAND

**PETRONAS INTERNATIONAL MARKETING (THAILAND) CO., LTD.**  
PDBN: **100%**

Marketing and distribution of lubricants

### MALAYSIA

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

Marketing and distribution of lubricants

### MALAYSIA

**PS PIPELINE SENDIRIAN BERHAD**  
PDB: **50%**  
Shell Malaysia Trading Sdn Bhd: **50%**

Operation of Multi-Product Pipeline and Klang Valley Distribution Terminal

### MALAYSIA

**PS TERMINAL SENDIRIAN BERHAD**  
PDB: **50%**  
Shell Timur Sdn Bhd: **50%**

Operation of joint depots and bottling plants in Tawau and Bintulu

■ Subsidiary    ■ Joint Ventures    ■ Associate

## GROUP CORPORATE STRUCTURE



### MALAYSIA

**PETRONAS AVIATION SDN BHD**  
PDB: **100%**

Provides technical consultancy services

### SAUDI ARABIA

**UNITED FUEL COMPANY LIMITED  
LIABILITY COMPANY**

PAV: **40%**  
Asyad Holding Company for Commercial  
and Industrial Investment LLC: **33%**  
Tama International Investment LLC: **27%**

Maintenance and operation services for  
airport facilities and supply of aircrafts fuel

### MALAYSIA

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

Operation of fuel and LPG terminal

### MALAYSIA

**TANJUNG MANIS OIL TERMINAL  
MANAGEMENT SDN BHD**  
PDB: **20%**  
Shell Timur Sdn Bhd: **20%**  
Senari Synergy Sdn Bhd: **60%**

Operation of fuel terminal

### MALAYSIA

**KUALA LUMPUR AVIATION  
FUELLING SYSTEM SDN BHD**

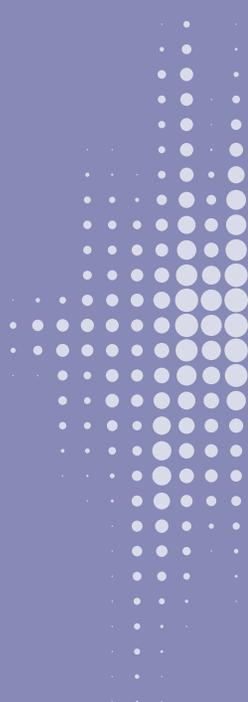
PDB: **65%**  
Malaysia Airports (Properties)  
Sdn Bhd: **20%**  
Malaysia Airlines Berhad: **15%**

Operation of aircraft refuelling system at KLIA

### MALAYSIA

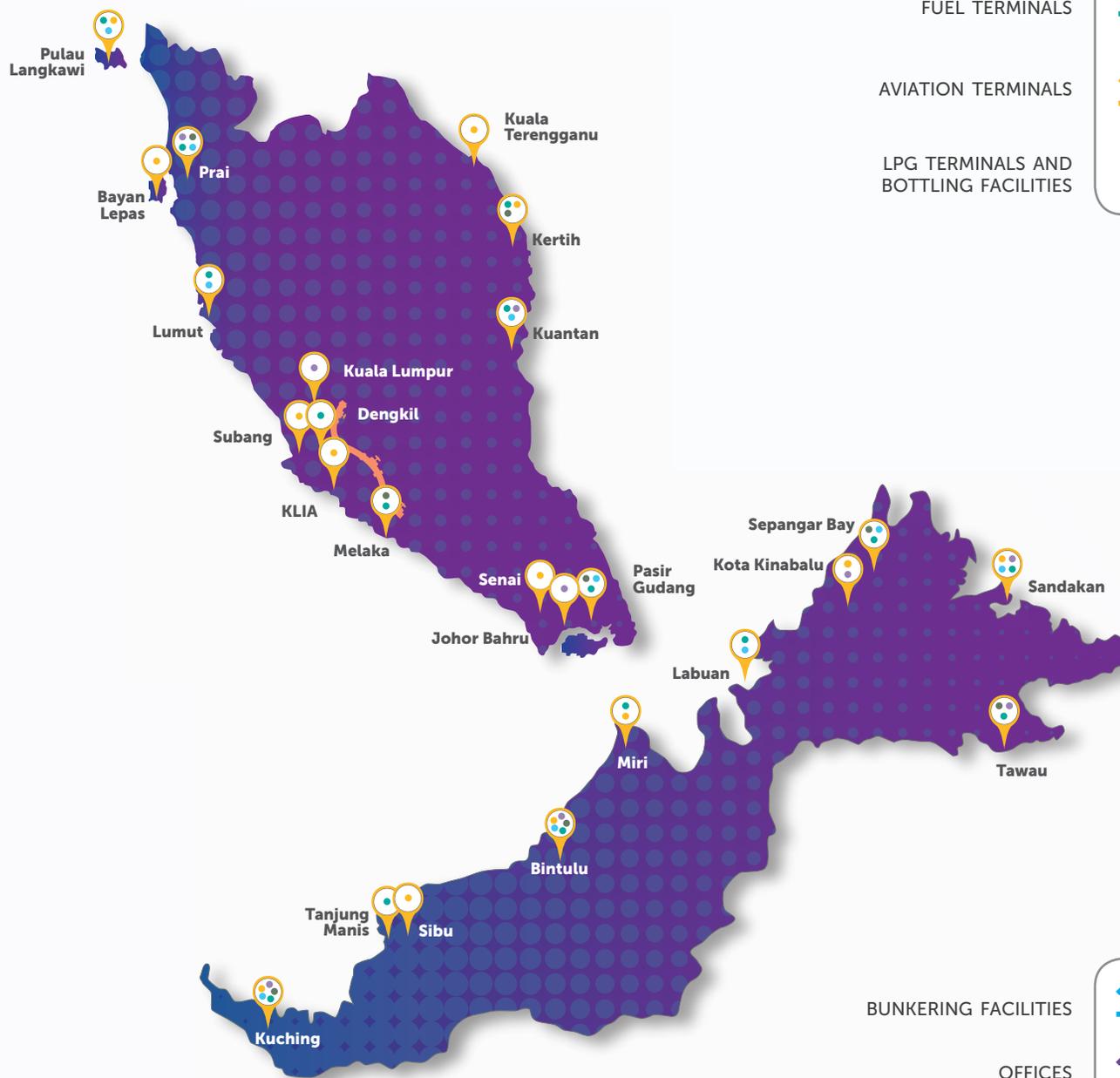
**SETEL VENTURES SDN BHD**  
PDB: **100%**

Provides a seamless payment solution



# WHERE WE OPERATE

## MALAYSIA



## WHERE WE OPERATE

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



Fuel Terminals



Aviation Terminals



LPG Terminals and Bottling Facilities



Lubricant Warehouse



Bunkering Facilities



Multi-Product Pipeline



Offices

### 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. Sibul
13. Subang

### 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

### OFFICES:

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

### LUBRICANT WAREHOUSE:

1. Bangkok

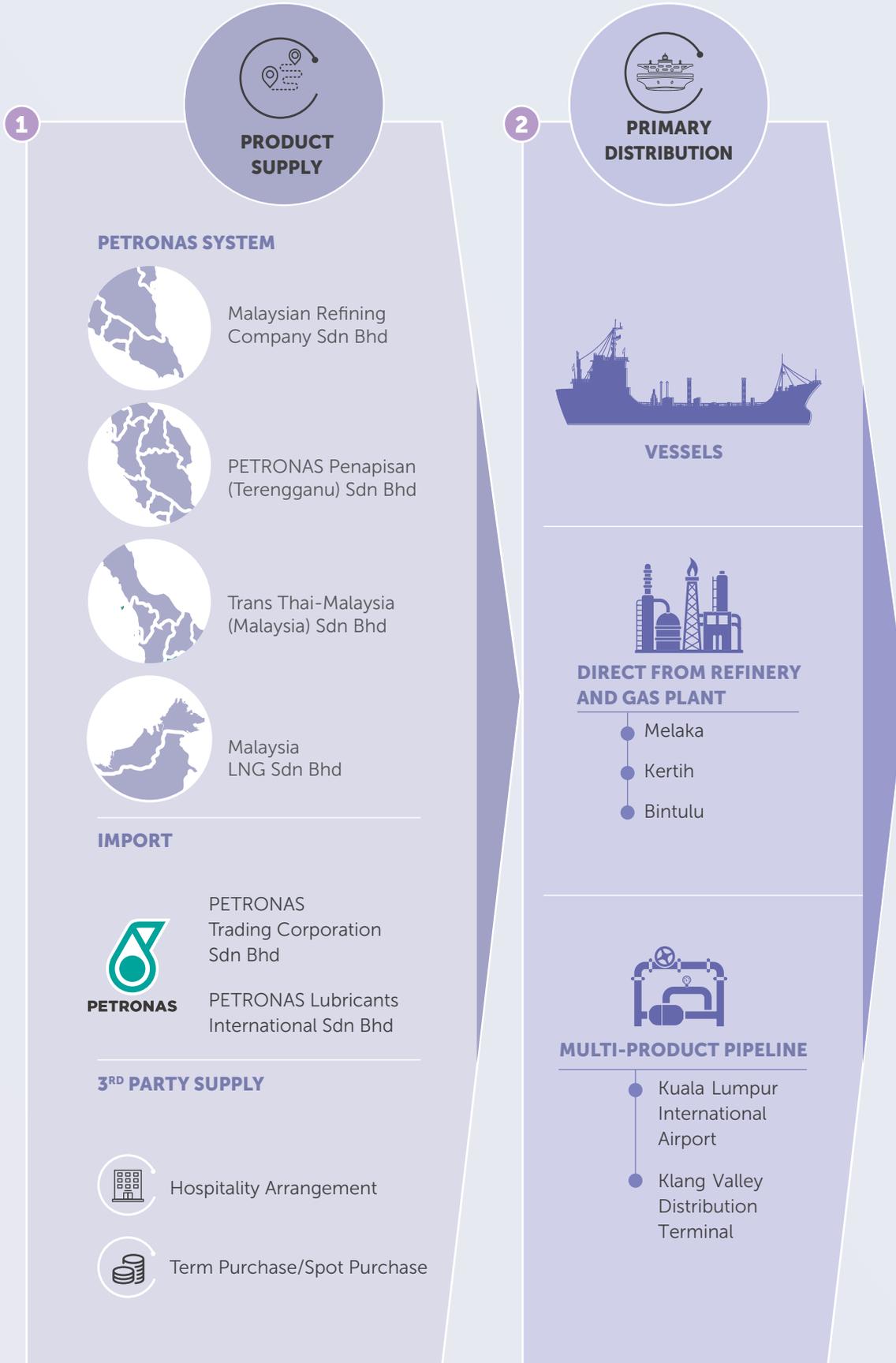
## THAILAND



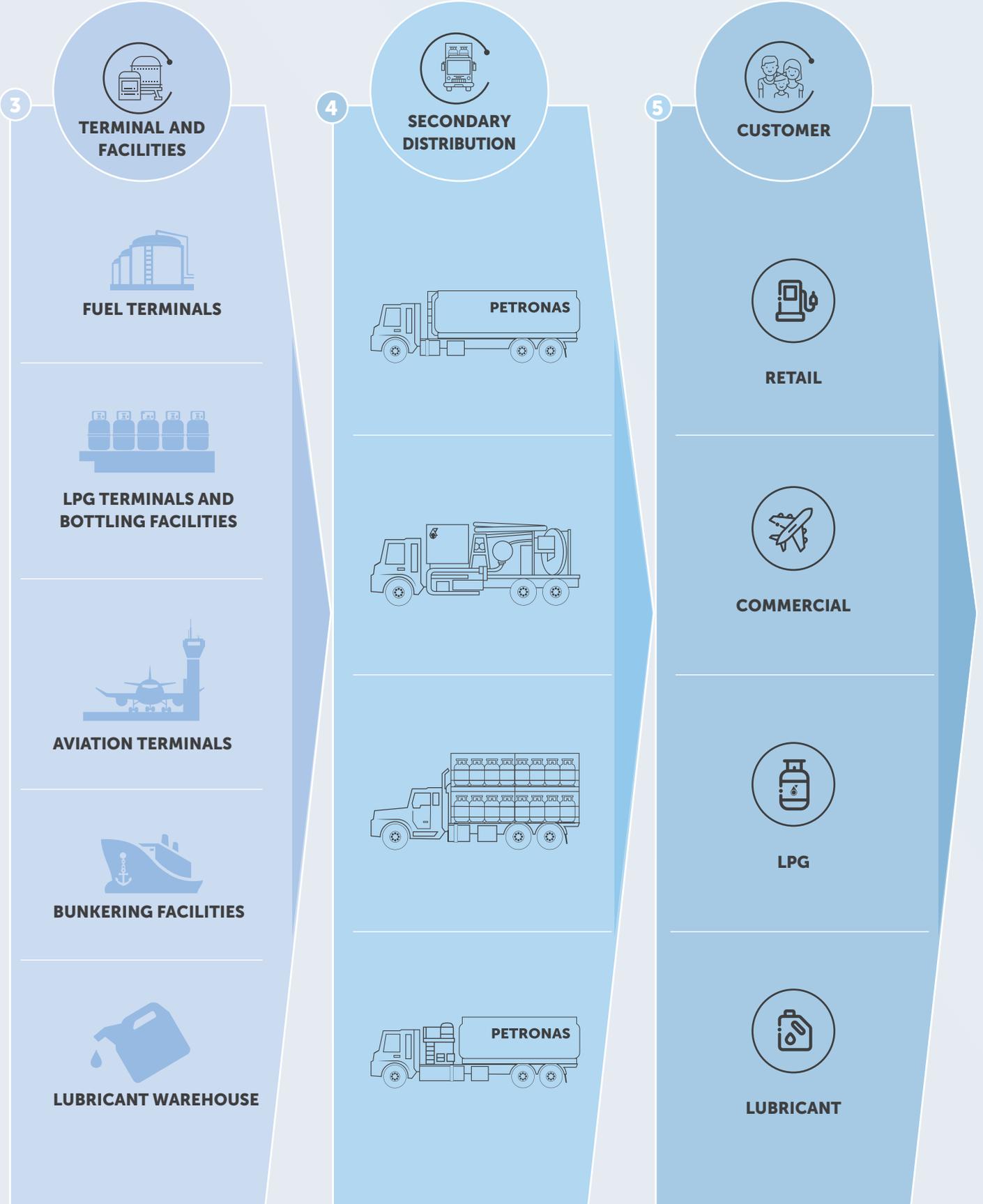
LUBRICANT WAREHOUSE

1

# OUR VALUE CHAIN



## OUR VALUE CHAIN



# OUR STRATEGIC ALLIANCES



## BUSINESS PARTNERS



## CUSTOMERS



## BANKING FACILITIES



## AUTHORITIES





**//** Our tagline **“Move Like Never Before”** is not just an advertising slogan, it is the underlying philosophy of our approach to business. In order to lead the game and ensure sustainability, we must be relentless in our pursuit of exceeding customer expectations. Our aim is to create a seamless and frictionless customer experience. **//**

**AZRUL OSMAN RANI**

*Managing Director/  
Chief Executive Officer*



# M D / C E O ' S S T A T E M E N T

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 2019.

IT IS AN HONOUR FOR ME TO TAKE UP PDB'S MD/CEO ROLE FROM 1 JANUARY 2020, SUCCEEDING YBHG. DATO' SRI SYED ZAINAL ABIDIN, WHO HAS LED OUR COMPANY THROUGH ITS TRANSFORMATION JOURNEY FOR THE PRECEDING YEAR AND A HALF. I WOULD LIKE TO OFFER MY DEEPEST GRATITUDE TO THE CHAIRMAN AND THE BOARD FOR THE CONFIDENCE THEY HAVE SHOWN BY ENTRUSTING ME WITH THIS POSITION.

I TAKE-ON THE ROLE AT A TIME WHEN OUR COMPANY IS IN A COMMANDING POSITION WITHIN OUR INDUSTRY AND I AM DETERMINED TO BUILD ON THE LEGACY OF MY PREDECESSOR BY ACCELERATING THE PACE OF CHANGE IN OUR TRANSFORMATION JOURNEY. GOING FORWARD, OUR FOCUS IS TO KEEP DELIVERING SUSTAINABLE VALUE THAT OUR STAKEHOLDERS, RIGHTLY, EXPECT FROM US.

DEAR SHAREHOLDERS,

PETRONAS Dagangan Berhad continues to evolve as a business. While we remain focused on our goal of being Malaysia's leading fuel retailer, we also believe that our future lies in being much more than that. We must be, first and foremost, a service provider, dedicated to providing a seamless and frictionless customer experience across our business.

## **OPERATING ENVIRONMENT**

Our transformation journey in 2019 continued against a challenging backdrop. The global economy was negatively impacted by a confluence of trade tensions between the US and China, growing tensions in the Middle East and volatility in global energy prices. Domestically, the Malaysian economy saw moderate growth but was affected by the deferral of major infrastructure projects and a more cautious approach by businesses as they familiarised themselves with the policies of the new government.

## MD/CEO'S STATEMENT

**“In 2019, we continued our transformation journey to future-proof our organisation by upgrading our existing assets, embracing new technologies and investing in the right people to drive our transformation agenda.”**

We also faced intensifying competition in the domestic market. Today, our competitors are no longer just other fuel retailers, because the traditional business model itself is being threatened by new technology. The switch to more fuel-efficient vehicles and public transportation has lessened the demand-growth for petrol and diesel. Similarly, the growing prominence of cleaner energy is shifting the demand landscape, while technologies like e-hailing and e-commerce platforms have transformed the way people travel and consume. Changing consumer sentiment has also led to a strong push for incorporating sustainable practices into business and we have responded to this by integrating sustainability planning into our strategy and operations.

 For more information on Operating Environment and Market Outlook, please refer to pages 39 to 43 of this <IR>

### OUR STRATEGY

I am pleased to share with you that PDB recognised these trends early and has already made strong progress in adapting to these new challenges and in embracing the opportunities that they are creating. In 2019, we continued our transformation journey to future-proof our organisation by upgrading our existing assets, embracing new technologies and investing in the right people to drive our transformation agenda. Our tagline *“Move Like Never Before”* is not just an advertising slogan, it is the underlying philosophy of our approach to business. In order to lead the game and ensure sustainability, we must be relentless in our pursuit of exceeding customer expectations. Our aim is to create a seamless and frictionless customer experience.

Our growth strategy is anchored on four key areas – achieving Market Leadership in all our business segments; being Safe, Reliable and Efficient in operations; providing a Great Place to Work for our employees; and being Digitally Enabled to leverage the power of technology in accelerating growth. The implementation of our strategy has had a visible impact on our business during this period and we aim to accelerate the pace of transformation going forward.

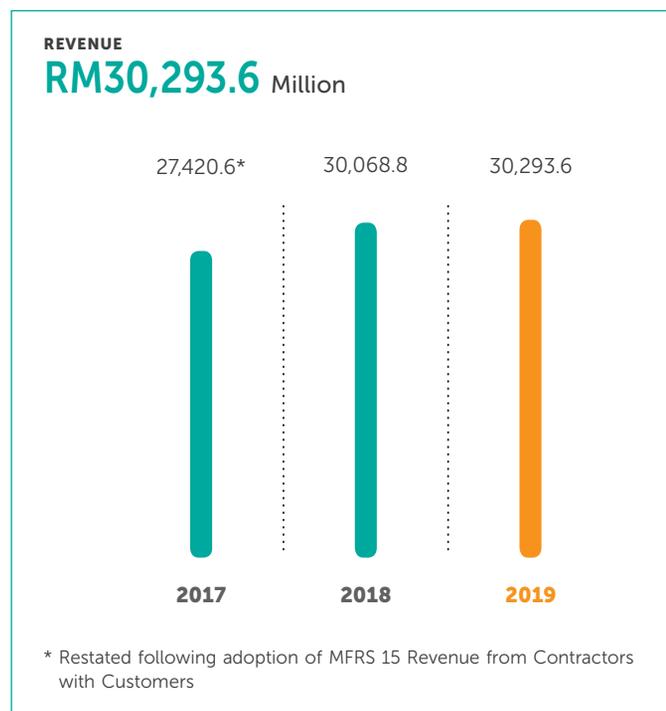
 For more information on Our Strategy, please refer to page 54 of this <IR>

### OUR FINANCIAL PERFORMANCE

I am pleased to announce that for the year under review, the Company achieved a strong set of business and financial results, despite the challenging operating environment and stiff competition. PDB registered a record sales volume of 15.6 billion litres and a total revenue of RM30,293.6 billion for the financial year ending 31 December 2019. PDB recorded Profit After Tax of RM837.6 million for the year.

In view of these results, the Board is pleased to announce that the Company has declared a total dividend for the year of 85.0 sen per ordinary share which includes special dividend of 15.0 sen, which represents a 21.0% increase from 2018. This equates to a payout ratio of 104.0%, our highest payment ratio since 2014 and exceeding our dividend policy of 50.0% of the Company's Profit After Tax.

 For more information on Our Financial Performance, please refer to pages 76 to 83 of this <IR>



## MD/CEO'S STATEMENT

In 2019, PDB **outgrew the industry average growth and achieved record sales volume** of 15.6 billion litres, highest since 2014 amidst a challenging market environment.

### ACHIEVING MARKET LEADERSHIP

The impact of our transformation journey is visible across all our business segments as we continue to focus on delivering a seamless and frictionless customer experience and leveraging on technology to drive growth.

In 2019, PDB outgrew the industry average growth and achieved record sales volume of 15.6 billion litres, highest since 2014 amidst a challenging market environment. Our aggressive push for growth is anchored on our customer-first mindset, where we continuously design and develop solutions and experiences to delight and exceed our customers' expectations, which in turn strengthened our position as their preferred brand of choice. Our continued focus on driving operational excellence also gave us the edge to maintain cost competitiveness. In addition, we also widened our markets through cross-selling of our products across our business segments.

Over and above this, we ensure that we continue to invest in developing our people to strengthen the very foundation of our businesses.

Our **Retail Business** performed strongly in 2019. During the year, we were focused on enhancing our products and services, elevating customer experience, having the right station at the right place, and ensuring our stations are 'Clean, Bright and Safe' to increase patronage.

Fuel sales remain our biggest earner and to fuel our continued growth, in 2019, we introduced the new PETRONAS Primax 95 with Pro-Drive, which was later upgraded to be Euro 4M-compliant ahead of the Government's gazetted date. The new fuel has generated 9.0% growth in sales volume as compared to 2018.

Our strategy for Retail Business recognises that we have to be able to offer our customers more than just fuel, offering them convenience and an experience that differentiates us from our competitors. To deliver on this experience, we continued our programme of targeted expansion and upgrading works for our stations. In 2019, we operationalised

eight new stations at strategic locations and completed asset refresh and refurbishment works at close to 70 stations and 50 *Kedai Mesra*, respectively. *Kedai Mesra*'s income increased as a result of a positive response to the new *Mesra* concept as well as expanded offerings of food solutions. In addition, PDB introduced *Makan@Mesra* which offers local food, kuih muih, pastries, sandwiches and many more. In our efforts to grow the non-fuel segment and widen offerings for our customers, we also established strategic partnerships with ~90 new partners.

Capitalising on digital technology, we also launched the *Mesra* Redemption portal for customers to instantly make redemptions online, with offerings from 81 partners for instant redemption.

Setel®, Malaysia's first mobile application that creates seamless on-the-go refuel and retail experience for PETRONAS customers. In 2019, we expanded Setel® to more than 300 stations and increased the number of users to more than half a million. Following the increasing popularity of Setel®, it has been recognised as one of the top-5 applications in Malaysia. Our aim for 2020 is to make Setel® available nationwide and expand the number of features available through the application. We have also expanded our ROVR service to better-serve our commercial customers and will soon extend this to our Retail customers in 2020.

We believe that this combination of offering quality products, value-add loyalty programmes and widened access to lifestyle brands and experiences in a single point will underpin our continued growth despite the challenges to the traditional retail model.

Our **Commercial Business** continued to strengthen in 2019. Our strong customer-centric approach helped us win new supply contracts and defend existing contracts for both Diesel and Jet A-1 Fuel despite strong competition. Demand for Diesel declined as a result of major infrastructure projects in Malaysia being deferred. At the same time, the growing use of fuel-efficient technologies in the aviation industry is impacting our aviation fuel sales. Despite the tough business environment, we increased total sales volumes by 4.2% from the previous year by securing new supply contracts.

Our **LPG Business** continued to grow positive sales volumes. In 2019, we continued to expand and upgraded our dealer network to widen sales of gas cylinders to households. We have also leveraged on our network of stations with our LPG@PS strategy, which is now available at 20 stations, up from 5 stations in 2018. We also continue to see strong growth among commercial users nationwide.

## MD/CEO'S STATEMENT

Our **Lubricant Business** offers very strong growth potential. We aim to become the market leader by maintaining and expanding PETRONAS' relationships with local and global OEMs, focus towards broadening our market penetration and improving our brand presence into outlets and workshops; we want to be disruptive in the market by uncovering needs and delivering value sustainably to our customers and partners. Underpinning this strategy will be Technology; a Winning Differentiator in responding to the needs of our customers, OEM partners and the industry.

On top of that, we also introduced the latest addition to PETRONAS flagship motorcycle engine oils, PETRONAS Sprinta with UltraFlex™ technology. It is fast growing in popularity amongst customers, in particular Sprinta F700.

With all the efforts in place, coupled with our winning of new supply contracts for key accounts, our sales volume in 2019 almost doubled from the previous year.

 For more information on Business Review, please refer to pages 58 to 75 of this <IR>

### SAFE, RELIABLE AND EFFICIENT

In 2019, we continue to place utmost emphasis on safety even as we grow in terms of volume and scale. Nothing matters more to us than the safety and well-being of everyone involved in our business, not just our employees but also our contractors, suppliers, distributors, business partners and customers.

Our commitment to achieve world-class HSE Excellence is reflected in PDB's excellent safety performance in 2019, with zero major HSE incident across terminals as compared to the previous year. This is a testament of our commitment to a strong HSE culture and the effectiveness of our ongoing engagements with the employees and *Rakan Niaga/Dealers* such as "*Jom Patuh dan Tegur*" (Let's Comply and Intervene), Behavioural Recognition Programme, a programme to recognise good safety behaviours, and enhancement of our competency as well as procedures in safety process.

During the year, we continue to improve reliable and timely product delivery to our customers, equipment efficiency whilst reduced primary and secondary distributions.

 For more information on Safe, Reliable and Efficient, please refer to pages 58 to 60 of this <IR>

### GREAT PLACE TO WORK

Having the right people in our workforce is crucial to delivering on our promise of seamless and frictionless customer experience. Accordingly, we will continue to invest in developing our people to equip them with the necessary skills to help drive our transformation journey.

The core principles and ideals that PDB apply in our day-to-day working lives are derived from the PETRONAS Cultural Beliefs and we have implemented programmes to apply these values within our company.

As part of our strategy to build the workforce that we need, we are also accelerating the recruitment of talent with the skills and experience necessary to execute our transformation plan. Our investment in people is critical to building an empowered, enabled and agile workforce that embodies our world-class work culture. Alongside that, we have invested in ensuring that our facilities offer a conducive work environment for our employees, both physically and through optimised work processes. Additionally, we also continue to invest in raising the capabilities of our *Rakan Niaga*, business partners and contractors to help them adopt our high performance culture.

 For more information on Great Place To Work, please refer to pages 172 to 181 of this <IR>

### DIGITALLY ENABLED

In implementing our transformation strategy, our embrace of technology to drive growth has been comprehensive for both our business and operational sides. We have taken a major step forward in this direction in 2019, with the appointment of our first Chief Technology Officer to drive all aspects of our digital strategy. Having the right people is essential to enabling us to execute our transformation strategy successfully. As we increasingly focus on technology to drive our growth, we need to build a workforce that is competent and capable of utilising that technology effectively to play their part in executing our growth strategy.

 For more information on Digitally Enabled, please refer to pages 74 to 75 of this <IR>

### OUR COMMITMENT TO SUSTAINABILITY

We consistently inculcate workplace culture that drives safe, reliable and efficient operations in our Company. We recognise that financial profitability and sustainable development must go hand-in-hand, thus we are committed to balancing economic growth, environmental protection and social responsibility.

In 2019, PDB's Board has approved our new sustainability framework which focuses on 8 United Nations Sustainable Development Goals. Our long-term sustainability vision is aimed at managing our Economic, Environmental and Social risks and opportunities to create net positive impact in the long term. This vision serves as the core of our focused sustainability initiatives.

PDB constantly seeks innovative solutions for the mutual benefit of all parties in the ecosystem. In support of low carbon energy landscape and in-line with the Government's vision, we have demonstrated our efforts through:

- Expanded the availability of PETRONAS Dynamic Diesel Euro 5 with Pro-Drive;
- Early rolled out of Euro 4M for RON95 nationwide;
- Supply of Low Sulfur Fuel Oil to comply with IMO requirements;
- Upgraded B7 Diesel to B10 Diesel which helped reduce 436,023 CO<sub>2</sub>e from the transportation sector's GHG emission;

## MD/CEO'S STATEMENT

- The installation of solar panels at 6 PETRONAS stations in 2019 which had generated approximately 103.9 MWh of electricity; and
- Provided ChargeEV facilities at 60 PETRONAS stations

We will continue to create positive alliances with the communities residing in areas where we operate by protecting and adding value to the well-being of employees, partners and the society at large.

During the year, we continued to be listed in the FTSE4Good Bursa Malaysia Index which further strengthened our ratings and indicated that we are on the right track in meeting our responsibilities.

 For more information on Our Commitment to Sustainability, please refer to pages 150 to 188 of this <IR>

### ACCOLADES

PDB won several prestigious awards in 2019 that recognised our strong performance in a number of areas, including:

- MSWG-ASEAN Corporate Governance Awards 2018
- Putra Brand Platinum Award and inducted into the Hall of Fame by Putra Brand Awards in conjunction with PDB's 10<sup>th</sup> consecutive win in the Automotive – Fuel, Lubricant and Accessories Category.
- 7 Gold Awards at the Annual Productivity & Innovation Convention 2019 (APIC) by Malaysian Productivity Convention.
- 17 Gold Awards at the Malaysian Society for Occupational Safety and Health Awards.

 For more information on Awards and Accolades, please refer to pages 32 to 33 of this <IR>

### OUTLOOK

Malaysia's economy is expected to remain challenging in 2020, supported by private sector activities. Consumer spending will remain cautious, particularly for big-ticket items such as houses and cars coupled with large-scale infrastructure projects and ramps-up fiscal stimulus.

While these trends are supportive of the business environment, demand for fuel will continue to be dampened by the ongoing shift towards cleaner and more efficient fuels, as well as changing transport trends. Alongside that, the rapid growth of the digital landscape will continue to change the buying habits of Malaysian consumers, resulting in fewer physical shopping trips.

The outlook remains resilient with domestic demand anchoring growth, and positive development on US-China trade war may ease the pressure on global economy. Nevertheless, near-term growth prospects will be weighed by the ongoing COVID-19 outbreak since early 2020. The

impact on Malaysian economy will be felt largely in tourism-related sectors and in the manufacturing sector through disruptions within the global supply chain and the expected slowdown in China's economy.

Additionally, with the recent change in the nation's political landscape in 2020, we will adapt accordingly and support any new policies, whilst continuing our focused efforts for growth.

Given the outlook for 2020 and these longer-term trends, we believe that our strategy of focusing on customer-centricity, widening our offerings, greater cross-selling of our products and services, and adopting strong sustainability practices positions us for continued growth in the year ahead and beyond in the fast-evolving landscape.

 For more information on Outlook, please refer to pages 39 to 43 of this <IR>

### ACKNOWLEDGEMENTS

Firstly, I wish to thank our customers for their support during the year, as we continue our transformation journey. I would also like to express my gratitude to all our shareholders for your continued confidence in us. We look forward to continuing to earn your trust in the year ahead.

2019 was a year of change and challenges for PDB and I would like to thank the LTs for their dedication and loyalty to the Company.

I wish to express my deepest appreciation to our Chairman and to our Board for their support in ensuring the successful execution of the Company's strategy, which delivered the business and financial performance that our stakeholders expect.

I would like to express my particular appreciation to my predecessor, YBhg. Dato' Sri Syed Zainal Abidin Syed Mohamed Tahir for the leadership that he provided to PDB during his tenure as MD/CEO.

I would also like to acknowledge Encik Ikhwan Hamzah Azizan and Encik Mahadzer Arshad for their contributions during their tenures in the Leadership Team. With their departures, I would like to welcome Encik Wan Yussman Wan Yusof and Ms. Pramela Vallinayagan who have recently joined us.

Finally, I would like to thank all our *Rakan Niaga*, Dealers, business partners and contractors who have enabled us to continue delivering the best possible service for our customers. I also would like to extend my thank you to the press and media for their coverage on PDB. You are an essential part of our growth story and we are honoured to have you with us on our transformation journey.

# CHIEF FINANCIAL OFFICER'S REVIEW



“2019 was another solid year for the Group as we registered a RM1.2 billion PBT which marks our fifth successful year in sustaining PBT above RM1 billion.”

NORLIWATI ABDUL WAHAB  
Chief Financial Officer

Our strong performance was achieved on the back of a record sales volume of 15.6 billion litres, which grew by 5.0% and is our highest sales volume since 2014.

Our impressive performance and sound financials translated into a total dividend of 85.0 sen per share. This represents a payout ratio of 104.0%, our highest payout ratio since 2014 and affirms our commitment to return value to our shareholders.

With our robust balance sheet and strengthened cash position, the Group is in a firm position to continue and *Move Like Never Before*, in pursuit of our growth agenda.



## REVENUE

**RM30.3** Billion  
2018: RM30.1 Billion

Increased by 1.0% due to higher than market volume growth.



## PBT

**RM1.1** Billion  
2018: RM1.1 Billion

5<sup>th</sup> consecutive year of PBT exceeding RM1 billion.



## DIVIDEND

Declared	Payout Ratio
<b>85.0</b> sen	<b>104.0%</b>
2018: 70.0 sen	2018: 86%

Highest dividend payout ratio since 2014.



## ASSETS

Total Asset	Cash
<b>RM10.0</b> Billion	<b>RM3.4</b> Billion
2018: RM9.2 Billion	2018: RM2.2 Billion

Robust balance sheet and strengthened cash.

## OUR RESULTS

### Group Financial Summary

RM million	2019	2018	Variance
Revenue	30,293.6	30,068.8	0.7%
Gross Profit	3,213.9	2,850.8	12.7%
Profit Before Taxation	1,128.9	1,177.0	-4.1%

### Overall Financial Performance Review

For the financial year ended 31 December 2019, PDB Group registered revenue of RM30,293.6 million, an increase of 0.7% from last year, contributed by strong sales volume performance across most businesses. Gross profit increased by RM363.1 million, or by 12.7%, attributable to higher volume and strengthened petroleum product prices trend. In addition, the higher gross profit was also contributed by higher revenue following the increase in dealer's commission as a result of the Automatic Pricing Mechanism revision in January 2019. Consequential to this, selling and distribution expenses also increased with overall zero net impact to the Group's PBT.

Operating expenditure for the Group comprising selling and distribution as well as administrative expenses increased by RM409.0 million or 19.5%. Excluding the impact of dealer's commission as explained above, our operating expenditure increased by 7.7% due to transportation costs, advertising and promotion expenses and depreciation charges reflecting our asset refresh programmes and higher network services costs. These expenses are in line with our transformation efforts to create a seamless and frictionless experience for our customers.

Other income grew by 3.4% or RM14.6 million contributed by higher *Kedai Mesra* income, resulting from our continuous efforts to grow the non-fuel segment. The increase was also contributed by higher interest income following improved cash management and higher cash balances.

## CHIEF FINANCIAL OFFICER'S REVIEW

### SEGMENTAL PERFORMANCE REVIEW

The Group's reportable segments comprise Retail, Commercial and Others. Retail Segment consists of sales and purchases of fuel, LPG and Lubricant to retail sector, while Commercial Segment consists of sales and purchases to commercial sector. Others consist of aviation fueling and technical services as well as business activities other than Retail and Commercial Segments. The combined Retail and Commercial Segments represent 99.0% of the Group's revenue and PBT.

#### Retail Segment



In 2019, Retail Segment's revenue grew by 2.2% following higher sales volume of 6.1% mainly for Mogas and Diesel. The increase in volume was mainly attributed to the new PETRONAS PRIMAX 95 with Pro-Drive which was launched in January 2019. In addition, higher number of operational stations and improved stations productivity also contributed to the volume growth.

PBT decreased by RM21.8 million mainly due to higher operating expenses incurred for advertising and promotions, depreciation and amortisation as well as network services costs.

#### Commercial Segment



Commercial Segment's revenue decreased marginally by 0.8% following lower average selling prices by 4.9%. This was offset by an increase in sales volume of 4.0% contributed by Diesel and Jet A-1. Diesel volume increased following higher demand from upstream sector while Jet A-1 recorded higher sales from existing customers and new contracts secured.

PBT increased by RM17.8 million or 3.3% compared to last year in line with higher sales volume.

## CHIEF FINANCIAL OFFICER'S REVIEW

### FINANCIAL POSITION

FY2019 saw the Group adopt MFRS 16 – Leases. The main impact of the adoption of MFRS 16 is the introduction of a single, on balance sheet lease accounting for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

Right-of-use assets and prepaid lease payments are included under property, plant and equipment in the statement of financial position. The lease liabilities are included as borrowings in the statement of financial position.

#### Total Assets



The Group's total assets stood at RM9,996.3 million, an increase of 9.0% compared to last year mainly due to higher cash and cash equivalents arising from net cash generated from operating activities.

This increase in asset was also contributed by recognition of right-of-use assets amounting to RM231.9 million in line with the adoption of MFRS 16.

#### CASH FLOW

The Group's cash and cash equivalents increased to RM3,425.5 million as at 31 December 2019, an increase of RM1,237.9 million or 56.6% from RM2,187.9 million as at 31 December 2018.

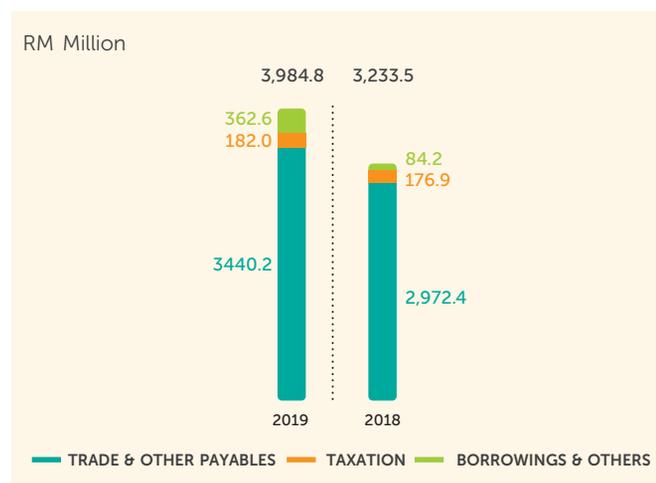
Net cash generated from operating activities was higher by RM2,326.8 million or more than 100.0% following receipt of subsidy and GST receivable as well as timing difference on payments to suppliers. Cash used for investing activities recorded an outflow of RM305.2 million, following investments in asset refresh programmes and digitalisation initiatives. Cash outflow from financing activities was lower by RM95.2 million following higher outflow incurred in last financial year for special dividend paid to shareholders in Quarter 1 FY2018.

#### RETURN TO SHAREHOLDERS

PDB has a dividend policy of 50.0% of the Company's PAT. However, our dividends declared have consistently exceeded the payout policy, while being able to maintain sufficient cash balance to fund the Company's investment and growth requirements.

For FY2019, the Company has declared interim and special dividends of 70.0 sen and 15.0 sen per ordinary share, respectively. This represented a total payout ratio of 104.0%, our highest payout ratio since 2014.

#### Total Liabilities



Total liabilities increased by 23.2% from RM3,233.5 million in 2018 to RM3,984.9 million in 2019 due to higher trade and other payables as a result of higher purchases made during the year. In addition, borrowings increased following recognition of lease liabilities in line with the adoption of MFRS 16. Excluding the impact of MFRS 16, borrowings would have reduced following repayment made during the year.

## CHIEF FINANCIAL OFFICER'S REVIEW

During the year, various measures were undertaken to strengthen business operations in order to deliver a solid performance as well as to support initiatives to future-proof the business.



### DISCIPLINED AND STRINGENT SPENDING

The year 2019 saw continuation of asset refresh programmes at the stations as we focused on delivering seamless and frictionless experience for our customers. In addition, there is a need to upgrade our infrastructure and invest in digital initiatives to differentiate ourselves and future-proof our business.

Whilst these investments are necessary, we have put in place a stringent review process to ensure our CAPEX spending are rigorously reviewed, meet our investment criteria and prioritised based on criticality and/or financial returns.

Operational expenses also continue to be monitored extensively in the organisation. Our operations continue to focus on cost optimisation initiatives such as renegotiation of term charter vessel contracts.



### EFFICIENT MANAGEMENT OF WORKING CAPITAL AND LIQUIDITY

36.0% of the Group's net asset is made up of working capital, making it a continuous priority for us to manage our working capital effectively to ensure we have adequate funds to meet our operational requirements. Our focus areas are optimum inventory and liquidity management as well as stringent trade receivables management.

The Group's operations and performance are highly influenced by the volatility of petroleum product prices. Managing inventory and maintaining it at an optimum level is a key mitigation to minimise the financial exposure to the Group.

We maintain our inventory days at an optimum level of 8.2 days via an effective distribution channel and extensive network of supply. We put in place an Integrated Inventory Management system with improved forecasting of product

availability through end-to-end visibility and data automation to meet both retail and commercial customers' demand respectively.

Liquidity risk is managed by ensuring we maintain minimum sufficient cash balance. Weekly, monthly and longer term cashflow forecasts are prepared and scrutinised, while monitoring of daily cash outflows and inflows are done to ensure optimum working capital position.

The Group maintains a robust credit risk and TAR management through thorough assessment of credit worthiness of new and existing customers, based on PETRONAS Credit Risk Framework and Guidelines. In addition, rigorous monitoring of trade receivables are conducted to ensure timely collection and any overdues are diligently monitored.



For more information on PETRONAS Credit Risk Framework and Guidelines, please refer to pages 145 of this <IR>



### EFFECTIVE RISK MANAGEMENT

Effective risk management is key in providing a strong foundation while we pursue our business and strategic objectives to ensure sustainable return to our shareholders. During the year, we elevated our risk practices through a revised risk policy and establishment of a dedicated Board Risk Committee which sets a strong tone from the top and provides an oversight role on various high impact business decisions.

The Group also established its risk appetite which defines the level or risk that the Group is willing to accept in pursuing its strategic objectives. To ensure a pervasive risk culture, rigorous risk assessment is mandated as part of decision making at management and Board level.



For more information on how we manage risks, please refer to pages 138 to 140 of this <IR>

## CHIEF FINANCIAL OFFICER'S REVIEW



### STRENGTHEN GOVERNANCE AND COMPLIANCE

The Group already has in place a strong governance structure, supported by approved policies, framework and processes. During the year, we continued to cultivate the importance of stronger governance and compliance in view of the legislations and regulatory controls of our new business ventures that we embarking on such as Setel®.

During the year, PDB enhanced its Limits of Authority to meet new business requirements and to tighten control on capital expenditure and investments while obtaining optimum balance of decision making, empowerment and further promoting a culture of accountability.

PDB also tightened its compliance practices through the establishment of Anti-Money Laundering and Counter Financing Terrorism (AML/CFT) Framework and the adoption of Third Party Risk Management (TPRM) Control. The AML/CFT Framework is established in line with Bank Negara Malaysia's guidelines to ensure our SmartPay and Gift Card businesses as well as Setel® are in full compliance with regulations. The TPRM adoption was implemented through a due diligence tool being the "know your customers" process which allows PDB to assess and safeguard PDB against reputational and legal risk posed by parties outside the organisation.

 For more information on our governance and internal control, please refer to pages 145 to 146 of this <IR>

### OUTLOOK

Looking forward, we are committed to *Move Like Never Before* and continue our customer-first mindset towards creating a seamless and frictionless experience for our customers.

We will continue to maintain a robust balance sheet, prudent cash management and strengthen fiscal discipline to ensure we are able to support our business requirements and future growth.

# 2019 HIGHLIGHTS

## BUSINESS HIGHLIGHTS

# Move Like Never Before

✓ Smooth ✓ Responsive ✓ Efficient

### RETAIL



Launched **PETRONAS PRIMAX 95 WITH PRO-DRIVE**

**EXPANDED SETEL**® availability at >300 stations with **EXCELLENT** customer traction

Introduced **ROVR**, the first mobile refuelling service in the country

**ENHANCED LOYALTY PROGRAMME** through new *Mesra* Redemption portal with 81 partners

### COMMERCIAL



Defended **MARKET POSITION**

Preserve **STRATEGIC PARTNERSHIPS**

Strengthened position as a **RELIABLE AND TRUSTED** fuel supplier

### LPG



Malaysia's **NO. 1 COOKING GAS**

Sustained **MARKET LEADERSHIP**

Expanded **DEALERSHIP** network

### LUBRICANT



Continued long-term **STRATEGIC** partnerships with **PROTON** and **PERODUA**

Top-tier premium lubricant product

Significant growth in **DIRECT B2B** segment and **HIGHSTREET**

Launched **PETRONAS AutoExpert**

Launched **PETRONAS Sprinta** with UltraFlex™

## 2019 HIGHLIGHTS

### FINANCIAL HIGHLIGHTS

**NEW**  
**PETRONAS**  
**PRIMAX 95**  
*with Pro-Drive*

**HIGHEST SALES VOLUME  
SINCE 2014**

**15.6**  
BILLION LITRE  
2018 : 14.9 million litre

**REVENUE**

**RM30,293.6**  
MILLION  
2018 : RM30,068.8 million

**PROFIT BEFORE TAX**

**RM1,128.9**  
MILLION  
2018 : RM1,177.0 million

**TOTAL ASSETS**

**RM9,996.3**  
MILLION  
2018 : RM9,170.8 million

**DIVIDEND PER SHARE**

**85.0**  
SEN  
2018 : 70.0 sen

**MARKET CAPITALISATION**

**RM22,948.8**  
MILLION  
2018 : RM26,326.5 million

## 2019 HIGHLIGHTS

### AWARDS AND ACCOLADES

#### BRAND AND MARKETING



#### PUTRA BRAND AWARDS 2019

- Platinum Award for Automotive Fuel and Lubricants
- Inducted into the Hall of Fame



#### #SEAC2019 CUSTOMER ENGAGEMENT AWARDS

- Capability Award Excellence in Content Marketing/ Native Advertising
- Capability Award Integrated Marketing Communication



#### THE LOYALTY AND ENGAGEMENT AWARDS 2019

- Gold for Best Use of Integrated Media
- Gold for Best Card-based Loyalty Programme
- Silver for Best Partnership in a Loyalty Programme

#### 2019 DRAGONS OF ASIA MARKETING COMMUNICATIONS INDUSTRY AWARD PROGRAMME

- Silver Award for Best Innovative Idea or Concept



#### INNOVATION

#### ANNUAL PRODUCTIVITY AND INNOVATION CONVENTION 2019

- Gold Award by Prai Fuel Terminal
- Gold Award by Prai LPG Terminal
- Gold Award by Subang Aviation Terminal
- Gold Award by Bintulu LPG Terminal
- Gold Award by Kota Kinabalu Aviation Terminal
- Gold Award by Bintulu Aviation Terminal
- Gold Award by Kuching Aviation Terminal



## 2019 HIGHLIGHTS

### HSE

#### MALYSIAN SOCIETY FOR OCCUPATIONAL SAFETY AND HEALTH AWARDS

##### Gold Merit:

- Kuantan Fuel Terminal
- Melaka Fuel and LPG Terminals
- Pasir Gudang Fuel and LPG Terminals
- Bintulu LPG Terminal
- Kota Kinabalu Aviation
- Kuching Aviation

##### Gold Class I:

- Kertih Fuel and LPG Terminals
- Lumut Fuel Terminal
- Langkawi Fuel Terminal
- Sepang Bay Fuel and LPG Terminals
- Labuan Fuel Terminal
- KLIA FFB Aviation
- Subang Aviation
- Sandakan Fuel Terminal
- KAFS Aviation
- Bayan Lepas Aviation
- Miri Fuel Terminal
- Senai Aviation



#### NATIONAL COUNCIL FOR OCCUPATIONAL SAFETY AND HEALTH AWARD

- Best in Transportation category
- Best in Wholesale and Retail category



### GOVERNANCE

#### INTERNATIONAL CONVENTION ON QUALITY CONTROL CIRCLES 2019, TOKYO

- Corporate Governance Award



#### NATIONAL ANNUAL CORPORATE REPORT AWARDS 2019

- Certificate of Merit



#### MSWG-ASEAN CORPORATE GOVERNANCE AWARDS 2018

- 1<sup>st</sup> Place for Excellence Award for Overall Corporate Governance and Performance
- 2<sup>nd</sup> Place for Excellence Award for Corporate Governance Disclosure
- 1<sup>st</sup> Place for Industry Excellence Award - Consumer Products and Services



### INVESTOR RELATIONS

#### IR MAGAZINE AWARDS – SOUTHEAST ASIA 2019

- Best in Country: Malaysia



# CORPORATE MILESTONES

1980  
1989



**1981**

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

**1985**

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

**1982**

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

**1987**

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

**1993**

- Converted to a public company on 21 August

**1994**

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

**1996**

- Establishment of *Kedai Mesra* and new station image

1990  
1999



2000  
2009



**2000**

- Launched a new unleaded petrol, PETRONAS Primax
- Introduced PDB's website [www.mesra.com.my](http://www.mesra.com.my) to establish online presence

**2004**

- Introduced PETRONAS Primax Baru

**2006**

- Launched a new fuel, PETRONAS Primax 3

**2001**

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

**2009**

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

**2002**

- Official launch of Mesralink

**2010**

- Introduced PETRONAS Primax 97

**2011**

- Launched PETRONAS Primax 95 Xtra

**2012**

- Launched the 1001<sup>st</sup> 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

2010  
2018



## CORPORATE MILESTONES

**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 the new 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 the new PETRONAS Dynamic Diesel Euro 5 with Pro-Drive
- Introduced ChargEV facilities at selected PETRONAS stations

**2018**

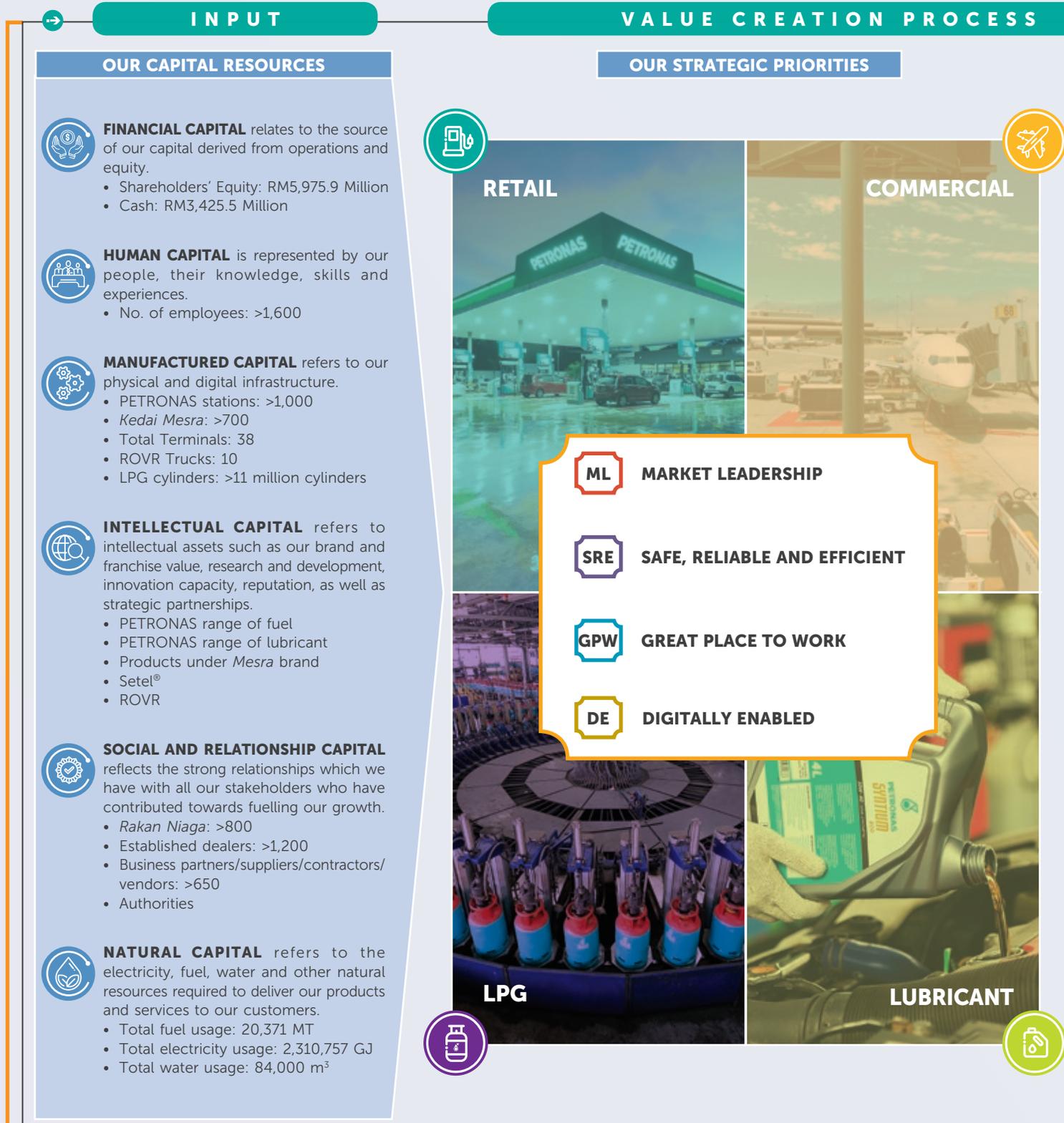
- PETRONAS was named Brand of the Year by Putra Brand Awards
- Launched Setel®, Malaysia's first mobile application that creates seamless on-the-go refuel and retail experience for PETRONAS customers
- PDB was awarded Company of the Year at the Edge Billion Ringgit Club and Corporate Awards
- Introduced PETRONAS' white label brand, Mesra Bites

**2019**

- Launched the new 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

# OUR VALUE CREATING BUSINESS MODEL

Our business model is designed to create a sustainable future whilst enriching lives of our stakeholders. We do this through the effective management of our resources and relationships in order to deliver optimal outcomes. While our business model has been successful at creating sustainable value, we are acutely aware of the highly-competitive nature of the markets in which we operate and the impact that regulatory and technological changes can have on our competitiveness. Accordingly, our business model is built to allow us to respond rapidly to changes in our operating environment.



# OUR VALUE CREATING BUSINESS MODEL

## MATERIAL MATTERS

### HSE

SEAMLESS AND FRICTIONLESS CUSTOMER EXPERIENCE

PERFORMANCE MANAGEMENT

HUMAN CAPITAL

SOCIAL AND RELATIONSHIP CAPITAL

GOVERNANCE AND BUSINESS ETHICS

## OUR RISKS

HSE RISK

FINANCIAL RISK

OPERATIONAL RISK

TECHNOLOGY RISK

STRATEGIC RISK

TALENT RISK

## OUTPUT

### PDB'S PERFORMANCE



REVENUE:  
**RM30.3 Billion**



PROFIT AFTER TAX:  
**RM837.6 Million**



RETURN ON AVERAGE CAPITAL EMPLOYED  
**14.1%**



TOTAL VOLUME GROWTH  
**5.0%**



SUSTAINED OVERALL MARKET LEADERSHIP POSITION



TIMELY FULFILMENT  
**99.3%**

### VALUE CREATED FOR OUR STAKEHOLDERS

#### INVESTORS

- Superior and consistent return on investment
- Strengthened our position in FTSE4Good Bursa Malaysia Index 2015 – 2019
- RM844.4 million dividends paid to shareholders
- Maintained our status in FTSE4Good Bursa Malaysia Index

#### CUSTOMERS

- Fueling customers with our high quality and innovative petroleum products
- Ensure reliable and security of supply to our industrial customers
- Providing services and convenience to customers at our PETRONAS stations
- Highest sales volume of 15.6 billion litres since 2014
- Station NPS improved by 4.0%
- Setel® recorded NPS of 75.0%

#### DEALERS, CONTRACTORS/SUPPLIERS AND BUSINESS PARTNERS

- Develop local businesses and provide spin-off employment opportunities
  - Provide long-term partnership opportunities for sustainable growth
  - Cultivate capabilities of our business
- RM30,846.0 million payments to contractors/suppliers/business partners

#### EMPLOYEES

- Create conducive working environment and rewarding employment
  - Provide opportunities for progression and personal development
  - Provide equal opportunities, personal development and improvement as well as career progression
  - RM264.0 million\* paid for salaries and benefits
  - 14.4% employees promoted
  - RM5.3 million training investment
  - 31.9% female representation
- \*excluding training cost

#### AUTHORITIES

- Compliance with regulatory requirements
- RM266.0 million Taxes paid to Government

#### COMMUNITIES

- Provide local economic opportunities through employment, business partnerships and entrepreneurship
  - Provide sponsorship through CSR and support to uplift their livelihood
- |                                  |  |
|----------------------------------|--|
| No of recipients:                | Established local SME partnerships with: |
| • Water for life: 800 people     | • >350 food suppliers                    |
| • StreetSmart: 600 people        | • 60 automotive workshops                |
| • Coffee Break: 1.5 million cups |  |



*The operating environment constitutes the economic, political, regulatory, technological and broad business environment in which our company operates. PDB's profitability and ability to sustain its performance is strongly affected by its operating environment. In 2019, a combination of moderate domestic economic growth, changing customer habits and technological advances contributed to a challenging operating environment for PDB.*

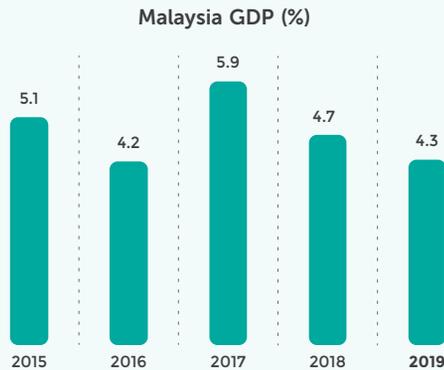


# OPERATING ENVIRONMENT AND MARKET OUTLOOK

## MODERATE ECONOMY GROWTH AND MORE CAUTIOUS CUSTOMER SPENDING

### WHAT HAPPENED

Malaysia's economy grew moderately at 4.3% in 2019<sup>1</sup>. Overall economic activity has been weighed down by weakening export demand and supply disruptions in the commodities sectors, but both private spending and investment have remained resilient, with services and manufacturing sectors continuing to be the key drivers for growth.



According to the Malaysian Institute of Economic Research, consumer sentiment survey shows that people are still cautious on the economy. Throughout the year, Customer Sentiment Index remains below the desired mark of 100 points of optimism. There are several reasons for the bearish consumer sentiment, ranging from the fear of price hikes to job security. Incomes are growing up moderately, but not at the pace of the rising cost of living, especially in urban areas.

### Customer Sentiment Index



### OUTLOOK

The pace of economic growth will remain challenging. Malaysia's economy is expected to grow by 3.2% to 4.2% in 2020, supported by private sector activities<sup>1</sup>. The outlook remains resilient with domestic demand anchoring growth and positive development on the U.S.-China trade war may ease the pressure on global economy. Consumer spending will remain cautious, particularly for sensitive and big-ticket items such as houses and cars.

### OUR RESPONSE

- Committed to deliver superior customer experience.
- Continuous cost optimisation effort.



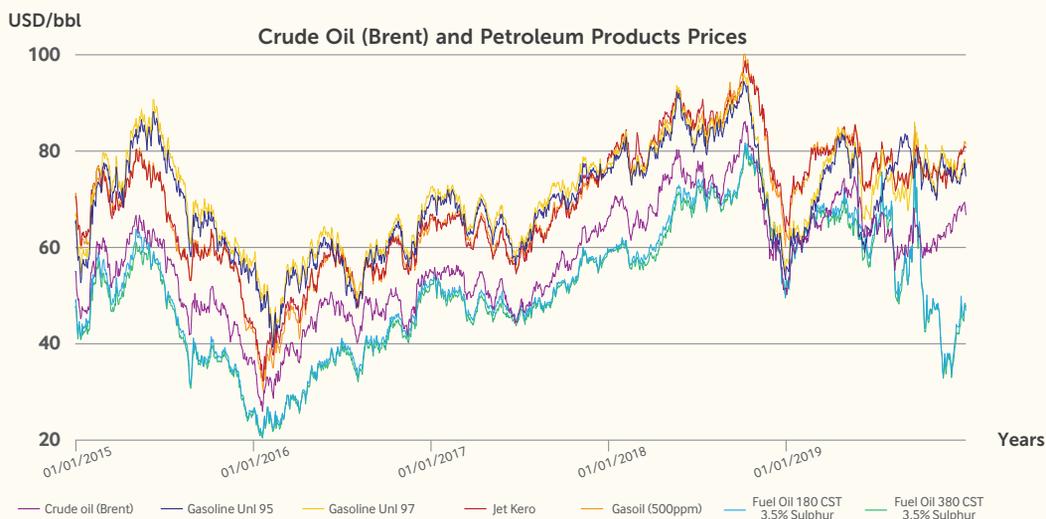
For more information on Our Response, please refer to Business Review on pages 58 to 75 of this <IR>

Source:

<sup>1</sup>Bank Negara Malaysia

## OPERATING ENVIRONMENT AND MARKET OUTLOOK

### CONTINUED OIL PRICES VOLATILITY



#### WHAT HAPPENED

Oil demand in 2019 is at the weakest level since 2008/09’s Great Recession. The U.S. - China trade war continues to cloud prospects for the global economy and fuel demand. Average Brent oil price dropped by 10.0% in 2019 to USD64/bbl from USD71/bbl in the 2018. Throughout the year prices went from highs of USD75/bbl to lows of USD50/bbl.

Petroleum products prices generally moved in tandem with crude oil prices. Key petroleum products i.e. RON97, RON95 and Diesel, prices in 2019 averaged lower than in 2018, at USD74/bbl, USD72/bbl and USD77/bbl, respectively<sup>2</sup>.

#### OUTLOOK

Crude oil price volatility is expected to continue amid a backdrop of global economic slowdown, geopolitical upheaval and prolonged trade tensions. Energy Information Agency forecasts Brent crude oil prices will average USD61/bbl in 2020, driven by rising global oil inventories, particularly in the first half of the year. Petroleum products prices are expected to face similar challenges. Global commitments to stop climate change introduces more uncertainty to future petroleum products demand.

#### OUR RESPONSE

- Continuous Integrated Inventory Management effort to minimise exposure to price volatility.

 For more information on Our Response, please refer to Our Key Operations on pages 58 to 60 of this <IR>

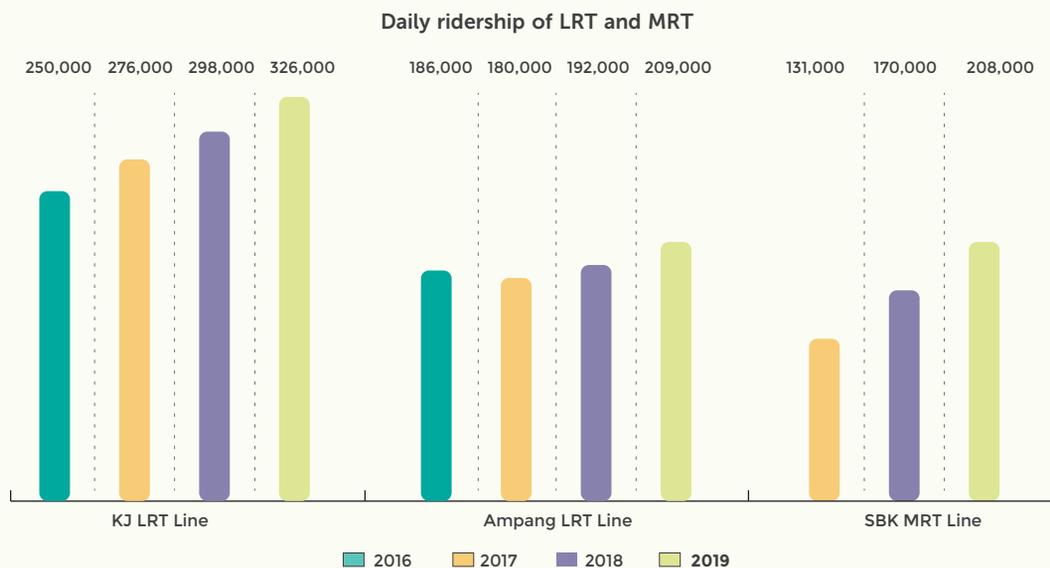
Source:  
<sup>2</sup>S&P Global (Platts)

## OPERATING ENVIRONMENT AND MARKET OUTLOOK

### HIGHER USAGE OF PUBLIC TRANSPORTATION AND PUSH TOWARDS EEV, LEADING TO WANING FUEL DEMAND

#### WHAT HAPPENED

The usage of public transport presently is about 20.0%, driven mainly by buses, ride-hailing, and rail transportation. Kumpulan Prasarana Malaysia Berhad reported that their daily ridership grew to 1.4 million riders through its transport services in 2019<sup>3</sup>, with the introduction of new unlimited passes and extension of LRT and MRT lines.



New car sales increased marginally by 1.0% to 604,287 units in 2019, compared to 598,598 units recorded in 2018<sup>4</sup> of which 60.0% of these new vehicles are Energy Efficient Vehicles (EEV)<sup>5</sup>. EEVs consume lesser fuel, which will impact future fuel demand.

#### OUTLOOK

Bearish demand for fuel is anticipated amidst increasing EEV penetration and higher usage of public transport. EEV penetration for new vehicles is expected to reach 85.0% in 2020, and the new National Automotive Policy 2020, announced on 21 February 2020, would include frameworks for EEV and next-generation vehicles which will feature electric and hybrid powertrains. The National Transport Policy 2019-2030 has set a target in raising public transport usage to 40.0% by 2030, with expected completion of MRT2 and LRT3 by 2022 and 2024, respectively.

#### OUR RESPONSE

- Grow volume through organic and inorganic network expansion
- Provided new eco-friendly products and ChargeEV facilities.

 For more information on Our Response, please refer to Business Review on pages 61 to 64 and Driving Sustainability on page 163 of this <IR>

Source:

<sup>3</sup>Bernama

<sup>4</sup>Malaysia Automotive Association

<sup>5</sup>Malaysia Automotive Robotics and IoT Institute

## OPERATING ENVIRONMENT AND MARKET OUTLOOK

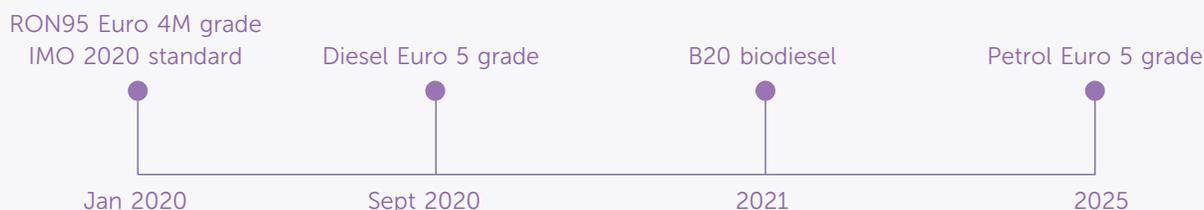
### CLEANER ENERGY GAINING PROMINENCE, SHIFTING ENERGY DEMAND LANDSCAPE

#### WHAT HAPPENED

Climate change is impacting the outlook for energy usage. In Malaysia, the government is committed to provide a more environmentally friendly fuel to the public. Petrol stations nationwide switched from supplying palm biofuel in diesel from 7.0% to 10.0%<sup>6</sup>, reducing the dependency on fossil fuels. Retail gasoline is still at Euro 2M grade for RON95 but will shift to Euro 4M grade.

#### OUTLOOK

Starting in 2020, Malaysia is committed to supporting the International Maritime Organisation to limit sulphur emission from marine fuels<sup>7</sup>. Furthermore, B20 biodiesel fuel and Euro 4M standard for RON95 will be implemented for the transport sector. Malaysia is targeting to grow renewable energy generation to 20.0% by 2025 through various incentives introduced in Budget 2020. Stronger commitment towards cleaner energy by the government will lead to a significant shift in energy demand, which will affect fuel marketers significantly.



#### OUR RESPONSE

- B10 Biodiesel is made available nationwide
- Expanded the availability of PETRONAS Dynamic Diesel Euro 5 with Pro-Drive.
- Early rollout of Euro 4M for RON 95 nationwide
- Supply of Low Sulfur Fuel Oil to comply with IMO requirements



For more information on Our Response, please refer to Driving Sustainability on page 162 and Business Review on pages 61 to 67 of this <IR>

Source:

<sup>6</sup>Green Technology Master Plan 2017-2030

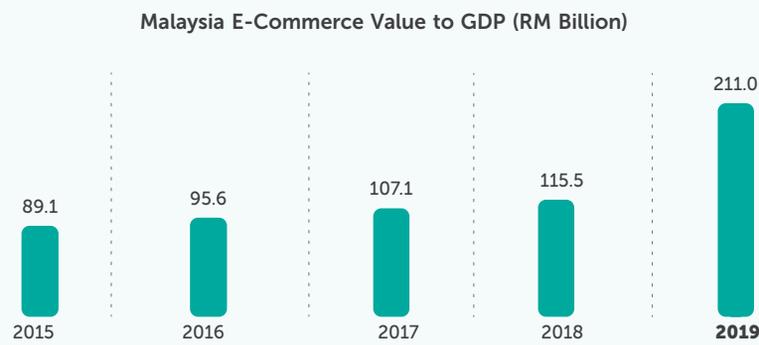
<sup>7</sup>International Maritime Organisation 2020

## OPERATING ENVIRONMENT AND MARKET OUTLOOK

### RAPID GROWTH IN DIGITAL ECONOMY CHANGING CONSUMERS' SPENDING PATTERN WITH STRONGER PUSH TOWARDS CASHLESS COMMUNITY

#### WHAT HAPPENED

Malaysia is moving towards becoming the Industrial Revolution 4.0 hub in Southeast Asia. Currently e-commerce contributes to 18.5% of Malaysia's GDP which is underpinned by various industry programmes and initiatives implemented by Malaysia Digital Economy Corporation (MDEC)<sup>8</sup>.



#### OUTLOOK

Digital economy remains a key agenda for the Malaysian government and is expected to contribute to 21.0% of Malaysia's GDP by 2020. In addition, the government's 2020 budget included a RM450 million e-Tunai Rakyat stimulus to be disbursed through e-wallet redemption, demonstrating the government's drive towards cashless payments. The rapid growth in the digital landscape is changing the buying pattern of Malaysian consumers towards online shopping, digital payment and valuing convenience as well as faster services.

#### OUR RESPONSE

- Expanded the availability of Setel<sup>®</sup> to >300 stations
- Continue to partner with major e-commerce platforms.



For more information on Our Response, please refer to Business Review on pages 61 to 64 of this <IR>

Source:

<sup>8</sup>Ministry of Finance

# MATERIAL MATTERS

## MANAGING MATERIAL MATTERS

Our material matters are the principal economic, social, and environmental issues that give rise to significant opportunities and risks for our company that are significantly important to our stakeholders. PDB carries out an annual exercise to validate how relevant each of these factors remains in the current year. The six material matters that we have identified for 2019 are discussed in this section.

## MATERIAL MATTERS IDENTIFICATION PROCESS



### Reviewing Material Matters

Revisiting the materiality process conducted in 2017 to ensure we effectively capture the issues, risks and opportunities which are most important to our stakeholders and our business' ability to create value over time.



### Evaluating importance of Material Matters to us and our stakeholders

Subsequent evaluation on the level of importance of these material matters based on submissions to the Board and Leadership Team as well as our internal risk metrics.



### Internalising Material Matters to business strategy

Usage of prioritised material matters to craft our business strategy which is reflected in the four (4) strategic priorities of (1) Market Leadership, (2) Safe, Reliable and Efficient, (3) Great Place to Work and (4) Digitally Enabled.



## HEALTH, SAFETY AND ENVIRONMENT

### WHAT THIS MEANS TO US

Good HSE records will enhance reputation for corporate responsibility among investors, customers, and communities, reduce the threat for legal action and boost staff morale and motivation. We will continue to focus on enforcing good HSE practices and inculcating a work culture which prioritises health and safety as well as minimises HSE risk.

#### RISKS

Failure to adequately manage HSE risks may result in injury to our customers, dealers, employees, contractors/suppliers, business partners, communities and impact the surrounding environment. It may also cause disruption to our operations, increase costs, cause reputational damage and or litigation.

#### OPPORTUNITIES

By having a strong HSE performance and prioritisation of areas for continuous improvement, we maintain safe and reliable operations which provides us with a competitive edge in the market while managing its impact to the environment.

Attention to our customers' safety, health, security and well-being will be an opportunity for us to enhance and improve further our image and reputation.

#### CAPITALS



#### STAKEHOLDERS

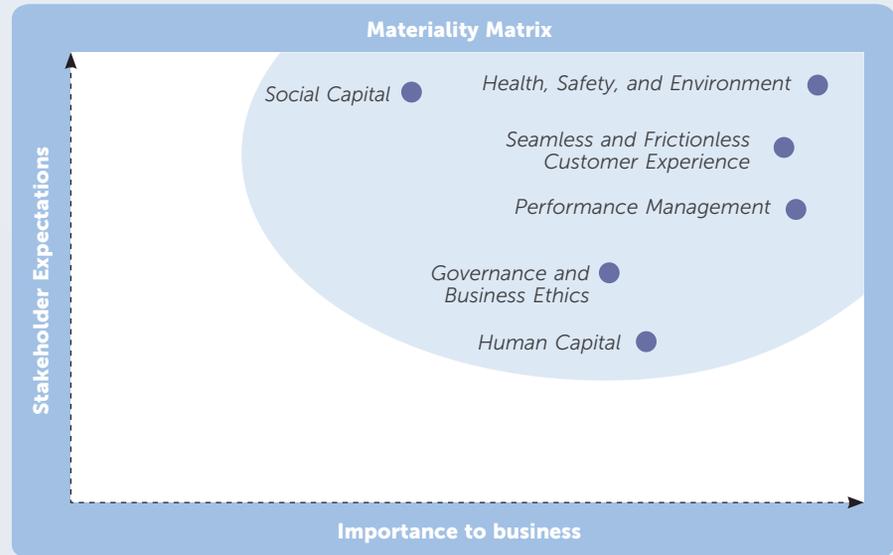
- Customers
- Dealers
- Employees
- Authorities
- Contractors
- Suppliers
- Business partners
- Communities

### OUR RESPONSE

PDB prioritises HSE and aims for Zero HSE incidents. We duly recognise our corporate responsibility as a player in the global energy sector to balance the issue of climate change with the challenge to sustainably produce affordable and reliable energy.

## MATERIAL MATTERS

Our Materiality Matrix was developed based on stakeholder expectations and importance to business. Stakeholder expectations reflects our ability to create and maximise value in a sustainable manner whilst importance to business covers financial impact and our ability to deliver strategic objectives.



### SEAMLESS AND FRICTIONLESS CUSTOMER EXPERIENCE

#### WHAT THIS MEANS TO US

It is important that our customers' requirements and preferences be addressed as they are the key to our business success. This includes all aspects such as product quality, delivery, differentiated offerings and convenience.

#### RISKS

Addressing customers' needs and expectations are critical in maintaining our competitive position and to promote growth. We must be quick to adapt to digital advancements in order to meet the needs and provide convenience to our customers. Exposures arising from cyber threats may also lead to a breach of information security and adversely impact our business operations.

#### OPPORTUNITIES

By offering products of unparalleled quality, high levels of service delivery, as well as listening to our customers' concerns, we establish strong differentiating factors to appeal to our customers, ensuring excellent customer experience. Leveraging on technology advancements provide an avenue for differentiated solutions and increase efficiency for our customers. This will help us protect our position in core markets as well as extend our reach into emerging markets.

#### CAPITALS



#### STAKEHOLDERS

- Customers
- Dealers
- Employees
- Contractors
- Suppliers
- Business partners

#### OUR RESPONSE

Delivering superior customers experience is a strategic priority for PDB, while transforming customers experience through digitalisation initiatives and collaboration with partners.

## MATERIAL MATTERS



### PERFORMANCE MANAGEMENT

#### WHAT THIS MEANS TO US

Operational efficiencies are critical foundations in delivering business objectives and performance towards achieving sustainable levels of growth and profitability. PDB's profitability and ability to sustain its performance correlates strongly to changes in the economic environment.

#### RISKS

We must ensure timely response to changes in economic and market environment to remain competitive as well as to deliver our strategy and performance.

Operational and reliability interruptions including non-availability of supply and services could lead to business disruption and financial loss.

#### OPPORTUNITIES

Striving for operational efficiencies ensures a competitive advantage for our brands in the market. The ability to respond quickly to market changes and having flexibility in our strategy allows us to capitalise on lagging competitors' response.

#### CAPITALS



#### STAKEHOLDERS

- Investors
- Employees
- Customers
- Dealers
- Contractors
- Suppliers
- Business partners

#### OUR RESPONSE

Concerted efforts have been made to improve operational excellence and reliability, and this continues to be a strategic priority for PDB. Our strategy is designed to fuel growth and set the trajectory moving forward



### SOCIAL AND RELATIONSHIP CAPITAL

#### WHAT THIS MEANS TO US

PDB recognises the value and impact of our business in the social ecosystem that we operate in. We are committed to operating safely, responsibly and reliably, and aligning our practices with acceptable business norms and the industry's benchmarks.

#### RISKS

It is vital for PDB to continuously behave as a socially responsible organisation. Failure to discharge our responsibility on human rights will infringe on the health, safety and general well-being of the people impacted by our operations.

#### OPPORTUNITIES

Behaving in a socially responsible manner allows us to support the goals of our stakeholders in creating positive social impact. This opens up opportunities for collaboration with social entrepreneurs.

#### CAPITAL



#### STAKEHOLDERS

- Investors
- Customers
- Employees
- Authorities
- Communities
- Dealers
- Contractors
- Suppliers
- Business partners

#### OUR RESPONSE

PDB continues to invest in (CSR) programmes as part of its commitment to contribute back to the people and community residing in areas where we operate in, whom have fueled our growth. We are also committed to avoid complicity in potential human rights violations in our relationships with dealers, contractors, suppliers and the community.

## MATERIAL MATTERS



### HUMAN CAPITAL

#### WHAT THIS MEANS TO US

Our talents are key assets in delivering our strategies.

#### RISKS

We must attract, develop, and retain the best talents to ensure sustainable business performance and deliver growth.

#### OPPORTUNITIES

Having the best talents will enable us to be nimble and agile in responding to changes in our operating environment

#### CAPITAL



#### STAKEHOLDER

- Employees

#### OUR RESPONSE

We continuously invest in the development and capability of our people as one of our prime assets to grow together with the Company.



### GOVERNANCE AND BUSINESS ETHICS

#### WHAT THIS MEANS TO US

PDB believes in conducting our business in a manner that emphasises and advances the principle of discipline, good conduct, professionalism, loyalty, integrity and cohesiveness that is critical to the success and well-being of PDB.

#### RISKS

We must conduct our business in an ethical manner to instill trust to our stakeholders in areas we operate and avoid major losses due to integrity issues.

#### OPPORTUNITIES

Establishing a corporate culture which inculcates ethical conduct within the company and to our business partners will ensure governance and build trust with our stakeholders to uphold our image and reputation.

#### CAPITAL



#### STAKEHOLDERS

- Investors
- Customers
- Employees
- Authorities
- Dealers
- Contractors
- Suppliers
- Business partners

#### OUR RESPONSE

PDB has adopted the PETRONAS CoBE, the WBP and the ABC. These policies ensure that the conduct of business of PDB and its employees are consistently carried out ethically and with integrity. This is in addition to oversight from PDB Board for transparent decision making.



Financial Capital



Human Capital



Manufactured Capital



Intellectual Capital



Social and Relationship Capital



Natural Capital

# STAKEHOLDER ENGAGEMENT

As Malaysia’s leading retailer and marketer of downstream petroleum products, PDB has a broad range of stakeholders with, sometimes, competing interests. Each group in our spectrum of stakeholders have their own unique areas of interests, due to the different ways they are impacted by our business. To understand our stakeholders’ needs and interests, and effectively build positive and meaningful relationships with our stakeholders, we have adopted the Stakeholder Management Process as guided by PETRONAS Group Strategic Communication. Beyond the 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.

## WHY WE ENGAGE THEM

## HOW WE ENGAGE THEM

## AREAS OF INTEREST



### INVESTORS

To provide fair, balanced and timely material updates to maintain trust and confidence as well as to allow informed decision making

- Quarterly result announcements
- Quarterly analyst briefings
- Group and one-on-one meetings
- NDRs and corporate conferences
- Site visits
- Corporate website – [www.mymesra.com.my](http://www.mymesra.com.my)
- Reports - Annual and Sustainability Reports

- Economic outlook
- Business outlook and risks
- Operational efficiencies
- Cash utilisation and dividends
- Governance and business ethics
- Safety and health
- Sustainability matters



For more information on Investors, please refer to Investor Relations on pages 85 to 89 of this <IR>



### CUSTOMERS

As a customer centric organisation, we must understand the needs and behaviour of our customers to ensure we win them over and deliver solutions to delight them

- Hotline – PETRONAS Mesralink at 1-300-88-8181
- Social media platforms (Facebook, Instagram, Twitter and YouTube)
- Corporate website – [www.mymesra.com.my](http://www.mymesra.com.my)
- Events, dialogues, roadshows and engagement sessions
- Market/satisfaction surveys
- Customer feedback system via QR Code at PETRONAS stations and mobile applications

- Customers experience
- Customer service and support
- Products quality and availability
- Safety and health
- Governance and business ethics
- Environment and climate change
- Sustainability matters
- Cyber security
- Technology and digital transformation



For more information on Customers, please refer to Business Review on pages 58 to 75 and Driving Sustainability on pages 186 to 187 of this <IR>



### RAKAN NIAGA/DEALERS

Rakan Niaga/Dealers are our critical business partners and an extension of our network. We must ensure our strategies and business plans are aligned

- Dealer conferences, events, dialogues, roadshows, engagement sessions, stations site visits
- Training sessions
- Hotline – PETRONAS Mesralink at 1-300-88-8181
- Retail dealers – [www.mystation.com.my](http://www.mystation.com.my)
- Corporate website – [www.mymesra.com.my](http://www.mymesra.com.my)

- Economic outlook
- Strategic direction, business growth and opportunities
- Customers experience
- Operational efficiencies
- Safety and health
- Workforce development
- Governance and business ethics
- Human rights
- Sustainability matters
- Technology and digital transformation



For more information on Rakan Niaga/Dealers, please refer to Business Review on pages 61 to 64 and Driving Sustainability on pages 156 to 185 of this <IR>

## STAKEHOLDER ENGAGEMENT

### WHY WE ENGAGE THEM

### HOW WE ENGAGE THEM

### AREAS OF INTEREST



#### EMPLOYEES

We cascade business direction and performance while enabling open communications to ensure employees are engaged and highly motivated

- Town halls and engagement sessions
- Leadership messages through video, newsletters, intranet and e-mail
- Employee surveys
- Union Management

- Business direction and performance
- Employment acquisition and retention
- Work life balance
- Welfare and benefits
- Capability and career development
- Improved diversity, flexibility and inclusivity
- Corporate integrity and business ethics
- Health, safety, environment
- Technology and digital transformation
- Sustainability matters
- Human rights



For more information on Employees, please refer to Investors Information on pages 172 to 181 of this <IR>



#### AUTHORITIES

We operate in accordance with all regulatory requirements to ensure our operations are safe and not disrupted

- Formal meetings
- Dialogues and feedback sessions
- Operational site visits
- Knowledge sharing sessions
- Periodic reports

- Regulations and policies
- Product specifications
- Safety and health
- Environment and climate change
- Corporate Social Responsibility
- Human rights
- Governance and business ethics



For more information on Authorities, please refer to Business Review on pages 58 to 75 and Driving Sustainability on pages 186 to 187 of this <IR>



#### CONTRACTORS/SUPPLIERS/ BUSINESS PARTNERS

Engaging with our partners and supply chain providers means that we can ensure effective business collaboration, including upholding our safety standards and compliance

- One-on-one meetings
- Contractors' Day
- Sharing/training sessions
- Engagement sessions
- Progress reports
- Corporate presentations
- Reports – Annual and Sustainability as well as programme reports
- Annual Dealer Conference

- Business opportunity
- Governance integrity and business ethics
- Health, safety and environment
- Contractor's performance
- Local content
- Regulations and policies
- Products availability and services quality
- Customer experience
- Technology and digital transformation
- Sustainability matters
- Human rights



For more information on Contractors/Suppliers/Business Partners, please refer to Business Review on pages 58 to 75 and Driving Sustainability on pages 166 to 185 of this <IR>



#### COMMUNITIES

Ensures continued viability of the business into the long-term. We aim to enrich the lives of the communities in which we operate and protect the environment

- Community engagement and outreach programmes
- Corporate website – [www.mymesra.com.my](http://www.mymesra.com.my)
- Customer Service Hotline – PETRONAS Mesralink at 1-300-88-8181
- PETRONAS Brands social media accounts – Facebook, Twitter, Instagram and YouTube

- Corporate Social Responsibility
- Local content and employment opportunities
- Safety and health
- Regulatory compliance
- Environment and climate change



For more information on Communities, please refer to Driving Sustainability on pages 182 to 185 of this <IR>

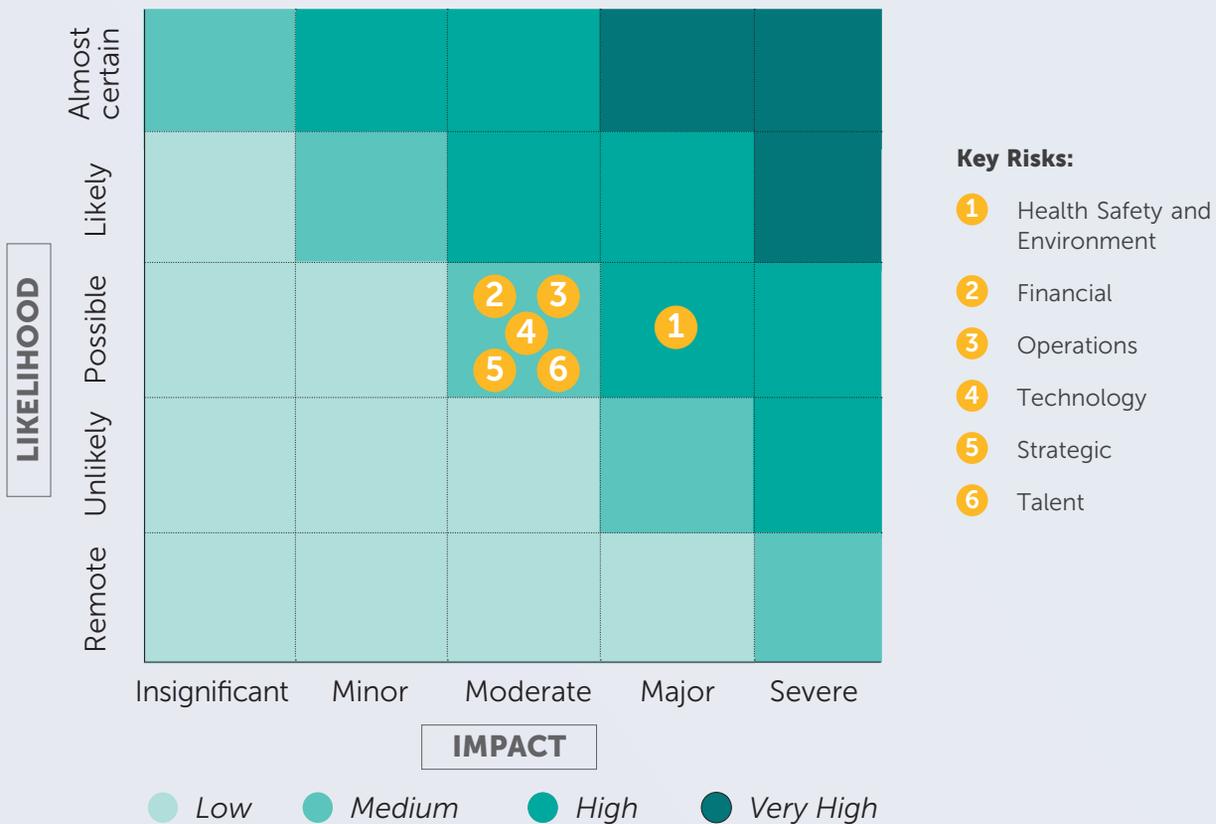
# KEY RISKS AND MITIGATION

We are committed to effective risk management whilst pursuing our strategic and business objectives, with the ultimate aim of ensuring sustainable value creation for our stakeholders. Risk management is an integral part of our value-based strategy, our governance and day-to-day operations. Not only do we aim to deal with the uncertainty in the business environment by minimising the downside, we also seek to capitalise on the upside potential to achieve our strategic objectives.

## How We Manage Our Risks

PDB has embedded effective risk management processes across the entire value creation process in all our lines of business. We identify, assess, treat and monitor all risks that could potentially impact our business; including inherent risks as early as possible. These are mapped onto a risk matrix which specifies the likelihood of the occurrence of the risk and its impact.

 For more information on how we manage our risk, please refer to SORMIC on page 140 of this <IR>



## KEY RISKS AND MITIGATION

### KEY RISKS

#### 1 HEALTH SAFETY AND ENVIRONMENT RISK

##### What It Means to Us



The nature of the Company's operating activities exposes us to a wide range of health, safety and environmental risks such as incidents associated with operating facilities, flammable products and transportation hazards.

##### Strategic Priorities



Inability to provide safe environments for our workforce and the public while at our facilities, premises or during transportation, could lead to injuries, loss of life or environmental damage. The Company remains committed to safe, reliable and efficient operations.

#### HOW WE MITIGATE

- Address risks on potential hazards through identified control and preventive measures especially on transport safety, process safety as well as contractor and supplier management.
- Heighten safety and compliance culture among employees and extend to *Rakan Niaga/Dealers/business partners/contractors*.



For more information on Safety and Health, please refer to Driving Sustainability on pages 169 to 170 of this <IR>.

- Conduct asset refresh and asset integrity activities.



For more information on Safe, Reliable and Efficient, please refer to Retail, on page 64 of this <IR>.

#### IMPLICATIONS

##### Impact to Capitals



- Loss of productivity and performance due to accidents, injuries and casualties
- Litigation costs, penalties and compensations
- Business disruption
- Asset recovery
- Tarnished reputation

### KEY RISKS

#### 2 FINANCIAL RISK

##### What It Means to Us



The Company is exposed to various financial risks in the normal conduct of business.

##### Strategic Priorities



1. Price volatility

Exposure to petroleum price volatility poses a threat to short and medium term profitability of the Company.

2. Credit risk

The Company's diverse business makes us vulnerable to the credit worthiness of our customers. Credit risk exposes the Company to potential losses in the event of non-payments by customers.

#### HOW WE MITIGATE

- Minimise price exposure and improve margins through Integrated inventory management.



For more information on Integrated Inventory Management, please refer to Our Key Operations on page 60 of this <IR>

- Assess the credit-worthiness of all potential customers and *Rakan Niaga/Dealers* as well as performing credit reviews on existing customers in accordance to Credit Risk Framework and Guidelines.



For more information on Credit Risk Framework and Guidelines, please refer to SORMIC on page 145 of this <IR>

#### IMPLICATIONS

##### Impact to Capitals



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

## KEY RISKS AND MITIGATION

### KEY RISKS

#### 3 OPERATIONS RISK

**What It Means to Us**



Operational excellence is paramount to the Company for uninterrupted end-to-end supply chain stretching from sourcing to reliable delivery of products to customers. This includes ensuring availability of high quality products at all PETRONAS stations for a superior customer experience.

**Strategic Priorities**



The Company's value chain may be impacted by operational interruptions, including unavailability of products and system disruptions.

#### HOW WE MITIGATE

#### IMPLICATIONS

- Enhance operating discipline and proactive equipment maintenance.



For more information on Efficient Operations, please refer to Our Key Operations on page 60 of this <IR>

#### Impact to Capitals



- Business disruption
- Higher cost
- Poor product quality
- Litigation/penalty

### KEY RISKS

#### 4 TECHNOLOGY RISK

**What It Means to Us**



The Company is exposed to digital infrastructure and system disruptions as well as information security breaches arising from cyber threats which may adversely impact our business operations and customer experience.

**Strategic Priorities**



Rapid technology advancement has heightened the importance of the Company's IT systems to keep up with the pace of digital adoption. Failure to be at the technological forefront may affect our competitive position.

#### HOW WE MITIGATE

#### IMPLICATIONS

- Strengthen personal data protection and cyber security capability.
- Offer differentiated services through digitalisation to enhance customers experience and convenience.



For more information on Data Protection, Cyber Security and Our Digital Transformation, please refer to Digitally Enabled on pages 74 to 75 of this <IR>

#### Impact to Capitals



- Business disruption
- Loss of valuable business data
- Reputational damage
- Penalties by authorities

## KEY RISKS AND MITIGATION

### KEY RISKS

#### 5 STRATEGIC RISK

**What It Means to Us** →

1. Competition Risk

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

**Strategic Priorities** **ML**

2. Market Risk

The ability to sustainably grow and deliver shareholder value depends on the main macroeconomic factors that drive the business strategy. Fluctuations in year-on-year profitability and earnings growth are a result of the adverse changes in the market environment.

#### HOW WE MITIGATE

#### IMPLICATIONS

- Enhance products and services by expanding availability of new product offerings.
- Offer competitive pricing and attractive sales package
- Enhance business strategies to address new needs, creating solutions and continue delighting our customers.
- Diversify business portfolio and strategy focusing on value creation for growth.

 For more information on Our Response, please refer to Business Review on pages 62, 66, 69 and 72 of this <IR>

#### Impact to Capitals



- Decrease in profit margin
- Loss of market competitiveness
- Insufficient cash flow

### KEY RISKS

#### 6 TALENT RISK

**What It Means to Us** →

The Company 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.

**Strategic Priorities** **GPW**

#### HOW WE MITIGATE

#### IMPLICATIONS

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

 For more information on Human Capital, please refer to Driving Sustainability on pages 172 to 175 of this <IR>

#### Impact to Capitals



- Loss of key talents
- Loss of competitive advantage

# OUR STRATEGY

## OUR KEY STRATEGIES TO STRENGTHEN THE CORE

Responding to emerging market trends and challenging business landscape, our strategies this year are devised to drive PDB's transformation plan in strengthening of our core businesses. The strategic initiatives are designed on four Strategic Priorities – (1) Market Leadership, (2) Safe, Reliable and Efficient, (3) Great Place to Work and (4) Digitally Enabled. The transformation plan highlights our strategic objectives and initiatives which take into account the operating environment, our material matters which address the organisation and stakeholders' needs and concerns, and management of business risks. Putting the customer's experience as our central purpose, we established a more robust approach for operational excellence, quality management, talent development, digital transformation and sustainable business practices to embark on.

 <b>ML</b> <b>Market Leadership</b>	 <b>SRE</b> <b>Safe, Reliable and Efficient</b>	 <b>GPW</b> <b>Great Place to Work</b>	 <b>DE</b> <b>Digitally Enabled</b>
<p>To become the market leader in every business segment whilst maximising value through customer-first mindset</p>	<p>To ensure all facets of our business and operations are executed in a manner that is safe, reliable and efficient</p>	<p>To create a healthy, positive and conducive working environment for our people, who are our greatest assets</p>	<p>To accelerate growth, future proof our business and disrupt the competitive business landscape</p>

Anchored on the core of working from the Customer's Lens to ensure we deliver a Seamless and Frictionless Customer Experience

STRATEGIC PRIORITIES	STRATEGIC OBJECTIVES	INITIATIVES	2020 PRIORITIES
 <b>ML</b> <b>Market Leadership</b>	<ul style="list-style-type: none"> <li>Maximise value</li> <li>Defend and grow market position</li> <li>Increase customer base</li> <li>Increase NPS</li> </ul>	<ul style="list-style-type: none"> <li>Expand retail network</li> <li>Focused and targeted marketing campaigns</li> <li>Grow strategic alliances</li> <li>Secure new customers</li> <li>New product offerings</li> <li>Drive power brands</li> </ul>	<ul style="list-style-type: none"> <li>Continue organic and inorganic expansion</li> <li>Maximise station throughput</li> <li>Improve customer service levels through digital solutions</li> <li>Expand and grow Non Fuel Business</li> </ul>
 <b>SRE</b> <b>Safe, Reliable and Efficient</b>	<ul style="list-style-type: none"> <li>Zero HSE incidents</li> <li>Operational excellence</li> <li>Asset integrity</li> <li>Reliable products supply</li> <li>Cost optimisation</li> </ul>	<ul style="list-style-type: none"> <li>Full compliance to HSE requirements</li> <li>Improve supply efficiency and reliability</li> <li>Improve operating discipline</li> </ul>	<ul style="list-style-type: none"> <li>Generative HSE Culture throughout the organisation</li> <li>Extend Generative HSE Culture to PDB partners i.e. hauliers, dealers and contractors</li> <li>Replace aging asset</li> <li>Improve cost efficiency and operation excellence</li> </ul>
 <b>GPW</b> <b>Great Place to Work</b>	<ul style="list-style-type: none"> <li>Empowered, enabled and agile workforce</li> <li>Safe, comfortable and conducive working environments</li> </ul>	<ul style="list-style-type: none"> <li>Instil PETRONAS Cultural Beliefs</li> <li>Organisational restructuring for greater clarity of roles and accountability</li> <li>Capability development</li> <li>Execute office and terminals retrofit</li> </ul>	<ul style="list-style-type: none"> <li>Sharpen employee competency</li> <li>Business improvement and transformation</li> </ul>
 <b>DE</b> <b>Digitally Enabled</b>	<ul style="list-style-type: none"> <li>Optimise use of data</li> <li>Deliver seamless and frictionless customer experience through digitalisation</li> </ul>	<ul style="list-style-type: none"> <li>Install next generation hardware</li> <li>Systems modernisation</li> <li>Build data hub infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen data and analytics platform</li> <li>Enhance customer interfaces</li> <li>Harden digital assets for cyber security enhancement</li> </ul>

## KEY PERFORMANCE INDICATORS

PDB's business involves all aspects of the retail and marketing of downstream petroleum, giving it a diversified earnings base across business sectors. To measure our performance, we have defined a number of targets comprising both financial and non-financial indicators, as well as quantitative and qualitative factors. We continually evaluate our performance against these targets.

### ML MARKET LEADERSHIP

#### Profit After Taxation

**Aim:**  
To maximise value creation and deliver high returns to shareholders

FY2019	<b>837.6</b>
-----	FY2018
	<b>861.5</b>

(RM Mil)

#### Return on Average Capital Employed

**Aim:**  
To increase the Company's efficiency in generating profits from the available capital base

FY2019	<b>14.1</b>
-----	FY2018
	<b>14.4</b>

(%)

#### Total Volume

**Aim:**  
To grow sales volume while maximising value

FY2019	<b>15,638.1</b>
-----	FY2018
	<b>14,882.6</b>

(Mil Litre)

### SRE SAFE, RELIABLE AND EFFICIENT

#### Average Inventory Days

**Aim:**  
To minimise exposure to product price volatility  
(Day)

FY2019	<b>8.2</b>
-----	FY2018
	<b>9.4</b>

#### HSE Performance

 For more information on HSE Performance, please refer to Driving Sustainability on page 188 of this <IR>

### GPW GREAT PLACE TO WORK

#### Ratio of Ready Top Talents to Critical Positions

**Aim:**  
Increase talent pool for Top Talent and Potential Leaders, to ensure continuous pipeline of leaders  
(Ratio)

FY2019	<b>2.8:1</b>
-----	FY2018
	<b>2.5:1</b>

#### Critical Positions Succession Planning

**Aim:**  
To complete succession planning for all critical positions  
(%)

FY2019	<b>100</b>
-----	FY2018
	<b>100</b>

### DE DIGITALLY ENABLED

#### Digital Project Delivery

**Aim:**  
To deliver PDB's vision of seamless and frictionless customer experience across our businesses

(No. of stations with Setel®)

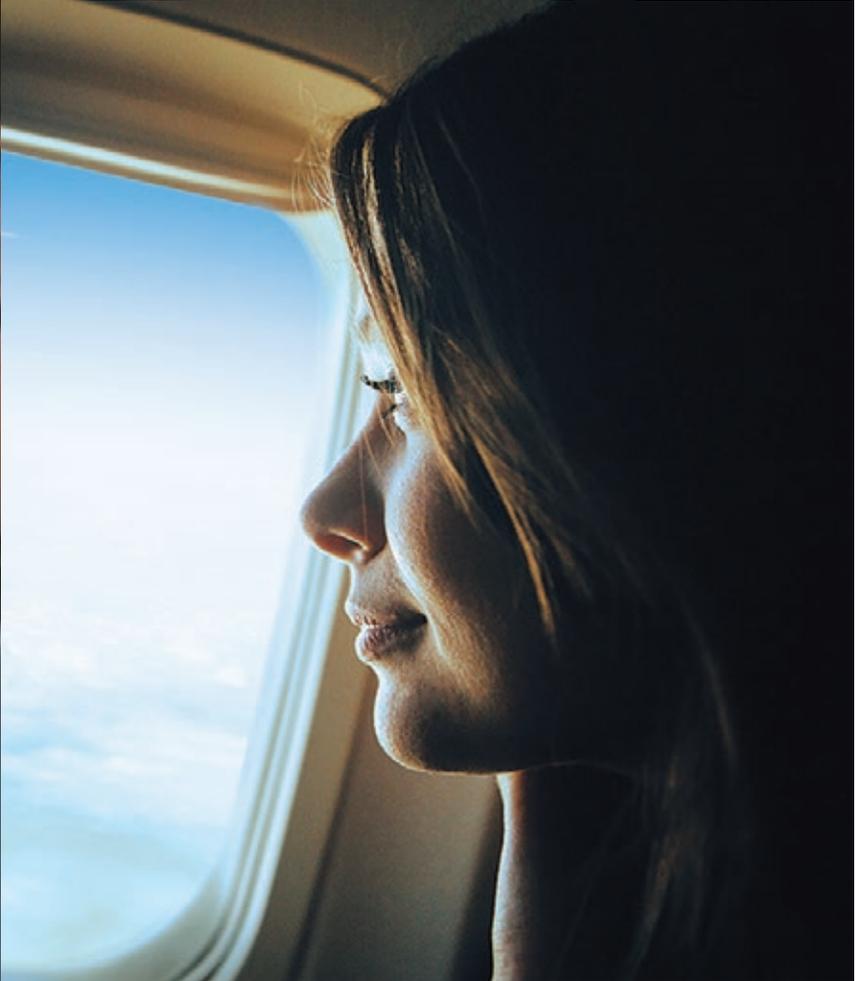
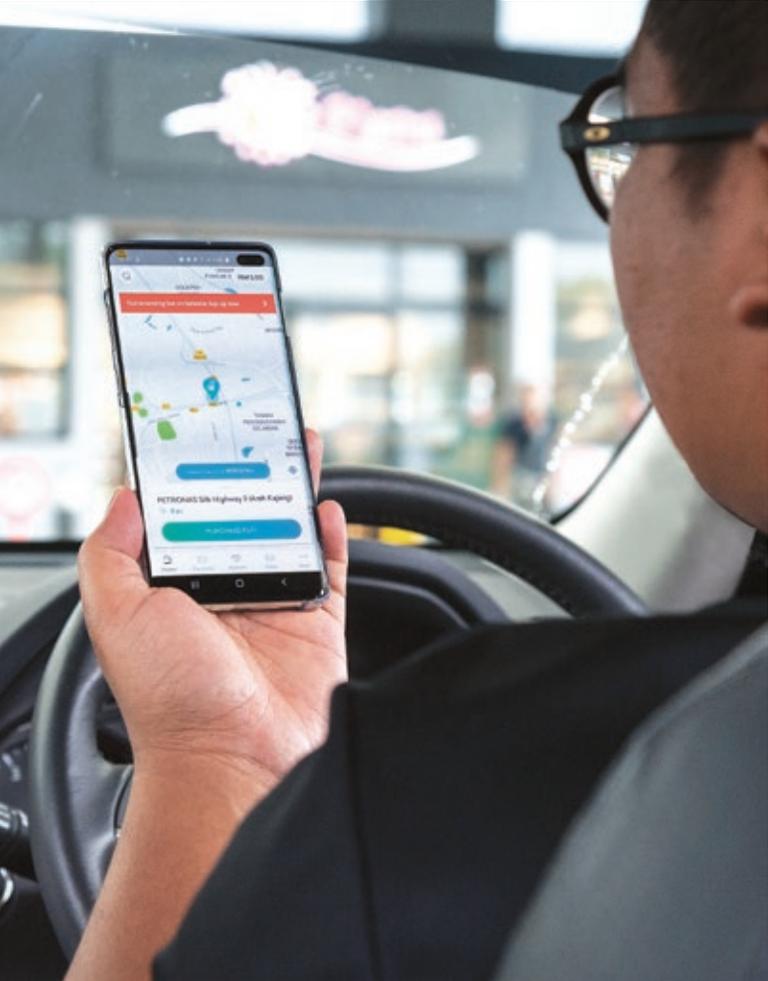
FY2019	<b>&gt;300</b>
-----	FY2018
	<b>~100</b>



//

*Thank you for being our valued customer. Your support means a lot to us and we will continue to offer innovative product solutions that exceed your expectations. We will keep pushing boundaries to provide quality products and services to serve you better. We thank you once again for being a part of our journey and we look forward to your continued patronage. //*







“We are committed to add value to our customers through continuous improvement of our daily operations. To this end, we are investing in digital solutions that are crucial to elevate operations efficiency and productivity.”



# OUR KEY OPERATIONS

**MOHD SHOBRI A. BAKAR**

Head, Supply and Distribution Division



## WHO WE ARE AND WHAT WE DO

The Supply and Distribution Division is responsible to ensure an uninterrupted end-to-end supply chain to deliver products to our costumers in a safe, timely and reliable manner.

From product sourcing to product delivery, we support our business lines and customers through strategic planning, effective distribution channels and an extensive network of supply via our 38 terminals across Malaysia.

Over and above this, we strive to create value for our customers through our cost optimisation efforts and unsurpassed services, while ensuring our HSE standards are not compromised.

## VALUE CREATED BY OUR KEY OPERATIONS



### Reliability

Safe, timely and reliable product delivery to our customers



### Create

Cost optimisation along our value chain and increase profitability



### Network

Long-term partnerships with various stakeholders



### Cultivate

Cultivate capabilities and good culture behaviour of employees and contractors



### Innovate

Add value to our business lines and customers through process simplification and digital solutions.

## OUR KEY OPERATIONS



### KEY ACHIEVEMENTS

OPERATIONAL EXCELLENCE RESULT 2 (OER2) IS A METHODOLOGICAL APPROACH TOWARDS STRENGTHENING OPERATING DISCIPLINE. THIS FOCUSES ON IMPROVING WORK PROCESSES, MANAGEMENT SYSTEM AND BUILDING EMPOWERMENT FOR FASTER DECISION MAKING.

▶ Embarked on OER2 to improve Operating Discipline

- ▶ Reduced:
- Primary Distribution cost by 14.3%
  - Secondary Distribution cost by 2.7%

▶ Improved On-Time Performance Index by 23.9% to 1.8

▶ Maintained Inventory Days at the optimum level of 8.2 days



### CHALLENGES

#### Challenges

1. Exposure to HSE risk due to the inherent nature of the Company's operations (i.e. highly flammable products and transportation hazard)
2. To ensure uninterrupted product supply across the value chain and consistent delivery of quality product
3. Increasing operating and logistic costs impacting profitability

#### Our Response

- ▶ Continuous compliance to HSE standards in all our operations
- ▶ Heighten safety and compliance culture amongst to dealers, contractors and hauliers
- ▶ Optimisation of fleet schedule to achieve timely delivery at the most efficient cost
- ▶ Ensure efficiencies of products ordering system (i.e. e-service system) and readiness of road tankers to deliver products at all times to avoid supply disruption
- ▶ Continue to re-negotiate term charter contracts and land lease rates
- ▶ Optimise vessel term and spot charter utilisation

## OUR KEY OPERATIONS

### BUSINESS HIGHLIGHTS

STRATEGIC PRIORITIES	STRATEGIC OBJECTIVES	KEY INITIATIVES	RESULTS
 <p><b>SRE</b> SAFE</p>	1. To ensure continuous compliance with high HSE standards among employees and contractors	a. Inaugural Supply and Distribution Division Emergency Response Team Competition b. Transportation safety: <ul style="list-style-type: none"> <li>Enhance the implementation of various safety initiatives</li> <li>'Safe Delivery' campaign to sustain and improve Health, Safety, Security, and Environment performance</li> </ul>	a. Enhanced emergency response preparedness among Emergency Response Team members at terminals b. Improvement of 87.0% on our <i>Rakan Khidmat Penghantar</i> achieved category A rating
	2. Accreditation for Excellent Occupational Health and Safety Performance	a. Distinct demonstration of safe systems of work and generative HSE culture throughout terminal operations b. Strict adherence to HSE Management Systems with effective First Line of Assurance	a. Awarded 17 Gold awards by the Malaysian Society for Occupational Safety & Health b. Zero major HSE incident across terminals
 <p><b>SRE</b> RELIABLE</p>	1. Margin improvement	a. Integrated Inventory Management to minimise exposure to price volatility b. Forecasted product availability through end-to-end visibility and data automation	a. Sustained optimum inventory levels below 9 days b. Zero stock out incident at terminals
	2. Ensure reliable and timely product delivery	a. Rationalisation of fleet size to meet business requirements	a. Improvement of 99.3% timely product delivery
 <p><b>SRE</b> EFFICIENT</p>	1. Improvement of Operational Discipline	a. Enhanced Operating Discipline towards World Class competitiveness and empowered organisation through OER2 initiative b. Proactive equipment maintenance to reduce downtime	a. All Southern Terminals have passed the OER2 Initial Implementation Assessment by achieving 90.0% for both Maintain Facility Work Process and Operate Facility Work Process within 3 months instead of the 6-month standard practice b. Improved equipment efficiency by 3.0%
	2. Cost Optimisation	a. Re-negotiate vessel charter rates and optimise utilisation b. Optimise fleet utilisation through improved load size and effective route planning	a. Reduced primary distribution cost by 14.3% b. Lower secondary distribution cost by 2.7%
 <p><b>GPW</b> GREAT PLACE TO WORK</p>	For more information on Great Place to Work, please refer to Driving Sustainability on pages 166 to 181 of this <IR>		
 <p><b>DE</b> DIGITALLY ENABLED</p>	For more information on Digitally Enabled, please refer pages 74 to 75 of this <IR>		

### OUTLOOK



Moving forward, Supply and Distribution will continue to create seamless and frictionless customer experience by focusing on continuous improvement and implementing OER2 at other terminals to ensure we deliver sustainable competitive advantage for the Company.



**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 700 *Kedai Mesra* nationwide.

- **FUEL** segment comprises premium products, developed in partnership with the Mercedes-AMG PETRONAS Formula One™ team which include PETRONAS Primax 97 with Advanced Energy Formula, PETRONAS Primax 95 with Pro-Drive, PETRONAS Dynamic Diesel (B10) and PETRONAS Dynamic Diesel Euro 5 with Pro-Drive.
- **NON-FUEL** segment comprises on-the-go consumer products and services which include our partnerships with Quick Service Restaurants, food solutions including our own Makan@Mesra, banking facilities, hypermarts, terminal services, courier services, car wash and other convenience offerings through the **KEDAI MESRA**. In supporting the Retail business, we reward our loyal customers through the PETRONAS Mesra Loyalty Programme.
- **SETEL**® is Malaysia’s first mobile application that creates seamless on-the-go refuel and retail experience for PETRONAS customers. Setel® will definitely ease the typical pain points faced by customers when fueling at petrol stations.
- **ROVR**, the 1<sup>st</sup> mobile refuelling service in Malaysia, beyond conventional petrol stations.
- 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**.

“Our achievements in 2019 are the result of putting the customer’s first mindset in everything we do. We pushed boundaries, created new, innovative products and experiences, and *Move Like Never Before* in our efforts to truly create a seamless and frictionless experience for our customers. The introduction of our new PRIMAX 95 with Pro-Drive provided our customers with an exceptional fuel that delivers a smooth, responsive, and efficient experience. We continue to challenge ourselves to create better products, services, and experiences in both the physical and digital space.”



**RETAIL**

**KHALIL J MURI**

Head, Retail Business Division

**VALUE CREATED BY OUR RETAIL BUSINESS**



**Quality**

World-Class Quality Fuel and carefully selected non-fuel solutions for our customers



**Value Proposition**

Superior financial returns through stringent and selective investment



**Innovate**

Provide seamless and frictionless experience to customers by leveraging digital technology



**Diversity**

Wide range of offerings via multiple channels to provide better option for consumers



**Nurture**

Provide local economic opportunities through employment, business partnerships and entrepreneurship



**Cultivate**

Cultivate capabilities of our workforce, *Rakan Niaga* and business partners



**Network**

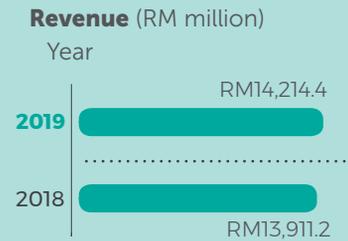
Maintain long-term partnerships with stakeholders

# RETAIL



## KEY ACHIEVEMENTS

- ▶ Recorded **higher sales volume** of 7.0%
- ▶ Launched:
  - New PETRONAS Primax 95 with Pro-Drive
  - ROVR, the 1<sup>st</sup> mobile refuelling service in Malaysia.
  - *Mesra* Redemption portal which enables customers to redeem loyalty points beyond fuel
  - Developed in-house SHIFT portal, an online platform that facilitates ordering, tracking and ensure timely product replenishment at *Kedai Mesra*
- ▶ Upgraded:
  - PETRONAS Primax 95 with Pro-Drive Euro 4M ahead of Government gazetted date
- ▶ **Setel<sup>®</sup> expanded to >300 stations** and demonstrated strong customer traction evident through more than half a million users, high NPS and recognised as the top 5 application in Malaysia
- ▶ Strengthened existing partners collaboration and established ~90 new strategic partnerships
- ▶ Introduced *Makan@Mesra*
- ▶ New food solutions and enhanced offerings at *Kedai Mesra*



## CHALLENGES

### Challenges

Intense competition in a mature market

Customers experience may be affected if facilities or services are not consistently reliable

### Our Response

- ▶ Launched a superior quality fuel, the new PETRONAS Primax 95 with Pro-Drive
- ▶ Leveraged innovation and digital solutions to create seamless and frictionless experience
- ▶ Focused and targeted marketing campaigns to attract customers
- ▶ Increased attractiveness and flexibility of loyalty programmes
- ▶ Enhanced offerings and established strategic partnerships
- ▶ Maintain Cleaner, Brighter and Safer Ambience at stations through assets refresh and timely maintenance programme
- ▶ Ensure consistent delivery of service through training programmes for *Rakan Niaga* and *Krew* PETRONAS as well as regular compliance checks at stations

## RETAIL

We aim to provide the best products and services at our stations to keep delighting our customers through implementation of station transformation programme. Under this programme we focused on ensuring we deliver superior customer experience in a consistent manner based on the following key value propositions:

### OUR TRANSFORMATION OF PETRONAS STATIONS FOCUSES ON FIVE KEY VALUE PROPOSITIONS



Ensuring a Cleaner, Brighter and Safer Ambience at the Stations



Creating Convenience for Customers



Improving Customers' Turnaround Time



Providing Hassle-Free Services



Delivering Quality Fuel

### BUSINESS HIGHLIGHTS

STRATEGIC PRIORITIES	STRATEGIC OBJECTIVES	KEY INITIATIVES	RESULTS
	<ol style="list-style-type: none"> <li>Elevate delivery of customer experience</li> <li>Having the right station at the right place</li> </ol>	<ol style="list-style-type: none"> <li>Launched new PETRONAS Primax 95 with Pro-Drive</li> <li>Increased Setel® availability to more stations</li> <li>Introduction of ROVR</li> <li>Enhanced offerings at <i>Kedai Mesra</i></li> <li>Established new strategic partnerships</li> <li>Launched <i>Mesra</i> Redemption Portal expand beyond fuel</li> <li>Grow PETRONAS stations network at strategic locations</li> </ol>	<ul style="list-style-type: none"> <li>Achieved PETRONAS Primax 95 with Pro-Drive volume growth of 9.0%</li> <li>Setel® expanded to &gt;300 stations and demonstrated strong customer traction evident through more than half a million users, high NPS and recognised as the top 5 application in Malaysia</li> <li>9 ROVR mobile trucks serving B2B customers</li> <li>Multi-fold increase of <i>Kedai Mesra</i> income from new <i>Mesra</i> concept including new <i>Makan@Mesra</i>, <i>Mesra-Bites</i> range and improved food solutions</li> <li>Secured ~90 new partners</li> <li><i>Mesra</i> points redeemable with 81 partners</li> <li>Operationalised 8 new stations</li> </ul>

# RETAIL

STRATEGIC PRIORITIES	STRATEGIC OBJECTIVES	KEY INITIATIVES	RESULTS
<p><b>MARKET LEADERSHIP (CONT'D)</b></p>	<p>3. Attract traffic to the stations</p>	<p>a. Collaborate with <i>Rakan Niaga</i> to conduct active customer engagements and localised promotions</p> <p>b. Implement targeted and impactful marketing campaigns</p>	<ul style="list-style-type: none"> <li>Fuel volume and non-fuel income increased by 7.0% and 6.0% respectively as compared to 2018</li> <li>NPS score of 75.0% and Top of Mind improved by 2.0% from last year which indicated stronger brand presence in the market</li> </ul>
<p><b>SRE</b> SAFE, RELIABLE AND EFFICIENT</p>	<p>1. Ensure 'Clean, Bright and Safe' ambience at stations</p>	<p>a. Uplift assets through aggressive asset refresh programme</p> <p>For more information on Safe, Reliable And Efficient, please refer to Our Key Operations on pages 58 to 60 of this &lt;IR&gt;</p>	<ul style="list-style-type: none"> <li>Completed asset refresh and refurbishment works at close to 70 stations and 50 Kedai Mesra, respectively</li> </ul>
<p><b>GPW</b> GREAT PLACE TO WORK</p>	<p>For more information on Great Place to Work, please refer to Driving Sustainability on pages 166 to 181 of this &lt;IR&gt;</p>		
<p><b>DE</b> DIGITALLY ENABLED</p>	<p>For more information on Digitally Enabled, please refer pages 74 to 75 of this &lt;IR&gt;</p>		



## OUTLOOK AND PROSPECTS



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 best-in-industry customer loyalty programme as well as a growing e-commerce and digital presence.



**WHO WE ARE AND WHAT WE DO**

Commercial Business handles a diversified portfolio of products from PETRONAS refineries that cater to various industries and market segments. We are responsible for the sale and marketing of bulk petroleum products and their uninterrupted supply to customers throughout the country.

We offer a wide range of quality fuel solutions such as Diesel, Jet A-1, Fuel Oil, Bitumen, Gasoline, Kerosene, Petroleum Coke and Sulphur to various market segments namely manufacturing, aviation, power, oil and gas exploration, agriculture, fishery, construction, timber, marine and transportation.

Commercial Business is the leading player in the domestic market with the key competitive advantage of an extensive distribution network including terminals, storage and transportation to reach and serve the commercial sector nationwide.

“Our Commercial Business continues to build on our strengths and we achieve a record high financial performance for FY2019. We also increased total sales volumes for the year by securing new supply contracts, despite the competitive business environment. This remarkable performance was delivered through intensifying our focus on customer-centricity to provide our clients with an unrivalled level of service. Moving forward, our Commercial Business will focus on accelerating the pace of executing our growth strategy and we will continue to build synergies that allow us to cross-sell our products and services with PDB’s other business segments. To deliver on these goals, we will continue to *Move Like Never Before* in the year ahead.”



# COMMERCIAL

**RAMZULHAKIM RAMLI**

Head, Commercial Business Division

**VALUE CREATED BY OUR COMMERCIAL BUSINESS**



**Create**

Commanding market position with solid financial returns



**Diversify**

Quality products and services to fulfil customers’ demands



**Cultivate**

Cultivate capabilities of business partners



**Diversity**

Wide range of offerings via multiple channels to meet consumers’ needs



**Network**

Maintain long-term partnerships with stakeholders

## COMMERCIAL

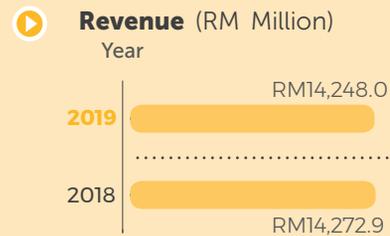


### KEY ACHIEVEMENTS

▶ **Volume growth** of 4.2%

▶ **Increased market leadership** whilst cementing our position as a reliable and trusted fuel supplier

▶ Preserved long-term strategic partnerships



### CHALLENGES

#### Challenges

Intensifying competition and decline in Diesel demand due to the deferment of major infrastructure projects

Penetration of fuel-efficient technologies in the aviation industry impacting our aviation fuel sales

International Marine Organisation 2020 regulation which limits sulphur content and the enforcement of Clean Air Regulation Act will cause a shift towards cleaner fuels

#### Our Response

- ▶ Strategic Channel Management enabled us to navigate challenges and sustain Diesel's performance as a significant contributor to the Commercial Business portfolio
- ▶ Acquired new airlines supply contract and strengthened relationships with existing airlines through differentiated offerings
- ▶ Leveraged extensive presence at airports nationwide and proven track record as a reliable and credible aviation fuel supplier
- ▶ Ensured and strengthened supply continuity to the remaining markets which are exempted from both regulations
- ▶ Leveraged comprehensive supply capability to cement position as a trusted and reliable bunker supplier of Low Sulphur Fuel Oil (LSFO) meeting IMO 2020

**BUSINESS HIGHLIGHTS**

STRATEGIC PRIORITIES	STRATEGIC OBJECTIVES	KEY INITIATIVES	RESULTS
 <p><b>ML</b> MARKET LEADERSHIP</p>	<ol style="list-style-type: none"> <li>1. Customer's 1<sup>st</sup> mindset</li> <li>2. Grow domestic market leadership</li> </ol>	<ol style="list-style-type: none"> <li>a. Elevate customer experience by providing high quality services and solutions</li> <li>a. Pursue acquisition of new supply contracts with airlines</li> <li>b. Maintain strategic alliances to strengthen position in selected markets</li> <li>c. Optimise sales channel and expand into new market to maximise values</li> </ol>	<ul style="list-style-type: none"> <li>• Improved customer satisfaction and increased retention</li> <li>• Grew aviation volume by 4.3%</li> <li>• Expanded Aviation offshore business to regional countries</li> <li>• Ensured long-term continuity of Bitumen sales</li> <li>• Volume growth of 7.2% for Diesel</li> </ul>
 <p><b>SRE</b> SAFE, RELIABLE AND EFFICIENT</p>	<p>For more information on Safe, Reliable and Efficient, please refer to Our Key Operations on pages 58 to 60 of this &lt;IR&gt;</p>		
 <p><b>GPW</b> GREAT PLACE TO WORK</p>	<p>For more information on Great Place to Work, please refer to Driving Sustainability on pages 166 to 181 of this &lt;IR&gt;</p>		
 <p><b>DE</b> DIGITALLY ENABLED</p>	<p>For more information on Digitally Enabled, please refer pages 74 to 75 of this &lt;IR&gt;</p>		

**OUTLOOK AND PROSPECTS**



Looking ahead, we expect competition in our markets to continue to increase and new regulations will necessitate consumers to switch to using cleaner fuels particularly in the marine sector. As we navigate through these changes, we will continue to elevate the customers' experience to maximise our value proposition, defend our current leadership position and steer the business towards sustainable growth.



**WHO WE ARE AND WHAT WE DO**

LPG Business is Malaysia’s No. 1 retailer and marketer of LPG products. We market 12kg and 14kg LPG cylinders for the Household segment, 14kg and 50kg LPG cylinders for the Commercial segment, and in Bulk for the Industrial segment.

Our quality products are offered through the nation’s widest LPG supply and distribution network that encompasses eight terminals and bottling facilities as well as LPG Channel Members consisting of premier dealers, dealers and bulk dealers. As the leading industry player, we will continue to create seamless and frictionless customer experience through innovative sale channels and solutions to reinforce our market leadership.

“The LPG Business faced one of its most challenging years in 2019, as we operated against a backdrop of dampened economic conditions and rising business competition. Our resilience and adaptability were evident as we solidified our position as the market leader. The two central pillars of our success are our strong infrastructure network and our relentless effort to expand our dealership network. These efforts allowed us to build on our competitive advantage, which resulted in increased sales volumes.”



**LPG**

**PRAMELA VALLINAYAGAN**  
Head, LPG Business Division

**VALUE CREATED BY OUR LPG BUSINESS**



**Create**

Sustain market leadership and profitability



**Network**

Serving customers through extensive network



**Nurture**

Develop local economies and contribute 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



## KEY ACHIEVEMENTS

- ▶ Sales volume growth of **1.0%** in challenging market
- ▶ Solidified **market leadership** with increased market share
- ▶ Recorded significant increase in **C50** sales volume of 10.0%

- ▶ Expanded **dealership** network by **> 4.0%**



## CHALLENGES

### Challenges

Intense market competition

Changing market landscape

### Our Response

- ▶ Strengthened and expanded dealership network
- ▶ Offered competitive pricing and attractive sales package
- ▶ Widened market reach in Commercial segment through C50
- ▶ Improved operational efficiency through cost optimisation

# LPG

## BUSINESS HIGHLIGHTS

STRATEGIC PRIORITIES	STRATEGIC OBJECTIVES	KEY INITIATIVES	RESULTS
 <b>ML</b> MARKET LEADERSHIP	1. Redefine customer experience  2. Fortify market leadership	a. LPG@PS - nationwide rollout to selected stations  b. Gas2U – continue to improve the user experience of mobile application  a. Expansion and enhancement of dealership network  b. Focus on C50 segment through competitive pricing	a. LPG@PS – operational at 20 stations nationwide  b. Gas2U – improved delivery performance  a. Dealership network grew by more than 4.0%  b. Achieved C50 volume growth of 10.0%
 <b>SRE</b> SAFE, RELIABLE AND EFFICIENT	For more information on Safe, Reliable and Efficient, please refer to Our Key Operations on pages 58 to 60 of this <IR>		
 <b>GPW</b> GREAT PLACE TO WORK	For more information on Great Place to Work, please refer to Driving Sustainability on pages 166 to 181 of this <IR>		
 <b>DE</b> DIGITALLY ENABLED	For more information on Digitally Enabled, please refer pages 74 to 75 of this <IR>		

## OUTLOOK AND PROSPECTS



Against the backdrop of cautious economic outlook and uncertain regulatory environment, we expect minimal growth in market demand for LPG going forward. Nevertheless, LPG Business is committed to future-proofing our business in anticipation of any potential market disruptors to deliver sustainable long-term growth and maximise our value creation.



**WHO WE ARE AND WHAT WE DO**

Our Lubricant Business undertakes all sales, marketing and technical services related to PETRONAS Lubricant and car care products in Malaysia. Our portfolio encompasses Passenger Car Motor Oils, Motorcycle Oils, Commercial Vehicle Lubricants as well as Industrial and Marine Lubricants that caters for consumers, commercial and industrial consumption. Technology underpins our propositions for these segments of the Malaysian market, delivering and creating value for our customers.

In addition, PDB also markets lubricant products in Thailand through its subsidiary, PIMTCL which is focused on growing sales in both B2B and B2C segments.

“In 2019, we focused our pursuit towards market leadership by growing our Power Brands and our network penetration successfully with the collaboration of our partners. We will continue to leverage technology i.e. Fluid Technology Solutions, which is a winning differentiator in responding to the needs of our customers, OEM partners and the industry.”



**LUBRICANT**

**HARDEEP SINGH KIRPAL SINGH**

Chief Executive Officer

PETRONAS Lubricants Marketing (Malaysia) Sdn. Bhd.

**VALUE CREATED BY OUR LUBRICANT BUSINESS**



**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



**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

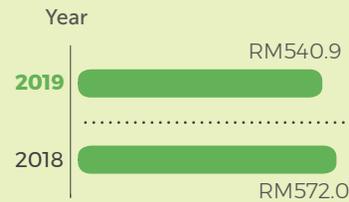
# LUBRICANT



## KEY ACHIEVEMENTS

- ▶ **Remarkable volume growth** of 14.0% for PETRONAS Syntium Premium tier and 52.0% for PETRONAS Sprinta
- ▶ **Increase in volume** by 13.0% in Direct B2B segment and 17.0% for Highstreet
- ▶ Proton contract renewal
- ▶ 5 new partners
- ▶ Launched:
  - First PETRONAS AutoExpert which is available at 9 locations
  - First to launch lowest viscosity lubricant 0W-16, that delivers better engine protection and fuel economy performance

### ▶ Revenue (RM Million)



## CHALLENGES

### Challenges

Competitive environment with new entrants

Macro-economic factors affecting demand in the B2B segment:

- Downward trend in the plantation and construction sectors
- Automotive sector experienced decline in market demand
- Improvement in public transportation and higher product quality impacting consumption in the B2C segments

### Our Response

- ▶ Offering and demonstrating value through our differentiated winning propositions
- ▶ Recruitment of new capable partners and upskilling our partners/dealers to compete in the challenging and demanding landscape
- ▶ Sharpened our focus to grow the B2B segment
- ▶ Focus on driving Power Brand for PETRONAS Syntium with °CoolTech™, PETRONAS Urania with ViscGuard™, PETRONAS Sprinta with UltraFlex™
- ▶ Close collaboration with Commercial Business in winning new customers and capitalising on cross-selling opportunities of lubricant products via different business channels

**BUSINESS HIGHLIGHTS**

STRATEGIC PRIORITIES	STRATEGIC OBJECTIVES	KEY INITIATIVES	RESULTS
 <p><b>MARKET LEADERSHIP</b></p>	<ol style="list-style-type: none"> <li>1. Achieve market leadership in B2C</li> <li>2. Achieve market leadership in B2B</li> </ol>	<ol style="list-style-type: none"> <li>a. Launched the latest range of PETRONAS flagship motorcycle engine oil, PETRONAS Sprinta with UltraFlex™ technology</li> <li>b. Launched Malaysia's first PETRONAS AutoExpert service center</li> <li>c. Strengthened Power brands (Syntium/ Sprinta) via various media and motorsport platforms</li> <li>d. Secured new partners and expand customer base across all channels</li> <li>e. Implemented impactful trade loyalty marketing programmes</li> <li>a. Prioritised market segment based on attractiveness and growth potential</li> <li>b. Expanded hi-grade strategic partners</li> </ol>	<ol style="list-style-type: none"> <li>a. PETRONAS Sprinta with UltraFlex™ volume grew by 52.0%</li> <li>b. PETRONAS AutoExpert expanded to 9 locations and achieved 83.0% Customer Satisfaction performance</li> <li>c. Achieved better brand visibility and improved Top of Mind by 3.0% for Syntium</li> <li>d. Growth in the power brands of 14.0% for PETRONAS Syntium and 52.0% for PETRONAS Sprinta with increased outlet penetration</li> <li>e. Strong growth for Power Brands in Highstreet segment</li> <li>a. Improvement of Direct channel volume by 13.0%</li> <li>b. Secured 5 new customers and renewed 9 contracts with key strategic partners</li> </ol>
 <p><b>SAFE, RELIABLE AND EFFICIENT</b></p>	<p>For more information on Safe, Reliable and Efficient, please refer to Our Key Operations on pages 58 to 60 of this &lt;IR&gt;</p>		
 <p><b>GREAT PLACE TO WORK</b></p>	<p>For more information on Great Place to Work, please refer to Driving Sustainability on pages 166 to 181 of this &lt;IR&gt;</p>		
 <p><b>DIGITALLY ENABLED</b></p>	<p>For more information on Digitally Enabled, please refer pages 74 to 75 of this &lt;IR&gt;</p>		

**OUTLOOK AND PROSPECTS**



Although we expect the lubricant market to experience a slower growth, we continue to build strong relationships with our partners/customers and enhance our cost competitiveness. These initiatives, along with our efforts to improve our customer's journey experience and differentiate our products and services, are expected to support our growth vision.



**WHO WE ARE AND WHAT WE DO**

Being Digitally Enabled is the fourth leg of PDB's growth strategy and this has been a landmark year for delivering on our digital transformation.

This year, PDB launched its Digital Strategy Blueprint that provides a roadmap for our digital transformation over the next three years, beginning from 2020. The ultimate aim of our digital strategy is to deliver on PDB's promise of creating a seamless and frictionless customer experience across our businesses.

"In 2019, we advanced our technology systems to accelerate our growth as a company. Going forward, in 2020 our priorities will be to further strengthen our data and analytics platforms, continue enhancing our customer interfaces and strengthen our digital assets to protect against system vulnerabilities and safeguard our customers' data. The targeted outcome is to drive PDB to become a truly data-driven organisation and to realise our Digital Strategy Blueprint."



**DIGITALLY ENABLED**

**WAN YUSSMAN WAN YUSOF**  
Chief Technology Officer

**OUR DIGITAL TRANSFORMATION**



Our digital transformation is driven by a two-prong strategy:

**STRENGTHENING THE CORE**

01

This aims to future-proof our organisation by putting in place systems and processes to prevent our business from being disrupted.

**DEMOCRATISATION OF DATA**

02

This will allow us to disrupt the competitive business landscape in which we operate, principally through the optimised use of data available from our large retail network.

The implementation of our Digital Strategy Blueprint encompasses major changes to both our business and operational approaches which will transform PDB into a data-driven organisation.

A key part of delivering this transformation is enabling the sharing of data within PDB, to ensure that everyone within the organisation has access to the data that they need in order to execute their business objectives.

Our Digital team has been expanded significantly in 2019, both in numbers and the breadth of skill sets to deliver our Digital Strategy Blueprint.

## DIGITALLY ENABLED



## STRENGTHENING THE CORE

A critical part of our digital strategy is the strengthening of our core systems through process improvements, systems refresh and upgrades as well as the development of new customer-facing touchpoints. Delivering on that, during the year we have considered cloud-based strategy, building data hub infrastructure and system modernisation at PETRONAS stations. Implementing these changes have contributed towards driving down transaction costs, plugging revenue leakages and opening up new revenue streams.

Among the key initiatives that were undertaken in 2019 include:

- A new generation Point of Sales (POS) solution that enables near real-time data collection and remote management.
- Piloting upgrade of Outdoor Payment Terminals to maintain Payment Card Industry Data Security Standard Compliant.
- Introduction to *Mesra* Virtual Agent (MeVA), our chat bot virtual assistant to improve customer service.
- Strengthening our *Mesra* Loyalty Redemption programme by allowing *Mesra* loyalty points to be redeemed with 81 partner merchant outlets beyond our petrol stations.



## DEMOCRATISATION OF DATA

This is being delivered through integrating our diverse information systems and developing our workforce's capability to optimise the use of data. With this in place, we will be able to utilise the large amount of data generated by our daily customer interactions and our business operations in an integrated way, so that the data that we have is no longer just descriptive or predictive but, eventually, becomes prescriptive for our business planning.

We will also optimise the use of our extensive data by creating delightful touch points to deliver a seamless and frictionless customer experience. This will be driven through enhancements to our Setel® mobile application and through embedding technology more deeply into our stations and other points of contact with the customers. Setel® smartphone application is central to our digital strategy and spearheads the delivery of digital experience of our customers at PETRONAS stations. Our aim for 2020 is to make Setel® available nationwide and expand the number of features available through the application.



The application was launched in late 2018 and has seen rapid growth since then. By the end of 2019 Setel® had almost more than half a million users, and was available at ~300 PETRONAS stations. Setel® is Malaysia's first mobile application that creates seamless on-the-go refuel and retail experience for PETRONAS customers by eliminating everyday pain points. Setel® will definitely ease the typical pain points faced by customers when fueling at petrol stations. Setel® is available for download on iOS and Android devices and is now one of the top-5 financial applications in Malaysia.

## DATA PROTECTION AND CYBER SECURITY

We are committed to ensuring the highest levels of personal data protection for our customers by strengthening our processes and investing in the necessary systems to ensure that customer data remains secure.

We adhere to PETRONAS Cyber Security Enterprise Framework. During the year, we strengthened our cyber security capability against potential cyber threats and as our business becomes increasingly digitalised, it is vital that we continue to invest and harden our cyber security system.

## 5-YEAR GROUP FINANCIAL HIGHLIGHTS

	FY2015	FY2016	FY2017	FY2018	FY2019
<b>OPERATING RESULTS (RM MILLION)</b>					
Revenue	25,060	21,535	27,421	30,069	<b>30,294</b>
Operating profit	1,092	1,191	1,441	1,178	<b>1,147</b>
Profit before taxation	1,082	1,190	1,438	1,177	<b>1,129</b>
Profit after taxation	795	947	1,545	862	<b>838</b>
<b>KEY BALANCE SHEET DATA (RM MILLION)</b>					
Property, plant and equipment	3,990	3,794	3,372	3,336	<b>4,135</b>
Total assets	8,071	9,365	9,748	9,171	<b>9,996</b>
Total borrowings	212	119	67	55	<b>334<sup>#</sup></b>
Total liabilities	3,087	4,028	3,708	3,234	<b>3,985</b>
Share capital	993	993	993	993	<b>993</b>
Shareholders' equity	4,952	5,303	6,002	5,897	<b>5,976</b>
<b>SHARE INFORMATION</b>					
<b>Per share (sen)</b>					
Basic earnings	79.5 sen	95.1 sen	155.0 sen	85.5 sen	<b>83.5 sen</b>
Gross dividend	60 sen	70 sen	97 sen <sup>*</sup>	70 sen	<b>85 sen<sup>**</sup></b>
Share price as at financial year end (RM)	24.86	23.80	24.26	26.50	<b>23.10</b>
<b>FINANCIAL RATIOS</b>					
Return on revenue	3.2%	4.2%	4.0%	2.9%	<b>2.8%</b>
Return on equity	16.0%	17.8%	25.7%	14.4%	<b>14.0%</b>
Return on total assets	9.8%	9.6%	11.2%	9.4%	<b>8.4%</b>
Debt to equity ratio	4.3%	2.2%	1.1%	0.9%	<b>5.6%<sup>#</sup></b>
Dividend payout	79.0%	81.0%	78.0%	86.0%	<b>104.0%</b>

\* Includes special dividend of 22 sen per ordinary share

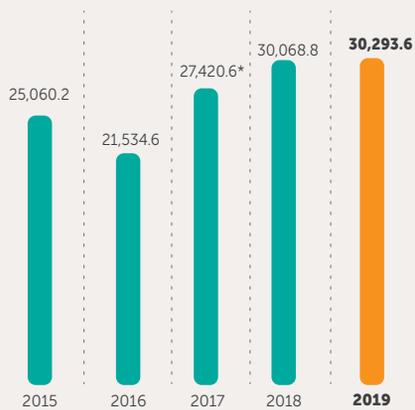
\*\* Includes special dividend of 15 sen per ordinary share

# Includes lease liabilities as part of total debts

# 5-YEAR GROUP FINANCIAL SUMMARY

## REVENUE

(RM Million)



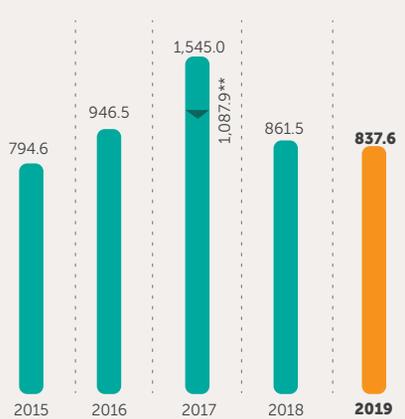
## PROFIT BEFORE TAXATION

(RM Million)



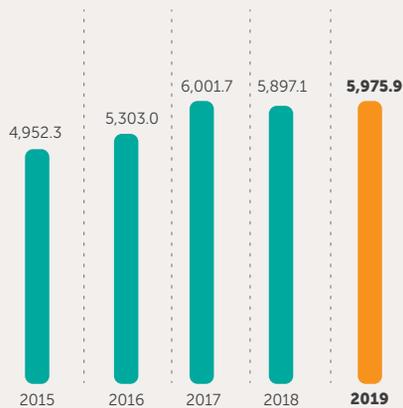
## PROFIT AFTER TAXATION

(RM Million)



## EQUITY ATTRIBUTABLE TO SHAREHOLDERS

(RM Million)



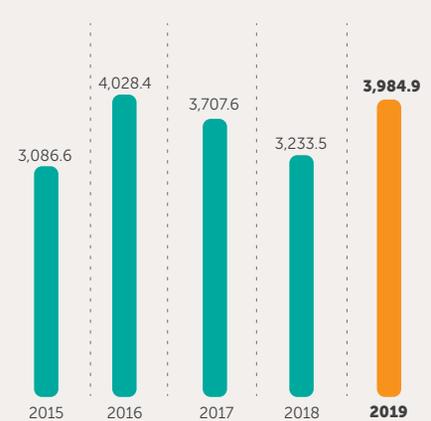
## TOTAL ASSETS

(RM Million)



## TOTAL LIABILITIES

(RM Million)



## EARNINGS PER SHARE

(sen)

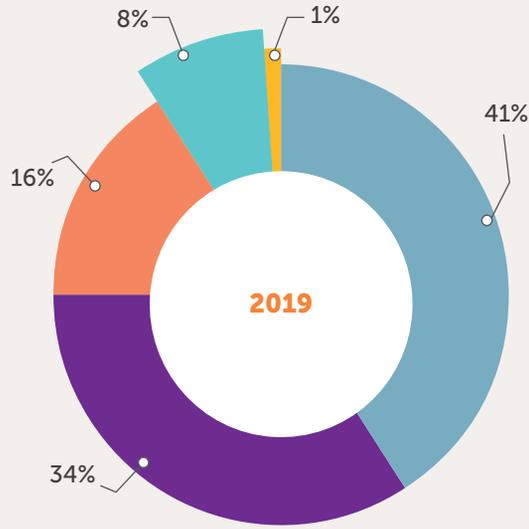


\* Restated following adoption of MFRS15 Revenue from Contracts with Customers

\*\* Excluding discontinued operations and gain on disposal of subsidiaries

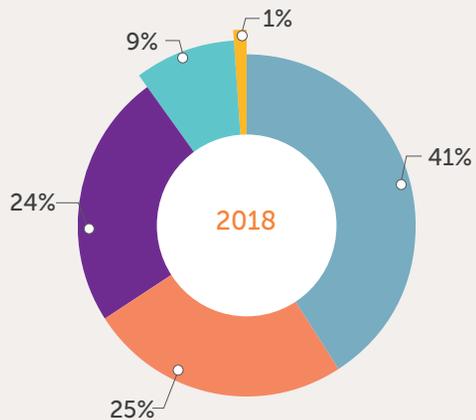
# SIMPLIFIED GROUP STATEMENT OF FINANCIAL POSITION

## ASSETS



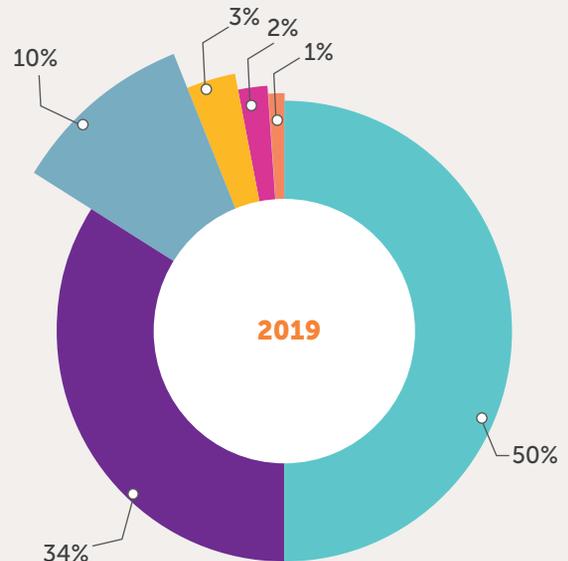
TOTAL RM9,996.3 million

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



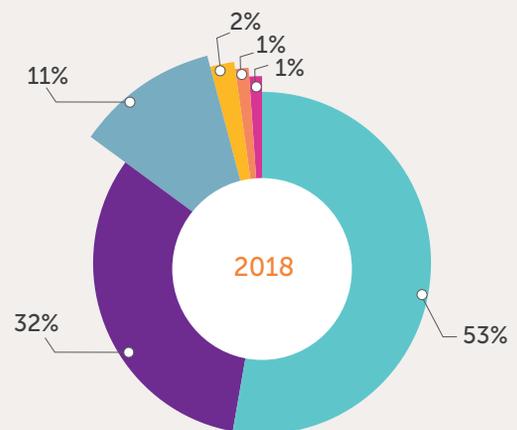
TOTAL RM9,170.8 million

## EQUITY & LIABILITIES



TOTAL RM9,996.3 million

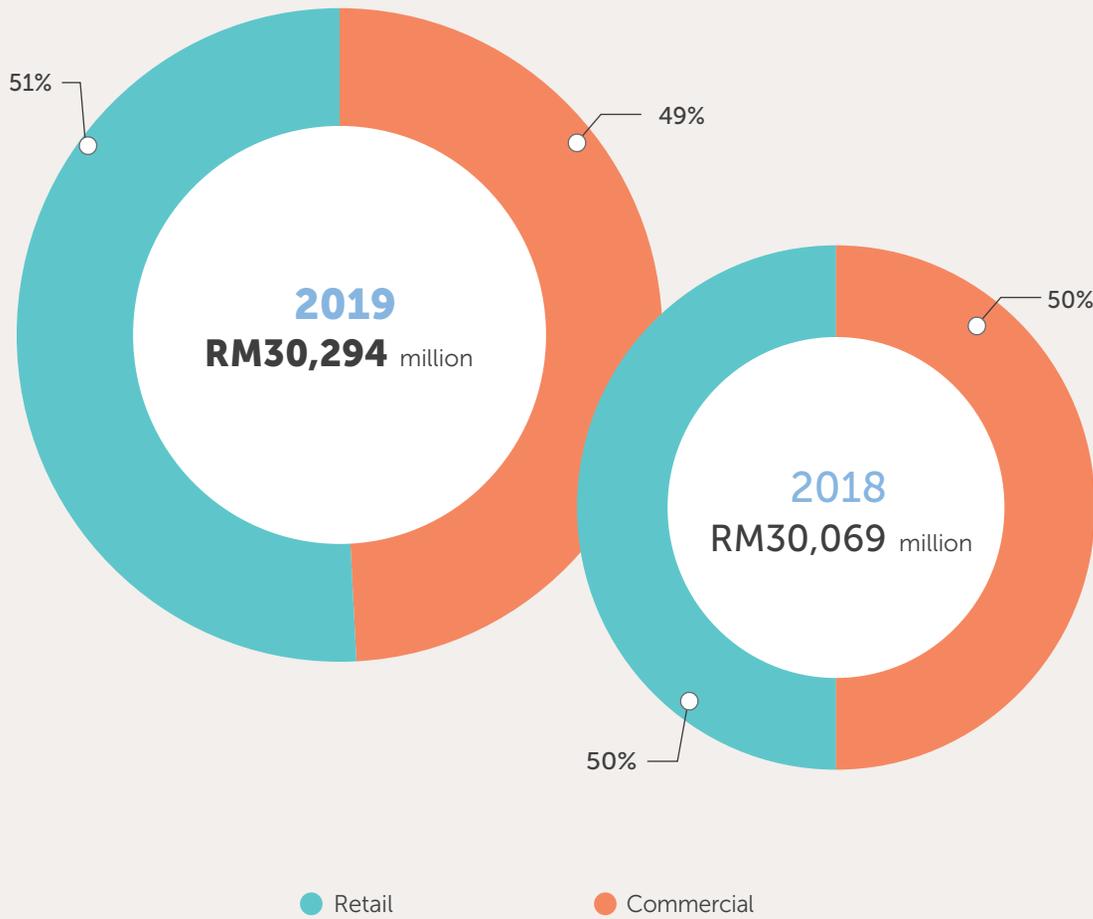
- Reserves
- Trade and Other Payables
- Share Capital
- Non-Current Liabilities
- Other Current Liabilities
- Non-Controlling Interests



TOTAL RM9,170.8 million

## SEGMENTAL ANALYSIS

### TOTAL REVENUE



## GROUP QUARTERLY FINANCIAL PERFORMANCE

### 2019

In RM Million	Quarter 1	Quarter 2	Quarter 3	Quarter 4	FY2019
Revenue	7,086	7,606	7,807	7,795	30,294
Operating profit	387	240	322	198	1,147
Profit before taxation	383	238	318	190	1,129
Profit after taxation	294	174	241	129	838
Earnings per share (sen)	29.3	17.4	24.1	12.7	83.5
Dividend per share (sen)	15.0	14.0	16.0	40.0*	85.0*

\* Includes special dividend of 15.0 sen per ordinary share

### 2018

In RM Million	Quarter 1	Quarter 2	Quarter 3	Quarter 4	FY2018
Revenue	7,070	7,278	7,819	7,902	30,069
Operating profit	291	422	395	70	1,178
Profit before taxation	291	424	392	70	1,177
Profit after taxation	220	322	271	48	861
Earnings per share (sen)	22.0	31.6	27.2	4.7	85.5
Dividend per share (sen)	13.0	16.0	16.0	25.0	70.0

## KEY INTEREST BEARING ASSETS AND LIABILITIES

	2019			2018		
	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)
<b>Interest earning assets</b>						
Cash and cash equivalents	<b>3,409.3</b>	<b>3.6</b>	<b>121.1</b>	2,178.1	4.4	95.0
Fund investment	<b>51.0</b>	<b>3.5</b>	<b>0.9</b>	50.0	4.1	1.0
<b>Interest bearing liabilities</b>						
Islamic financing facilities	<b>29.8</b>	<b>4.3-4.7</b>	<b>(1.8)</b>	49.0	4.3-4.7	(2.7)
Revolving credit	<b>5.5</b>	<b>2.9</b>	<b>(0.1)</b>	6.0	2.6	(0.2)
Lease liabilities	<b>298.9</b>	<b>4.2-8.4</b>	<b>(18.9)</b>	–	–	–

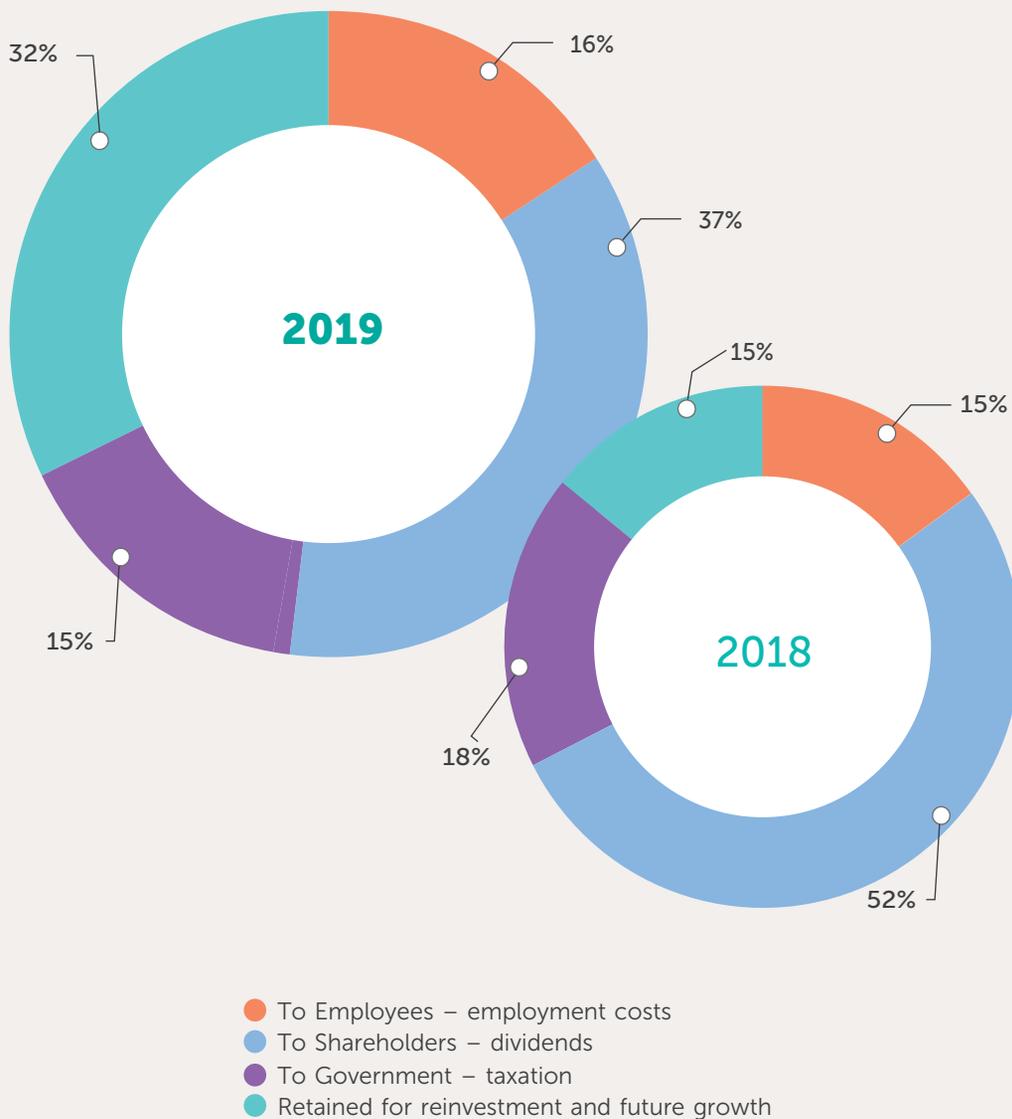
## STATEMENT OF VALUE ADDED

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.

<b>Group</b>	<b>2019 RM'000</b>	<b>2018 RM'000</b>
Revenue	<b>30,293,571</b>	30,068,753
Less: Purchase of goods and services	<b>(28,787,620)</b>	(28,693,239)
Value added	<b>1,505,951</b>	1,375,514
Other income	<b>439,527</b>	424,901
Financing costs	<b>(21,812)</b>	(4,547)
Share of net profit of associates and joint ventures	<b>3,889</b>	3,504
<b>Value Created</b>	<b>1,927,555</b>	1,799,372

## DISTRIBUTION OF VALUE ADDED

	<b>2019</b> <b>RM'000</b>	<b>2018</b> <b>RM'000</b>
To Employees – employment costs	<b>305,414</b>	276,584
To Shareholders – dividends	<b>699,093</b>	944,347
To Government – taxation	<b>291,237</b>	315,567
Retained for reinvestment and future growth:		
Depreciation and amortisation	<b>471,457</b>	341,215
Retained profits	<b>160,354</b>	(78,341)
	<b>1,927,555</b>	1,799,372



## FINANCIAL CALENDAR



### 2019

#### 26 February 2019

Announcement of the unaudited consolidated results for the 4<sup>th</sup> quarter ended 31 December 2018

#### 27 February 2019

Announcement of the audited financial statements for the financial year ended 31 December 2018

#### 27 March 2019

Date of Notice of 37<sup>th</sup> Annual General Meeting and date of issuance of FY2018 Integrated Report

#### 28 March 2019

Date of payment of the interim dividend for the 4<sup>th</sup> quarter ended 31 December 2018

#### 25 April 2019

37<sup>th</sup> Annual General Meeting

#### 28 May 2019

Announcement of the unaudited consolidated results for the 1<sup>st</sup> quarter ended 31 March 2019

#### 27 June 2019

Date of payment of the interim dividend for the 1<sup>st</sup> quarter ended 31 March 2019

#### 23 August 2019

Announcement of the unaudited consolidated results for the 2<sup>nd</sup> quarter ended 30 June 2019

#### 20 September 2019

Date of payment of the interim dividend for the 2<sup>nd</sup> quarter ended 30 June 2019

#### 22 November 2019

Announcement of the unaudited consolidated results for the 3<sup>rd</sup> quarter ended 30 September 2019

#### 20 December 2019

Date of payment of the interim dividend for the 3<sup>rd</sup> quarter ended 30 September 2019



### 2020

#### 25 February 2020

Announcement of the unaudited consolidated results for the 4<sup>th</sup> quarter ended 31 December 2019

#### 27 February 2020

Announcement of the audited financial statements for the financial year ended 31 December 2019

#### 26 March 2020

Date of payment of the interim and special dividend for the 4<sup>th</sup> quarter ended 31 December 2019

#### 31 March 2020

Date of Notice of 38<sup>th</sup> Annual General Meeting and date of issuance of FY2019 Integrated Report

## INVESTOR RELATIONS

We value our shareholders and place utmost importance in establishing and continuing strong relationship with them. We seek to uphold their trust in PDB by maintaining high standards of transparency and regular communication to inform them of material development in the Company. Our Investor Relations activities and engagement programmes are designed to provide fair and balanced information regarding the Company and focused around maintaining confidence within the Investment Communities, locally and internationally.

### PDB INVESTOR RELATIONS POLICY AND GUIDELINES

All of our Investor Relations programmes are guided by PDB's Investor Relations Policy and Guidelines, developed in 2011 and has been amended and approved by PDB's Board of Directors on 20 August 2018.

 For more information on PDB's Investor Relations Policy and Guidelines, please refer to PDB's corporate website at [www.mymesra.com.my](http://www.mymesra.com.my)

### INVESTOR RELATIONS COMMUNICATION AND ENGAGEMENT CHANNELS

Communication lines with local and foreign investors were kept firmly open throughout the year, except during blackout periods. Engagements with investors/analysts are conducted either via direct one-on-one meetings, teleconferences or via roadshows and corporate conferences. IR engagements are fronted by only authorised spokesperson to ensure credibility and effective communication with PDB's shareholders. The MD/CEO and CFO lead the investor relations activities with support from the Investor Relations.

#### QUARTERLY FINANCIAL RESULT ANNOUNCEMENTS AND ANALYST BRIEFINGS

We consistently issue our quarterly financial result announcements to Bursa Malaysia in accordance with MMLR in a timely manner. Subsequently, we conduct analyst briefings for investment communities to allow further clarification and interaction between the analysts and the management. The sessions were chaired by the MD/CEO together with CFO. In 2019, we conducted 4 face-to-face Analyst Briefings and engaged 111 analysts. Following the Briefings, presentation packs on PDB's business and financial performances, the quarterly announcements to Bursa Malaysia as well as press releases were published on PDB's corporate website.

 For more information on Quarterly Financial Result Announcements and Analyst Briefings, please refer to PDB's corporate website at [www.mymesra.com.my](http://www.mymesra.com.my)

#### **Purpose:**

To keep the Investment Communities updated on PDB's quarterly performance and outlook for balanced understanding of the Company's business and to provide a basis for fair valuation.



#### CORPORATE CONFERENCES

During the year, PDB participated in three Corporate Conferences and engaged with 64 analysts. Our participation in local and international Corporate Conferences were based on invitation by the financial institutions.

#### **Purpose:**

To provide an update on PDB's financial performance and business outlook to current and potential investors, analysts and fund managers locally and internationally.

## INVESTOR RELATIONS



### NON-DEAL ROADSHOW

PDB also participated in one NDR in Thailand and engaged with four companies. Our participation in the NDR is based on research houses' recommendations and registered interests from Investment Communities.

**Purpose:**

To provide an update on PDB's financial performance and business outlook to current and potential investors, analysts and fund managers locally and internationally.

### ANNUAL GENERAL MEETING

PDB's 37<sup>th</sup> AGM was held on 25 April 2019 at Grand Ballroom, Level 2, InterContinental Kuala Lumpur. All resolutions tabled at the AGM were duly passed and voting were performed via electronic polling. Independent scrutineers were engaged to validate the voting on each proposal presented to 1,501 shareholders and proxies who attended the meeting. The PDB Board and LT were present at the AGM to provide answers and clarifications to queries from shareholders. The minutes of PDB's AGM is available on PDB's corporate website within 60 days upon AGM.

 For more information on AGM, please refer to Corporate Governance Overview Statement on page 134 of this <IR>

**Purpose:**

To present the Company's business and financial performances; the strategic focus areas moving forward and to seek shareholders' approval on the proposed resolutions.

### SITE VISIT

On 9 December 2019, a site visit to Fuel, LPG and Aviation Terminals in Kuching, Sarawak was conducted for the Investment Communities which consists of 16 analysts.

**Purpose:**

To increase awareness, knowledge and in-depth understanding about PDB's extensive distribution facilities and further strengthen confidence in PDB's overall business.



 For more information on Investor Relations Engagement, please refer Stakeholder Engagement on pages 48 to 49 of this <IR>

## INVESTOR RELATIONS

### INVESTOR RELATIONS ACTIVITIES

#### ANALYST BRIEFING

##### IN 2019

RESULTS	ANNOUNCEMENT DATE	BRIEFING DATE
Q1	28 May 2019	29 May 2019
Q2	23 August 2019	26 August 2019
Q3	22 November 2019	25 November 2019
Q4	25 February 2020	26 February 2020

**Note:**

The 2020 Analyst Briefing dates will be available on PDB's corporate website at [www.mymesra.com.my](http://www.mymesra.com.my) one week prior to the Analyst Briefing

#### CORPORATE CONFERENCE

Date	Event	Location
5 January 2019	CIMB 11 <sup>th</sup> Annual Malaysia Corporate Day	Malaysia
10 January 2019	DBS Pulse of Asia Conference	Singapore
15 January 2019	Alliance Investment Bank Corporate Day	Malaysia

#### NON-DEAL ROADSHOW

Date	Event	Location
8 July 2019	Affin Hwang Capital NDR	Thailand

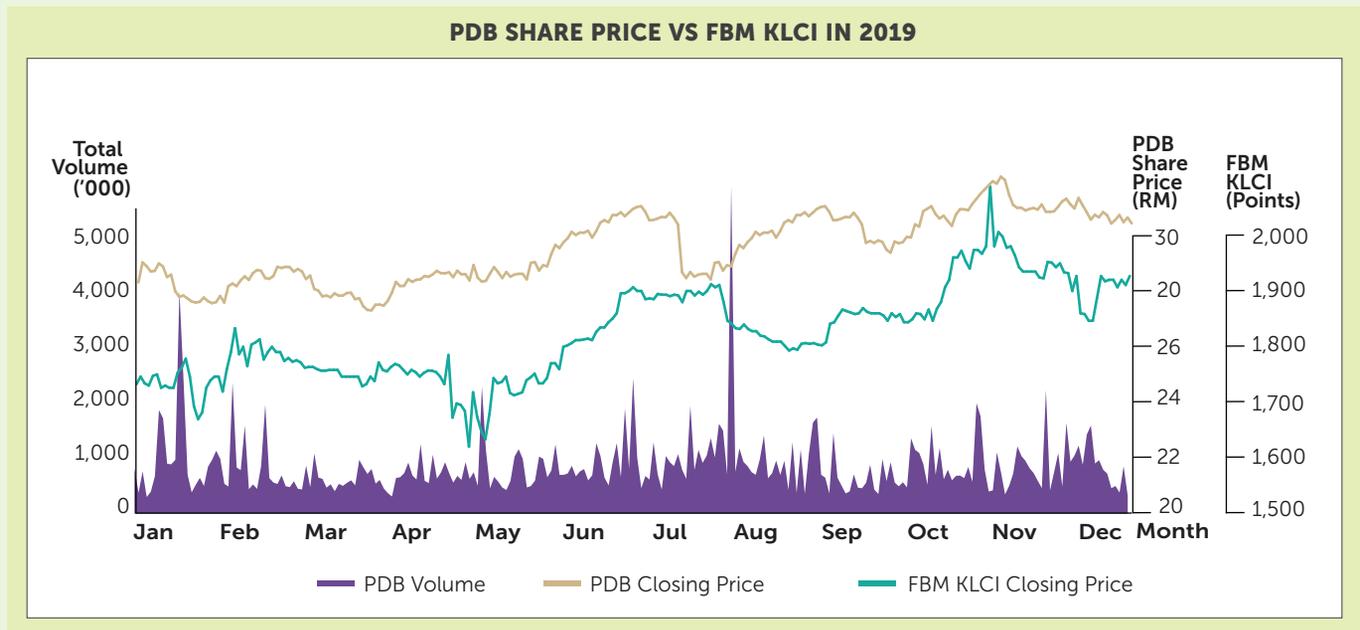
#### SITE VISIT

Date	Facilities	Location
9 December 2019	Fuel and LPG Terminals	IOT Kuching
	Aviation Terminals	Kuching

## INVESTOR RELATIONS

### SHARE PRICE PERFORMANCE

PDB's share price reached its peak of RM28.48 on 25 February 2019 and dipping at the lowest point to RM21.20 on 3 September 2019.

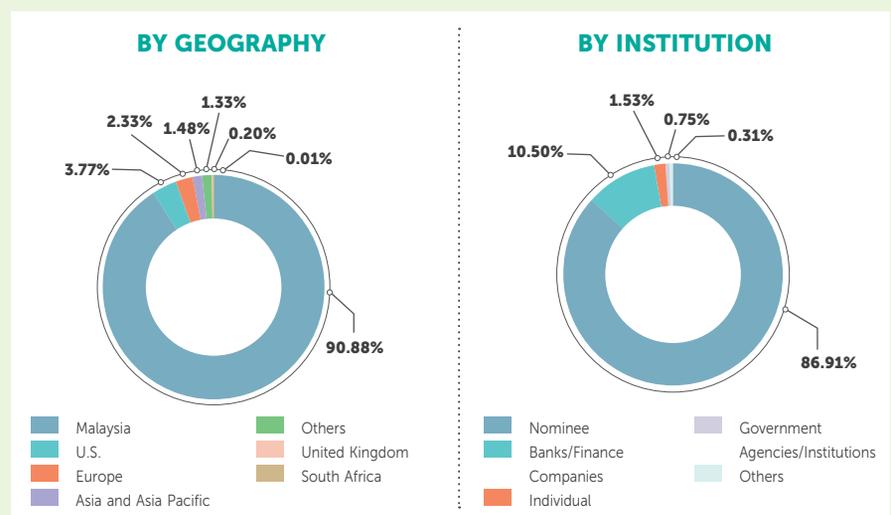


<p><b>MARKET CAPITALISATION</b></p> <p><b>RM22.95 billion</b></p> <p>in 2019</p> <p>2018: RM26.33</p>	<p><b>PDB VOLUME TRADED</b></p> <p><b>112.85 million</b></p> <p>in 2019</p> <p>2018: 191.81 million</p>	<p><b>SHARE PRICE</b></p> <p>Opening: <b>RM26.00</b></p> <p>Closing: <b>RM23.10</b></p> <p>Highest: <b>RM28.48</b></p> <p>Lowest: <b>RM21.20</b></p>	<p><b>DIVIDEND PER SHARE</b></p> <p><b>85 sen</b></p> <p>in 2019</p> <p><i>(include special dividend of 15 sen)</i></p> <p>2018: 70 sen</p>	<p><b>FOREIGN SHAREHOLDINGS</b></p> <p><b>9.37%</b></p> <p>as at 31 July 2019</p> <p><i>* Highest during the year</i></p> <p>28 February 2018: 9.86%</p>
---	---	--	---	--

### SHAREHOLDINGS

As at 31 December 2019, around 91.0% of our shareholders are Malaysians, comprised of nominees, government agencies/institutions, banks/finance companies, corporations and other types of shareholders. Our parent company, PETRONAS is our largest shareholder, holding close to 64.0% equity in PDB.

In 2019, our foreign shareholding reached its highest at 9.37% in July.



As at 31 December 2019  
**Source:** Symphony and Bloomberg

## INVESTOR RELATIONS

### ANALYST COVERAGE

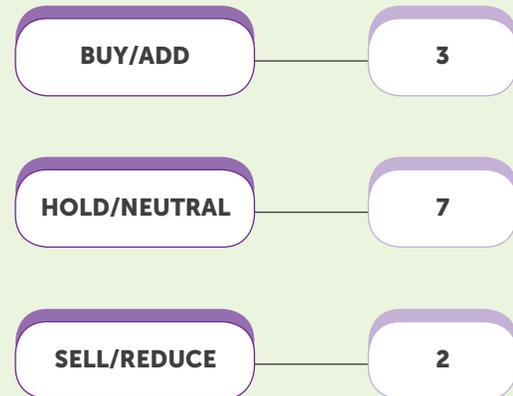
12 research houses covered PDB's stock in 2019, as follows:

01 Affin Hwang Capital	02 AllianceDBS Research Sdn Bhd
03 BIMB Securities Sdn Bhd	04 CIMB Investment Bank Berhad
05 Hong Leong Investment Bank Berhad	06 KAF-Seagroatt & Campbell Securities Sdn Bhd
07 Kenanga Investment Bank Berhad	08 Macquarie Capital Securities (Malaysia) Sdn Bhd
09 MIDF Amanah Investment Bank	10 RHB Research Institute Sdn Bhd
11 TA Securities Holdings Berhad	12 UOB Kay Hian Securities (M) Sdn Bhd

 For more information on areas of concerns, please refer to Stakeholder Engagement on pages 48 to 49 of this <IR>

### ANALYST RECOMMENDATIONS

Overall recommendation on PDB's share price in 2019 by the research houses:



**Note:**  
The recommendations were based on FY2019 results announcement

### IR CONTACT, WEBSITE AND FEEDBACK



#### WEBSITE

All Investor Relations engagements and activities are published on PDB's corporate website at [www.mymesra.com.my](http://www.mymesra.com.my). This website provides information, among others on PDB's IR Policy and Guidelines, announcements, financial results, quarterly briefing materials, minutes of AGM, press releases and disclosures to Bursa Malaysia.

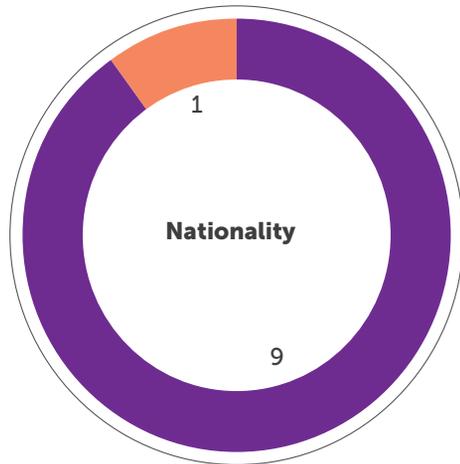


#### IR CONTACT AND FEEDBACK

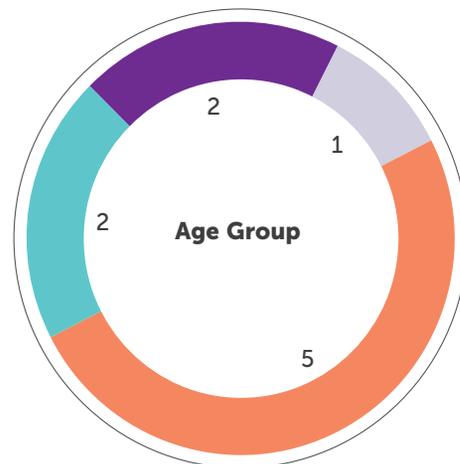
The Investment Communities may forward any enquiries and feedback related to Investor Relations matters to the following representatives:

Nur Asyirin Ibrahim  
Head, Investor Relations  
Email: [nurasyirin@petronas.com.my](mailto:nurasyirin@petronas.com.my)

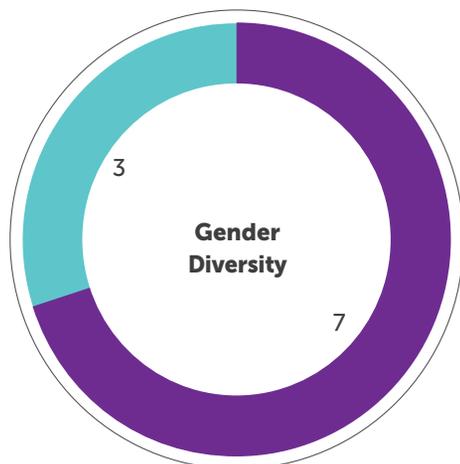
# OUR BOARD AT A GLANCE



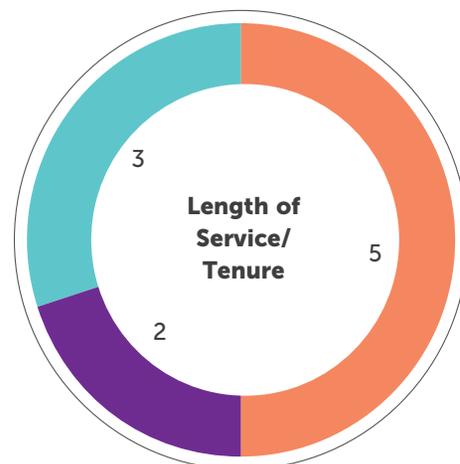
- Malaysian
- Non-Malaysian



- Below 50 years
- 50-55 years
- 56-60 years
- 61-65 years



- Male
- Female



- 1-3 years
- 4-6 years
- 7-9 years

## OUR BOARD AT A GLANCE

### SKILLS MATRIX



### INDUSTRY EXPERIENCE



\* Include tertiary education and professional experience.

# BOARD OF DIRECTORS' PROFILE



**DATUK MD ARIF MAHMOOD**  
 Chairman  
 Non-Independent Non-Executive Director

**AGE: 57**  
**GENDER: Male**  
**NATIONALITY: Malaysian**

Date of Appointment: **16 April 2015**  
 Length of Service: **4 years and 10 months**  
 Number of Board Meetings Attended: **5/6**

### Academic / Professional Qualification

- Masters of Business Administration, Massachusetts Institute of Technology, United States of America
- Bachelor of Science in Electrical Engineering (*summa cum laude*), Boston University, United States of America

### Skills Matrix and Industry Experience

Skills Matrix	Industry Experience
3 4 5 6	

Present Directorships	Board Committee
<b>Listed entities:</b> <ul style="list-style-type: none"> <li>• PETRONAS Dagangan Berhad</li> <li>• PETRONAS Chemicals Group Berhad</li> </ul> <b>Other public company</b> Nil	Nil

### Other Principal Appointments

- Chairman, PETRONAS Chemicals Group Berhad
- Executive Vice President and Chief Executive Officer, Downstream Business, PETRONAS
- Member, Executive Leadership Team, PETRONAS
- Member, People Development Committee, PETRONAS
- Member, Talent Council, PETRONAS
- Member, Industry Advisory Panel, Universiti Teknologi PETRONAS
- Director, Johor Petroleum Development Corporation
- Chairman and Director, various companies within PETRONAS

### Past Experience

- Director, PETRONAS
- Senior Vice President, Corporate Strategy, PETRONAS
- Vice President, Oil Business, PETRONAS
- Managing Director/Chief Executive Officer, ASEAN Bintulu Fertilizer Sdn Bhd
- Senior General Manager, Retail Business Division, PETRONAS Dagangan Berhad
- General Manager (Gas Processing Plant B), PETRONAS Gas Berhad

## BOARD OF DIRECTORS' PROFILE



### AZRUL OSMAN RANI

Managing Director/Chief Executive Officer

**AGE: 46**      **GENDER: Male**      **NATIONALITY: Malaysian**

Date of Appointment: **1 January 2020**

Length of Service: **2 months**

Number of Board Meetings Attended: **–**

#### Academic / Professional Qualification

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

#### Skills Matrix and Industry Experience

##### Skills Matrix

2 4 6

##### Industry Experience



#### Present Directorships

##### Listed entity:

- PETRONAS Dagangan Berhad

##### Other public company:

Nil

#### Board Committee

Nil

#### Other Principal Appointments

- Chairman and Director, various companies within PETRONAS

#### Past Experience

- 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



### LIM BENG CHOON

Senior Independent Director

**AGE: 60**      **GENDER: Male**      **NATIONALITY: Malaysian**

Date of Appointment: **13 August 2012**

Length of Service: **7 years and 6 months**

Number of Board Meetings Attended: **6/6**

#### Academic / Professional Qualification

- Bachelor of Science (Hons) in Mathematics and Computer Science, Australian National University, Canberra, Australia

#### Skills Matrix and Industry Experience

##### Skills Matrix

1 4 5 6 8 9

##### Industry Experience



#### Present Directorships

##### Listed entities:

- PETRONAS Dagangan Berhad
- MISC Berhad

##### Other public company:

Nil

#### Board Committee

- Chairman of NRC
- Member of BAC

#### Other Principal Appointments

- Member, BAC, MISC Berhad
- Member, NRC, MISC Berhad
- Trustee in the ECM Libra Foundation
- Member, Board of Directors, Universiti Pendidikan Sultan Idris

#### Past Experience

- Independent Non-Executive Director, PETRONAS Gas Berhad
- Chairman, NRC, PETRONAS Gas Berhad
- Member, BAC, PETRONAS Gas Berhad
- Independent Non-Executive Director, Hong Leong Bank Berhad
- Member, BAC, Hong Leong Bank Berhad
- Country Managing Director, Accenture, the global consulting, technology and outsourcing company
- Managing Partner, Accenture's Resources Industry Group (Oil and Gas, Chemicals, Utilities and Natural Resources) in Southeast Asia

## BOARD OF DIRECTORS' PROFILE



### VIMALA V.R. MENON

Independent Non-Executive Director

AGE: 65 GENDER: Female NATIONALITY: Malaysian

Date of Appointment: 18 November 2011

Length of Service: 8 years and 3 months

Number of Board Meetings Attended: 6/6

#### Academic / Professional Qualification

- Fellow, Institute of Chartered Accountants in England and Wales
- Member, the Malaysian Institute of Accountants

#### Skills Matrix and Industry Experience

##### Skills Matrix

1 4 6 9

##### Industry Experience



#### Present Directorships

##### Listed entities:

- PETRONAS Dagangan Berhad
- DiGi.Com Berhad

##### Other public company:

Nil

#### Board Committee

- Chairman of BAC
- Member of NRC
- Member of BRC

#### Other Principal Appointments

- Chairman, Audit Committee, Jardine Cycle & Carriage, Singapore
- Member, Audit and Risk Committee, DiGi.Com Berhad
- Director, Jardine Cycle & Carriage, Singapore

#### Past Experience

- Director, PETRONAS Chemicals Group Berhad
- Chairman, BAC, PETRONAS Chemicals Group Berhad
- Member, NRC PETRONAS Chemicals Group Berhad
- Member, BRC PETRONAS Chemicals Group Berhad
- Director, Cycle & Carriage Bintang Berhad
- Director, Finance and Corporate Affairs, PROTON Holdings Berhad
- Executive Director, Finance and Corporate Services, Edaran Otomobil Nasional Berhad
- Director, EON Bank Berhad
- Director, Jardine Cycle & Carriage Limited
- Director, PT Astra International Tbk, Indonesia



### DATUK ANUAR AHMAD

Independent Non-Executive Director

AGE: 66 GENDER: Male NATIONALITY: Malaysian

Date of Appointment: 1 August 2014

Length of Service: 5 years and 7 months

Number of Board Meetings Attended: 6/6

#### Academic / Professional Qualification

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

#### Skills Matrix and Industry Experience

##### Skills Matrix

2 4 5 6 8

##### Industry Experience



#### Present Directorships

##### Listed entities:

- PETRONAS Dagangan Berhad
- ENRA Group Berhad
- Nylex (Malaysia) Berhad
- Kumpulan Fima Berhad
- Chemical Company of Malaysia Berhad

##### Other public company:

Nil

#### Board Committee

- Member of BAC
- Member of BRC

#### Other Principal Appointments

- Chairman, NRC, ENRA Group Berhad
- Member, Audit Committee, ENRA Group Berhad
- Member, Audit Committee, Nylex (Malaysia) Berhad
- Chairman, Finance and Investment Committee, Chemical Company of Malaysia Berhad
- Member, Risk Management Committee, Chemical Company of Malaysia Berhad

#### Past Experience

- Chairman, Audit Committee, E.A. Technique (M) Berhad
- Member, Remuneration Committee, E.A. Technique (M) Berhad
- Chairman, PETRONAS Gas Berhad
- Chairman, PETRONAS Dagangan Berhad
- Director, PETRONAS
- Member, Executive Committee, PETRONAS
- Member, Management Committee, PETRONAS
- Executive Vice President, Gas and Power Business, PETRONAS
- Vice President, Oil Business, PETRONAS
- Vice President, Human Resource Management, PETRONAS
- Managing Director/Chief Executive Officer, PETRONAS Dagangan Berhad
- Various senior managerial positions within PETRONAS Group

## BOARD OF DIRECTORS' PROFILE



### NURAINI ISMAIL

Non-Independent Non-Executive Director

AGE: 57 GENDER: Female NATIONALITY: Malaysian

Date of Appointment: 18 November 2011

Length of Service: 8 years and 3 months

Number of Board Meetings Attended: 6/6

#### Academic / Professional Qualification

- Fellow, Association of Chartered Certified Accountants, United Kingdom

#### Skills Matrix and Industry Experience

##### Skills Matrix

1 2 4 5

##### Industry Experience



#### Present Directorships

##### Listed entity:

- PETRONAS Dagangan Berhad

##### Other public company:

Nil

#### Board Committee

- Member of BAC

#### Other Principal Appointments

- Vice President, Treasury, PETRONAS
- Director, various companies within PETRONAS Group
- Member, various committees within PETRONAS Group

#### Past Experience

- Senior General Manager, Group Treasury, PETRONAS
- General Manager, Finance and Accounts Services, Malaysian International Trading Corporation Sdn Bhd
- General Manager, Commercial Services, Malaysian International Trading Corporation Sdn Bhd
- Various positions in Bank Bumiputra Malaysia Berhad, Bumiputera Merchant Bankers and Maybank Finance Berhad



### DATO' SRI SYED ZAINAL ABIDIN SYED MOHAMED TAHIR

Non-Independent Non-Executive Director

AGE: 57 GENDER: Male NATIONALITY: Malaysian

Date of Appointment: 31 July 2017

Length of Service: 2 years and 7 months

Number of Board Meetings Attended: 6/6

#### Academic / Professional Qualification

- Bachelor of Science in Civil Engineering, University of Maryland, United States of America

#### Skills Matrix and Industry Experience

##### Skills Matrix

3 4 5 6

##### Industry Experience



#### Present Directorships

##### Listed entity:

- PETRONAS Dagangan Berhad

##### Other public company:

Nil

#### Board Committee

Nil

#### Other Principal Appointments

- Vice President, Marketing, Downstream Business PETRONAS
- Chairman, Universiti Teknologi MARA
- Mentor, CEO@Faculty Programme, Ministry of Higher Education
- Member, Industry Advisory Panel, various local universities
- Chairman and Director, various companies within PETRONAS Group

#### Past Experience

- Managing Director/Chief Executive Officer of PETRONAS Dagangan Berhad
- Member, NRC, PETRONAS Dagangan Berhad
- Independent Non-Executive Director, RHB Islamic Bank Berhad
- Independent Non-Executive Director, RHB Bank
- Board member, various subsidiaries within the PROTON Group
- Group Managing Director, PROTON Holdings Berhad
- Deputy Managing Director, PERODUA
- Executive Director, PERODUA Auto Corporation Sdn Bhd
- Senior General Manager, PERODUA
- Various Senior Positions within HICOM Holdings Berhad
- Various positions within PETRONAS Group

## BOARD OF DIRECTORS' PROFILE



### SHAFIE SHAMSUDDIN

Independent Non-Executive Director

AGE: 49 GENDER: Male NATIONALITY: Singaporean

Date of Appointment: 6 February 2018

Length of Service: 2 years

Number of Board Meetings Attended: 6/6

#### Academic / Professional Qualification

- Bachelor of Business Administration, Nanyang Technological University, Singapore

#### Skills Matrix and Industry Experience

##### Skills Matrix

4 5 6 8

##### Industry Experience



#### Present Directorships

##### Listed entities:

- PETRONAS Dagangan Berhad
- AEON Co. (M) Bhd

##### Other public company:

Nil

#### Board Committee

- Member of NRC
- Member of BRC

#### Other Principal Appointments

- Director, AEON Big Sdn. Bhd.
- Chief Executive Officer, AEON Retail (Malaysia)
- Managing Director/Digital Transformation Officer, AEON Co. (M) Bhd

#### Past Experience

- Chief Strategy Officer, AEON Asia
- President Director and Chief Executive Officer, PT Trans Retail, Indonesia
- Executive Director, Global Talent Management and Organisational Development, Carrefour Group in France
- President and Chief Executive Officer, Carrefour Indonesia
- Managing Director, Carrefour Singapore and Malaysia
- Managing Director, Singapore and South Regional Director Operations, Malaysia
- Store Director, Marcom Director, Non-Food Director and Human Resources, Singapore
- Bazaar Merchandise Manager, Carrefour Indonesia
- Division Manager for Commercial and Merchandising, Carrefour Singapore



### ALVIN MICHAEL HEW THAI KHEAM

Independent Non-Executive Director

AGE: 56 GENDER: Male NATIONALITY: Malaysian

Date of Appointment: 6 February 2018

Length of Service: 2 years

Number of Board Meetings Attended: 6/6

#### Academic / Professional Qualification

- 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

#### Skills Matrix and Industry Experience

##### Skills Matrix

1 2 4 5 6 8

##### Industry Experience



#### Present Directorships

##### Listed entities:

- PETRONAS Dagangan Berhad
- Maxis Berhad

##### Other public company:

Nil

#### Board Committee

- Chairman of BRC

#### Other Principal Appointments

- Member, Nomination Committee, Maxis Berhad
- Group Managing Director, Southgate Ventures Pte. Ltd.
- Board Director, SIS Group of Schools

#### Past Experience

- Board Director, Wine Connection Group
- Board Director, I Can Read System
- Board Director, PSGOURMET Pte. Ltd
- Board Director and Chairman of Governance Committee, Taipei American School
- Board Advisor, TORO Limited
- Board Director and Co-Chair, Events and Communications, European Chamber of Commerce Taiwan
- Director and Treasurer, Toronto Condominium Corp YCC 332
- Managing Director, H2O Capital Limited, Taiwan
- Managing Director, L'Oreal Taiwan and Malaysia
- General Manager Consumer Products Division, L'Oreal Malaysia
- Project Manager, L'Oreal S.A, Paris
- Brand Manager Hair Care, Procter & Gamble, Vietnam
- Brand Manager South Asia, Procter & Gamble AG, Switzerland
- Financial Analyst, Lancaster Financial Inc., Canada
- Account Manager, Toronto-Dominion Bank, Canada

## BOARD OF DIRECTORS' PROFILE

### COMPANY SECRETARIES:



#### NIRMALA DORAISAMY

Independent Non-Executive Director

**AGE: 53**      **GENDER: Female**      **NATIONALITY: Malaysian**

Date of Appointment: **15 October 2019**

Length of Service: **4 months**

Number of Board Meetings Attended: **2/2**

#### Academic / Professional Qualification

- Fellow, Chartered Institute of Management Accountants, United Kingdom
- Member, Malaysian Institute of Accountants
- Chartered Global Management Accountant, United Kingdom
- Master in Business Administration, International Islamic University
- Bachelor of Economics (Honours), Universiti Malaya

#### Skills Matrix and Industry Experience

Skills Matrix	Industry Experience
1 5 6 7	

#### Present Directorships

- Listed entities:**
- PETRONAS Dagangan Berhad
  - Evergreen Fibreboard Bhd

**Other public company:**  
Nil

#### Board Committee

- Member of BRC

#### Other Principal Appointments

- Senior Independent Director, Evergreen Fibreboard Bhd
- Chairman, Risk and Sustainability Management Committee, Evergreen Fibreboard Bhd
- Chairman, Nomination Committee, Evergreen Fibreboard Bhd
- Member, Audit Committee, Evergreen Fibreboard Bhd

#### Past Experience

- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>• Director, Ecobuilt Holdings Berhad</li> <li>• Chairman, Nomination Committee, Ecobuilt Holdings Berhad</li> <li>• Member, Audit Committee, Ecobuilt Holdings Berhad</li> </ul> | <ul style="list-style-type: none"> <li>• Head of Risk Management, Credit Guarantee Corporation Bhd</li> <li>• Various positions in Affin Bank Bhd, Alliance Bank Malaysia Berhad and MBf Finance Bhd</li> </ul> |
|---|---|



#### NUR NADIA MOHD NORDIN

Company Secretary

*For more information about Nur Nadia Mohd Nordin, please refer to page 103 of this <IR>*



#### YEAP KOK LEONG

Joint Secretary

**AGE: 59**      **GENDER: Male**      **NATIONALITY: Malaysian**

#### Academic / Professional Qualification

- Fellow of the Institute of Chartered Secretaries and Administrators (ICSA)

#### 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 2019

# LEADERSHIP TEAM



**AZRUL OSMAN RANI**  
*Managing Director/  
 Chief Executive Officer*



**NORLIWATI ABDUL WAHAB**  
*Chief Financial Officer*



**WAN YUSSMAN WAN YUSOF**  
*Chief Technology Officer*



**KHALIL JAFFRI  
 MUHAMMAD MURI**  
*Head, Retail Business Division*



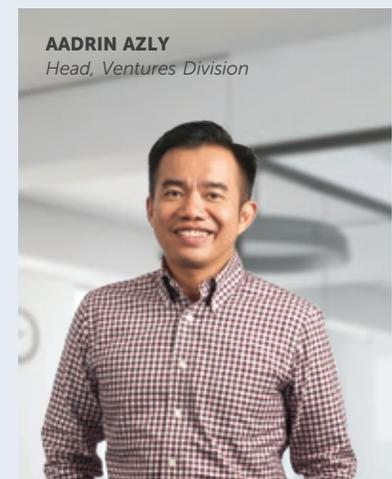
**RAMZULHAKIM RAMLI**  
*Head, Commercial  
 Business Division*



**PRAMELA VALLINAYAGAN**  
*Head, LPG Business Division*



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



**AADRIN AZLY**  
*Head, Ventures Division*

## 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

## LEADERSHIP TEAM

**MOHD SHOBRI A. BAKAR**  
*Head, Supply and Distribution Division*



**MIN EDINA MUSTAPHA KAMAL**  
*Head, Strategy Division*



**RUZIAH AZDI ABDUL RAHMAN**  
*Head, Strategic Communications Division*



**NAINA MOHD SHUKRI OMAR**  
*Head, Human Resource Management Division*



**NUR NADIA MOHD NORDIN**  
*Head, Legal and Secretariat Division*



**ROSNAN HAMZAH**  
*Head, Health, Safety and Environment Division*



**MOHD IMRAN M. ASHRAF**  
*Head, Technical Services Division*



# LEADERSHIP TEAM'S PROFILE

## AZRUL OSMAN RANI

Managing Director / Chief Executive Officer



GENDER: Male



AGE: 46



NATIONALITY: Malaysian



DATE OF APPOINTMENT: 1 January 2020

### Academic / Professional Qualification

- Bachelor of Science in Economics, Carnegie Mellon University, United States of America.
- Advanced Management Programme, Harvard Business School, United States of America.

### Skills Matrix and Experiences

#### Skills matrix

2 4 6 11

#### Industry experiences



### 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, PETRONAS
- Senior Manager, VP Office, Gas Business, PETRONAS
- Senior Manager, Business Development Department, PETRONAS
- Agriculture Trading Manager, Malaysian Trading Corporation Sdn. Bhd.
- Indonesia Country Manager, Malaysian Trading Corporation Sdn. Bhd.
- Various positions within PETRONAS Group

## NORLIWATI ABDUL WAHAB

Chief Financial Officer



GENDER: Female



NATIONALITY: Malaysian



AGE: 44



DATE OF APPOINTMENT: 1 March 2017

### Academic / Professional Qualification

- Masters in Mechanical Engineering, Imperial College, United Kingdom
- Member, Institute of Chartered Accountants in England and Wales

### Skills Matrix and Experiences

#### Skills matrix

1 5 6 9 15

#### Industry experiences



### 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 and Accounts) PETCO Trading Labuan Co. Ltd.
- Head Corporate Strategic Planning, PETRONAS
- Manager (Budget and Management Reporting), PETRONAS Exploration and Production Division
- Manager (Budget and Management Reporting), PETRONAS Carigali Sdn. Bhd.
- Chief Accountant, PETRONAS Vietnam Co. Ltd.
- Various positions within PETRONAS Group
- Auditor and Business Advisor PKF Chartered Accountant in Manchester, United Kingdom and Perth, Australia

## WAN YUSSMAN WAN YUSOF

Chief Technology Officer



GENDER: Male



NATIONALITY: Malaysian



AGE: 43



DATE OF APPOINTMENT: 1 July 2019

### Academic / Professional Qualification

- Bachelor of Science in Information and Decision Systems, Carnegie Mellon University, United States of America

### Skills Matrix and Experiences

#### Skills matrix

4 8 11

#### Industry experiences



### Key Responsibilities

Responsible for the planning, development and implementation of all digital, operations, technology systems and relevant initiatives.

### Past Experiences

- Group Chief Technology Officer, Accendo Technologies Sdn. Bhd.
- Senior Vice President & Lead Solutions Architect, Prestariang SKIN Sdn. Bhd.
- Managing Director, Custom Codes Sdn. Bhd.
- General Manager, Software Engineering, Mesiniaga Berhad
- Senior Director of Software Engineering, Monster Technologies (M) Sdn. Bhd.
- Global Build Manager, British American Tobacco GSD (KL) Sdn. Bhd.
- Solutions Delivery Manager, iPerintis Sdn. Bhd.
- Lead Architect, Qiva Sdn. Bhd.
- IT Group Leader, AqilQisti Technologies Sdn. Bhd.
- Customer Service Engineer, Natsoft Sdn. Bhd. (renamed Juris Technologies)

### 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
- 11 Business Transformation
- 12 Corporate and Marketing Communications
- 13 Brand and Reputation Management
- 14 Law/Secretarial
- 15 Corporate Governance

### Industry Experiences

- Oil and Gas
- Shipping/Logistics
- Regional/International
- Manufacturing
- Banking and Finance
- Education
- Information Technology/Digital
- Legal Practice (Litigation)
- Telecommunications
- Technical Services

## LEADERSHIP TEAM'S PROFILE

**KHALIL JAFFRI MUHAMMAD MURI**  
Head, Retail Business Division

---

 GENDER: Male       NATIONALITY: Malaysian

 AGE: 46       DATE OF APPOINTMENT: 1 January 2019

---

**Academic / Professional Qualification**

- Bachelor of Science in Industrial Management and Economics, Carnegie Mellon University, United States of America

**Skills Matrix and Experiences**

Skills matrix: **2 4 5 6**      Industry experiences: 

**Key Responsibilities**

Responsible for the profitability and sustainability of the Retail Business. Key accountabilities include 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

**RAMZULHAKIM RAMLI**  
Head, Commercial Business Division

---

 GENDER: Male       NATIONALITY: Malaysian

 AGE: 43       DATE OF APPOINTMENT: 1 January 2020

---

**Academic / Professional Qualification**

- Bachelor of Commerce (Accounting), University of New South Wales, Australia
- Fellow of CPA Australia (FCPA)

**Skills Matrix and Experiences**

Skills matrix: **1 4 6 9 11**      Industry experiences: 

**Key Responsibilities**

Responsible for the sustainability of value and growth of the Commercial Business.

**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

**PRAMELA VALLINAYAGAN**  
Head, LPG Business Division

---

 GENDER: Female       NATIONALITY: Malaysian

 AGE: 45       DATE OF APPOINTMENT: 1 January 2020

---

**Academic / Professional Qualification**

- Bachelor of Business Administration, Universiti Utara Malaysia, Malaysia

**Skills Matrix and Experiences**

Skills matrix: **4 5 6 9**      Industry experiences: 

**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
- Various positions within PETRONAS Group

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

---

 GENDER: Male       NATIONALITY: Malaysian

 AGE: 50       DATE OF APPOINTMENT: 1 February 2019

---

**Academic / Professional Qualification**

- Bachelor in Mechanical Engineering, Universiti Teknologi Malaysia, Malaysia

**Skills Matrix and Experiences**

Skills matrix: **2 3 4 5 6 15**      Industry experiences: 

**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

## LEADERSHIP TEAM'S PROFILE

**AADRIN AZLY**  
Head, Ventures Division

---

 **GENDER:** Male       **NATIONALITY:** Malaysian

 **AGE:** 42       **DATE OF APPOINTMENT:** 1 January 2020

---

**Academic / Professional Qualification**

- Bachelor of Commerce, University of Adelaide, Australia
- Advanced Management Programme, Harvard Business School, United States of America.

**Skills Matrix and Experiences**

**Skills matrix**      **Industry experiences**

2 4 5 6 11 15      

---

**Key Responsibilities**

Responsible for the setting up of early stage growth platform as well as invent, launch and scale disruptive ventures to create a future-proof and sustainable revenue streams.

---

**Past Experiences**

- Chief Operating Officer, PDB
- Head, Retail Business Division, PETRONAS Dagangan Berhad
- Senior General Manager, Strategy and Portfolio, Upstream Business, PETRONAS
- Senior General Manager, Integrated Gas, Upstream Business, PETRONAS
- Executive Assistant and General Manager, President's Office, PETRONAS
- Senior Manager, Corporate Planning and Development, PETRONAS
- Manager, Vice President's Office of Oil Business, PETRONAS
- Various positions within PETRONAS Group

**MOHD SHOBRI A. BAKAR**  
Head, Supply and Distribution Division

---

 **GENDER:** Male       **NATIONALITY:** Malaysian

 **AGE:** 59       **DATE OF APPOINTMENT:** 1 January 2014

---

**Academic / Professional Qualification**

- Bachelor of Mechanical Engineering (Hons), Universiti Teknologi Malaysia, Malaysia

**Skills Matrix and Experiences**

**Skills matrix**      **Industry experiences**

3 4 5 10        

---

**Key Responsibilities**

Responsible for PDB's overall operational excellence and supply reliability across the integrated value chain.

---

**Past Experiences**

- Chief Executive Officer, Lub Dagangan Sdn. Bhd.
- Chief Executive Officer, PETRONAS International Marketing Thailand Co. Ltd.
- General Manager, Lubricants Business, PETRONAS Dagangan Berhad
- General Manager, Lubricants Unit, PETRONAS
- General Manager, Supply and Distribution Division, PETRONAS Dagangan Berhad
- Senior Manager, Peninsular Distribution, PETRONAS Dagangan Berhad
- Operations Manager, Central Region, PETRONAS Dagangan Berhad
- Various positions within PETRONAS Dagangan Berhad

**MIN EDINA MUSTAPHA KAMAL**  
Head, Strategy Division

---

 **GENDER:** Female       **NATIONALITY:** Malaysian

 **AGE:** 41       **DATE OF APPOINTMENT:** 16 April 2018

---

**Academic / Professional Qualification**

- Bachelor of Science in Commerce, University of Virginia, United States of America

**Skills Matrix and Experiences**

**Skills matrix**      **Industry experiences**

4 6 11      

---

**Key Responsibilities**

Responsible for PDB's long-term strategic plans, new business development, business transformation and government relations.

---

**Past Experiences**

- Head, Business Improvement and Transformation, Upstream Business, PETRONAS
- Manager, Supply Chain Planning, PETRONAS Carigali, PETRONAS
- Manager, Corporate Planning and Performance, PETRONAS Carigali Sdn. Bhd.
- Manager, Business Planning, PETRONAS Carigali Sdn. Bhd.
- Various positions within PETRONAS Group

**RUZIAH AZDI ABDUL RAHMAN**  
Head, Strategic Communications Division

---

 **GENDER:** Female       **NATIONALITY:** Malaysian

 **AGE:** 56       **DATE OF APPOINTMENT:** 1 December 2015

---

**Academic / Professional Qualification**

- Bachelor of Science in Business Management (Economics and Finance), University of Tennessee, United States of America

**Skills Matrix and Experiences**

**Skills matrix**      **Industry experiences**

12 13      

---

**Key Responsibilities**

Responsible for the planning, development and implementation of PDB's corporate and product branding, stakeholder management, strategic communications and reputation management.

---

**Past Experiences**

- General Manager, Corporate Affairs and Administration, PETRONAS Chemicals Group Berhad
- General Manager, Corporate Communications and Media Relations, East Coast Economic Region Development Council
- Senior Manager, Brand Department, PETRONAS Dagangan Berhad
- Manager, Brand Communications, PETRONAS Dagangan Berhad
- Business Manager, Mesralink, PETRONAS Dagangan Berhad
- Various positions within PETRONAS Dagangan Berhad

## LEADERSHIP TEAM'S PROFILE

### NAINA MOHD SHUKRI OMAR

Head, Human Resource Management Division



GENDER: Male



NATIONALITY: Malaysian



AGE: 45



DATE OF APPOINTMENT: 1 June 2016

#### Academic / Professional Qualification

- Bachelor of Accountancy (Hons), University Utara Malaysia, Malaysia
- Certified Coach from the Canadian Council of Professional Certification

#### Skills Matrix and Experiences

##### Skills matrix

7

##### Industry experiences



#### Key Responsibilities

Responsible for the formulation and implementation of people strategies, talent development and management.

#### Past Experiences

- Head, Human Resource Management, Upstream International, Upstream Business, PETRONAS
- Senior Manager, People Management, Human Resource Management, Upstream Business, PETRONAS
- Manager, Human Resource Management, PICL (Egypt) Corporation Ltd., Gas and Power Business, PETRONAS
- Various positions within PETRONAS Group

### NUR NADIA MOHD NORDIN

Head, Legal and Secretariat Division



GENDER: Female



NATIONALITY: Malaysian



AGE: 45



DATE OF APPOINTMENT: 16 March 2018

#### Academic / Professional Qualification

- Certificate of Legal Practice, Malaysia
- Bachelor of Laws, University of Kent at Canterbury, United Kingdom

#### Skills Matrix and Experiences

##### Skills matrix

14 15

##### Industry experiences



#### Key Responsibilities

Responsible for legal advisory services and corporate secretarial services to PDB and its Group of Companies as well as advisory services to the Board.

#### Past Experiences

- Senior Legal Counsel, Marketing and Special Projects, Legal Downstream, Group Legal, PETRONAS
- Senior Legal Counsel, Corporate Services and Technology, Group Legal, PETRONAS
- Legal Manager, Malaysia LNG Sdn. Bhd.
- Legal Manager, Gas Business, PETRONAS
- Senior Legal Officer, PETRONAS NGV Sdn. Bhd.
- Advocate and Solicitor of the High Court of Malaya

### ROSAN HAMZAH

Head, Health, Safety and Environment Division



GENDER: Male



NATIONALITY: Malaysian



AGE: 47



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, The University of Michigan, United States of America

#### Skills Matrix and Experiences

##### Skills matrix

3 5 9 10

##### Industry experiences



#### 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.
- Academician, Faculty of Medicine and Health Sciences, Universiti Putra Malaysia
- Product Engineer, Sapura Research Sdn. Bhd.
- Automation Engineer, Motorola Semiconductor Sdn. Bhd.

### MOHD IMRAN M. ASHRAF

Head, Technical Services Division



GENDER: Male



NATIONALITY: Malaysian



AGE: 39



DATE OF APPOINTMENT: 1 July 2018

#### Academic / Professional Qualification

- Masters (MEng) in Mechanical Engineering, Bath University, United Kingdom

#### Skills Matrix and Experiences

##### Skills matrix

3 5 9

##### Industry experiences



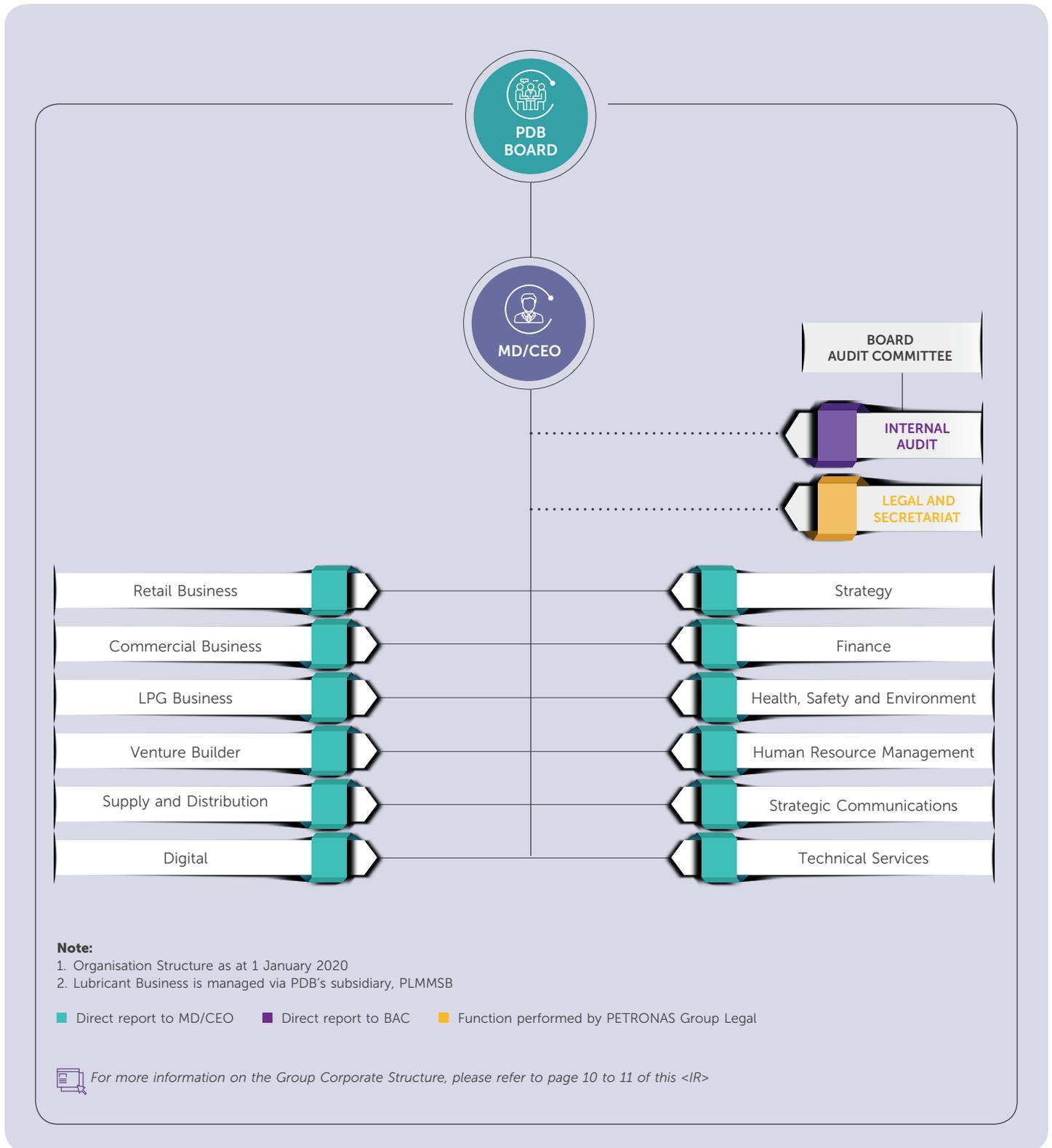
#### Key Responsibilities

Responsible for the direction and overall management of PDB asset management, technical integrity and institutionalisation of best practices to ensure asset integrity, equipment reliability and safety.

#### Past Experiences

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

# ORGANISATION STRUCTURE



**Note:**

1. Organisation Structure as at 1 January 2020
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 10 to 11 of this <IR>

## CHAIRMAN'S CORPORATE GOVERNANCE OVERVIEW

Incorporated in 1982, PETRONAS Dagangan Berhad (PDB) today is Malaysia's leading retailer and marketer of petroleum products. With the obsession of designing solutions from the lens of the customers, it has positioned PDB to be Malaysia's favourite Brand of Choice at the Putra Brand Awards 2019.



Innovative solutions in delivering seamless and frictionless customer experience will continue to be PDB's key objective to stay resilient and relevant in meeting the demanding and rapid changing customer needs. With "Move Like Never Before" spirit, PDB will further innovate and leverage on technologies and digital solutions to enhance its operations and introduce new products in the markets.

Our commitment to sustainability is reflected in the way we do our business. As such, meeting the triple bottom line of profit, people and planet has always been at the core of our strategy. At PDB, we are committed to creating value by making a positive impact to the society, as reflected in our Sustainability Journey on page 155 of this report. We strive to sustain the operations of all our facilities at best-in-class in safety, reliability and efficiency.

Underpinning the vision of PDB's sustainable business performance is through our commitment of the highest standards of corporate governance by the Board to create a long-term sustainable value for all stakeholders. This is subsequently embedded within the Company's policies, inculcating a transformational discipline that adopts best practices in governance, ethics, integrity and transparency.

I am pleased to note that this Corporate Governance Overview is prepared in accordance to the relevant requirements and cover the following areas as required by the Malaysian Code on Corporate Governance 2017 (MCCG 2017):

- i) Board Leadership and Effectiveness
- ii) Effective Audit and Risk Management
- iii) Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders

## CHAIRMAN'S CORPORATE GOVERNANCE OVERVIEW

PDB has also strengthened its governance framework through the establishment of a Board Risk Committee (BRC), made up only by Independent Non-Executive Directors. The BRC undertakes the function of overseeing the risk management in PDB, which was previously under the purview of the Board Audit Committee.

PDB strives to uphold the highest accountability and transparency in safety, performance, and integrity within a robust governance framework. We have laid foundations set by the framework that endorses ethical values, good corporate governance and risk management practices that are in line with our strategic business goals.

In 2019, PDB established an Anti-Money Laundering Policy and Framework to comply with both the specific provisions and the spirit of all relevant laws, regulations, guidelines and industry leading practices. In addition, PDB also adopted PETRONAS's Third Party Risk Management controls under our legal compliance framework and established a due diligence tool being the "Know Your Counterparty (KYC)" process which allows PDB to assess and safeguard the Group against reputational and legal risks posed by parties outside the organisation.

The Board has been informed of the new Section 17A of the Malaysian Anti-Corruption Commission Act that takes effect on 1 June 2020, noting on the new legislation and its implications to PDB, its Directors and its Management. PDB has zero-tolerance to all forms of bribery and corruption, and has in place the necessary measures to safeguard PDB and the Board members against a corruption prosecution. PDB will continue to bolster its procedures to ensure its adequacy in preventing acts of corruption related to the organisation.

The Board reviews and assesses its own performance and that of individual Director performance regularly, identifying areas of strengths and opportunities for improvements. Diverse perspectives that enables the Company to make informed decisions that lead to better outcomes is a progressive culture that we want to create in the Company. Collectively, the Board possess diverse experience, skills, knowledge and attributes that enable us to provide the oversight required to develop and achieve our business strategies and sustainability aspirations.

I am pleased to welcome Ms. Nirmala Doraisamy as an Independent Non-Executive Director (INED) effective 15 October 2019. She is also a member of the BRC, where her vast experience in the area of Risk Management is particularly an advantage. Her appointment denotes 60% INEDs as well as 30% female representation on the Board; in line with the requirements of Paragraph 15.02 of the Main Market Listing Requirements (MMLR) or Bursa Malaysia Securities Berhad (Bursa Malaysia) and Practices 4.1 and 4.5 of MCCG 2017.

Azrul Osman Rani was appointed as Managing Director/Chief Executive Officer (MD/CEO) of PDB to replace Dato' Sri Syed Zainal Abidin Syed Mohamed Tahir effective 1 January 2020 to allow Dato' Sri Syed Zainal to focus on his role as Vice President, Marketing, Downstream Business, PETRONAS. Dato' Sri Syed Zainal remains as a director on PDB Board.

The Board wishes to extend its gratitude to Dato' Sri Syed Zainal for his contribution and services during his tenure as MD/CEO of PDB and to welcome Azrul Osman Rani on the PDB Board.

As at the date of this report, I am pleased to inform that the Corporate Governance Overview Statement, Nomination and Remuneration Committee, Board Audit Committee, Board Risk Committee reports together with the Statement on Risk Management and Internal Control have applied and complied with the relevant provisions of the MMLR of Bursa Malaysia, the Companies Act 2016, the MCCG 2017, the Corporate Governance Guide – 3rd Edition issued by Bursa Malaysia Berhad. Additionally, our practices are benchmarked against the ASEAN Corporate Governance Scorecard. The status of PDB's application of the key Practices enumerated in the MCCG 2017 is reported in our Corporate Governance Report 2019, which is accessible to the public on PDB's corporate website [www.mymesra.com.my](http://www.mymesra.com.my).

**DATUK MD ARIF MAHMOOD**  
CHAIRMAN

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of PDB believes that good corporate governance is an indication of the commitment by the Board to achieve the highest standards of professionalism. It strives to ensure that it is practised throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and raise the performance of the Group.

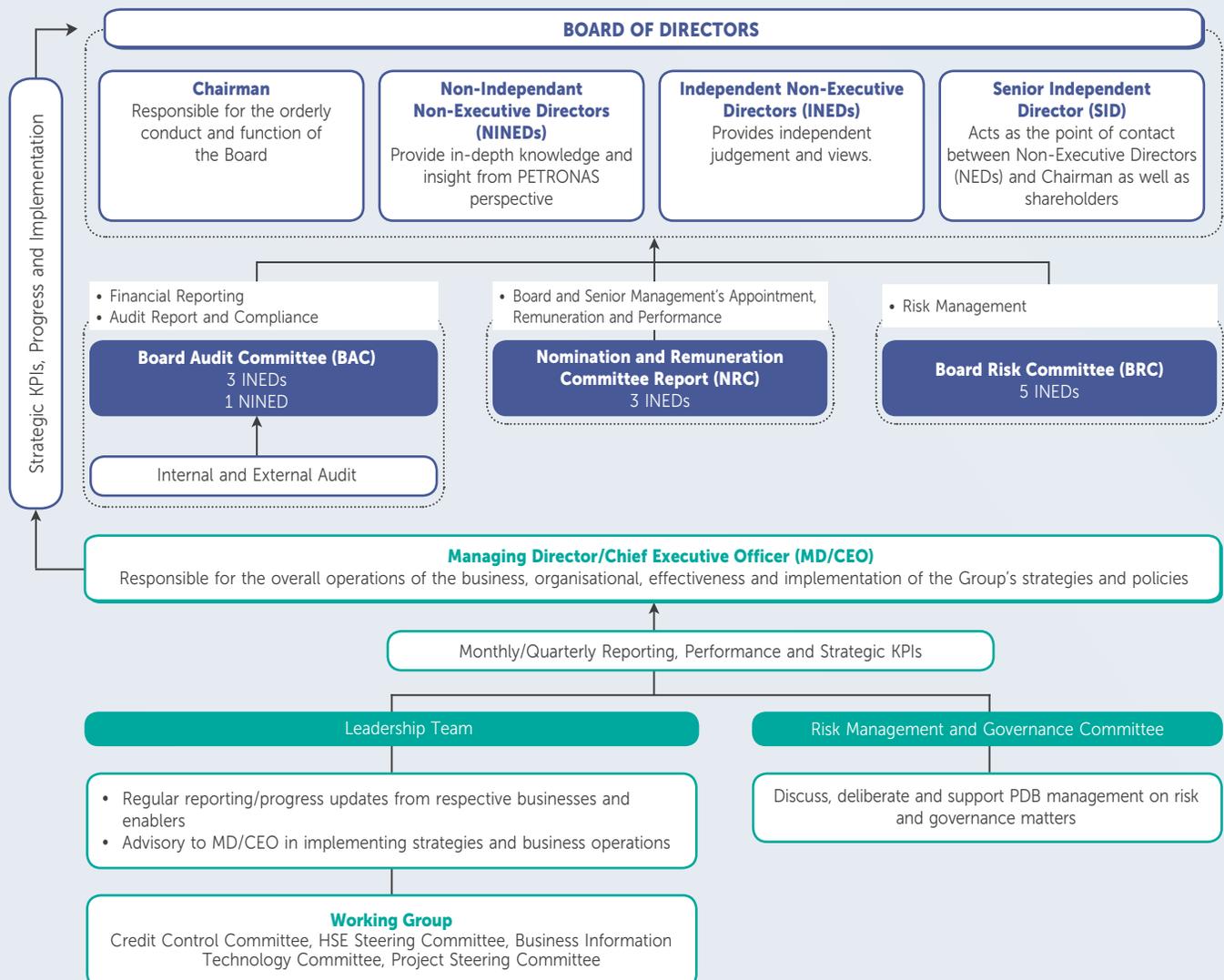
This Corporate Governance Overview Statement seeks to provide investors with vital insights into the corporate governance practices of PDB. In this Statement, the Board reports on the manner the Group has adopted and applied the statutory requirements, principles and best practices as set out in Main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

Malaysia Securities Berhad (Bursa Malaysia), Companies Act 2016 (CA 2016), Malaysian Code on Corporate Governance 2017 (MCCG 2017) and Corporate Governance Guide – 3rd Edition issued by Bursa Malaysia Berhad, in addition to being benchmarked against the ASEAN Corporate Governance Scorecard and other applicable laws and regulations throughout the year ended 31 December 2019.

PDB has generally complied with the MCCG 2017 for the period under review. The status of PDB's application of the MCCG 2017 is disclosed in our Corporate Governance Report which is accessible to the public at PDB's corporate website at [www.mymesra.com.my](http://www.mymesra.com.my).

## OUR GOVERNANCE STRUCTURE

The Board is committed in ensuring that there is a strong and effective system of corporate governance in place to support the successful execution of the Group strategy. 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. The delegation of authority as set out in the Board Charter is clear and ensures that the line of authority is aligned with the legal and regulatory requirements.

The Board Charter shall be reviewed and updated from time to time to reflect relevant changes to the policies, procedures and processes as well as amendments to rules and regulations to ensure the document remains relevant and consistent with the applicable rules and regulations as well as recommended best practices.

 For more information on Board Charter, please refer to PDB’s corporate website at [www.mymesra.com.my](http://www.mymesra.com.my)

#### Board Balance and Composition

The Board comprises ten members, one of whom holds an Executive Office, as MD/CEO. As at the date of this Statement and as per best practice, INEDs make up 60% of the Board’s composition.

During the year under review, Dato’ Sri Syed Zainal Abidin Syed Mohamed Tahir resigned as MD/CEO of PDB to allow him to focus on his role as Vice President, Marketing, Downstream Business in PETRONAS. He still remains as a NINED of PDB. He was succeeded by Azrul Osman Rani effective 1 January 2020. The profile of Azrul Osman Rani is available on page 93 of this <IR>.

As at the date of this report, the Board’s composition is as follows:



The composition of the Board is in line with the requirements of Paragraph 15.02 of the MMLR of Bursa Malaysia and Practice 4.1 of MCCG 2017, by virtue of the fact that 60% of its composition are Independent Directors. The roles of Independent Directors are crucial particularly in the area of related party transactions where their presence is imperative to protect the interests of the minority shareholders.

The ten members of the Board are persons of integrity and calibre who have sound knowledge and understanding of PDB’s business and provide a diversity of breadth in experience and knowledge.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Directors are selected based on their individual merits and experience. The current Board composition comprises individuals of diverse backgrounds with expertise and skills, among others, in the oil and gas industry, economics, engineering, commercial, marketing, 'fast moving consumer goods', retail, corporate planning and education. Five of the Non-Executive Directors (NEDs) have experience in the oil and gas industry. The current overall Board composition is adequate in terms of size and diversity of age and gender. This is to ensure inclusiveness of views as well as to facilitate effective decision-making and constructive deliberations during its meetings.

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 judgement, taking into account the interests of relevant stakeholders including the minority shareholders of PDB.

In line with the MMLR of Bursa Malaysia, none of the members of the Board holds more than five directorships in listed companies. Prior to acceptance of other appointment for directorship in other listed companies, the Directors are required to first notify the Chairman of PDB to ensure that such appointment would not unduly affect their time commitment and responsibilities to the Board.



*For more information on Profile of Directors, please refer to pages 92 to 97 of this <IR>*

### Principal Roles and Responsibilities of the Board

The Board is entrusted with the overall governance of PDB, the responsibility to exercise reasonable and proper care of PDB's resources in the best interest of its shareholders as well as to safeguard PDB's assets.

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

- To review, approve and monitor the strategic business plans, goals and key policies proposed by the Management to ensure sustainability and optimisation of long-term returns;
- To ensure that appropriate policies are in place, adopted effectively and are regularly reviewed;
- To review and approve financial statements;
- To review and manage principal risks and adequacy of PDB's internal control systems including systems for compliance with applicable laws, regulations, rules and guidelines;
- To ensure that there is an appropriate succession plan for members of the Board and the Leadership Team (LT); and
- To be accountable to its shareholders, and to some extent, accountability towards a wider range of stakeholders affected by PDB's decision such as employees, suppliers, customers, the local community and the state/country where PDB is operating.

The above roles and responsibilities are clearly set out in the Board Charter.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### 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 Chairman and MD/CEO to ensure a balance of power and authority in the Board. The positions of Chairman and MD/CEO are held by two different individuals whilst the SID acts as a point of contact between the NEDs and 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:

#### CHAIRMAN

#### Roles and responsibilities:

##### DATUK MD ARIF MAHMOOD

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

- Leading the Board in setting the values and ethical standards of PDB;
- Chairing the Board meetings and stimulating debates on issues and encouraging positive contributions from each Board member;
- Consulting with the Company Secretary 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 Non-Executive Directors;
- 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 the prescribed 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 92 of this <IR>

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

**MANAGING DIRECTOR/  
CHIEF EXECUTIVE OFFICER****Roles and responsibilities:****AZRUL OSMAN RANI**

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.

- 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 supports 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 workforce 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 the PDB's products and services; and
- Serves as spokesperson for PDB.



*For more information on the MD/CEO's profile, please refer to page 93 of this <IR>*

**SENIOR INDEPENDENT  
DIRECTOR****Roles and responsibilities:****LIM BENG CHOON**

Lim Beng Choon fulfils the criteria of an Independent Director pursuant to the MMLR of Bursa Malaysia and was appointed as the SID of PDB on 12 February 2015.

As a SID, Mr Lim Beng Choon 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 channelled to the relevant parties.

All queries relating to the Group can be channelled to the SID's email address, [bengchoon.lim@petronas.com.my](mailto:bengchoon.lim@petronas.com.my) or directed to the following address:

Lim Beng Choon  
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 93 of this <IR>*

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### 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. The Board also supports the country's aspirational target of 30% representation of women directors.

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.

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. As for the composition of the Board, the NRC will determine the benefits of diversity in order to maintain an optimum mix of skills, knowledge and experience of the Board. At any given time, the Board may seek to improve one or more aspects of its diversity and measure the progress, accordingly.

In line 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](http://www.mymesra.com.my)

### INDEPENDENCE

Our 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 interest of the Company and to exercise unfettered and independent judgement. To date, all six INEDs satisfy the following criteria:

- a) independent from Management and free from any business or other relationship which could interfere with independent judgement or the ability to act in the best interest of the Company.
- b) not involved in the day-to-day operations of the Company other than when collective Board approval is required. This mitigates the risk of undue influence from third parties and allows INEDs to exercise fair judgement.
- c) declare their interests or any possible conflict of interest in any matter tabled prior to the commencement of Board meetings. Directors are able to ascertain their involvement in any proposal as the papers are disseminated to them at least five business days before each meeting. In a situation where there is conflict of interest, Directors are required to recuse themselves and abstain from deliberation to allow unbiased and free discussion and decision making. This also holds true for and applies to NINEDs.

### BOARD MEETINGS AND ATTENDANCE

The Board meets at least quarterly with additional meetings convened as and when necessary. The Board, Board Committees and General meetings for the year under review were scheduled in November 2018 to facilitate the Directors in planning ahead and incorporating the said meetings into their respective schedules. Aside from Board meetings, urgent matters are also decided via written circular resolutions.

At all meetings, the Board practises strong culture of open debate and raises challenging questions. Matters deliberated at Board meetings include among 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 respective Chairmen of BAC, NRC and BRC also update the Board on the proceedings of their respective Committee meetings. Relevant members of the LT 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. All proceedings of Board meetings are duly minuted and signed. Minutes of each Board meeting are properly kept by the Company Secretary.

The Director's commitment in carrying out their duties and responsibilities is reflected by their attendance at the Board meetings held during the year. A total of six Board meetings were held during the year under review and all Directors complied with the minimum attendance requirement of at least 50% of the Board meetings pursuant to the MMLR of Bursa Malaysia.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

The details of the meetings of the Board, Board Committees and AGM convened during the year under review are set out below:

Meeting	Quarter 1, 2019	Quarter 2, 2019	Quarter 3, 2019	Quarter 4, 2019
Annual General Meeting	–	25 April 2019	–	–
Nomination and Remuneration Committee	22 January 2019 and 22 February 2019	21 May 2019	–	14 November 2019
Board Audit Committee	19 February 2019	23 May 2019	15 August 2019	15 November 2019
Board Risk Committee	–	21 May 2019	21 August 2019	30 October 2019
Board of Directors	26 February 2019	28 May 2019	23 August 2019	4 and 22 November 2019
Board Strategic Conversation	–	–	1 – 4 August 2019	

Note: The Board Risk Committee was established on 26 February 2019

### DIRECTORS' ATTENDANCE AT BOARD OF DIRECTORS, BOARD COMMITTEES AND ANNUAL GENERAL MEETING FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 ARE AS FOLLOWS:

No.	Name of Board Members	Designation/Independence	Attendance				
			Board	Committees			AGM
				BAC	NRC	BRC	
1	Datuk Md Arif Mahmood	Chairman, Non-independent Non-Executive Director	5/6	–	–	–	✓
2	Azrul Osman Rani*	Executive Director	–	–	–	–	–
3	Lim Beng Choon	Senior Independent Director	6/6	4/4	4/4	–	✓
4	Vimala V. R. Menon	Independent Non-Executive Director	6/6	4/4	4/4	3/3	✓
5	Datuk Anuar Ahmad	Independent Non-Executive Director	6/6	4/4	–	3/3	✓
6	Nuraini Ismail	Non-Independent Non-Executive Director	6/6	4/4	–	–	✓
7	Dato' Sri Syed Zainal Abidin Syed Mohamed Tahir**	Non-Independent Non-Executive Director	6/6	–	–	–	✓
8	Shafie Shamsuddin	Independent Non-Executive Director	6/6	–	4/4	3/3	✓
9	Alvin Michael Hew Thai Kheam	Independent Non-Executive Director	6/6	–	–	3/3	–
10	Nirmala Doraisamy***	Independent Non-Executive Director	2/2	–	–	1/1	–

\* Azrul Osman Rani was appointed as MD/CEO with effect from 1 January 2020

\*\* Dato' Sri Syed Zainal Abidin Syed Mohamed Tahir resigned as MD/CEO and was re-designated as NINED with effect from 1 January 2020

\*\*\* Nirmala Doraisamy was appointed as INED with effect from 15 October 2019

## 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). On 26 February 2019, the Board approved the formation of the BRC in line with the MCCG 2017's Step Up Practice 9.3. The Chairman of each Committee will report to the Board on the deliberations, discussions and outcome of the Committee meetings.

Pursuant to the establishment of the BRC, the BAC's functions on risk management were undertaken by the BRC.

The reports of these three Committees are set out on pages 120 to 133 of this <IR>.

### BOARD STRATEGIC CONVERSATION

The Board Strategic Conversation with the LT of PDB was held on 1 to 4 August 2019 to deliberate on the market outlook, external environment analysis, business strategies and growth plans.

### INFORMATION AND SUPPORT

Prior to each Board 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 Board papers are circulated to all Directors at least five 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 Secretary 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.

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.

Access to Board papers is carried out online through a collaborative software which allows the Directors to securely access, to read and review Board documents and collaborate with other Directors and the Company Secretary electronically, anytime and anywhere.

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 Secretary and are regularly updated on 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.

### BOARD EFFECTIVENESS EVALUATION 2019

The Board, through the NRC, reviewed the outcome of Board Effectiveness Evaluation 2019 (BEE) and noted that PDB continued to be led by an effective, committed and talented Board, helmed by a highly capable and progressive Chairman. The results of the BEE 2019 were presented to the Board in February 2020 where the Board noted the findings and areas that necessitated further improvements.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### HIGHLIGHTS OF BOARD ACTIVITIES DURING 2019



#### Strategy

- PDB Growth Strategy
- Business Plan and Budget for FY2020-2024
- Update/Approval on PDB Projects
- 2020 PDB Organisation Structure



#### Performance

- Quarterly Group Performance
- Audited Financial Statements for FY2018
- Quarterly Financial Results
- Quarterly Interim Dividend



#### Risk and Internal Controls

- Quarterly PDB Business Risk Report
- PDB Corporate Risk Profile
- Quarterly PDB's Litigation and Arbitration Cases
- Quarterly Audit Status Report
- PDB Risk Appetite



#### Governance

- 2018 Annual Report Statements
- Corporate Governance Report to Bursa Malaysia
- Appointment of Independent Non-Executive Director
- Appointment and resignation of MD/CEO
- Indemnity and Directors & Officers Liability Insurance for PDB Group
- Performance Evaluation for Board of Directors and Board Committee Members
- Revision of Board Audit Committee Terms of Reference
- Establishment of Board Risk Committee
- Re-election of Directors at 37<sup>th</sup> AGM
- Proposed Adoption of a New Constitution of PDB
- Revision to PDB Limits of Authority and Summary of Authority
- Enhanced PDB Risk Policy

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### DIRECTORS' INDEMNITY

PDB continues to provide and maintain indemnification for its Directors throughout the financial year 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.

### ONBOARDING AND CONTINUING DEVELOPMENT PROGRAMME FOR DIRECTORS

All new Directors appointed to the Board received a comprehensive onboarding programme, conducted by members of the LT covering key areas of the business, including among others the Company's strategies, business segments and operations, the corporate governance framework within the Group and key risks of the Company. In addition, the onboarding includes site visits to terminals and PETRONAS stations to enhance their understanding on PDB's business operations. New Directors are also updated on ongoing and potential projects undertaken by the Group. This programme helps the new Directors to familiarise themselves with the Group's business. As at the date of this report, PDB conducted numerous onboarding sessions for the two newly appointed Directors, Nirmala Doraisamy and Azrul Osman Rani. Nirmala Doraisamy has also attended the Mandatory Accreditation Programme (MAP) as required under the MMLR whilst Azrul Osman Rani will attend the MAP in March 2020.

In line with Paragraph 15.08 of MMLR, 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 the Group operates, as well as update on new statutory and regulatory requirements.

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 in various capacities, as delegates and/or speakers, details of which are set out below:

No	Director	Programmes Attended	Date
1.	Datuk Md Arif Mahmood	• World Economic Forum in Africa 2019 – Cape Town, Africa	4 – 6 September 2019
		• Amazon Web Services Innovation Leaders Forum – Hanoi	25 – 26 September 2019
		• New Silk Road CEO of the Year Awards 2019 – Abu Dhabi	30 September 2019 – 1 October 2019
		• TCS Summit Asia Pacific 2019 – Speaker and Participant – Sydney, Australia	30 October 2019
		• Top Leaders Engagement Session with Puan Latheefa Koya, Chief Commissioner of Malaysian Anti-Corruption Commission – Kuala Lumpur	4 November 2019

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

No	Director	Programmes Attended	Date
2.	Dato' Sri Syed Zainal Abidin Syed Mohamed Tahir	• Marketing Fast Forward 2019 – Speaker – Kuala Lumpur	27 March 2019
		• 20 <sup>th</sup> Asia Oil & Gas Conference 2019 – Kuala Lumpur	24 May 2019
		• PETRONAS Continuous Improvement Convention – Speaker – Sunway, Selangor	30 September 2019
		• Women Global Leaders Conference (Speaker) – Houston, United States of America	28 October 2019
		• Top Leaders Engagement Session with Puan Latheefa Koya, Chief Commissioner of Malaysian Anti-Corruption Commission – Kuala Lumpur	4 November 2019
		• Kolokium Pendidikan Revolusi Industri 4.0 (Ucaptive Wakil Industri) – Putrajaya	5 November 2019
		• EV Fluid Symposium – Turin, Italy	7 November 2019
3.	Lim Beng Choon	• Mega Trends and Macroeconomics – Kuala Lumpur	26 June 2019
		• Oil and Gas and Upstream Outlook – Kuala Lumpur	26 June 2019
		• Geopolitical Outlook – Kuala Lumpur	26 June 2019
		• Effective Strategy For Stakeholder Management – Kuala Lumpur	8 July 2019
		• Malaysian Financial Reporting Standards Updates – Kuala Lumpur	3 December 2019
		• Culture Proofing Organisations In The Digital Era : Creating Right Culture For Sustainable Growth – Kuala Lumpur	5 December 2019
		• Economic Sanctions and Export Controls – Kuala Lumpur	5 December 2019
4.	Vimala V.R. Menon	• 20 <sup>th</sup> Asia Oil and Gas Conference 2019 – Kuala Lumpur	24-25 June 2019
		• The Essence Of Independence – Kuala Lumpur	27 June 2019
		• PETRONAS Board Excellence Programme: Effective Strategy for Stakeholder Management – Kuala Lumpur	8 July 2019
		• Malaysian Financial Reporting Standards Updates – Kuala Lumpur	3 December 2019
5.	Datuk Anuar Ahmad	• Outlook & Development Of Property Industry in Malaysia – Kuala Lumpur	16 January 2019
		• Amendments To Malaysian Anti-Corruption Commission Act 2009 – Kuala Lumpur	16 January 2019
		• Cyber Security In The Boardroom – Kuala Lumpur	27 June 2019
		• Ethical Leadership – Kuala Lumpur	25 July 2019
		• Directors And Senior Management Training On Talent Management – Kuala Lumpur	23 September 2019
		• 2020 National Budget Briefing – Kuala Lumpur	18 October 2019
		• Malaysian Financial Reporting Standards Updates – Kuala Lumpur	3 December 2019

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

No	Director	Programmes Attended	Date
6.	Nuraini Ismail	• Cambridge Energy Research Associate Week 2019 – Texas, Houston	11-14 March 2019
		• Corporate Integrity Advocacy Programme For PETRONAS Top Management – Kuala Lumpur	28 March 2019
		• World Economic Forum Malaysia Energy Roundtable: Shaping The Future of Malaysia's Energy Landscape – Kuala Lumpur	10 July 2019
		• PETRONAS 2019 Compliance Conference – Connect, Network, Collaborate – Kuala Lumpur	7 October 2019
		• Asia Petroleum Geoscience Conference & Exhibition (APGCE) 2019 – Kuala Lumpur	29 October 2019
		• Top Leaders Engagement Session with Puan Latheefa Koya, Chief Commissioner of Malaysian Anti-Corruption Commission – Kuala Lumpur	4 November 2019
		• Malaysian Financial Reporting Standards Updates – Kuala Lumpur	3 December 2019
		• Audit Committee Seminar for the Public and Private Sectors 2019 – Kuala Lumpur	17 December 2019
7.	Shafie Shamsuddin	• Dealing in Listed Securities, Closed Period & Insider Trading – Kuala Lumpur	9 December 2019
8.	Alvin Michael Hew Thai Kheam	• Business Strategy and Digitalisation - by Jeff Sakal from Amdocs – Kuala Lumpur	24 April 2019
		• Enterprise Risk Management - by Ernst & Young – Kuala Lumpur	25 April 2019
		• What it takes to win in retail - by Derek Keswakaroon, Bain & Company – Kuala Lumpur	2 August 2019
		• Advanced Analytics – critical capability to win in new retail world – Velu Sinha, Bain & Company – Kuala Lumpur	2 August 2019
		• The 7 Things That Most Executives Get Wrong About Digital Transformation – Singapore	5 November 2019
		• Corporate Culture And How The Board Can Influence – Singapore	5 December 2019
9.	Nirmala Doraisamy (Appointed on 15 October 2019)	• Institute of Corporate Directors Malaysia's International Director's Summit – Kuala Lumpur	14-15 October 2019
		• PDB Onboarding Session For New Director – Kuala Lumpur	17 October 2019
		• Corporate Liability Section 17A of the Malaysian Anti-Corruption (Amendment Act 2018) – Kuala Lumpur	6 November 2019
		• Shaping The Boards Of Tomorrow Programme – Kuala Lumpur	2 December 2019
		• PDB Briefing On Key Projects, Information Technology/ Digitalisation Projects And Strategies – Kuala Lumpur	13 December 2019
		• Site Visit To Klang Valley Distribution Terminal – Dengkil	19 December 2019
		• Site Visit to PETRONAS Station Jalan Kolam Ayer Lama and Walkabout at Common Ground – Kuala Lumpur	19 December 2019

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### QUALIFIED AND COMPETENT COMPANY SECRETARIES

The Company Secretaries of PDB are qualified to act as company secretary under Section 235 of the Companies Act 2016. One of them has a legal qualification and the other is a Fellow of the Malaysian Institute of Chartered Secretaries and Administrators. Each acts as an advisor to the Board, particularly with regard to PDB's Constitution and its compliance with regulatory requirements, codes, guidance and legislations.

The Company Secretaries ensure that discussions and deliberations at the 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 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	Programmes Attended	Date
1.	Nur Nadia Mohd Nordin	• Seminar on Company Secretaries Training Programme Significant 2.0 Part A (CCM) – Kuala Lumpur	12 February 2019
		• Group Legal In-House Workshop: Negotiations – Kuala Lumpur	3 – 4 July 2019
		• SSM National Conference 2019 – Kuala Lumpur	23 – 24 July 2019
		• MCCG – Adoption of Practices for Meaningful Corporate Governance – Kuala Lumpur	7 August 2019
		• Legally Speaking: Limits of Authority and Management Framework – Kuala Lumpur	28 August 2019
2.	Yeap Kok Leong	• Read Interpret And Analyze Financial Statements For Company Directors And Company Secretaries – Kuala Lumpur	5 April 2019
		• MAICSA Annual Conference 2019: Next Dimension In Governance – Kuala Lumpur	2 – 3 July 2019
		• ADP Partners Executive Convention, Vienna: Placing Global Payroll Center Stage	6 – 8 November 2019

# CORPORATE GOVERNANCE OVERVIEW STATEMENT NOMINATION AND REMUNERATION COMMITTEE REPORT

## OVERVIEW

This report provides shareholders with valuable insight into the activities of the NRC during the year under review. As at the date of this report, the NRC is made up of three INEDs.

## TERMS OF REFERENCE

The Terms of Reference (TOR) of the NRC which set out the authority, duties and responsibilities of the NRC are consistent with the requirements of the MMLR of Bursa Malaysia and the MCCG 2017.

 For more information on TOR of the NRC, please refer to PDB's corporate website at [www.mymesra.com.my](http://www.mymesra.com.my)



**LIM BENG CHOON**  
Chairman

//  
*Dear Valued Shareholders,*  
  
*I am pleased to present the NRC Report for the Financial Year Ended 31 December 2019 in compliance with Paragraph 15.08A of the MMLR of Bursa Malaysia.* //

## 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 non-executive directors, majority of whom are independent directors. The NRC is chaired by a SID, consistent with Practice 4.7 of MCCG 2017.

As at the date of this report, the composition of the NRC is as follows:

Members	Date of Appointment as Nomination and Remuneration Committee Member	Tenure on the Nomination and Remuneration Committee
<b>Lim Beng Choon</b> Chairman, Senior Independent Director	7 August 2014	5 years 6 months
<b>Vimala V.R. Menon</b> Member, Independent Non-Executive Director	21 February 2017	3 years
<b>Shafie Shamsuddin</b> Member, Independent Non-Executive Director	6 February 2018	2 years

## CORPORATE GOVERNANCE OVERVIEW STATEMENT NOMINATION AND REMUNERATION COMMITTEE REPORT

### MEETINGS AND ATTENDANCE DURING THE FINANCIAL YEAR

The NRC meetings for the year under review were scheduled in November 2018 to allow the members to plan ahead and incorporate the NRC meetings into their respective schedules.

During the year under review the NRC met four times to discharge its duties and functions as a committee of the Board. The record of attendance of the NRC members can be found on page 113 of this <IR>.

At each meeting, the MD/CEO, Head of Human Resources Management and any other persons deemed necessary by the NRC were invited to attend to brief and furnish the NRC with necessary information and clarification to relevant items on the agenda. The Company Secretary acts as Secretary to the NRC.

Each year, the NRC invites all other members of the Board for its January meeting to discuss the annual performance of the LT including the MD/CEO.

During the year under review, the agenda and meeting papers relevant to the business of the meeting were distributed to the NRC members via a secured collaborative software, no less than five business days from the meeting date. This software eases the process of distribution of meeting papers and minimises leakage of sensitive information. It also enables the NRC members to have access to the proposal papers electronically, anytime and anywhere.

All proceedings of the NRC meetings 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 were tabled for confirmation at the following NRC meeting, after which they were presented to the Board for notation.

### BOARD APPOINTMENT PROCESS

PDB practises a formal and transparent process on the appointment of new Directors. The nomination of NINEDs to the Board is made by PETRONAS being the majority shareholder of the Company. The nomination of INEDs to the Board may be made via the recommendations from the Board members and/or through the engagement of a professional recruiting firm to find the most suitable candidates to fill any vacant positions.

In its selection of suitable candidates, the NRC shall develop and deliberate selection criteria based on competencies and attributes required. All nominees to the Board 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.

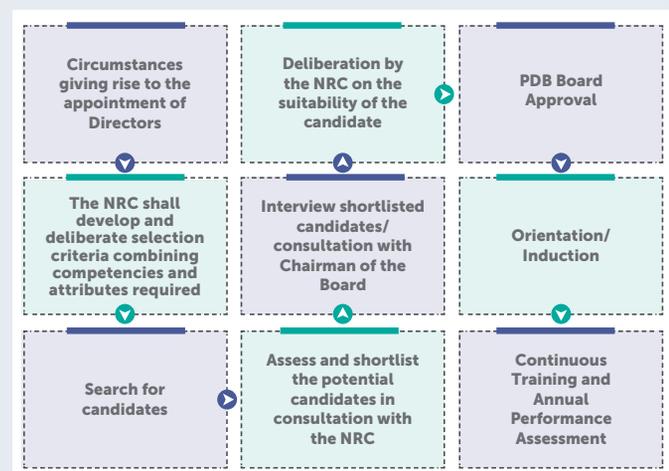
During the year under review, PDB engaged a professional recruiting firm and considered recommendations from the Board members to assist in the search for new INEDs based on the identified selection criteria approved by the NRC. The NRC shortlisted several candidates for engagement sessions to review the suitability of these candidates prior to recommending to the Board for approval.

Having conducted all relevant reviews and assessments, the NRC had recommended Nirmala Doraisamy to be appointed and the Board approved the recommendation by the NRC effective 15 October 2019.

In addition, the NRC played a pivotal role in the selection of the successor of the MD/CEO in light of PETRONAS internal mobility exercise. Upon detailed deliberation, the NRC had recommended to the Board the appointment of Azrul Osman Rani as the new MD/CEO of PDB in place of Dato’ Sri Syed Zainal Abidin Syed Mohamed Tahir. As a result, the Board appointed Azrul Osman Rani as the new MD/CEO effective 1 January 2020 whilst Dato’ Sri Syed Zainal Abidin Syed Mohamed Tahir maintains his position as the NINED of the Company effective 1 January 2020.

As at the date of this report, 60% of the Board members are INEDs with 30% comprising women Directors. This is consistent with Practices 4.1 and 4.5 of the MCCG 2017, respectively.

The Board appointment process is summarised in the chart below:



## CORPORATE GOVERNANCE OVERVIEW STATEMENT NOMINATION AND REMUNERATION COMMITTEE REPORT

### DIRECTORS' RE-ELECTION AND RE-APPOINTMENT

The NRC is responsible for recommending to the Board, Directors who are standing for re-election at the AGM pursuant to Articles 100 and 107 of PDB's Constitution.

Article 100 of the Constitution stipulates that the Board shall have the power to appoint any person to be a Director to fill a casual vacancy or as an addition to the existing Board, and that any Director so appointed shall hold office until the next following AGM and shall then be eligible for re-election.

Article 107 of the Company's Constitution provides that one-third of the Directors of the Company for the time being shall retire by rotation at an AGM at least once in three years and shall be eligible for re-election at the AGM.

The Directors' rotation list is presented to the NRC for endorsement prior to recommendation to the Board and thereafter to the shareholders for approval. In assessing the candidates' eligibility, the NRC considers their competencies, commitment, contribution, performance based on the BEE and their ability to act in the best interest of PDB.

The NRC at its meeting held on 14 February 2020 gave its endorsement for the following Directors to be considered for re-election pursuant to Articles 100 and 107 of PDB's Constitution at the PDB's 38<sup>th</sup> AGM and they have given their consent for re-election at the AGM:

Article 100	Article 107
<ul style="list-style-type: none"> <li>Nirmala Doraisamy</li> <li>Azrul Osman Rani</li> </ul>	<ul style="list-style-type: none"> <li>Shafie Shamsuddin</li> <li>Alvin Michael Hew Thai Kheam</li> </ul>

Since 2014, the NRC has implemented a policy whereby INEDs are appointed for a tenure of three years. Further extension of the tenure is subject to the review and recommendation of the NRC which is subsequently submitted to the Board for consideration.

In line with the exemplary practice as recommended by the MCCG 2017, the Board has also adopted a tenure policy whereby the INEDs total tenure is now capped at nine years. As at the date of this report, none of the INEDs has served the Board more than nine years.

### BOARD EFFECTIVENESS EVALUATION

Every year, under the purview of the NRC, a BEE is undertaken to assess the effectiveness of the following:



The Board as a Whole and  
The Various Board Committees



Contribution of each  
Individual Director



Independence of  
Independent Directors

During the year under review, the BEE was internally conducted and the process covered the Board, Board Committees, Peer and Self Evaluations of the Board members. The BEE 2019 focused on maximising the effectiveness and performance of the Board and its Committees in the best interest of PDB. The BEE results were compiled by an independent third party.

The questionnaires on the BEE incorporated were benchmarked based on best practices. The indicators for the performance of the Board included among others, the Board composition, conduct of meetings, communication with the Management and stakeholders as well as strategy and planning for the Group.

During the year under review, the questionnaires of the BEE were revised in November 2019, in order to simplify the assessment process whilst preserving the essence of the current areas of assessment. The key changes to the questionnaires included the inclusion of the following:

- (i) A separate evaluation on the Chairman and the MD/CEO under the Board Performance segment, in line with the best practices recommended by the ASEAN Corporate Governance Scorecard; and
- (ii) A new set of evaluation for the BRC under the Board Committee segment.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT NOMINATION AND REMUNERATION COMMITTEE REPORT

The following areas were assessed:

AREAS OF BOARD EVALUATION		
<b>GROUP DYNAMICS AND EFFECTIVENESS</b> <ul style="list-style-type: none"> <li>Overall Board Effectiveness</li> <li>Organisation of the Board</li> <li>Composition of the Board</li> <li>Looking Forward (Succession Planning and Development)</li> <li>Communications with Shareholders</li> </ul>	<b>BOARD/BOARD COMMITTEE EFFECTIVENESS</b> <ul style="list-style-type: none"> <li>Board Chairman Evaluation</li> <li>MD/CEO Evaluation</li> <li>Board Audit Committee</li> <li>Nomination and Remuneration Committee</li> <li>Board Risk Committee</li> </ul>	
DIRECTOR SELF/PEER EVALUATION		
<b>KNOWLEDGE AND UNDERSTANDING ON:</b> <ul style="list-style-type: none"> <li>Role that a Board plays in governance and as Company Director</li> <li>Vision and Mission</li> <li>Strategic needs and development</li> <li>Market</li> <li>Critical success factors</li> <li>Business risk</li> <li>Performance measures</li> </ul>	<ul style="list-style-type: none"> <li>International businesses</li> <li>Financial discussions</li> <li>Legal and compliance duties</li> <li>Risk management</li> <li>Board effectiveness</li> <li>Differentiate strategy/policy issues and operational matters</li> </ul>	
<b>SKILLS AND EXPERIENCE</b> <ul style="list-style-type: none"> <li>Analytical skills</li> <li>Relevant functional insights</li> <li>Relevant industry insights</li> </ul>	<b>PREPARATION FOR BOARD MEETINGS</b> <ul style="list-style-type: none"> <li>Time commitment</li> <li>Contribution</li> <li>Pre-reading of all board papers</li> </ul>	<b>INDEPENDENCE</b> <ul style="list-style-type: none"> <li>Ability to speak openly and honestly</li> </ul>
<b>BUILDING RELATIONSHIP</b> <ul style="list-style-type: none"> <li>Board colleagues</li> <li>Board and Management</li> <li>Display confidence in other Directors' abilities</li> <li>Listen attentively to ideas</li> </ul>	<b>PROFESSIONAL DEVELOPMENT</b> <ul style="list-style-type: none"> <li>On-going training and education</li> </ul>	

### BOARD AND BOARD COMMITTEES EFFECTIVENESS REVIEW

The results of the BEE 2019 were presented to the NRC in February 2020 whereby the NRC noted the findings and areas that necessitated further improvements. The NRC reviewed the performance of the Board and the Board Committees. The NRC noted that the Board is committed to the highest standards of good governance and continues to be seen as an excellent Board with strong support from the Management. The BEE 2019 also revealed that the current composition of the Board is well-balanced, effective and equipped with the relevant skills and areas of expertise to steer PDB especially in its growth strategy.

Based on the findings of the BEE, the Board is satisfied with the performance and effectiveness of the NRC, BAC and BRC in providing sound advice and recommendations to the Board for financial year 2019.

### SUCCESSION PLANNING

The Board has established a Succession Planning Framework to ensure the orderly identification and selection of new INEDs in the event of an opening on the Board, whether such opening exists by reason of an anticipated retirement, 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.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### NOMINATION AND REMUNERATION COMMITTEE REPORT

#### DIRECTORS' FEES

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 37<sup>th</sup> AGM until conclusion of the next AGM will be tabled at the forthcoming AGM for shareholders' approval:

Particulars	Monthly Fees	Meeting allowance per attendance			
		Board	Board Audit Committee	Nomination and Remuneration Committee	Board Risk Committee
Chairman	RM24,000	RM3,500	RM3,500	RM3,500	RM3,500
Member	RM12,000	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 Director's fees and meeting allowances for NINEDs who are also employees of PETRONAS are paid directly to PETRONAS. The presence and participation of the NINEDs gives the Board a deeper insight into PETRONAS's operations.

The breakdown of the detailed Directors' fees paid during the year under review is disclosed in the Corporate Governance Report which is accessible to the public at PDB's corporate website at [www.mymesra.com.my](http://www.mymesra.com.my).

The MD/CEO being an Executive Director is not entitled to receive Directors' fees or meeting allowances.

Both Dato' Sri Syed Zainal Abidin Syed Mohamed Tahir and Azrul Osman Rani, are employees of PETRONAS and are seconded to PDB. During the year under review, PDB paid RM1,519,570 being payroll cost and benefits ordinarily incurred in the course of Dato' Sri Syed Zainal Abidin Syed Mohamed Tahir's secondment to PDB.

Dato' Sri Syed Zainal Abidin Syed Mohamed Tahir served as MD/CEO from 1 June 2018 until 31 December 2019 whilst Azrul Osman Rani was appointed as MD/CEO on 1 January 2020.

#### MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER AND LEADERSHIP TEAM

The remuneration philosophy reflects the Group's commitment to be aligned to best practices in the areas of remuneration, retention and reward to ensure that the Group attracts and retains exceptional talent. The remuneration packages and incentives are regularly evaluated against market-related surveys.

##### PETRONAS Remuneration Philosophy and Guiding Principles

Competitive and differentiated remuneration to attract and retain talents to drive business needs

- Pay for job and performance
- Competitive within the relevant industry
- Internal equity
- Conformance to statutory requirements
- Affordability of the Company

## CORPORATE GOVERNANCE OVERVIEW STATEMENT NOMINATION AND REMUNERATION COMMITTEE REPORT

The MD/CEO and LT are employees of PETRONAS and seconded to the Company. 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's 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.

During the year under review, the NRC deliberated on the MD/CEO and LT's 2019 scorecard and their performance against the set targets.

### WHAT THE COMMITTEE HAS DONE DURING 2019

During the year under review, the NRC carried out the following activities in discharging its functions and duties:

#### Board Membership

- Conducted search, reviewed and nominated INED for Board appointment;
- Reviewed and nominated BRC Members;
- Reviewed the change of MD/CEO;
- Recommended the Directors standing for re-election at the Annual General Meeting; and
- Identified programmes/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.

#### Senior Management's Appointment, Remuneration and Performance

- Reviewed and evaluated the Senior Management's performance including MD/CEO for financial year 2018;
- Reviewed the PDB LT and MD/CEO's Succession Planning; and
- Reviewed the remuneration framework of the Senior Management including MD/CEO and the result of the benchmarking against the market.

#### Board Effectiveness Evaluation

- Reviewed and approved the revised BEE questionnaires for financial year 2019;
- Assessed the findings for financial year 2018; and
- Reviewed the follow-up actions on 2018 BEE recommendations.

#### Governance

Reviewed and endorsed the disclosures in the NRC Report for the financial year ended 31 December 2019 for inclusion in the 2019 Integrated Report to ensure that they were prepared in compliance with the relevant regulatory requirements and guidelines.

#### LIM BENG CHOON

CHAIRMAN

NOMINATION AND REMUNERATION COMMITTEE

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## BOARD AUDIT COMMITTEE REPORT

### OVERVIEW

This report provides an insight into the activities of the BAC during the year under review. As at the date of this report, the BAC is made up of four NEDs.

### TERMS OF REFERENCE

The TOR of the BAC which set out the authority, duties and responsibilities of the BAC are consistent with the requirements of the MMLR of Bursa Malaysia and the MCCG 2017.

The TOR was revised during the year following the establishment of BRC, whereby the BAC’s functions on risk management were carved out and placed under the purview of the BRC whilst other amendments were made to ensure clarity and to strengthen the TOR.

 For more information on TOR of the BAC, please refer to PDB’s corporate website at [www.mymesra.com.my](http://www.mymesra.com.my)



**VIMALA V.R. MENON**  
Chairman



*Dear Valued Shareholders,*

*On behalf of the BAC, I am pleased to present the BAC Report for the Financial Year Ended 31 December 2019 in compliance with Paragraph 15.15 of the MMLR of Bursa Malaysia. //*

### COMPOSITION

The current composition is in compliance with Paragraph 15.09(1)(b) of the MMLR of Bursa Malaysia where all four BAC members are NEDs including three Independent Directors who fulfil the criteria of independence as defined in the MMLR of Bursa Malaysia. None of the Independent Directors has appointed alternate directors.

As at the date of this report, the composition of the BAC is as follows:

Members	Date of Appointment as Board Audit Committee Member	Tenure on the Board Audit Committee
<b>Vimala V.R. Menon</b> Chairman, Independent Non-Executive Director	18 November 2011	8 years 3 months
<b>Lim Beng Choon</b> Member, Senior Independent Director	13 August 2012	7 years 6 months
<b>Datuk Anuar Ahmad</b> Member, Independent Non-Executive Director	15 April 2016	3 years 10 months
<b>Nuraini Ismail</b> Member, Non-Independent Non-Executive Director	1 October 2013	6 years 4 months

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### BOARD AUDIT COMMITTEE REPORT

The Chairman of the BAC, Vimala V.R. Menon and Nuraini Ismail are both qualified accountants. Vimala V.R. Menon is a Member of the Malaysian Institute of Accountants and a Fellow of the Institute of Chartered Accountants in England and Wales whilst Nuraini Ismail is a Fellow of the Association of Certified Chartered Accountants, United Kingdom. In this regard, PDB is in compliance with Paragraph 15.09(c)(i) of the MMLR of Bursa Malaysia which requires at least one member of the BAC to be a qualified accountant.

#### MEETINGS AND ATTENDANCE DURING THE FINANCIAL YEAR

The BAC meetings for the year under review were scheduled in November 2018 to allow the members to plan ahead and incorporate the BAC meetings into their respective schedules.

The BAC meetings were scheduled once every quarter. During the year under review, the BAC met four times in discharging its duties and functions as a committee of the Board. The record of attendance of the BAC members can be found on page 113 of this <IR>.

To facilitate deliberation of audit issues, the MD/CEO, Chief Operating Officer (COO), Chief Financial Officer (CFO), Head of Internal Audit Department (IAD) and External Auditors as well as Head of Risk Management Department (RMD) attended the BAC meetings and provided the BAC their inputs, advice, appropriate relevant information and clarification on relevant items on the agenda.

The Head of IAD presented the internal audit reports to the BAC. As and when required, relevant members of the 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. During the year under review, the BAC had two private sessions on 19 February 2019 and 15 August 2019 respectively, with the External Auditors without the presence of the Management.

The agenda and meeting papers relevant to the business of the meetings were distributed to the BAC members via a secured collaborative software, not less than five business days from 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, anytime and anywhere.

Matters deliberated at the BAC meetings included the review of the Group's financial statements, quarterly results for the announcements to Bursa Malaysia, related party transactions and recurrent related party transactions, external and internal audit reports, status of open audit findings together with the agreed corrective actions as well as matters on internal control. Prior to the establishment of BRC, the BAC also reviewed matters relating to risk management.

All proceedings of the BAC meetings 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 were tabled for confirmation at the following BAC meeting, after which they were presented to the Board for notation.

#### 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 8.5 of the MCCG 2017.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### BOARD AUDIT COMMITTEE REPORT

#### WHAT THE COMMITTEE HAS DONE DURING 2019

Principal activities performed during the year under review were as follows:

##### Financial Reporting

1. 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.
2. 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 CA 2016 and the applicable financial reporting standards. The reviews and discussions were conducted with the MD/CEO and the CFO of PDB.
3. 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 the following areas:
  - i. Impact on the adoption of new accounting standards for MFRS123: Borrowing Costs and MFRS16: Leases;
  - ii. Impairment on property, plant and equipment as well as trade and other receivables; and
  - iii. Accounting treatment on recognition between operating and capital expenditure for new subsidiary, Setel Ventures Sdn. Bhd.

##### External Audit

1. Reviewed and recommended the terms of engagement of the External Auditors for the Board's approval.
2. 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".
3. Reviewed and approved the External Auditor's annual audit plan for the Group, outlining their scope of work.
4. 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.
5. Conducted external auditors' assessment in accordance with the newly adopted Framework on External Auditor.
6. Total fees paid to the External Auditors are as follows:

Particulars	2019		2018	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Statutory Audit Fees	684	541	638	520
Non-Audit Fees	347	317	220	220
Percentage of Non-Audit Fees over Statutory Audit Fees	51%	59%	34%	42%

## CORPORATE GOVERNANCE OVERVIEW STATEMENT BOARD AUDIT COMMITTEE REPORT

### Internal Audit

1. Reviewed and approved the risk-based Financial Year 2020 Annual Audit Plan and budget to ensure comprehensiveness of audit coverage, resources and competencies to execute the internal audit functions effectively.
2. Reviewed the internal audit, special reviews 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.
3. Monitored the quarterly audit, special review and investigation findings status and deliberated the rectification actions and timelines taken by Management to ensure the control lapses were addressed and resolved promptly. The BAC also deliberated on the justifications given by Management for extension of rectification timeline and approved such request where the justifications were acceptable.
4. 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.

### Internal Control and Compliance

1. Reviewed the effectiveness of the system of internal controls, taking into account the findings from internal and external audit reports.
2. Reviewed the Compliance to Anti-Money Laundering and Counter Financing of Terrorism for Electronic Money and Non-Bank Affiliated Charge and Credit Card for Smartpay and Gift Card Framework done by a third party.

### Annual Report

The BAC reviewed and endorsed the disclosures on the Corporate Governance Overview Statement, BAC Report, SORMIC and Statement of Directors' Responsibilities in relation to the financial year ended 31 December 2019 for inclusion in the 2019 Integrated Report to ensure that they were prepared in compliance with the relevant regulatory requirements and guidelines.

These statements are as set out on pages 105 to 147 of this <IR>, respectively.

### Risk Monitoring

Prior to the establishment of the BRC in February 2019, the BAC reviewed and endorsed:

- i. Company's critical risks as registered in the Corporate Risk Profile, for the Board's approval.
- ii. 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).

### Related Party Transactions

The BAC ensured that there were adequate Policies and Procedures in place to identify and monitor Related Party Transactions/Recurrent Related Party Transactions (RPTs/RRPTs) such that they were conducted at arm's length basis, 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.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### BOARD AUDIT COMMITTEE REPORT

#### INTERNAL AUDIT FUNCTION

The mission of 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 to evaluating and improving the effectiveness of risk management, control and governance processes within the Group.

The Head of Internal Audit 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 (1<sup>st</sup> Class Hons) from International Islamic University, Malaysia. He has spent more than four years in Internal Audit function at PETRONAS Group specifically overseeing the downstream business. He had nine years experience specialising in retail and commercial businesses within the PDB Group.

The Internal Audit function is guided by its Audit Charter as approved by the BAC which defines its responsibilities, authority and scope of work within the Group.

Internal Audit is guided by Audit Manual as well as the International Professional Practices Framework and adopted the five components set out in the Internal Control Integrated Framework issued by the Committee of Sponsoring Organisations of the Treadway Commission (COSO) namely:

- Control Environment
- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring Activities

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 source 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 reviews based on the approved internal audit plan and presented the reports for the following audits to the BAC:

- Audit on Land Matters and Fixed Assets Management
- Audit on LPG Business Activities
- Audit on Lubricant Business Activities
- Audit on Governance of Joint Facilities Terminal Operations
- Audit on PETRONAS Station Dealership Management Activities
- Audit on Revenue Recognition from MESRA and Other Sources of Income
- Review on Governance Project Management (Non-Technical)
- Audit on Post Implementation of Centralised Services
- Audit on Operations of PETRONAS Aviation Sdn Bhd and United Fuel Company LLC
- Audit on Risk Management Activities

The audit reports were forwarded to the Management of the relevant divisions/departments who are responsible to ensure that the Agreed Corrective Actions are closed satisfactorily within the agreed time frame. Any outstanding audit items are reported to the BAC through the Quarterly Audit Status Report.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### BOARD AUDIT COMMITTEE 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 RMGC and the BAC.

The Group continues its commitment to equip the internal auditors with adequate knowledge to discharge their duties and responsibilities. There are a total of 10 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 Functional Assessment (OFA) to determine the learning and development needs to further enhance their competencies. The functional competencies are continuously developed based on the established Internal Audit Competency Framework issued by The Institute of Internal Auditors.

In order to perform their functions effectively, the auditors undergo continuous trainings to equip themselves with business acumen and 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, a customised certification programme has been designed for auditors to enable them to pursue their careers as certified internal auditors. As at 31 December 2019, two internal auditors have passed the Integrated COSO framework certification. Additionally, four staff had undergone the exchange programme initiative within internal audit fraternity and businesses to accelerate learning exposure across the Group.

The total costs incurred by the internal audit function of the Company and the Group for the financial year was RM4.0 million.

#### **BAC EFFECTIVENESS REVIEW AND PERFORMANCE**

During the year under review, the Board assessed the performance of the BAC through an annual BEE. The Board is satisfied that the BAC has discharged its functions, duties and responsibilities in accordance with its TOR.

#### **REPORTING TO THE EXCHANGE**

In 2019, 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.

#### **VIMALA V.R. MENON**

CHAIRMAN  
BOARD AUDIT COMMITTEE

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## BOARD RISK COMMITTEE REPORT

### OVERVIEW

The BRC was established on 26 February 2019 to assist the Board in ensuring the Company has in place a sound and robust risk management framework and that 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 is to provide individual independent opinions to the fact-finding, analysis and decision-making process of the BRC, based on their expertise, experience and industrial knowledge. The establishment of the BRC was timely and is in line with the Step-Up Practice 9.3 of the MCCG 2017.



**ALVIN MICHAEL HEW THAI KHEAM**  
Chairman



*Dear Valued Shareholders,*

*The establishment of the BRC was timely to ensure that the Company has effectively implemented its risk management framework, in pursuing its growth agenda. This is also in line with the Step-Up Practice 9.3 of the MCCG 2017.*



### TERMS OF REFERENCE

The TOR of the BRC set out the authority, duties and responsibilities of the BRC and are accessible on PDB’s corporate website at [www.mymesra.com.my](http://www.mymesra.com.my).

### COMPOSITION

The BRC consists of five members who are all Independent Non-Executive Directors including the Chairman. They possess sound judgement, objectivity, independent attitude, management experience, professionalism, integrity and knowledge on the industry. None of the BRC members has appointed alternate directors.

As at the date of this report, the composition of the BRC is as follows:

Members	Date of Appointment as Board Risk Committee Member	Tenure on the Board Risk Committee
<b>Alvin Michael Hew Thai Kheam</b> Chairman, Independent Non-Executive Director	Since inception on 26 February 2019	1 year
<b>Vimala V.R. Menon</b> Member, Independent Non-Executive Director	Since inception on 26 February 2019	1 year
<b>Datuk Anuar Ahmad</b> Member, Non-Independent Non-Executive Director	Since inception on 26 February 2019	1 year
<b>Shafie Shamsuddin</b> Member, Independent Non-Executive Director	Since inception on 26 February 2019	1 year
<b>Nirmala Doraisamy</b> Member, Independent Non-Executive Director	15 October 2019	4 months

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### BOARD RISK COMMITTEE REPORT

#### MEETINGS AND ATTENDANCE DURING THE FINANCIAL YEAR

The BRC meetings for the year under review were scheduled immediately after the inception of the BRC in February 2019 to allow the members to plan ahead and incorporate the BRC meetings into their respective schedules.

The BRC meetings were scheduled once every quarter. During the year under review, the BRC met three times in discharging its duties and functions as a committee of the Board. The record of attendance of the BRC members can be found on page 113 of this <IR>.

To facilitate deliberation of risk issues, the MD/CEO, COO, CFO and Head of Risk Management Department (RMD) attended the BRC meetings and provided the BRC their inputs, advice, appropriate relevant information and clarification on relevant items on the agenda.

The Head of RMD presented the risk management reports including updates on risk monitoring and also the corporate risk profile to the BRC. As and when required, relevant members of the LT were invited to apprise the BRC on specific issues arising from the strategic proposals.

The agenda and meeting papers relevant to the business of the meetings were distributed to the BRC members via a secured collaborative software, not less than five business days from 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, anytime and anywhere.

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 business propositions which 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 meeting were tabled for confirmation at the following BRC meeting, after which they were presented to the Board for notation.

#### WHAT THE COMMITTEE HAS DONE DURING 2019

During the year under review, the BRC carried out the following activities in discharging its functions and duties:

##### Risk Appetite

Critically reviewed and endorsed the risk appetite and level of tolerance that the Group is willing to accept in pursuing its strategic objectives.

##### Risk Monitoring

- Reviewed and endorsed PDB's critical risks as registered in the Corporate Risk Profile, for the 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).

##### 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

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.

#### BRC EFFECTIVENESS REVIEW AND PERFORMANCE

2019 saw for the first time an assessment on the performance of the BRC by the Board through the annual 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 GOVERNANCE OVERVIEW STATEMENT

## 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. 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 Annual Report and where required, press conferences. Immediately after the conclusion of the 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 at [www.mymesra.com.my](http://www.mymesra.com.my).

The MD/CEO together with the 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](http://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.

### Annual General Meeting

The AGM is the principal forum of open dialogue with shareholders. The notice and agenda of AGM together with proxy form 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.

During the AGM, the MD/CEO presents a comprehensive review of the Group's performance initiatives and the value created for shareholders. This review is supported by a visual and graphic presentation of the key points and financial figures. Answers to the queries made by MSWG prior to the AGM are also shared with shareholders during the AGM and the same is uploaded on PDB's corporate website prior to the AGM day.

At each AGM, shareholders are encouraged and given sufficient opportunity by the Board to raise questions on issues pertaining to the Annual Report, the resolutions being proposed and the business of PDB or the Group in general prior to seeking approval from shareholders on the resolutions. Pursuant to Paragraph 8.29A of MMLR of Bursa Malaysia, each resolution tabled at an AGM is to be voted by poll. Since 2017, decisions at PDB's AGM have been carried out via electronic voting and on a poll. PDB has engaged independent scrutineers to validate the voting at the AGM for each proposal presented to shareholders.

The Board, LT and external auditors are present at the AGM to provide answers and clarifications to shareholders.

Attendance at the Company's AGM continues to be high as evidenced by the registration of 1,501 shareholders at its last AGM held on 25 April 2019.

 For more information on minutes of AGMs, please refer to PDB's corporate website at [www.mymesra.com.my](http://www.mymesra.com.my)

## 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, Annual Report and all other reports or statements to shareholders, investors and relevant regulatory authorities.

The Statement by Directors in respect of preparation of the annual audited financial statements is set out on page 198 of this <IR>.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### Related Party Transactions

The information relating to Policies and Procedures on Related Party Transactions and Conflict of Interests Situations, Risk Management processes and Internal Control procedures can be found in the Board Audit Committee Report, Board Risk Committee Report and Statement on Risk Management and Internal Control on pages 126 to 133 and pages 137 to 147 of this <IR>, respectively.

### 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 Statement on Risk Management and Internal Control provides an overview of the risk management and internal control within the Group as set out on page 137 to page 147 of this <IR>.

### 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, the Board has adopted the PETRONAS Code of Conduct and Business Ethics, the Whistleblowing Policy and the Anti-Bribery and Corruption Policy. 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 148 to 149 of this <IR>*

### Corporate Liability

Taking cognizance of the introduction of Corporate Liability in the recent amendment to the Malaysian Anti-Corruption Commission Act 2009 (MACC Act 2009), which would come 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. The Company conducted a workshop on 10 February 2020 to equip the Directors with the relevant understanding on their liability and penalties imposed for the offences, if any.

### Trading on Insider Information

On a quarterly basis, 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 Board 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.

Tender Committees have been established to carry out independent assessment on bidders' proposals and to ensure tendering activities are carried out in a transparent manner.

The tendering processes are as follows:

- i) Tender Plan approval;
- ii) Technical Evaluation;
- iii) Commercial Evaluation; and
- iv) Award Recommendation.

### 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 2019 or entered into since the end of the previous period, except as disclosed in the audited financial statements.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### RELATIONSHIP WITH AUDITORS

#### External Auditors

Through the BAC, PDB maintains a professional and transparent relationship with its External Auditors, Messrs KPMG PLT. The BAC met the External Auditors during the year under review to review the scope and adequacy of the Group's audit process, the annual financial statements and their audit findings. At the meeting, the External Auditors highlighted to the BAC matters that warranted their attention.

#### Internal Audit

PDB's Internal Audit reports directly to the BAC and has unrestricted access to the BAC. The Internal Audit function is independent of the activities or operations of other operating units. The Internal Audit conducts regular audits on the effectiveness of internal controls and regulatory requirements. The audit reports which highlight any findings, along with the recommendations are tabled to the BAC.



*For more information on Internal Audit, please refer to pages 130 to 131 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, MCCG 2017 and Corporate Governance Guide – 3<sup>rd</sup> Edition issued by Bursa Malaysia Berhad in addition to being benchmarked against the ASEAN Corporate Governance Scorecard and other applicable laws and regulations throughout the year ended 31 December 2019.

This Statement is made in accordance with a resolution of the Board of Directors dated 25 February 2020.

**DATUK MD ARIF MAHMOOD**  
CHAIRMAN

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

**PDB has a risk management framework 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.

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.

## 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.

## RISK OVERSIGHT STRUCTURE

PDB'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 Board Risk Committee (BRC) and the Board. The Head of Risk and Credit Management Department (RCMD), 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.



## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

In addition to our risk oversight structure, our risk management is backed up by a 'Three Lines of Defence' Model that distinguishes the three groups which are involved in effective risk management. The Group has in place a risk operations mechanism covering the areas of system, processes, knowledge management and assurance activities.



Risk Management is an integral part of PDB'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.

### PDB RISK POLICY

The Group's risk policy provides a clear and consistent approach to govern risk management practices. The risk policy is continuously reviewed to ensure its relevancy in line with the Group's future aspiration and changing environment.

### RISK STRATEGY

PDB has adopted the PETRONAS Resiliency Model in managing risk with three focus areas namely, Enterprise Risk Management (ERM), Crisis Management (CM) and Business Continuity Management (BCM). These are supported by risk frameworks and relevant guidelines to govern, guide and institutionalise risk management practices across the Group.

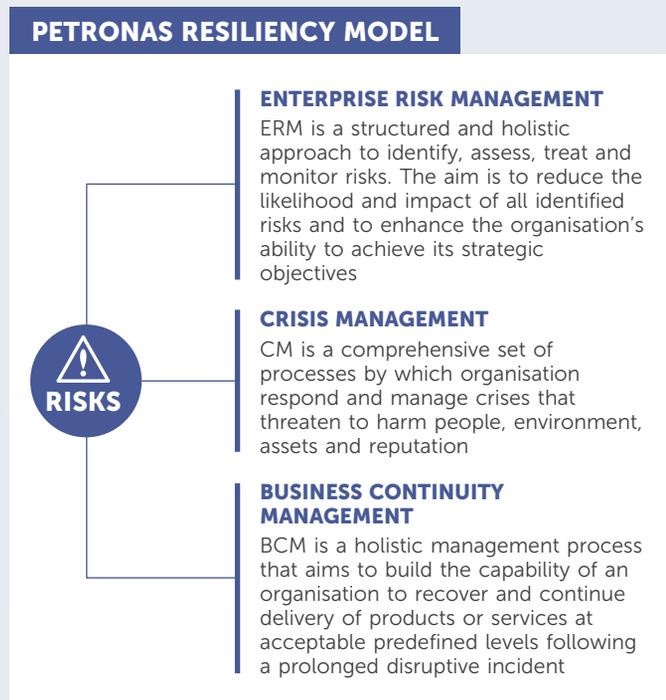
**PDB RISK POLICY**

**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 exposure to achieve business objectives.

**Managing risk is everyone's responsibility.**

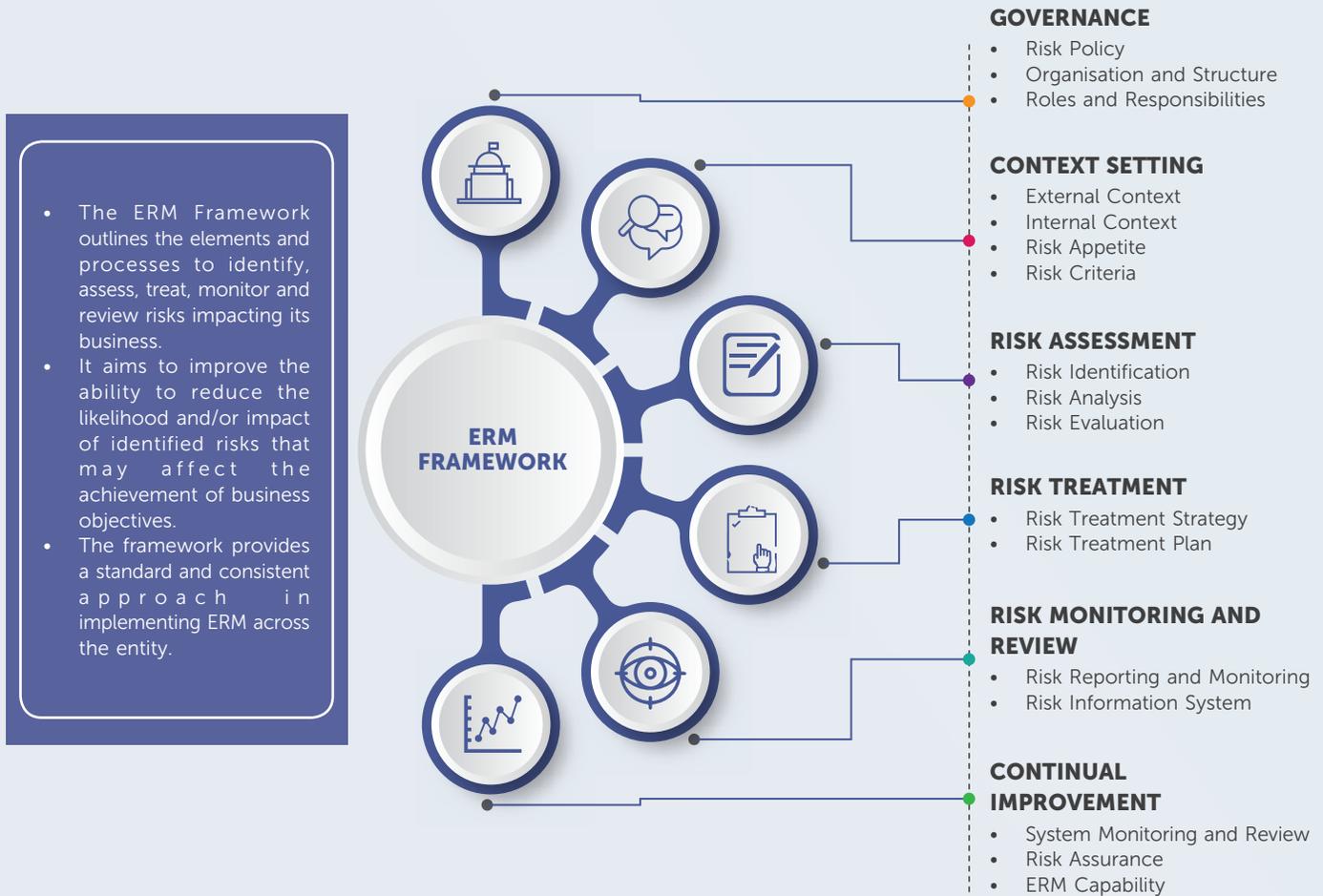


## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

### ENTERPRISE RISK MANAGEMENT (ERM) FRAMEWORK

PDB adheres to the PETRONAS ERM Framework as depicted in the diagram below:

**PETRONAS Enterprise Risk Management Framework**



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).

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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 to pursue*).

### RISK ASSESSMENT

#### RISK IDENTIFICATION

- Develop risk descriptions and risk statements.
- Assign risk ownership.
- Identify causes and consequences.

#### RISK ANALYSIS

- Identify and assess existing mitigations.
- Determine the current risk impact.
- Establish current risk rating by using the Risk Matrix.

#### RISK EVALUATION

- 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

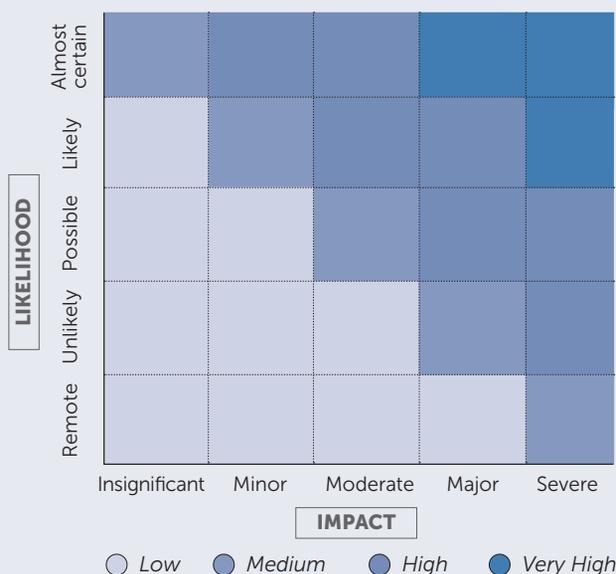
Establish Target Risk Rating by using the Risk Matrix

### 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.

### Risk Appetite

The Group has established risk appetite which was endorsed by BRC and approved by the Board. Risk appetite is defined as the level of risk PDB is willing to accept in pursuing its strategic objectives. The Group's risk appetite is reflected in Risk Appetite Statement which articulates the Group's risk strategy. To support the Risk Appetite, Risk Appetite Statement, Risk Tolerance and its corresponding Risk Threshold were established to ensure risk undertaken in pursuit of business objectives are consistently within acceptable level.



### Risk Matrix

As part of ERM, each risk is mapped based on a risk matrix which specifies the likelihood and impact of the risk. The likelihood and impact of these risks are assessed and evaluated against PDB's risk appetite and tolerance level. Likelihood rating states the probability of the risk to happen, while impact rating specifies the extent of its impact if the risk occurs. Both measurements can be expressed qualitatively or quantitatively.

Key risk indicators and mitigation actions have also been identified and implemented accordingly. Key risk indicators are identified to facilitate monitoring of the risks and to provide an early warning signal on recognised risks. The key risks and mitigation actions are monitored and reported to RMGC, BRC and Board for deliberation and guidance on a quarterly basis.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

### CRISIS MANAGEMENT

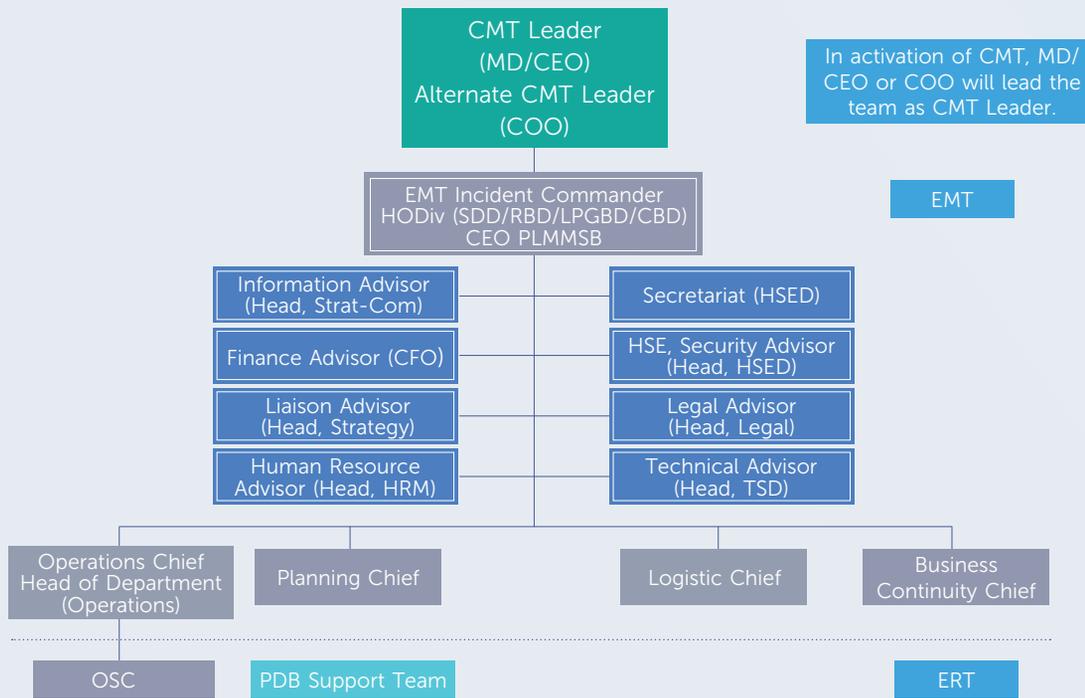
PDB is prepared to manage emergencies and crisis in its business operations to minimise impact to People, Environment, Assets and Reputation (PEAR).

PDB Emergency Preparedness and Response Management has been developed to ensure that PDB is capable of dealing and managing crisis and emergency situations for all types of operations in PDB.

The key elements of the procedure are as follows:

1. PDB's 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).
2. Linkage and integration of PDB Emergency & Crisis Response Protocol with host governments as required under the National Security Council (NSC) Directives.
3. PDB Emergency and Crisis Organisation, Roles and Responsibilities across PDB in managing crisis and issues.
4. Contingency support and plans which consist of mutual aid, incident action plan and media response plan are in place to address specific problems that may be encountered at site or location of an incident and additional resources that can be commonly shared and utilised.
5. Compliance assessment of crisis and disaster preparedness programmes is as per the PDB HSE Assurance Programme. The objectives of this assessment are to identify gaps and incorporate feedback for continuous improvement.

### Overall Crisis and Emergency Management Structure in PDB

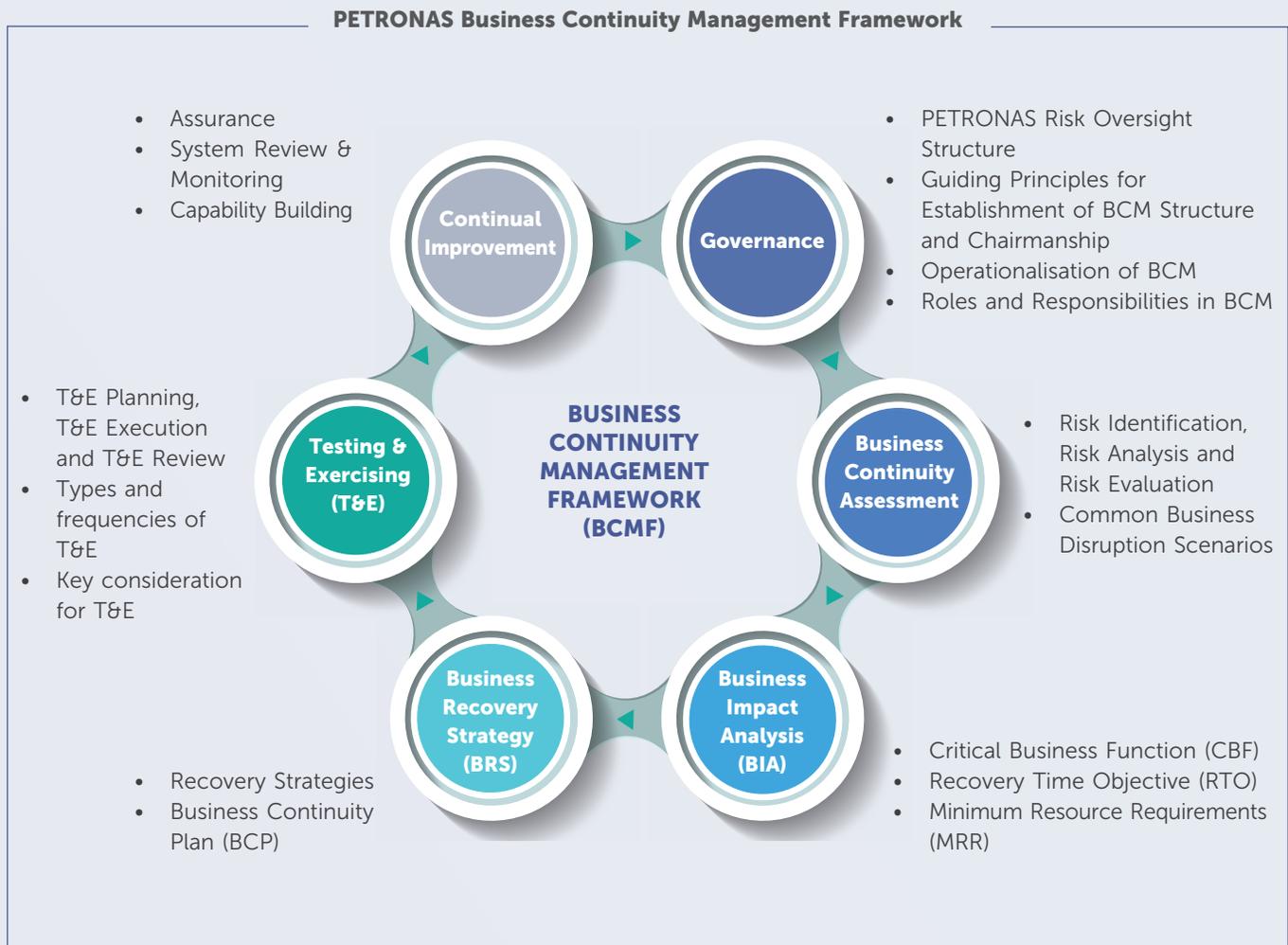


Members from affected division ■  
 HODiv/HOD from Enabler Division ■

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

### BUSINESS CONTINUITY MANAGEMENT (BCM)

PDB implements the PETRONAS Business Continuity Management Framework (BCMF) as a systematic approach for consistent BCM practices to ensure effective recovery and continuation of business operations during prolonged disruption or crisis.



The BCMF consists of six key elements that make 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 Recovery Strategy (BRS) of relevant departments or divisions to ensure validity of the current Business Continuity Plan (BCP).

During the year, BCP testing and exercise for PDB Group was conducted mainly focusing on ICT related systems and resumption of work at virtual office.

The Group also conducted Emergency Notification System (ENS) testing to ensure all critical staff are immediately notified in the event of BCP activation across PETRONAS Group.

The outcome and findings from the testing activities were then gathered to identify areas for continual improvement.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

### INTERNAL AUDIT

The Internal Audit (IA) function includes undertaking reviews of PDB's system of internal controls, operations and selected key activities based on risk assessment and in accordance with the annual internal audit plan which is presented and approved by the Board Audit Committee (BAC).

The key responsibility of the IA function is to assist PDB Group in accomplishing its goals by bringing a systematic and disciplined approach in evaluating and improving the effectiveness of risk management, internal control and governance processes.

The IA function conducts a risk-based audit of the Group's system of internal controls, its operations and key activities as per the annual audit plan approved by the BAC. IA as the third line of defence also ensures the effectiveness of the respective roles executed by the first and the second line of defence.

The IA maintains its impartiality, proficiency and due professional care by having its plans and reports directly under the purview of the BAC.

The IA processes and activities are guided by the approved Internal Audit Charter and it adopts the standards outlined in the International Professional Practices Framework (IPPF) issued by the Institute of Internal Auditors (IIA). In evaluating an entity's system of internal control, IA subscribes to the Committee of Sponsoring Organisations of the Treadway Commission (COSO) Internal Control Framework.

The Board and Management are committed to maintaining an effective internal control environment by enhancing the design of internal control systems to ensure that they are relevant and effective to promote operational agility while ensuring good corporate governance and compliance to regulatory guidelines.



*For more information on the IA functions, please refer to the BAC Report on pages 126 to 131 of this <IR>.*

### 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 the business and operational requirements, and with defined roles and responsibilities, accountability and levels of authority, is in place to assist in implementing the Group's strategies 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 structured approach in monitoring the overall HSE implementation and identification of gaps for continual improvement. HSE assurances are conducted as per planned frequencies (Monthly, Quarterly and Annually) as an integral part of the HSE MS to review and verify the effectiveness of HSE risk mitigations.

Being an important element of HSE MS, Hazard & Effects Management Process (HEMP) provides assessment of risk and identification of the appropriate controls. HEMP ensures the hazards and the associated risks inherent in PDB operations are systematically identified and assessed.

#### Limits of Authority

The Group has established Limits of Authority (LOA) which define the appropriate approving authorities to govern and manage business decision process. The LOA set out a clear line of accountability and responsibility which serves as a reference in identifying the approving authority for various transactions including matters that require the Board's approval. It specifies the right authority and accountability within the Group and facilitates decision making at the appropriate level in the Group hierarchy.

#### Corporate Financial Policy

The Group adopts the PETRONAS Corporate Financial Policy (CFP) which sets forth the policy for financial management activities embedding the principles of financial risk management. The CFP governs financial risk management practices across the Group. It prescribes a framework in which financial risk exposures are identified and managed.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

### Code of Conduct and Business Ethics

The Group adopts and practices the 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 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.

Included as part of the CoBE is the Anti-Bribery and Corruption Policy which explicitly prohibits the giving and acceptance of bribes, in whatever form, by employees including giving and receiving of facilitation payments in all business dealings.

 For more information on CoBE, please refer to page 148 of this <IR>.

### Whistleblowing Policy

The Group adopts the PETRONAS Whistleblowing Policy (WBP) which provides an avenue for the Group's employees and members of the public to disclose any improper conduct, in accordance with the procedures as provided under the WBP.

Under the WBP, a whistleblower will be accorded with protection of confidentiality of identity, to the extent reasonably practicable. An employee who is an internal whistleblower will also be protected against any adverse and detrimental actions for disclosing any improper conduct committed or about to be committed within the Group, to the extent reasonably practicable, provided that the disclosure is made in good faith. Such protection is accorded even if the investigation later reveals that the whistleblower is mistaken as to the facts and the rules and procedures involved. The process is undertaken through PETRONAS's Whistleblowing Committee.

 For more information on WBP, please refer to PDB's corporate website at [www.mymesra.com.my](http://www.mymesra.com.my).

### 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 an arm's length basis, which is 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 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;

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

- On an annual basis, all Directors and any related party of the Group will declare in a written form, designed to elicit information about current/potential relationships and/or COI situations, involving their interest, either directly or indirectly. All Directors and any related party of the Group shall also notify in writing of any interest in RPT or COI situation when it becomes immediately known to them.
- The Directors have completed their declaration of interest forms for the financial year under review in line with the P&P; and
- Bursa Malaysia has granted PDB exemption from having to seek shareholders' mandate for RRPT with PETRONAS, Ministry of Finance and Khazanah and their Group of Companies. The exemption essentially states that the exempted RRPTs must be transacted on an arm's length basis.

### Financial Control Framework

The Group has implemented a Financial Control Framework (FCF) to ensure key financial controls are adequate and effective at all times. The FCF requires the documentation of key processes and a structured assessment process to identify control gaps and the required mitigation action. Annually, each key process owner at various management levels is required to provide formal confirmation on the level of compliance with key controls for their respective business areas. The FCF thus provides assurance on the quality of the Group's financial reports.

### 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 enables PDB to meet and comply with applicable privacy and personal data protection laws in relevant countries in which PDB operates.

### Credit Risk Framework and Guidelines

PDB has adopted the PETRONAS Credit Risk Framework and Guidelines to facilitate management of credit risk exposures from customers. It also allows 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 credit worthiness 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 Credit Control Committee, where overdue balances, with certain criteria, are highlighted and actions to be taken agreed.

### Risk Control Self-Assessment

PDB has embarked on a Risk Control Self-Assessment initiative, a self-assessment of internal controls focusing on process controls conducted by process owners through testing and monitoring. On annual basis, each key process owner at various management levels is required to complete and submit a Letter of Assurance which provides confirmation of compliance with key controls for the areas of the business for which they are accountable. Subsequently, the MD/CEO and CFO provide overall assurance to the Board on the adequacy and effectiveness of key internal controls of the Group.

### Anti-Money Laundering

PDB has established Anti-Money Laundering and Counter Financing Terrorism (AML/CFT) Framework in accordance to Bank Negara Malaysia (BNM) AML/CFT and Targeted Financial Sanction (TFS) for Financial Institutions. The framework consists of the following key elements which include Risk Based Approach, Customer Risk Profiling, Customer Due Diligence as well as Suspicious Transaction Monitoring and Reporting.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

### Third Party Risk Management

PDB has adopted PETRONAS Third Party Risk Management controls under the legal compliance framework and established a due diligence tool being the "Know Your Counterparty (KYC)" process which allows PDB to assess and safeguard PDB against reputational and legal risks posed by parties outside the organisation.

### 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.

### 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 Secrecy

PDB develops a 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.

### 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 & 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 against which the overall performance of the Group, including the respective performance of business segments and companies within the Group, can be measured and evaluated. 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. The Group's quarterly performances are also presented to the Board with comparison to approved plans as well as against prior periods.

### Employee Performance Management

PDB adopts PETRONAS's Employee Performance Management (EPM) that emphasises the importance of continuous engagement with employees in managing their performance towards achieving a High Performing Organisation. 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 objective and targets.

### Information Technology

The Group adopts policies which aim to uphold and govern the integrity of the Group's cybersecurity, 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 cybersecurity risks. Moving forward, PETRONAS Cyber Security Enterprise Control Framework will provide the assurance that the existing infrastructure and applications vulnerabilities are configured and operated in a secured manner.

All IT investments and implementations for PDB Group is governed by its Business Information Technology Committee particularly in the areas of strategic directions including policy change, IT investment priorities, funding and risk management.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

### Standard Operating Procedures

The Group adopts 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 guide and govern the day-to-day operations and ensure the right controls are in place. The SOPs are reviewed as and when required to make sure they remain relevant and effective.

### 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 2019. 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 25 February 2020.

## CORPORATE INTEGRITY AND ETHICS

THE BOARD ACKNOWLEDGES ITS ROLE IN ESTABLISHING A CORPORATE CULTURE WHICH INCULCATES ETHICAL CONDUCT WITHIN THE GROUP. IN LINE WITH THIS PRINCIPLE, THE BOARD HAS, INTER ALIA, ADOPTED THE PETRONAS CODE OF CONDUCT AND BUSINESS ETHICS, THE WHISTLEBLOWING POLICY AND THE ANTI-BRIBERY AND CORRUPTION POLICY. THE ADOPTION OF THESE POLICIES IS TO ENSURE THAT THE CONDUCT OF BUSINESS OF PDB AND ITS EMPLOYEES ARE CONSISTENTLY CARRIED OUT ETHICALLY AND WITH INTEGRITY.

### PETRONAS CODE OF CONDUCT AND BUSINESS ETHICS

The CoBE contains detailed policy statements on the standards of behaviour and ethical conduct expected of all employees and directors within the PETRONAS Group worldwide. The CoBE not only promotes legal and procedural compliance, but it will also provide a moral compass to ensure that the individual’s behaviour is in line with the PETRONAS Shared Values of Loyalty, Integrity, Professionalism and Cohesiveness.

Aligned with PETRONAS, PDB also expects that contractors, sub-contractors, consultants, agents, representatives and parties performing work or service for or on behalf of PDB

and its subsidiaries to comply with the relevant parts of the CoBE when performing such work or services.

In particular, 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. Acknowledging that organisational integrity is vital towards establishing a culture that supports long-term success, PDB expects that all employees are to conduct themselves professionally with the CoBE in mind.

### PDB INTEGRITY PROGRAMMES

We place strong emphasis on the importance of integrity and ethics in our business conduct and have been conducting Integrity Programme for our employees since 2017.

In 2019, we collaborated with PETRONAS Group Integrity Division to continue implementing relevant programmes for our employees, contractors and *Rakan Niaga*/Dealers to ensure a cohesive approach towards upholding the highest standards of integrity.

The following Integrity Programme were conducted in 2019:

Events	No. of Sessions	No. of Participants
Transformation Journey 2019 for <i>Rakan Niaga</i>	4	64
Kursus ASAS for <i>Rakan Niaga</i>	1	12
PDB Contractors’ Day – PDB Partners Collaboration Towards Excellence	1	89
JPT x HR&You 2019	6	465

 For more information on CoBE, please refer to PDB’s corporate website at [www.mymesra.com.my](http://www.mymesra.com.my)

## CORPORATE INTEGRITY AND ETHICS

### ANTI-BRIBERY AND CORRUPTION

With the adoption of the ABC policy from PETRONAS, PDB also practices a zero tolerance policy against all forms of bribery and corruption. The ABC policy elaborates upon those principles and provides guidance to all employees on how to deal with improper solicitation, bribery and other corrupt activities and issues that may arise in the course of conducting business for and on behalf of PDB. The ABC policy is also applicable to all directors, contractors, sub-contractors, consultants, agents, customers, suppliers, representatives and others performing work or services for or on behalf of PDB.



*For more information on ABC, please refer to PDB's corporate website at [www.mymesra.com.my](http://www.mymesra.com.my)*

### WHISTLEBLOWING

PDB has adopted the PETRONAS Whistleblowing Policy which provides an avenue for employees and members of the public to disclose any improper conduct in accordance with the procedures as provided under the policy and to provide protection for employees and members of the public who report such allegations without fear of reprisal.



*For more information on PETRONAS Whistleblowing Policy, please refer to PDB's corporate website at [www.mymesra.com.my](http://www.mymesra.com.my)*

# DRIVING SUSTAINABILITY



Sustainability is at the heart of all that we do at PDB. It goes well beyond environmental initiatives, encompassing our strategic direction, integrated value chain and business practices. Over the years, our focus in **environmental**, **economic** and **social** impacts of our sustainability initiatives have served as the foundation of inclusive growth for the nation.

We are always mindful about the impact that we have on all our stakeholders from the work that we do. Our focus is to **enrich lives for a sustainable future** and hence creating value for our stakeholders, without compromising the needs of future generations.

As we progress along our sustainability journey, we invest in our six capitals to become ever more a **progressive energy and solutions partner**, ensuring sustainable business continuity.



## SCOPE

This Sustainability Statement addresses aspects that are material to our business and present significant impact to our stakeholders from an economic, environmental and social perspective. Relevant sustainability initiatives carried out by PDB throughout 2019 are also reported.

Unless otherwise indicated, our sustainability disclosure follows the scope and boundaries of our <IR>, and covers 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.

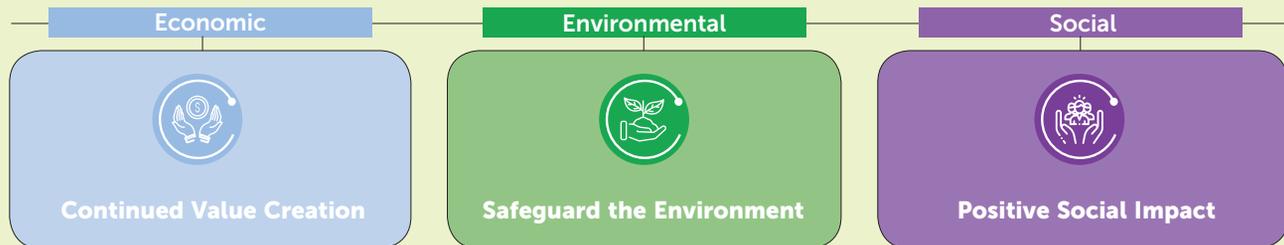


## APPROACH

In presenting this Sustainability Statement, we have adhered to the Main Market Listing Requirement (MMLR) of Bursa Malaysia under the Amended Listing Requirements for Sustainability Statement. It has also been prepared in reference to GRI Standards.

## DRIVING SUSTAINABILITY

### PDB'S NEW SUSTAINABILITY FRAMEWORK - ENRICHING LIVES FOR A SUSTAINABLE FUTURE



Our long-term sustainability vision aims to manage our Economic, Environmental and Social (EES) risks and opportunities to create net positive impact in the long term. This vision serves as the core of our focused sustainability initiatives, with the United Nations Sustainable Development Goals (UN SDG).

This year, PDB's Sustainability journey advanced another step. After a series of internal conversations and stakeholder engagements, we have crafted our new sustainability framework which was approved by our Board of Directors. At PDB, our focus will be the 8 SDG's which are directly related to our Sustainability Framework.

### OUR SUSTAINABILITY GOVERNANCE



As a member of the PETRONAS Group, our sustainability aspirations are underpinned by PETRONAS' CoBE as well as Shared Values of Loyalty, Integrity, Professionalism and Cohesiveness. CoBE Section 3.1 highlights that we are committed to sustainable development to help meet the world's growing energy needs through economically, environmentally and socially responsible efforts. We also hold our partners, contractors and suppliers to similar standards of conduct to ensure sustainability across our value chain. PETRONAS' Corporate Sustainability Council, led by the Senior Vice President of Corporate Strategy, oversees the integration of sustainability across the PETRONAS Group, including PDB.

The PDB MD/CEO and Leadership Team play a leading role in overseeing the management of sustainability within the organisation and in ensuring sustainability matters are addressed and integrated throughout our business processes and operations. The expertise of our Board of Directors is also heard to ensure that our practices are well in place for today and for our long term sustainability vision.

## DRIVING SUSTAINABILITY

### OUR SUSTAINABILITY JOURNEY

**Included CSR in PDB's Annual Report**

**2006**

**Implemented various initiatives throughout the period, among them:**

- Installed solar panels at PETRONAS Station Solaris Putra and PETRONAS Station Solaris Serdang
- Launched Water for Life and StreetSmart programmes

**Included as a constituent in the FTSE4Good Bursa Malaysia Index**

**2015**

**Revised PDB Board Charter to include sustainability**

**2016**

- Established PDB Sustainability Committee

**PDB Board approved PDB Sustainability Framework and Material Sustainability Aspects**

**2017**

- PDB Board approved PDB Sustainability Framework and Material Sustainability Aspects
- Collaborated with GreenTech Malaysia to provide chargEV facilities at selected PETRONAS stations
- Raised awareness and appreciation of sustainability across the company
- Improved our position in the FTSE4Good Bursa Malaysia Index

**Board approved new Sustainability Framework and flagship initiatives**

**2019**

- Review of current programmes to assess their alignment with new long-term vision
- PDB has reviewed its entire value chain to assess opportunities to reduce its environmental footprint

## DRIVING SUSTAINABILITY

### Sustainability Framework

### Sustainability Drivers



#### Continued Value Creation

**Drive long-term value creation through responsible investments and optimum business partnerships**

We aim to deliver the best economic returns in the form of dividends to our shareholders. In addition, we also aspire to stimulate the Nation's economic growth through taxes to the Government

In our commitment to shape a sustainable economy for the nation, PDB constantly seeks innovative solutions for the mutual benefit of all parties in the ecosystem, including development of local economies, by engaging with local suppliers and vendors through our Retail, Commercial, LPG and Lubricant businesses. We understand that by doing so, we will positively contribute towards creating employment opportunities, as well as the growth and resilience of local entrepreneurs. Employment opportunities are made available through businesses appointed to supply locally-made products for sale at *Kedai Mesra* or to become one of our Lubricants' AutoExpert partners.

SDG's supported:



#### Safeguard the Environment

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

We recognise that we have a role to play in positively contributing to climate change mitigation in the long term, and we have implemented various initiatives to reduce our carbon footprint. Moving forward, we will be implementing initiatives to support the New Plastics Economy by introducing more environment-friendly products, enhancing the energy efficiency of our operations, as well as supporting the reduction of single-use plastics throughout our stations. We also support the Nation's aspiration for renewable energy and continue to contribute to the electric mobility ecosystem.

We are committed to use water efficiently and we have a set of environmental and social criteria which our partners must comply with in order to produce Certified Sustainable Palm Oil (CSPO).

SDG's supported:



#### Positive Social Impact

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

Our people are at the heart of our sustainability initiatives. We invest in human capital through various talent development programmes towards achieving a high performing workforce, by having highly competent and capable talents to drive value in our organisation. PDB also takes our community outreach programmes to heart as we believe that contributing to the well-being of the people and the community in areas where we operate in is the right thing to do. CSR is an important platform through which we are able to give back to communities which have fuelled our business growth.

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 the PDB Health, Safety and Environment (HSE) Policy which sets out the Company's guiding principle in managing risks and hazards relevant to the business operations.

SDG's supported:



# DRIVING SUSTAINABILITY

## SUSTAINABILITY AND OUR MATERIAL MATTERS

### SUSTAINABILITY FRAMEWORK

### MATERIAL MATTERS

**Continued Value Creation**  
 Drive long-term value creation through responsible investments and optimum business partnerships

**Safeguard the Environment**  
 Collaboratively reduce environmental impact by transitioning to lower carbon energy solutions and deploying innovative operations and technologies

**Positive Social Impact**  
 Create positive alliances with the communities where we operate by protecting and adding value to the well-being of employees, partners and society

**Financial Performance**

**Health, Safety and Environment**

**Health, Safety and Environment**

**Human Capital**

**Governance and Business Ethics**

**Social and Relationship Capital**

**Seamless and Frictionless Customer Experience**

- ✓ \_\_\_\_\_
- ✓ \_\_\_\_\_
- ✓ \_\_\_\_\_
- ✓ \_\_\_\_\_
- ✓ \_\_\_\_\_

 For more information on Material Matters, please refer to page 44 of this <IR>.

## DRIVING SUSTAINABILITY

### STRATEGIC SUSTAINABILITY DIRECTIVES

### SUPPORTED UN SDG'S

- ✓ Financial return to stakeholders
- ✓ Economic opportunities to dealers



- ✓ Energy efficiency
- ✓ Managing environmental impact
- ✓ Resource management



- ✓ Risk Management
- ✓ Transport and Process Safety
- ✓ Contractor and Supplier Management
- ✓ Emergency preparedness
- ✓ Health and Well-being
  
- ✓ Talent Management
- ✓ Capability Development
- ✓ Employee Relations
  
- ✓ Workplace Culture and Environment Standard
- ✓ PETRONAS Cultural Beliefs
  
- ✓ Code of Conduct on Human Rights
- ✓ CSR programmes
  
- ✓ Superior customer experience
- ✓ Customers' Safety and Health



# ECONOMIC



As Malaysia’s leading retailer and marketer of downstream petroleum products, PDB strives to contribute towards the Nation’s economy by being a **progressive energy and solutions partner**, ensuring sustainable financial performance which translates to stable returns to shareholders as well as stimulating **enriching socioeconomic opportunities** for the local communities in areas where we operate.



For more information on the Company's Financial Performance, please refer to page 76 of this <IR>.

**FINANCIAL PERFORMANCE**

We aim to deliver attractive financial returns to our shareholders. In addition, we also aspire to stimulate the Nation’s economic growth through taxes to the Government, ensuring local content in procurement and providing employment opportunities for the local population. It is our belief that **positive economic impact is achieved through mutual growth** by including communities and stakeholders alike.

**LOCAL ECONOMIC OPPORTUNITIES**

PDB supports the local economy by engaging local suppliers and vendors through our Retail, Commercial, LPG and Lubricant businesses. All our dealers, contractors and suppliers are mostly Malaysian-owned companies which have registered with PETRONAS and are accredited with the necessary licenses to carry the required scope of work. These include our *Rakan Niaga* operating at more than 1,000 PETRONAS stations nationwide.

ECONOMIC



Retail's Initiative Reach



> **800 Rakan Niaga**  
nationwide



Established partnerships with  
> **350 local SME Food suppliers**  
nationwide



**Provided platforms**  
for surrounding communities to  
set-up small scale businesses  
at PETRONAS stations



Commercial's Initiative Reach



> **200 Dealers**  
nationwide



**Developed entrepreneurship and  
business skills** of business partners



**Appointed and developed a local  
entrepreneur** as the sole supplier of  
fuel to PETRONAS Refinery and  
Petrochemical Integrated Development  
Project in Pengerang, Johor



LPG's Initiative Reach



> **300 Dealers**  
nationwide



Created **business opportunities**  
for **650 sub-dealers** at all  
regions, nationwide



**Continuous development and  
upgrading of** sub-dealers to  
become dealers or premier  
dealers, improving their income



Lubricant's Initiative Reach



> **30 MEPs**  
nationwide



Provided **entrepreneurial  
development and skill  
enhancement** of the MEPs



Franchising the **PETRONAS brand** to  
**60 local automotive SME  
workshops** driving customer footfall

## ECONOMIC

### Local Employment Opportunities

PDB contributes to economic growth by helping to create jobs and supporting local businesses. All our dealers are encouraged to give back to local communities through job creation nationwide.



#### Malaysians employed through

- *Rakan Niaga as Krew Petronas*: >8000
- Commercial Dealers: >2000
- LPG Channel Members: ~1000
- Lubricant Distributors: ~80



Retail



LPG



Commercial



Lubricants

Our LPG Business supports local economic growth by providing job and business opportunities to locals through our LPG dealers. In 2019, PDB's LPG dealership saw an increase of 4% compared to the year before.

Our Premier Dealers employ over 1,000 Malaysians at their premises nationwide. In addition, our extensive distribution network throughout the country has created business opportunities for more than 650 sub-dealers.

We also continued our "delayering" initiative from last year where eligible sub-dealers are upgraded to become our dealers hence improving their business returns. During the year under review, in support of closing the job gap for the disabled and creating an inclusive culture, LPG Business is privileged to have hired 2 disabled persons under our dealership chain.

## ECONOMIC



### **KEDAI MESRA ENRICHING LIVES OF ENTREPRENEURS**

We are committed towards ensuring long-term value creation for all our stakeholders. As we advance in enriching lives of our partners, we continue to bring to our *Kedai Mesra* customers numerous selection of favourite meals, snacks, drinks, dessert, and other products which are locally produced by our SME vendors.

Our SME programme which was established over 25 years ago to support local businesses now has over 350 vendors supplying to *Kedai Mesra* across the nation. We take pride in supporting local businesses including companies which are owned and run by 100% women and youth entrepreneurs.

Under our SME programme, we have helped many local vendors to reach a wider market through our network of stations. Some of these vendors have market presence at more than 400 of our *Kedai Mesra* nationwide. The growth in revenue for the SME vendors allows for more employment opportunities, thus strengthening the domestic economy.

Apart from successfully supplying to our *Kedai Mesra*, we are proud that some of the vendors are concurrently exporting their locally produced products into Vietnam, New Zealand, and United Arab Emirates.

We believe in long term partnerships with SME vendors and are constantly looking for opportunities to enhance and improve the offerings by combining our strengths to elevate the local business scene while ensuring a sustainable future for all our stakeholders.



# ENVIRONMENT



Our environmental stewardship is guided by **PDB's New Sustainability Framework - Enriching Lives for a Sustainable Future**. We are committed to reduce our environmental impact by transitioning to lower carbon energy solutions and deploying innovative operations & technologies, thus contributing to a **sustainable future**.

Our environmental drivers are also guided by the Company's HSE Policy, which entails a commitment to managing our environmental impact, increasing our energy efficiency and managing our resources responsibly and sustainably.

We are committed to protect the environment we operate in through full compliance with regulations and standards as well as robust operational management. We regularly conduct compliance evaluations and monitoring programmes. We have tools to assess the environmental risks of our operations, and take the appropriate actions by adapting our operations and innovate with technology to manage the impacts associated to our operations and products, cooperating to become an even more **progressive energy and solutions partner**.

Aspects that are material to us and our stakeholders include climate change, emission, accidental spills, waste and water use. We monitor our environmental performance, which enables us to make informed business decisions around protection of the environment. We analyse our environmental data to understand our performance and help identify potential areas of improvement.



## PETRONAS Climate Change Position Statement

“ We duly recognise our corporate responsibility as a player in the global energy sector to balance the issue of climate change with the challenge to sustainably produce affordable and reliable energy. ”

For more information on our Management Approach for the Environment discussed holistically under HSE, please refer from page 166 to 171 of this <IR>.

ENVIRONMENT

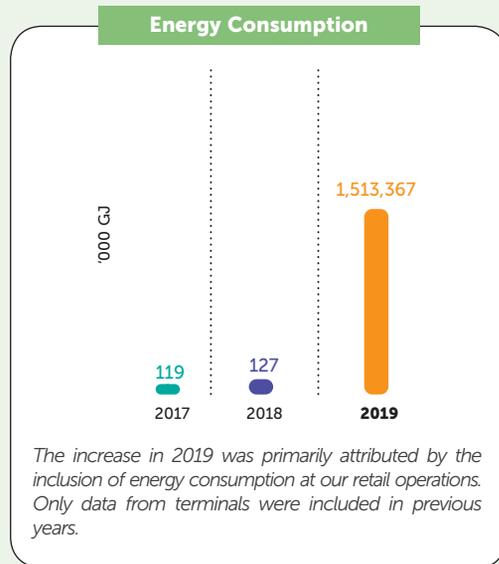


**ENERGY EFFICIENCY**

As the cost of energy continues to rise, electricity consumption becomes a more significant component in the cost of our operations.

Our terminal operations, training centre, regional offices and PETRONAS Stations consumed a total of 1,513,367 GJ of electricity in 2019. This amount already takes into account implemented initiatives to improve our energy efficiency. The reductions in emissions were achieved by installing energy-saving LED in the forecourts and perimeters of our stations. LED lights consume 50.0% less electricity than conventional fluorescent lights, thereby cutting GHG emissions by 50.0%. This initiative has been incorporated into new station design for continuous improvement.

For the past few years, we have implemented energy efficiency initiatives such as VSD at hydrant pumps and "hybrid" split air conditioning systems at selected distribution terminals. We found that the VSD reduced electricity consumption by more than 10.0% as compared to conventional pumps, whilst the "hybrid" split air conditioning system reduced energy consumption by about 40.0% through heat recovery generated by the split unit's compressor.



## ENVIRONMENT

### MANAGING ENVIRONMENTAL IMPACT

#### Emission Control

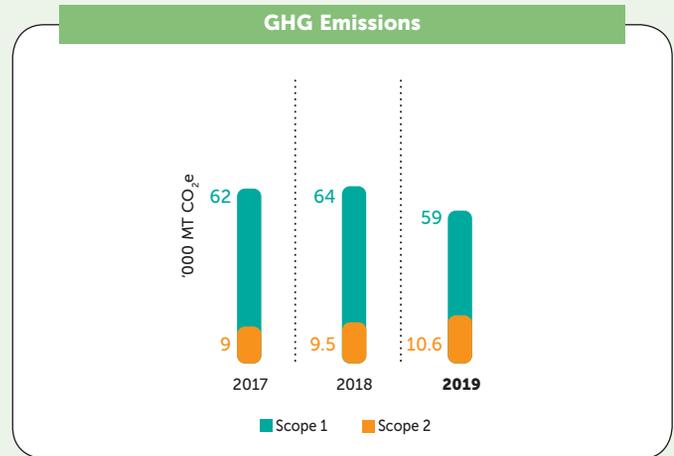
Society continues to face the dual challenge of meeting the world’s growing energy demand, while simultaneously addressing the risks of climate change. Global urgency around climate change has warranted us to operate efficiently. PDB has considered the impact of climate change regulation, and incorporated climate change risks and opportunities into our business strategy.

We focus on reducing our emissions via greater operational efficiencies, in line with PETRONAS’ Climate Change Position Statement.

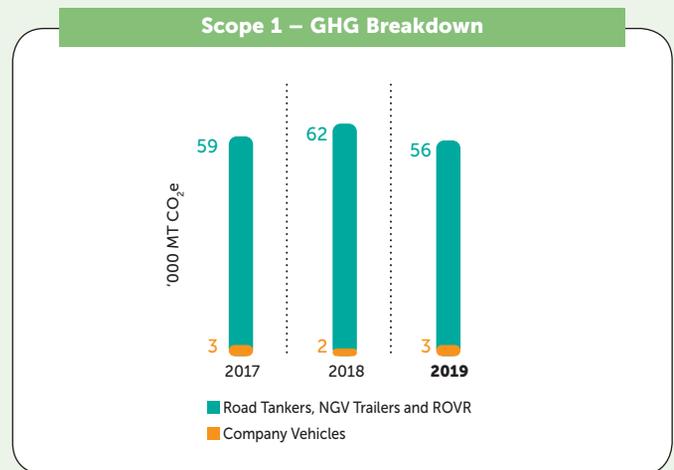
Our GHG emissions cover direct (Scope 1) and indirect emissions (Scope 2). Direct GHG emissions are defined as those from assets that are owned or controlled by a company. For PDB, this primarily includes CO<sub>2</sub> emissions from our road tankers, NGV trailers and company-owned vehicles such as forklifts, bowsers and dispensers. Indirect GHG emissions are those generated by the consumption of electricity at our terminals, retail stations, regional office buildings and training centre. During the year, we developed a methodology to govern data collection for Scope 2 emissions from our PETRONAS stations which recorded 112,190 MT CO<sub>2</sub>e. In 2019, our total GHG emissions measured approximately 181,735 metric tonnes of carbon dioxide equivalent (CO<sub>2</sub>e).

During the year under review, the B7 Diesel (which contains 7% biodiesel) sold at all PETRONAS stations progressively changed to B10 Diesel (10% biodiesel). This has helped reduce as much as 436,023 CO<sub>2</sub>e from the transportation sector’s GHG emission, thereby positively contributing to the Malaysian Government’s commitment to the Paris Agreement. The Government plans to further increase the biodiesel blend percentage to 20.0% in the future and PETRONAS will be fully committed with the change.

The Government has gazetted the implementation of the Euro 5 fuel standard for both RON95 and RON97 to come into effect in 2025, as part of the Country’s effort to promote cleaner energy. PDB is committed to taking a prominent role towards realising the Government’s greenification agenda in support of Malaysia’s plan to reduce its carbon footprint. As part of our stewardship of the environment, we leverage PETRONAS’ R&D to develop and market energy-efficient fuel products. As a result, in December 2019, PETRONAS Primax 95 with Pro-Drive was gradually upgraded to Euro 4M standard, an improved generation of products with less sulphur emission and enhanced anti-corrosion which directly improve air quality.



Reduction in Scope 1 for 2019 is attributed to use of B5 Diesel (5% biodiesel) in road tankers



For scope 1, apart from CO<sub>2</sub>, there are no other types of significant GHG emitted

In 2018, an independent verification of our environmental performance data was conducted by PETRONAS’ Downstream Business measured against the requirements of PETRONAS Technical Standards which are aligned with ISO 14064 (Part 3). The exercise provided gap identifications which will guide us in meeting the international requirements in the future.

To provide assurance on our methodology and standards we plan to engage with a third-party independent verification in 2020.



ENVIRONMENT



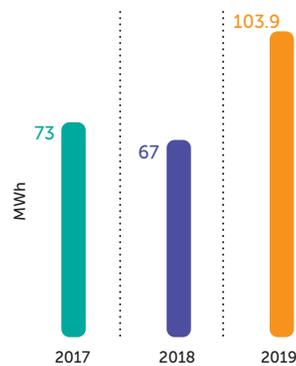
**Renewable Energy**

PDB supports and contributes towards the Government’s target to reduce the Nation’s GHG emissions by 45.0% by 2030 from the 2005 baseline. We demonstrate our effort by scaling up the installation of solar panels at 6 PETRONAS stations in 2019.

In 2019, the solar panels installed at the station had generated approximately 103.9 MWh of electricity.

In support of a low carbon energy landscape and in line with the Government’s vision, we also provide ChargeEV facilities at 60 PETRONAS Stations. As the stations are located in strategic positions along the major highways, this provides convenience to our customers with electric vehicles to have easier access to charging facilities while they travel across the Country.

Solar Power Generated (PS Solaris Serdang)



The increase in 2019 was attributed by the inclusion of solar panels in 5 new stations.



# ENVIRONMENT

## Spills

We have clear control systems to prevent operational spills, on both water and land, with particular emphasis on risk management, operations integrity and containment capabilities. Asset integrity and process safety management are integral to the maintenance of our facilities and pipelines.

All our fuel storage and dispensing systems are equipped with secondary containment, leak detection and monitoring systems to prevent and detect releases into the environment. Spill and overfill control equipments ensure that our underground tanks are safe. To enhance our asset integrity, aging components are replaced through regular maintenance and upgrading programmes.

Emergency oil spill response exercises are carried out as part of our emergency preparedness and crisis management programme. We leverage on 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.

We recorded two hydrocarbon spills in 2019, unchanged from last year. We isolated the source of leak, contained the spill to prevent further escalation and conducted clean up activities as guided by regulatory requirements.



For more information on spills reduction initiative, please refer to 'Process Safety' on page 169 of this <IR>.

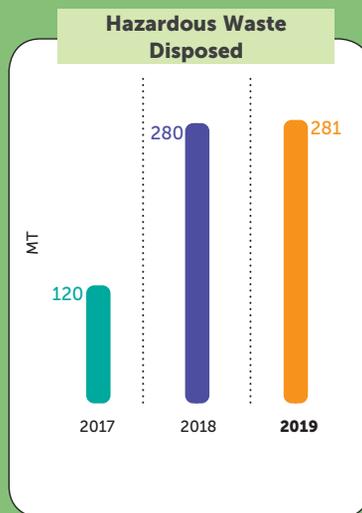
For more information on oils spills response initiatives, please refer to 'Emergency Preparedness' on page 170 of this <IR>.

## Waste

We recognise the need to manage our waste responsibly to meet regulatory requirements. This includes efforts to reduce the amount of waste generated and to recycle or recover materials where possible, at our terminals.

In 2019, we generated a total of 568.55 MT of hazardous waste consisting primarily of waste oil and sludge from terminal operations. Over 240.30 MT were recovered mainly from waste oils and 280.70 MT of non-recyclable waste were disposed. As a responsible company, we continue to collect and analyse our waste data to find opportunities to minimise waste and increase our recycling and recovery effort.

We already have in place a waste recovery/recycling sourcing strategy for all our terminal operations. Through this strategy, we target to improve the quantity of recoverable or recyclable wastes such as contaminated filters, used drums, waste oil by end of 2020.



**ENVIRONMENT**

**RESOURCE MANAGEMENT**

**Water**

We are committed to use water efficiently. In our terminal operations, water is essential for cylinder washing, tank cleaning, maintenance, and conveyor chain lubrication as well as for general purpose use. Although we are not operating in water stress areas and water usage is not considered intensive, we strive to minimise our water footprint.

In 2019, three major initiatives contributed to the reduction of water usage in our business. We have reduced the amount of water withdrawal throughout our operations by:

- Reusing water for LPG cylinder washing where appropriate
- Implementing efforts to identify and reduce water leakage at our operations;
- General reduction of our operational use of water.

We have also installed rainwater harvesting systems at all four terminals in the Sabah region. Rainwater collected from roof gutters around the plant is channeled into a 4,500-litre harvest tank and then used for cleaning and gardening. During the year, we have recorded 77,000 litres of water withdrawal from harvested rainwater.

All of our facilities are equipped with oil interceptor system to prevent any unplanned or uncontrolled discharges from directly entering public drains. All wastewater are treated prior to discharge, which are monitored regularly to ensure compliance. Key parameters analysed are Oil and Grease as well as COD. During the year, PDB'S LPG Terminals reported merely 0.006 MT of Oil and Grease and 0.223 MT of COD from treated discharges.



*We only acquire PME from sources that have been certified by the RSPO*

**Environmental Supply Chain**

Roundtable on Sustainable Palm Oil (RSPO) has developed a set of environmental and social criteria which companies must comply with in order to produce Certified Sustainable Palm Oil (CSPO). We have started to implement the policy of responsible sourcing of Palm Methyl Ester (PME), one of the components of our biodiesel fuel, by only acquiring PME from sources that have been certified by the RSPO. RSPO certification provides assurance to consumers that the palm oil is produced to a sustainable standard, by legal, economically viable, environmentally appropriate and socially beneficial management and operations.

Environmental standards are also embedded as part of our overall HSE Management System requirements in our procurement procedures and tender documents in which we require suppliers and contractors to establish and implement our HSE plan that details the practices, procedures and control measures for effective HSE management. During the year, we have conducted 9 Contractor Assurance activities on our contractors to validate the compliance towards our requirements.

# SOCIAL



PDB recognises the value and impact of our business in the sustainability of the social ecosystem that we operate in. For PDB to deliver value, remain fit for the future and generate positive societal impacts while **enriching lives**, our actions, policies and processes need to be continuously assessed and refined to adapt to changing times and address evolving challenges. Hence, we are committed to operating safely, responsibly and reliably, and aligning our practices with acceptable business norms and industry benchmarks.

Social Sustainability Aspects that are material to us and our stakeholders include:



Safety And Health



Human Capital



Governance and Business Ethics



Social and Relationship Capital



Seamless and Frictionless Customer Experience



MD/CEO engagement with employees



For more information on PDB's Environmental aspects, please refer to Managing Environmental Impact on page 160 of this <IR>



## SAFETY AND HEALTH

### HSE Oversight in PDB

As one of the key players in the downstream petroleum products retailing segment, PDB is subject to complex health and safety laws and regulations at numerous jurisdictional levels in Malaysia, including laws relating to human exposure and the use, handling, storage and disposal of hazardous materials. 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 the PDB Health, Safety and Environment Policy which sets out the Company's guiding principle in managing risks and hazards relevant to the business operations.

PDB oversees the governance of the HSE through application of the HSE Management System. The LT upholds and drives safety excellence through their leadership values, competencies

## SOCIAL



deliberated in the LT on a monthly basis and discussed in detail during HSE Steering Committee meetings chaired by the MD/CEO and subsequently reported to the Board. In addition, HSE management review is conducted as part of benchmarking against the previous year's HSE performance and PETRONAS Group's OPU's performance as part of learning from others and improvement for the following years' strategic objectives.

In ensuring health and safety improvements, employees involvement in work-site HSE Committee meetings take place through deliberation of site-specific HSE issues, programmes and performance on a monthly basis. The periodic meetings include participation of both employees and management representatives.



and behaviours. They are responsible for understanding and mitigating risks as well as maintaining and assuring safeguards for the business. The LT demonstrates their commitment by leading and integrating HSE aspects into business plans and targets. These plans and targets are then strategically aligned with the HSE Plan and cascaded to all working levels. Through continuous employee engagement, they set clear expectations, targets and objectives for each employee, while themselves carrying the highest portion of HSE KPI weightage.

Our annual PDB HSE scorecard, comprising key performance indicators, is developed based on historical statistics with the aim of improving our safety performance year-on-year, and ultimately achieving zero incident. HSE risks, incidents, performance and issues are

### HSE Assurance in PDB

HSE assurance at the work site is conducted regularly to assess compliance to all health, safety and environment requirements. Furthermore, this first line of assurance will act as first barrier of early detection to prevent incidents. During the year, all terminals and PETRONAS stations were audited on a monthly basis by identified focal personnel.

We also emphasise on HSE compliance by our contractors. In 2019, we conducted assurance assessment based on structured assurance plan for contractors to ensure we safeguard our operations and interests against any regulatory non-compliance and prevent any unwanted incidences.

All findings are analysed to identify their root causes and provide not only a holistic approach in gap closure but also sustained implementation.

In addition, the annual HSE MS review is carried out as part of a continual improvement cycle. Findings from the management review is used as input to identify HSE strategic objectives and the new HSE focus areas.

## SOCIAL



### “Jom Patuh & Tegur” – Let’s Comply and Intervene

To achieve a culture of compliance, the organisation practices “Jom Patuh & Tegur” (JPT), manifested as part of Behavioural Observation. There were also JPT roadshows led by MD/CEO which were conducted in six different regions.

### Safety Performance

This year, the company has achieved an outstanding safety performance: zero fatality and zero LTIF. It is PDB’s best achievement for the last 9 years. This is testament of our highest commitment to safeguard our valuable workforce and assets by putting vigorous efforts on strengthening HSE compliance, managing HSE risks and improving HSE monitoring at sites.

There were three Total Reportable Cases involving our operators at terminal operations with minor injuries. All incidents were investigated and all recommended corrective actions were monitored and tracked for closure. In preventing future incidents, increased efforts through checking were conducted on similar operations where reoccurrence of incidents may happen. Lessons learnt from incidents are also shared across the Company, with our contractors and business partners to prevent recurrence.

	2017	2018	2019
<b>No. of Fatalities</b>			
Employees	0	0	0
Contractors	1	1	0
Fatality Accident Rate (FAR)			
Employees	0	0	0
Contractors	24.86	21.73	0
<b>No. of Lost Time Injury (LTI)</b>			
Employees	0	2	0
Contractors	3	1	0
Lost Time Injury Frequency			
Employees	0	0.69	0
Contractors	0.57	0.43	0
<b>No. of Total Reportable Case</b>			
Employees	1	3	3
Contractors	5	0	0
Total Reportable Case Frequency (TRCF)			
Employees	0.35	0.69	0.98
Contractors	1.30	0	0

Total Manhours = 6,741,421 man-hours for PDB employee and contractors, excluding Krew PETRONAS and PIMTCL employee



For more information on PDB’s Environmental aspects, please refer to Managing Environmental Impact on page 160 of this <IR>

Moving forward, we will continue to make sure safety becomes a priority in all our activities, including enhancement of HSE risk management that leverages on digitalised tools, development of Generative HSE Culture capability at all working levels and regular syndications with employee on HSE best practices and lessons learnt.

In 2019, 26 employee have participated in the Rakan HSSE programme organised by Group HSSE. The supervisory and communication skills of our frontline supervisors are constantly improved through a series of Rakan HSSE workshops, which create HSE consciousness in all aspects of decision-making and also fortify a culture of compliance amongst employee.

### Risk Management

Considering the high risk environment present in the retail marketing of petroleum products, we place great emphasis on effective risk management to identify and assess risks, and manage these to levels as low as reasonably practicable. Various controls and preventive measures are implemented based on a risk-based prioritisation and comprehensive processes to understand and analyse HSE risks as well as their impacts on our people, assets, reputation and environment.

The proper risk assessment tools and techniques are used to identify potential hazards and control the risks in our operations and activities, which include Hazard Identification (HAZID), Process Hazard Analysis (PHA), Health Risk Assessment (HRA), and Environmental Impact Assessment (EIA). This risk-based approach is applied across our value chain, encompassing new projects and existing operations. As part of annual risk assessment, this year, we conducted risk assessments for new business ventures i.e. Setel® and ROVR. In addition, we also completed the assessment of our readiness in handling emergencies in case of fires and oil spills i.e. Fire Safety Adequacy Review (FSAR) for 6 major hazard installations and Oil Spill Response Capability Assessment for terminals with jetty operations as well as KLIA Aviation Fuel System (KAFS).

### Transport Safety

PDB operations have transportation processes which involve PDB's personnel, assets and products.

One of our key HSE considerations is PDB personnel who are on business trips, mostly sales and terminal operations personnel. Among the initiatives introduced to manage their safety while on business trips are defensive driving training for all at-risk drivers, journey management plan process implementation, selection of safe vehicles for company vehicle purchase and installation of telematics system to track safe driving behaviour while driving company vehicles.



*Vehicle inspection as part of the Defensive Driving Course conducted*

PDB's assets are also exposed to transportation safety; especially when PDB embarked on ROVR operations. In order to ensure PDB assets are properly managed and operated, ROVR trucks are equipped with safety standards as per PETRONAS Technical Standards and the operations team is equipped with the competency to run the operations safely. Among the key safeguards introduced for ROVR are stringent selection and upskilling of drivers, route safety assessment, delivery site safety assessment and truck safety features complying with PTS requirements.

PDB also appoints hauliers to transport our products from terminals to customer sites. Hauliers are governed by PDB's internal Road Transport Operations Guideline (RTOG). RTOG has laid out 14 modules which covers the whole spectrum of safe transportation process. The hauliers are subjected to yearly RTOG audits by the Fleet Management team and yearly Contractor HSE Assurance audits conducted by the Health, Safety and Environment team. In order to improve safety performance in haulier operations, campaigns and safety programmes are conducted. Among the major programmes rolled out in 2019 was the Fatigue Remedy and Sleep Hygiene (FReSH) programme which covered all 800 drivers or *Rakan Khidmat Penghantar* (RKP). FReSH established a structured platform to coach RKP and educate drivers on fatigue management.

### Process Safety

In preventing Major Process Safety Incident with serious impact, PDB applies Process Safety Principles in designing, building, operating and maintaining our facilities.

For the year 2019, PDB focused on reassessing our PSM performance standards and realignment of practices by adopting Causal Learning approach in identifying the barrier failure mode in addition to the assessment of adequacy of barrier.

In order to achieve our goal of "Zero Major LOPC" and "As Low As Reasonable Practicable (ALARP)", realignment of PSM roles and functions across the businesses were established including permanent PSM working committees, LOPC prevention task force, and technical advice from PETRONAS experts.

Process safety will continue to be our focus in 2020 in order to strengthen asset integrity.

## SOCIAL

### Contractor and Supplier HSE Management

It is with utmost importance to PDB that contractors perform their work safely at our facilities at all times. To demonstrate our commitment to a safe and effective Contractor Management, our contractors are strictly screened for their compliance to the law and our HSE requirements before being awarded the contracts. In 2019, PDB introduced HSE Evaluation Checklist for contracts valued RM2 Million and below. We have addressed our contract risks regardless of the contract value and strengthened the key HSE requirements in the contract to ensure smooth execution and HSE compliance. Specific HSE requirements in contracts are translated into contractors' HSE plan prior to work execution. The HSE risks as per scope of work are also communicated to our contractors. Actions to mitigate the risks are translated into the HSE Plan which will be monitored and audited by the contract owner.

In addition to audits, we communicated with our contractors through platforms such as PDB Contractor's Day, HSE Clinics and specific HSE trainings at which we set our standards and expectations with regards to HSE practices. These engagement sessions also provide our contractors with the opportunity to upskill their capabilities and comply to our standards. The HSE performance of our contractors and suppliers were also evaluated upon the completion of contracts. Any gaps are being recorded for future improvements and consequence management applied for serious non-compliances. We improved operational efficiency through various process simplification initiatives and leveraged on digital solutions in Permit To Work (PTW) implementation to maintain our cost competitiveness.

During the year, PDB embarked on the Contractor Mentorship Programme with selected contractors. This programme is designed to strengthen contract management and collaboration for sustainable HSE Performance by sharing technical expertise, conducting HSE audits and providing specific HSE training.

### Emergency Preparedness

PDB is committed to ensuring readiness for emergencies or crisis to minimise the impact on our people and the environment while safeguarding our assets and reputation. We place importance on our readiness for any unexpected emergency situations. PDB Emergency and Crisis Management Procedure specifies the emergency response structure along with clear roles and responsibilities. We developed scenario planning for possible high-risk emergency situations. Periodically, we conducted drills and exercises in collaboration with local agencies such as Fire and Rescue Department, Department of Occupational Safety and Health, Department of Environment, Hospitals, Royal Malaysia Police, Port Authority, mutual aid organisations and Operating Units of PETRONAS (OPU) to ensure adequacy and effectiveness of controls to manage emergency scenarios.



Tier 3 Integrated Emergency Exercise 'Strategic Immediate Respond and Management' (EX-SIRAM) 2019 between PETRONAS Dagangan Berhad and PETRONAS Chemicals Methanol Sdn Bhd



### HIGHLIGHTS OF 2019

- A Tier-2 Integrated Emergency Response Exercise with a codename EX-SIRAM (*Strategic Immediate Respond and Management*) was conducted at PETRONAS Chemical Methanol Sdn Bhd (PCMSB) and PDB Labuan Fuel Terminal (PDB LFT) on 16<sup>th</sup> July 2019 to test the implementation of PCMSB and PDB LFT Emergency Response Plan and integration response with authorities.
- A total of 5 Tier-1 Functional Exercises were conducted at our terminals, an LPG Premier Dealer, a PETRONAS Station and a road tanker.
- Developed the Emergency Response Plan for ROVR Operations and Customer Experience Centre to serve as a guideline for the emergency responders.
- Initiated a Fire Safety Adequacy Review Study for 6 Major Hazard Installations to identify critical fire safety hazards; assess the adequacy and effectiveness of provided safeguards against fire safety hazards; and confirm the compliance to applicable standards and design basis.
- Developed the Fire Safety Design Philosophy for 2 terminals as a guide for the selection of equipment and design of facilities.



For more information on our Crisis Management, please refer to SORMIC on page 137 of this <IR>

## Health And Well-Being

### Office Ergonomics

One of the foremost factors that drive employees to deliver excellent results is a safe, comfortable and pleasant workplace. Acknowledging this, the Company has completed its **Workplace for Tomorrow (WFT)** implementation for offices at Twin Towers in 2019. With this new office concept, employees are now provided with a better workstation set-up with optimised ergonomics features. We continued to strengthen the ergonomics practices across the Company by providing coaching, training as well as personal ergonomic assessments for employees who experienced any discomfort or pain.

### Sihat Rabu Challenge



Launching of the Sihat Rabu Challenge at KLCC Park

Our employees are one of our most important assets and as such, in 2019 we stepped-up our efforts in building a culture of health for PDB. In line with PETRONAS' MESTIfit4health campaign, we launched our very own *Sihat Rabu* Challenge. Various fitness and sports related activities such as brisk walking, cycling, futsal, badminton and Zumba are conducted on a weekly basis across the Company aimed at improving the well-being of our workforce. The programme also included sharing sessions by our very own MESTIfit4Health champions within PDB to guide and motivate employees and get them started towards a healthier lifestyle. Many other activities have been planned for 2020 to keep the momentum going and getting all employees to live a more balanced lifestyle.

## M E S T I fit4health

### M MOVE RIGHT!

Getting off the chair is the first step in overcoming lifestyle-related illness

### E EAT RIGHT!

We are what we eat.

### S SLEEP RIGHT!

A well-rested mind is a safe and productive mind

### T THINK RIGHT!

Mental resilience is the key to managing stress at the workplace

### I INDIVIDUAL RIGHT!

Despite the four elements above, healthy living ultimately is a personal choice

**SOCIAL**



**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 investment in their development.

Our talent management practices are guided by PETRONAS’ People Policies and Procedures as well as strategies that are aligned to 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 of Right Leader, Right Talent and Right Environment, while leveraging on the organisation’s Employment Value Proposition of Trust, Grow and Reward.

PDB celebrates a diverse and inclusive workforce, as we believe that will enhance our value creation through varied talents, experiences and expertise. Through our equal opportunity and non-discrimination hiring policy, we provide equal opportunities for employment and subsequently career advancement to all employees irrespective of gender, race, religion, age, disability or nationality. The PDB LT composition is made up of 33% women.

During the year under review and as part of our **Great Place To Work Strategic Initiative**, PDB had undertaken a partial organisational realignment. The intent is to augment accountability in line with strategies defined so to provide focus on growth and stepping out, as well as to give clear accountability across PDB in reinventing and upscaling new business models in order to create future-proof and sustainable revenue streams.

To inculcate the conducive work environment and a great place to work, PDB has also embarked in an office retrofit under the WFT initiative driven by PETRONAS Group as well as Terminal Refurbishment exercises to improve the current working environment and provide a pleasant workplace to our employees.

In 2019, the exercise was completed at 8 terminals around the country, with 9 terminals planned to complete in 2020.



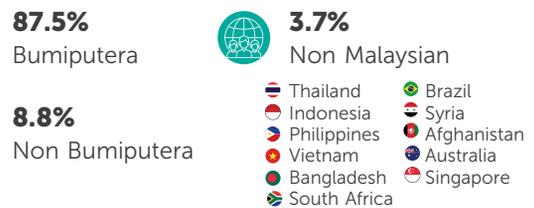
Premises at Kertih Fuel Terminal after WFT retrofit

**WORKFORCE PROFILE**

**GENDER**



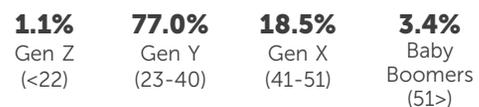
**ETHNICITY**



**WORKFORCE**



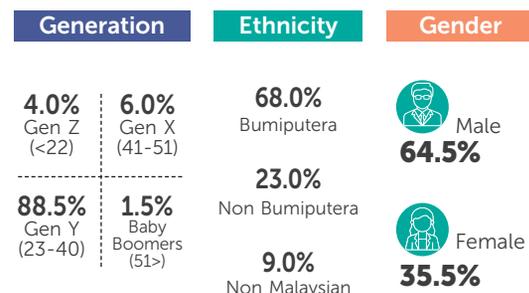
**GENERATION**



**ATTRITION**



**RECRUITMENT**



Data: PDB Group

**SOCIAL**

**Talent Acquisition**

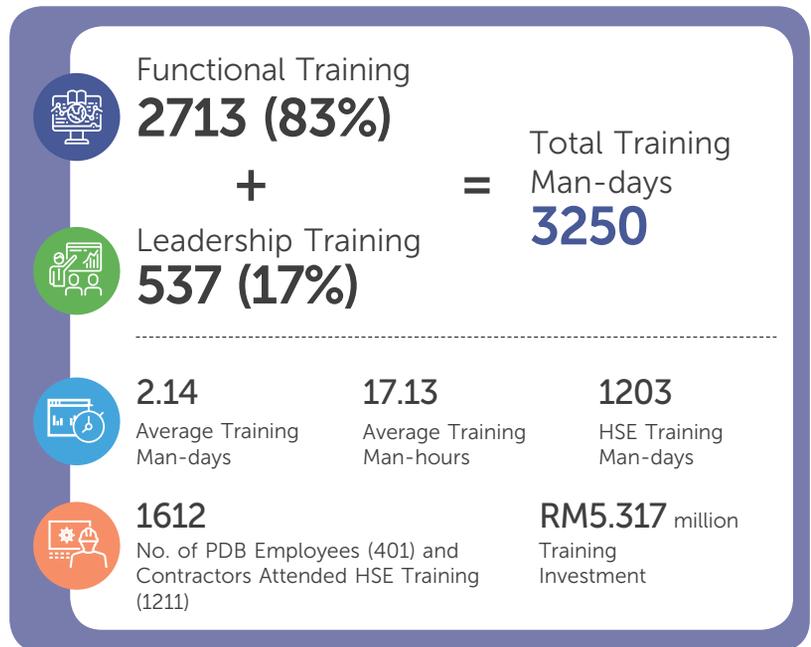
In line with our Talent Sourcing policies and procedures, talents are sourced through a wide range of recruitment channels and are selected based on criteria that focuses on individuals’ experience, knowledge and skills.

We strive towards gender equality in the workplace and are committed to creating an inclusive workplace for women, including during their pregnancy. Employees who are pregnant seven months 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. This special time off allows mothers to comfortably observe their confinement period and make the necessary arrangements for their new-borns’ well-being. Once they return to office, dedicated nursing rooms are available within our working facilities.

**Talent and Capability Development**

As part of Employee Value Proposition, we pay close attention to employees’ professional and personal growth. The organisation identifies with employees aspirations to further develop their potential and provide opportunities for them to enhance their expertise, skills and experience in order to enjoy an enriching and fulfilling career.

At PDB, 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.



**Leadership Development Programme**

- Leadership Learning Series/ Leadership Excellence**  
Designed for Leaders who are transitioning into managerial and senior management role
- Leader’s Speak/Leadership Forum**  
Internal/External Leaders inspire talent by sharing their leadership and business experience, lessons learnt and insights
- A Day with Leader**  
An informal platform for young leaders to engage and experience experiential learning with Leaders



A Day with Leader

# SOCIAL

## Training and Development Programmes for Employees

### Internship and Onboarding Programmes



#### Internship Programme

Designed for undergraduates to undertake internship for a duration stipulated by their respective academic institutions. The platform provides students with career development by enhancing their employability through real work experience that gives them the opportunity to explore their interests and develop professional skills and competencies. During the year under review, we have placed 132 students across PDB.

#### Onboarding Programme

Familiarisation programme to integrate new or recently transferred in employees into the organisation.

### Functional and Behavioural Programmes

Development opportunities provided to all employees to ensure they are competent and capable in performing their job functions.

#### PETRONAS Competency-based Assessment System

Structured skill assessment system for non-executive technical employees that covers elements of knowledge, skills & attitude.

#### HSE Competency and Training

Mandatory training for employees and contractors to carry out their duties safely.



### Accelerated Capability Development (ACD) Coaching

Personal coaching and knowledge sharing by discipline resource to prepare employees for their ACD assessment.

### Territory Managers Development Programme (TMDP)

Structured programme specifically designed for our Retail Territory Managers with the aim to enhance their capability through on-the-job coaching and panel assessment towards developing Competent, Credible & Customer Focused Territory Managers for PDB.

## Training and Development Programmes for Dealers and Other Partners

### Annual Dealers Convention

Along with providing business opportunities to our dealers, we keep them up-to-date on the market outlook and PDB's strategic direction through our annual dealers' conventions. We also provide insights on the latest market intelligence and local regulatory requirements through our capability development trainings.

### Dealers' Capability Programmes

Serving customers through our extensive network, our *Rakan Niaga* upholds the drive and values that keep PDB ahead of the game. The Dealers' Capability Programmes are specially catered to ensure that they consistently deliver quality customer experience at our stations. In 2019, 139 sessions comprising 15 types of programmes were held for dealers across the country.



Annual LPG Dealer Convention held in Kota Kinabalu, attended by nearly 200 Premier Dealers and Dealers nationwide

## Succession Management

We undertake a rigorous talent identification and review exercise to build our talent pipeline. Each talent identified is reviewed under a holistic approach to determine his or her strengths and areas of development to help chart their individual career plans and mapped against critical positions within PDB or across PETRONAS.

In ensuring uninterrupted operations, we regularly review our succession planning for senior management positions to ensure availability and readiness of suitable successors at all times. We also develop succession plans for critical positions and carry out annual reviews on the plans to ensure feasibility of their implementation.



### Employee Performance Management (EPM)

Our EPM emphasises the importance of continuous engagement in managing employees performance towards meeting the Company's objective of becoming a High Performing Organisation. The EPM framework focuses on Coaching, Review and Feedback to empower employees in managing their performance delivery in line with the Company's business objectives and targets. Performance results are based on differentiated performance standards that is linked to reward and consequence management as part of the strategy to motivate and sustain a High Performance Culture.

To assist employees with performance deficiencies and to provide opportunity to succeed, a structured process of Performance Improvement Plan is undertaken through continuous coaching by superiors for constructive review of their performance.

During the year under review, in supporting PDB's strategic framework that focuses on strengthening the core and looking into growth opportunities, PDB has undertaken an organisational realignment and refinement to enhance accountability in line with strategies developed which provided focus and clear accountability across PDB.

## SOCIAL

### Welfare and Benefits

We adopt PETRONAS' policies on employees' welfare and benefits which cover both tangible and non-tangible standardised benefits for our full-time employees. We provide medical benefits, life insurance, allowances, leaves and other general provisions.

#### PETRONITA



Orchid Run and Ride is an annual event organised by PETRONITA

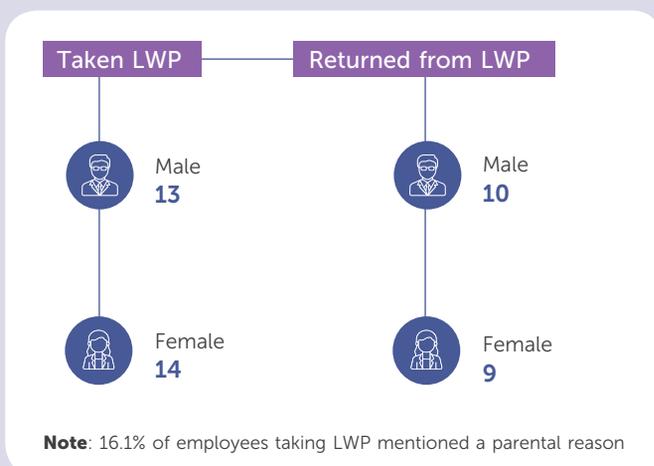
166 PDB staff subscribed to PETRONITA, an association for wives and female employees of PETRONAS, with the objective to unite and foster closer relationships among the employees' spouses and the female employees of PETRONAS.

### Leave without Pay

LWP facilitates employees in managing personal matters that are important and that require them to be away from work for an approved duration after exhausting the Company's other leave provisions.

### Maternity and Paternity Leave

The Company provides three months fully paid maternity leave and five days paternity leave.



## SOCIAL



### Pilgrimage Leave

In valuing diversity and inclusiveness, we support and respect employees wanting to fulfil their obligation to perform pilgrimage and religious rituals through enhancement of the pilgrimage leave provisions as below:

- Hajj-Umrah Leave - Allows permanent Muslim employees to take Hajj-Umrah leave for up to a maximum of 40 calendar days. This provision is granted once in the employee's service period with PETRONAS. Previously, we only provide Hajj leave to our employees.
- Pilgrimage Leave for Other Religions - Allows employees to take pilgrimage leave for up to a maximum of ten (10) consecutive calendar days.

In 2019, 38 employee took pilgrimage leave.



### Transition Programme for Retirees

We run a programme designed specifically for employees approaching retirement to help them manage their finances, health and time once they retire. It is offered to those employees within three to five years of retirement, allowing for sufficient time to plan and prepare for leaving employment. In 2019, 42 employee partook in the programme.



### Preventive Health Screening

We pay serious attention to our employees' health with the provision of preventive health screening to ensure their fitness to work. This provision has been enhanced and extended to all permanent employees upon reaching 30 years and above. Previously the screening was provided for employees reaching the age of 40 and above. 145 employee utilised the Preventive Health Screening in 2019.

## Flexible Work Options

We believe in assisting our employees to strike a good work-life balance and to facilitate this, the FWO have been put in place for all non-shift employees across the Group. The FWO comprises of:



#### Compressed Work Week:

Allowing employees to end their working hours at noon on the 5th day of the week upon completing 39 working hours for the week.



#### Flexible working hours:

Allowing employees to choose the time they start and end work while ensuring they complete a minimum eight hours per day and seven hours on Fridays (or Thursdays for those locations observing weekends on Friday and Saturday).

Leaving Earlier from Work (LEFW) for Pregnant Employees: Allowing female pregnant employees who are in their 28 week (7 months) onwards of pregnancy to leave work, one (1) hour earlier than the prescribed working hours. This provision is applicable to all female employees, permanent and Contract Direct Hire.

Working Arrangement for Employee with Dependent(s) affected by contagious diseases: Allowing employee to work from home up to five (5) working days per occasion in the event that their dependent(s) were affected by contagious disease i.e. Hand, Foot and Mouth Disease, Influenza A and etc. This provision is only applicable for all Malaysia-based employees with normal working hours and subject to superior's approval.

In addition, PDB has introduced a Flexible Working Arrangement since 2016 enabling employees to work from alternate locations other than the usual/standard place of work, with accessibility to appropriate communication technology. A total of 135 employees have benefited from Flexible Working Arrangement during the year.

## SOCIAL

### Employee Relations

PDB believes in building a strong employer-employee relationship based on mutual trust and respect. To increase employee engagement across the company, we organised various programmes and initiatives to foster an inclusive and equitable workplace culture.

01

#### ENGAGEMENT SESSIONS

##### **Townhall sessions and Leader's Meet**

A series of engagement sessions were carried out throughout the year and this includes key events like PDB Townhall as well as two Leader's Meet sessions. These engagements were primarily aimed at informing and updating employee on company strategies, plans and initiatives for the year as well as progress and performance updates. It also serves as a platform to reaffirm company culture and ensure alignment of employee across all levels.

02

#### EMPLOYEE APPRECIATION

##### **Long Service Award**

An annual event is held to recognise and appreciate employees' commitment, dedication and contribution to the company. In 2019, 59 employees received their 15, 20 and 25 years anniversary service awards with PETRONAS.

03

#### EMPLOYEE ACTIVITIES

##### **Majlis Tilawah Al-Quran (MTAQ)**

Majlis Tilawah Al-Quran (MTAQ) is an annual PETRONAS corporate event organised by Social Welfare and Islamic Welfare Bodies (BAKIP) that aims to inculcate the culture of learning, reading, memorising and appreciating Al-Quran as well as understanding and practicing the content of the Quran in the context of career and daily life among PETRONAS staff

With the theme "Memperkasakan Kompetensi Melalui Penghayatan Al-Quran", PDB organised its inaugural MTAQ on 31 July 2019 at PDB Training Center Shah Alam. The event was officiated by YBhg Dato' Sri Haji Syed Zainal Abidin Syed Mohamed Tahir, MD/CEO of PDB. There were 10 competing categories that include Hafazan Al-Quran, Taranum Al-Quran, Kuiz, Murattal, and Nasyid, with 38 participants consisting of employees and their family members, that made the event a successful one.

##### **Kelab Sukan dan Rekreasi PETRONAS**

PDB employees are given the opportunity to join the club to foster close camaraderie among members, and enhance physical fitness and mental well-being through the sports, recreational, social and cultural activities organised. In the year under review, about 802 PDB employees subscribed to Kelab Sukan dan Rekreasi PETRONAS.





**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**

Any inappropriate work-related behaviour or conduct such as harassment, bullying, bribery, corruption, conflict of interest and breach of terms that are not in accordance with an employee’s obligations as an employee of PETRONAS shall be treated as misconduct, due to non-compliance with Part IV - Discipline, Disciplinary Process and Sections of CoBE and may be liable for disciplinary action, subject to requirement of applicable laws.

We pay serious attention to such issues as it disrupts our working environment, and disturbs the physical, emotional and psychological well-being of our 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 the guidelines and processes in managing non-compliances and misconduct issues. We encourage employees and other stakeholders to report any observed infringement of our policies or expected standards of behaviour through our Whistleblowing channel. Key personnel have been trained to handle reports on potential misconduct cases. We have in place structured procedures to conduct investigation into any allegations and, if there has been any 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.

One of PETRONAS’ initiatives to maintain industrial harmony at the workplace is having a formal platform for employees to lodge official complaints on issues such as breach of the terms and conditions of their employment contract, as well as harassment and employment discrimination.

We have adopted the PETRONAS Grievance Management process, under which the grievances are managed according to outlined procedures with the aim of having both parties reach an amicable agreement. This approach goes a long way towards maintaining continuous good relations between PDB and our employees.

We continue to adopt PCB to strengthen the culture of personal accountability in delivering results. We believe that an invigorating Company culture will transform the organisation and deliver sustainable, safe, reliable and efficient performance. The focus is for everyone to embrace these beliefs in their work culture.

During the year, several programmes were implemented to ensure our people internalised PCB across the organisation. Power Up Sessions from all divisions in PDB are a feedback exercise to align everyone to the Company’s vision and mission. In addition, numerous inspirational stories were shared in the form of posters and videos. Other programmes include Focused Recognition awarded to unsung heroes during PDB Engagements sessions to recognise and motivate employees, as well as PDB LT Meetings and surprise visits from the MD/CEO and LTs.

To increase the participation of PCB throughout the organisation, we leveraged Downstream Business’ PCB Challenge and encouraged employees to take part in the challenge. 199 Focused Recognition cards were issued across Downstream Business employees and numerous feedback were exchanged throughout the challenge. In addition, quarterly profiling of leaders, providing them with appreciative and constructive feedback were done to ensure the leaders demonstrate the right PCB behaviour and create positive experience in the organisation.

**PETRONAS Cultural Beliefs**

**RESULTS MATTER**

I stretch my limits to deliver superior results



**OWN IT!**

I own the results and don’t blame others



**FOCUSED EXECUTION**

I plan, commit and deliver with discipline



**NURTURE TRUST**

I always keep my promise and build mutual trust



**TELL ME**

I seek, give and act positively on feedback



**SHARED SUCCESS**

I collaborate for the greater good of PETRONAS



## SOCIAL



### SOCIAL & RELATIONSHIP CAPITAL

#### Human Rights

Respecting human rights is entrenched in our DNA in PDB as we recognise that it is our duty to care for the people across our business and value chain. We acknowledge our responsibility to ensure that the rights of people impacted by our operations are not compromised, and to avoid complicity in potential human rights violations in our relationships with dealers, contractors, suppliers and the community.

The PETRONAS' Human Rights commitment, which is in line with the UN's Guiding Principles on Business and Human Rights, helps guide us in our actions.

The Commitment is applicable to all employees of PETRONAS Group of Companies, contractors, subcontractors and any third parties within PETRONAS premises or performing work and/or business for or on behalf of PETRONAS, in line with PETRONAS Contractors Code Of Conduct On Human Rights (CoCHR), which has been incorporated into the General Terms and Conditions of all new contracts.

The focus areas under the CoCHR, which vendors are required to comply, are: freedom of labour; prevention of child labour; wages and benefits; working hours; non-discrimination; freedom of association; humane treatment; and foreign and migrant workers. The vendors are also required to cascade PETRONAS' requirements to subcontractors in applicable language(s).

#### Social Risk Assessment

During the year, we continued with our Social Risk Assessment to understand more about the labour and salient human rights issues. We verified compliance on Human Rights elements such as working Krew PETRONAS nationality, minimum wages, and working age. We also undertook action on gaps identified by establishing a platform to monitor valid working permits of our Krew PETRONAS. During the year, we have trained our Krew PETRONAS to ensure they perform their job in a safe manner through PETRONAS Retail HSE Passport programme.

#### Anti-Discrimination

PDB stands strongly against any form of discrimination at the workplace, whether by gender, race, religion, age, nationality or disability as highlighted in PETRONAS' CoBE. To demonstrate our commitment to anti-discrimination, equal pay is accorded to men and women for the same role and position.



Engagement with KAPENAS members



For more information on diversity and profile of our workforce, please refer to Workforce Profile on page 172 of this <IR>.

In addition, PDB is also guided by PETRONAS' Policy on HIV/AIDS in respecting human rights, dignity and the privacy of persons living with HIV/AIDS. The Policy underpins our commitment to ensure that no individual is unfairly discriminated against or stigmatised on account of his or her HIV status.

Any inappropriate work-related behaviour or conduct such as harassment, bullying, conflict of interest and breach of terms that are not in accordance with an employee's obligations as an employee of PETRONAS shall be treated as misconduct, due to non-compliance with Part IV – Discipline, Disciplinary Process and Sections of the PETRONAS CoBE and may be liable for disciplinary action, subject to the requirements of applicable laws.

We pay serious attention to such issues as they disrupt our working environment, and upset the physical, emotional and psychological well-being of our 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.

## SOCIAL

We encourage employees and other stakeholders to report any observed infringement of our policies or expected standards of behaviour through our Whistleblowing channel. Key personnel have been trained to handle reports on potential misconduct cases. We have in place structured procedures to conduct investigation into any allegation and, if there has been any non-compliance of our regulations, take the necessary follow-up actions.

One of PETRONAS' initiatives to maintain industrial harmony at the workplace is by having a formal platform for employees to lodge official complaints on issues such as breach of the terms and conditions of their employment contract, as well as harassment and employment discrimination. We have adopted the PETRONAS Grievance Management process, under which grievances are managed according to outlined procedures with the aim of having both parties reach amicable agreement. This approach goes a long way towards maintaining continuous good relations between PDB and our employees.

### Minimum Wage

PETRONAS/PDB complies with the minimum wage requirement as stipulated by the National Wages Consultative Council. We continuously make efforts in reviewing the salary structure while ensuring the requirement of minimum wages by the Government is met. Apart from that, the salary structure for 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 take a positive stand to ensure our employees' rights are not infringed through overwork as it is counterproductive and unsafe. At PDB, non-shift personnel are encouraged not to put in more than 39-hours a week and are entitled to two-days rest at the end of the week, while personnel who work shifts have a cap of 42 working hours.

Legally, we are bound by the Employment Act 1955, including the Employment (Limitation of Overtime Work) Regulations 1980 that stipulate a limit of overtime of not more than 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 at work. 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 Human Resource Management for proper risk assessment of the jobs.

During the year, PDB piloted fatigue management tracking system at our Melaka and Kerteh terminals to help us manage fatigue issue during operations. We also conducted a workshop on fatigue management for high volume aviation terminals to

determine issues with the manning and to come up with improvements to the current schedule so as to comply with fatigue management requirements.

### Forced and Child Labour

As a socially responsible organisation, we do not condone any act of forced and child labour, while we are also governed by the prevailing labour legislation against forced and child labour. The Company adheres to the Employment Act 1955, Sarawak Labour Ordinance (ACT A1237) and Sabah Labour Ordinance (CAP 67) which states that employment shall be based on contract of service. Hence at PDB, all employment offers are based on "Offer and Acceptance" whereby individuals enter into contract of service on their own free will, and we expect our contractors and dealers to comply to this standard as well, based on our requirements in the CoCHR.

We also fully comply with the Children and Young Persons (Employment) Act 1966 in our business operations. We abide strictly to PETRONAS' Talent Sourcing Policy and Procedure that clearly stipulates guidelines and criteria in hiring individuals by not employing children below the legal minimum working age. PDB employees and contract personnel must be at least 18 years of age.

### Freedom of Association and Collective Bargaining

PDB respects the rights of its employees to freedom of association, consistent with Article 10 of the Constitution of Malaysia, and encourages employees to participate in voluntary public service, associations and other community activities outside of working hours. At the same time, employees are expected to adhere to CoBE Part II G on Conduct Contrary to Duty, i.e. to fulfil their obligation to serve diligently while involved in such activities or associations.

We support the rights of our employees to collective bargaining. 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 who are entrusted to uphold the well-being of employees.

PDB maintains an open and constructive relationship with KAPENAS through regular engagement for the benefit of the Company and the 488 employees who are union members. During the year under review, three (3) 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.

## SOCIAL

### CORPORATE SOCIAL RESPONSIBILITY

PDB continues to invest in corporate social responsibility programmes as part of its commitment to give back to the people and communities residing in areas where we operate in, which have fuelled our growth. Our approach is guided by the Group’s philosophy of empowering members of these communities through educational and social development programmes, as well as environmental protection.

PDB’s employees are highly encouraged to participate in these programmes which provide the opportunity to create positive

impact on the local communities and environment, which also enhances their personal and professional development. To encourage volunteerism, and demonstrate the extent to which PDB values our communities, employees’ participation and contributions are recognised by the Company.

During the year under review, about 160 employees took part in various programmes.

#### PETRONAS Coffee Break Campaign

As a company which fuels our customers’ every day journey, road safety naturally becomes PDB’s highest priority. With transport accidents continuing to be one of the top five causes of death in Malaysia, the Campaign directly supports the Government’s effort in reducing road accidents by reminding drivers to take regular breaks and drive safely to their destinations to celebrate the festivities with their loved ones.

PDB’s Coffee Break Campaign has served over 1 million cups of complimentary coffee and snacks to its customers during major festive seasons including Chinese New Year, Hari Raya, Kaamatan and Gawai Festivals, where the roads typically record higher traffic.

For the year under review, PDB brought the Campaign one step higher by introducing the National Safest Driver Challenge carried out in collaboration with PLUS Highway, Touch ‘n’ Go and Katsana, a company that manages the Global Positioning System (GPS) tracking and fleet management system.

The Challenge is conducted via DriveMark, a safety mobile application which keeps track of driving behaviour and rewards safe driving actions with positive scores and vice-versa. The Challenge rewarded two grand prize winners with 100,000 Mesra points (equivalent to RM1,000), RM1,000 Touch ‘n’ Go credit, 10,000 PLUSmiles points and RM10,000 DriveMark Personal Accident Coverage for 12 months. 50 special prize winners also received 5,000 Mesra points, RM50 Touch ‘n’ Go credit and RM10,000 DriveMark Personal Accident Coverage for 3 months.



The Campaign also partnered with Yamaha for the first time in 2019 to carry out safety checks for all brands of motorcycles.

<b>Objective</b>	Promote road safety awareness and remind motorists to take a break, refresh and rejuvenate with coffee and snacks, before continuing on their journey.
<b>Mechanism</b>	Hand out complimentary coffee and snacks to customers at participating PETRONAS stations located along major highways and trunk roads. Besides refreshments, the campaign also offered road safety talks, complimentary vehicle inspections and health checks.
<b>Impact</b>	Over 1.5 million motorists have benefitted from the Campaign at more than 150 PETRONAS stations nationwide.
<b>Inception Year</b>	1998
<b>Partners</b>	Road Safety Department, St. John Ambulance Malaysia, Hong Leong Yamaha Motor Sdn Bhd, Nestle’ Products Sdn Bhd, Delfi Marketing Sdn Bhd, Julie’s Marketing Sdn Bhd, Mondelez Malaysia Sales Sdn Bhd, Munchworld Marketing Sdn Bhd, Suntory Beverage & Food Malaysia Sdn Bhd, Shopee Mobile Malaysia Sdn Bhd and Dunkin Donuts.

**SOCIAL**

**PETRONAS StreetSmart**

To change unsafe driving behaviours calls for a change of mindset, one that prioritises safety first. The PETRONAS StreetSmart programme is PDB's grass-root programme aimed at embedding a safety-first mindset amongst the young ones and to mould these future drivers to be responsible when on the road.

Introduced in 2013, the half-day programme is carried out in collaboration with PETRONAS' Science Discovery Centre (PETROSAINS) and Road Safety Department (JKJR), offering dedicated modules involving theoretical and practical approaches to grasp the importance of staying alert and safe on the road. JKJR further reinforces the message through sharing of real-life incidents as well as providing road safety tips. Interesting modules related to Science, Technology, Engineering and Mathematics (STEM) are also crafted to engage students in a fun yet informative approach to better understand topics related to road safety. Since inception, the programme has positively impacted a total of over 5000 students and garnered support from close to 500 volunteers.



Objective	Promote road safety awareness at grass-root levels to primary and secondary school students focusing on tips to stay vigilant and safe on the road.
Mechanism	Half-day programme carried out at schools nationwide that includes road safety briefing, hands on practical on safety concepts and basic first aid skills.
Impact	Reached 600 students from six schools.
Inception Year	2013
Partners	PETRONAS Science Discovery Centre, Road Safety Department and St. John Ambulance Malaysia.

**Water for Life**

Water is the essence of life. As the country experiences rapid urbanisation, there remains certain rural areas that are without constant supply of clean water. The programme which started in 2013, has since impacted a total of close to 9000 people and garnered support from about 900 volunteers.

Through the Water For Life programme, PDB in partnership with Malaysian Nature Society, identifies these areas and assists the residents by providing a sustainable supply of clean water. The works typically involve installation of water tanks complete with piping, filtration systems and water pumps. Awareness programmes are also carried out to educate the residents on water conservation and health risks associated with unclean water consumption.

Objective	Supply clean water to rural areas that are affected by unclean water resources or water disruption.
Mechanism	Development of necessary infrastructure to enable clean water supply for the communities, which includes installation of piping, filtration system, expanding dams and water tanks.
Impact	Benefitted over 800 residents in two villages and improved the overall hygiene of the area.
Inception Year	2013
Partner	Malaysian Nature Society

## SOCIAL

### Ramadan Community Service

As a yearly tradition, PDB carries out various community service projects during the month of Ramadan leading up to the Hari Raya Aidil Fitri celebrations. This year, PDB continues to provide PETRONAS liquefied petroleum gas (LPG) cylinders to local mosques to prepare Bubur Lambuk – a favourite delicacy for the breaking of fast, expanding the number of recipients to 16 mosques nationwide. The contribution was in line with each mosque’s respective needs to prepare food for the community in celebration of the holy month. Each mosque per state received 15 units of cylinder gas, while Masjid Jamek Kampung Baru in Kuala Lumpur which caters for a larger community, received 100 units.

PDB also hosted a special iftar at Masjid Ubudiah for the community of Kampung Sungai Raya, Batu 9, Cheras, with 30 less privileged children from Rumah Bakti Al Kausar in attendance. This was followed by the presentation of 15 cooking gas cylinders and aprons to the mosque representative as well as duit raya and baju raya to the children.

### Professional Training and Education for Growing Entrepreneurs (PROTÉGÉ)

The Professional Training and Education for Growing Entrepreneurs (PROTÉGÉ) programme was launched in 2019 to replace the Skim Latihan 1 Malaysia (SL1M). Alongside it, PETRONAS’ Graduate Employability Enhancement Scheme (GEES) programme was established to collaborate with PROTÉGÉ to improve the quality and employment opportunities of Malaysian youth by providing an experiential learning experience. The PROTÉGÉ-GEES programme aims to equip them with a diverse set of personal attributes in facilitating the graduates’ transition to work in business/corporate environment. There have been 20 trainees placed in PDB to undergo the classroom training starting from 3 November 2019 until 14 December 2019, and they will then be assigned to various divisions within PDB as part of their on-job-training from January to June 2020.



### Small Change Goes the Distance Campaign

PDB also organised the Small Change Goes the Distance Campaign in the days leading up to the month of Syawal from 28 May to 28 June 2019. During this period, PDB donated 1 sen for every RM1 purchase made by customers at PETRONAS station’s *Kedai Mesra* nationwide.

In total, PDB contributed more than RM90,000 to the paediatric wards of six chosen hospitals including Hospital Ampang KL, Hospital Raja Perempuan Zainab II Kelantan, Hospital Pulau Pinang, Hospital Besar Melaka, Hospital Sibul, Sarawak and Hospital Wanita & Kanak-Kanak, Kota Kinabalu, Sabah. Each hospital, with Hospital Ampang being the first recipient, received RM15,000 along with goodie bags for the children warded there as well as a refurbished ‘Play and Learn’ corner.

Books collected from good Samaritans at designated PETRONAS stations during the Campaign were also distributed to the wards.

Objective	To give back to the less privileged community.
Mechanism	Raised funds and book collection through nationwide donation drive. Selected hospitals also received a makeover of the ‘Play and Learn’ corner.
Impact	Benefitted 30 less privileged children and aided local mosques in continuing the yearly Bubur Lambuk cooking tradition, which are distributed to the local community.
Inception Year	2019
Partner	Nestle Malaysia and Cycle & Carriage Malaysia

**SOCIAL**

**Commercial Division and 5 commercial customers collaborated for Chinese New Year Celebrations with Old Folk Homes in Southern Region**

Objective	Reaching out to the underprivileged and also to give back to the society.
Mechanism	Lion dance troupe, "yee sang" & handing out of "ang pow" by the customers.
Impact	Positive brand presence and contributing back to the community.
Partner	PDB organised the event & supported by 5 direct customers.



**Programme Kembali ke Sekolah Anak-Anak Nelayan in Sandakan (Sabah), Kuantan (Pahang), Lawas (Sarawak), and Permatang Pasir (Penang)**

Objective	Create awareness and brand presence at surrounding area ie. school and part of community engagement activities.
Mechanism	Sponsorship of back to school items to the underprivileged kids.
Impact	Enriching lives of Anak-Anak Nelayan.
Partner	PDB, LKIM and NEKMAT (Items sponsored by PDB while NEKMAT arranged the event)

**Rakan Niaga in Central Region had worked together to contribute for a Kembali Ke Sekolah Freemarket @ PETRONAS Bandar Manjalara**

Objective	Create awareness and brand presence at surrounding area ie. school and part of community engagement activities.
Mechanism	A group of 50 students identified from B40 families from Sekolah Rendah Agama Imam AL Ghazali were gifted with school bags and a new haircut. Collaboration with multiple vendors who provided free skills (haircut), school supplies, clothes and food items given away during the event.
Impact	Positive brand presence and contributing back to the community with station dealers. The spirit of giving and sharing of wealth within the community was further enhanced.
Partner	Rakan Niaga in Central Region.



## SOCIAL



### SEAMLESS & FRICTIONLESS CUSTOMER EXPERIENCE

#### SUPERIOR CUSTOMER EXPERIENCE

We are obsessed about Customer Centricity in PDB. We are relentless in having a customer-first mindset to **create a seamless and frictionless customer experience** and offering our customers the best experience possible at our stations. We have a set of initiatives to provide the best experience to win the confidence of our customers and gain their trust in our brand. Our commitment to our customers is manifested through a four-prong strategy: providing the best safety and health for our customers; protecting our customers’ data; providing the best station experience with customised offering and omni-channel communications; and having the highest standard of healthy and safe food offerings at our convenience stations.

#### CUSTOMERS’ SAFETY AND HEALTH

In treating customers right, we apply strict policies and procedures as we believe that our customers deserve safe, high quality products and services.

#### Product Offerings

We also continuously upgrade our *Kedai Mesra* and expand its offerings to ensure that our customers are never short of options. In 2019, we were focused on increasing our F&B offerings to transform *Kedai Mesra* into the place for on-the-go F&B solutions. We source our products from reliable local vendors to popular brands. We also offer our own branded buns, **Mesra Bites**, which contain zero trans fats to cater for customers who are health-conscious. In expanding our offerings, we ensure that **quality** and **food safety** are never compromised and we have a stringent process in place to ensure that our appointed vendors adhere to these criteria.

#### Safety Programmes



#### Retail Business

**Go-to-Safety-Point Programme** in which the public can go to petrol stations to seek help during emergencies. It is an on-going initiative organised in collaboration with the police and local authorities to ensure that our customers feel safe and secure at our facilities.

**Safety signages at PETRONAS stations** recommending behaviour that must be adhered to before, during and after refueling.



Customer with our Mornings@Mesra product



#### Commercial Business

**Risk assessment** at customers’ sites covering safety and health aspects.

**Product safe handling training** to ensure customers have adequate knowledge on safe handling of petroleum products.

**Engagement Sessions** with Dealers to keep them abreast on industry best practices.

**Organising engagement** between dealers/customers with Authorities for better regulatory understanding concerning industry requirements.



Off-Loading, HSE Awareness Training & Visit Felda Investment Company (FIC) Sabah

**SOCIAL**



**LPG Business**

**Rigorous cylinder inspection** at terminals before reaching our customers to ensure product safety and reliability.

**Complimentary LPG cylinder safety-checks** during delivery of gas cylinders via the Gas PETRONAS Home Delivery hotline and Gas2U app.

**Cylinder maintenance** to ensure the quality of our cylinders meet the set standards.

**Gas Safety Programmes** conducted for local communities in collaboration with local authorities to raise safety awareness on LPG cylinders.

**Product and safety knowledge** by Dealers on proper usage and handling of cylinders through safety talks and inspections.



*Gas Safety Programme session with local communities to raise safety awareness on LPG cylinders*

**Customers' Data Privacy**

We continually assess and maintain strong governance practices in order to gain greater trust and loyalty from our customers. During the year, we have conducted cyber security assessments on PDB payment channels and other digital assets as defined in PETRONAS Information Security Standards & Guideline (PISG). Moving forward, PETRONAS Cyber Security Frameworks and Standards will provide the assurance that the existing infrastructure and applications are configured and operated in a secure manner to protect personal information for every transactional activity from emerging risks.

At operational level, we will continuously enhance our risk controls and implement specific activities to secure personal information including:

- Strict control over customers' information in our database with regular updates on latest security fixes; and
- Data breach preparedness process from investigation to resolution in the event that customers' privacy is compromised via Cyber Defence Security Incident Management.

Among others, we adopt best practices on all data management by adhering to protocols and guidelines provisioned under Personal Data Protection Act 2010, and the Bank Negara Secrecy Provisions Act 2013.

**Customer Support and Engagement**

We value all our customers and build our relationships as we continuously strive to ensure that the voice of the customer is analysed, by extending customers' feedback to relevant units within the company, and finally reflected in the development of our products and services.

The constant interactions with our customers have resulted in some of the following initiatives:

- Customised targeted campaigns that were derived from paying heed to customers' feedback i.e. Mesra Bonanza, Mornings@Mesra; and

- Omni-channel communications to enable customers who use our digital payment modes:

- **Setel®**, Malaysia's first mobile application that creates seamless on-the-go refuel and retail experience for PETRONAS customers.

We believe that every feedback counts as we provide other channels including emails, web chats and social media i.e. Facebook, Instagram and Twitter, hence appealing to our customers of multiple demographics. We also continuously look at new methods to serve our various segments of customers as modes of communication evolve globally. During the year, we worked on improving and upskilling the capabilities of our support team at our contact centre to address customers' experience which is also measured through close monitoring of net promoter scores which inspire us to enhance our business offerings.



*Setel®, Malaysia's first mobile application that creates seamless on-the-go refuel and retail experience for PETRONAS customers.*

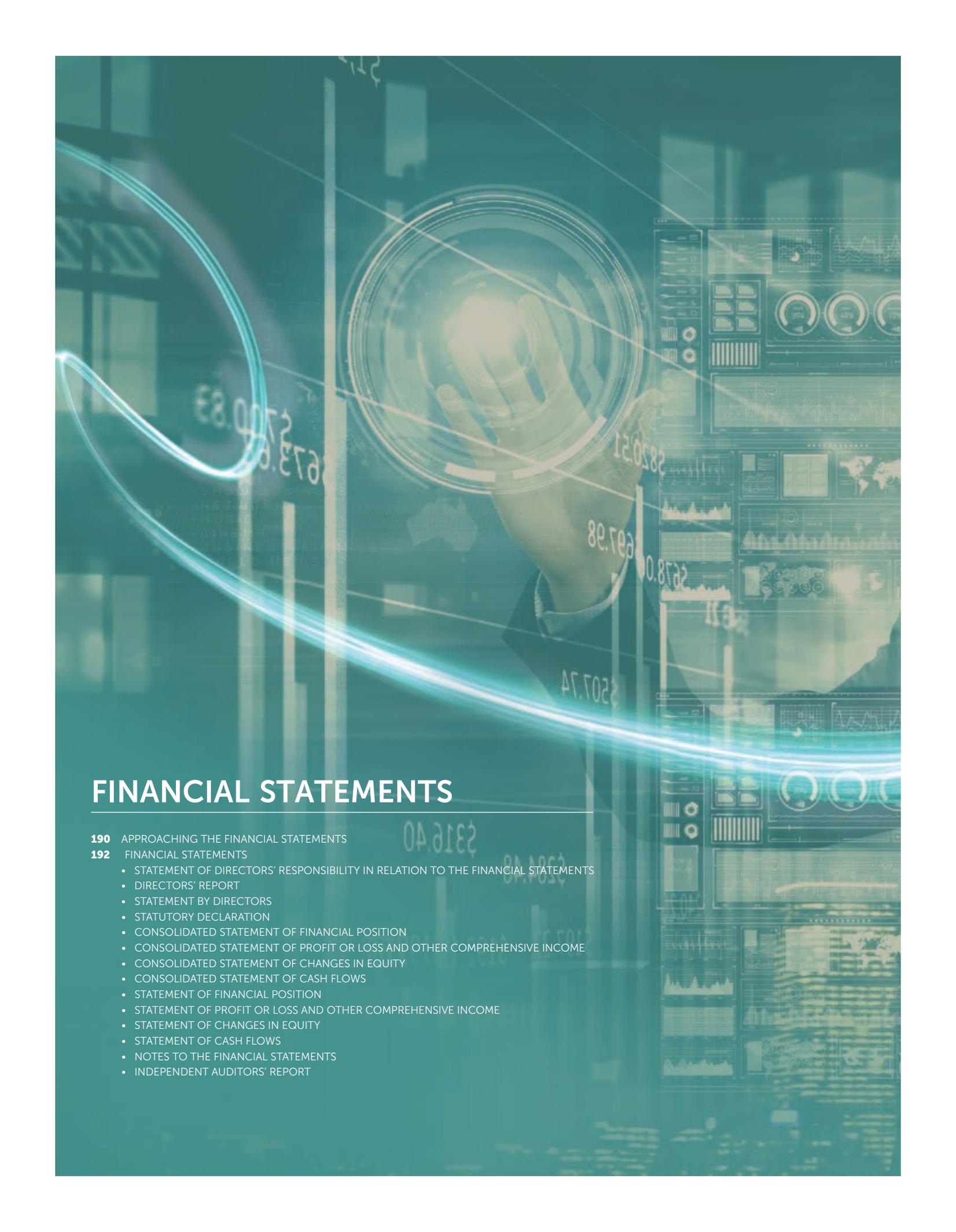
## SUSTAINABILITY PERFORMANCE AT A GLANCE

Material Matters	Indicators	Unit	2016	2017	2018	2019
 Environment and Climate Change	Greenhouse Gas Emissions	'000 MT CO <sub>2</sub> e	72	71	73.7	183.2**
	Total Energy generated from Solar Photovoltaic Installations	MWh	76	73	67	103.9***
	Spill to Environment above 1 barrel (159 litre)	Number	3	2	2	2
	Hazardous waste disposed	'000 MT	7	0.12	0.28	0.28
 Safety and Health	Fatalities <ul style="list-style-type: none"> <li>• Employees</li> <li>• Contractors</li> </ul>	Number	0 2	0 1	0 1	0 0
	Fatality Accident Rate <ul style="list-style-type: none"> <li>• Employees</li> <li>• Contractors</li> </ul>	Recordable fatalities per 100 million man-hours	0 65.69	0 24.86	0 21.73	0 0
	Lost Time Injury Frequency <ul style="list-style-type: none"> <li>• Employees</li> <li>• Contractors</li> </ul>	No. of LTI per one million man-hours	0.49 2.95	0 0.57	0.69 0.43	0 0
	Total Reportable Case Frequency <ul style="list-style-type: none"> <li>• Employees</li> <li>• Contractors</li> </ul>	No. of Total Reportable Case per one million man-hours	0.73 3.61	0.35 1.3	0.69 0	0.98 0
 Human Capital	Total employees*	Number	1,565	1,498	1,380	1,354
	Female Employee Composition <ul style="list-style-type: none"> <li>• Total Workforce</li> <li>• Leadership Team</li> <li>• Board Composition</li> </ul>	%	32 30 25	32 25 25	31 27 25	32 27 33
	Contract Workforce	%	6	6	6	11
	Employee Turnover	%	12	8	6	6
	Manpower Investment* (salaries and benefits excluding training)	RM Million	223	193	237	264
	Training Investment*	RM Million	4.7	4.4	5.3	5.3
	Average Training Man-days per employee*	Days	2	2.26	2.7	2.14
	Talent Ratio per Critical Positions*	Ratio	2.8:1	2.2:1	2.5:1	2.8:1
 Human Rights	Employees under Collective Bargaining Agreements	Number	594	590	490	488
 Corporate Social Responsibility	Water for Life Output	No. of receivers reached	2,000	1,350	900	800
	StreetSmart Output	No. of receivers reached	900	1,120	1,227	600
	Coffee Break Output	No. of receivers reached	974,000	1,625,000	1,700,000	1,520,000
	PROTEGE (Previously Skim Latihan 1Malaysia)	No. of receivers reached	13	14	15	20

\* Numbers include PDB Company only

\*\* The increase in 2019 was primarily attributed by the inclusion of energy consumption at our retail operations.

\*\*\* The increase in 2019 was attributed by the inclusion of solar panels in 5 new stations.

A hand holding a glowing orb surrounded by financial data and charts. The background is a teal-tinted image featuring a hand holding a glowing orb, with various financial charts, graphs, and data points overlaid. The overall aesthetic is futuristic and data-driven.

# FINANCIAL STATEMENTS

**190** APPROACHING THE FINANCIAL STATEMENTS

**192** 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 2019

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 terminologies 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.



*“Financial performance measured by recording the flow of resources over a period of time”*

*“A snapshot, taken at a point in time, of all the assets the company owns and all the claims against those assets”*

*“A report on sources and uses of cash”*

The objective of this statement is to present all income and expenses (transactions with non-owners) in a performance statement.

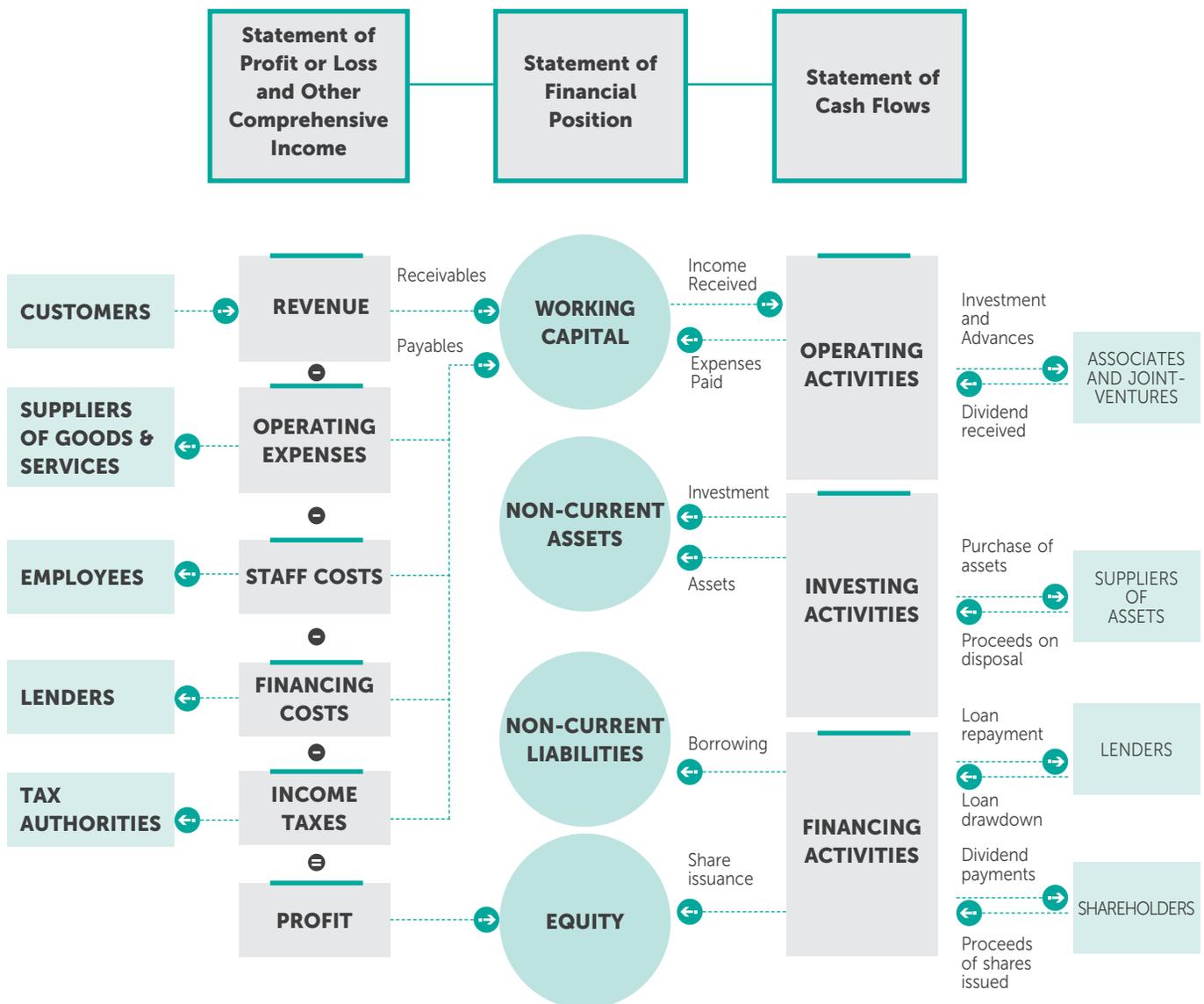
This statement sums up the Group’s economic resources (non-current assets and working capital) and owners’ equity at a particular point of time, in this case, our year end at 31 December 2019. It also shows how the economic resources contributed by lenders and shareholders are used in the business.

This statement divides the cash flows into operating, investing and financing activities. While the operating profit reflects the operating cash flows, certain non-cash charges or credits, such as depreciation, amortisation, impairment losses and write-back, 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.

## APPROACHING THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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 200 to 279, are properly drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2019 and of the results of its 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 have been made;
- all Malaysian Financial Reporting Standards and the Companies Act, 2016 in Malaysia have been followed; and
- prepared on a going concern basis.

The Directors are responsible for ensuring that the accounting and other records and registers required by the Companies Act, 2016 in Malaysia 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 2019

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 2019.

### PRINCIPAL ACTIVITIES

The principal activity of the Company in the course of the financial year remained unchanged as domestic marketing of petroleum products.

The principal activities of the subsidiaries, associates and joint ventures are stated in Note 32, Note 33 and Note 34 to the financial statements respectively. There has been no significant change in the nature of these activities during the financial year.

### ULTIMATE HOLDING COMPANY

The holding and ultimate holding company is Petroliam Nasional Berhad ("PETRONAS"), a company incorporated in Malaysia.

### SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 32 to the financial statements.

### RESULTS

	<b>Group RM'000</b>	<b>Company RM'000</b>
Profit for the year	837,635	812,715
Attributable to:		
Shareholders of the Company	829,535	812,715
Non-controlling interests	8,100	–
	837,635	812,715

### 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 2018 as reported in the Directors' Report of that year:
  - i. An interim dividend of 25.0 sen per ordinary share amounting to RM248,363,500 declared on 26 February 2019 and paid on 28 March 2019;

## DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

### DIVIDENDS (CONTINUED)

- b) In respect of the financial year ended 31 December 2019:
- i. An interim dividend of 15.0 sen per ordinary share amounting to RM149,018,100 declared on 28 May 2019 and paid on 27 June 2019;
  - ii. An interim dividend of 14.0 sen per ordinary share amounting to RM139,083,560 declared on 23 August 2019 and paid on 20 September 2019; and
  - iii. An interim dividend of 16.0 sen per ordinary share amounting to RM158,952,640 declared on 22 November 2019 and paid on 20 December 2019.

The Directors had on 25 February 2020 declared an interim dividend of 25.0 sen per ordinary share amounting to RM248,363,500 in respect of the financial year ended 31 December 2019.

In addition, the Directors declared a special dividend of 15.0 sen per ordinary share amounting to RM149,018,100 in respect of the financial year ended 31 December 2019.

The financial statements for the current financial year do not reflect these declared interim and special dividends. The dividends will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2020.

Further details on dividends are disclosed in Note 24.

### 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 Md Arif bin Mahmood  
Azrul bin Osman Rani (appointed on 1 January 2020)  
Vimala a/p V.R. Menon  
Lim Beng Choon  
Datuk Anuar bin Ahmad  
Nuraini binti Ismail  
Dato' Sri Syed Zainal Abidin bin Syed Mohamed Tahir  
Shafie bin Shamsuddin  
Alvin Michael Hew Thai Kheam  
Nirmala a/p Doraisamy (appointed on 15 October 2019)

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.

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' REPORT****FOR THE YEAR ENDED 31 DECEMBER 2019****DIRECTORS' INTERESTS**

The Directors in office at the end of the year who have interests and deemed interests (including the interests of the spouses and/or children of the Directors who themselves are not Directors of the Company) in the shares of the Company and of its related corporations other than wholly-owned subsidiaries as recorded in the Register of Directors' Shareholdings are as follows:

Name	Number of ordinary shares in PETRONAS Chemicals Group Berhad			Balance at 31.12.2019
	Balance at 1.1.2019	Bought	Sold	
Datuk Md Arif bin Mahmood	20,000	–	–	20,000
Vimala a/p V.R. Menon	20,000	–	–	20,000
Nuraini binti Ismail	10,000	–	–	10,000

Name	Number of ordinary shares in PETRONAS Gas Berhad			Balance at 31.12.2019
	Balance at 1.1.2019	Bought	Sold	
Nuraini binti Ismail	5,000	–	–	5,000

None of the other Directors holding office at 31 December 2019 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 or 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 25 to the financial statements or the fixed salary of a full time employee of the Company or of the 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 objective 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 2019

### INDEMNITY AND INSURANCE COSTS

During the financial year, PETRONAS and its subsidiaries (hereinafter referred to as "PETRONAS Group"), including the Company, maintained a Directors' and Officers' Liability Insurance in accordance with Section 289 of the Companies Act, 2016. The total insured limit for the Directors and Officers Liability Insurance effected for the Directors and Officers of the PETRONAS Group was RM1,290 million (2018: RM1,290 million) per occurrence and in the aggregate. The insurance premium for the Company is RM108,300 (2018: RM102,823).

### OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- (i) necessary actions had been taken in relation to the writing off of bad debts and the provisioning of doubtful debt and satisfied themselves that all known bad debts have been written off and adequate provision made for doubtful debts, and
- (ii) 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 contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No 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.

**DIRECTORS' REPORT****FOR THE YEAR ENDED 31 DECEMBER 2019****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 2019 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, the amount of:

- (i) 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 25 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 EVENT**

On 9 January 2019, Setel Ventures Sdn. Bhd. ("SETEL"), a wholly owned subsidiary, was incorporated in Malaysia with an issued share capital of 5,000 ordinary shares of RM1,000 per ordinary share at a total cash consideration of RM5,000,000.

**AUDITORS**

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 20 to the financial statements.

Signed on behalf of the Board of Directors  
in accordance with a resolution of the Directors:

**DATUK MD ARIF BIN MAHMOOD**  
Director

**AZRUL BIN OSMAN RANI**  
Director

Kuala Lumpur,  
Date: 25 February 2020

## STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 200 to 279 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 2019 and of their financial performance and cash flows for the year then ended on that date.

Signed on behalf of the Board of Directors  
in accordance with a resolution of the Directors:

**DATUK MD ARIF BIN MAHMOOD**

Director

**AZRUL BIN OSMAN RANI**

Director

Kuala Lumpur,  
Date: 25 February 2020

## STATUTORY DECLARATION

I, **NORLIWATI BINTI ABDUL WAHAB**, 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 200 to 279 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  
**NORLIWATI BINTI ABDUL WAHAB**,  
I/C No 751108-14-5496, at Kuala Lumpur in  
Wilayah Persekutuan on 25 February 2020.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## AS AT 31 DECEMBER 2019

	Note	2019 RM'000	2018 RM'000
<b>ASSETS</b>			
Property, plant and equipment	3	<b>4,134,901</b>	3,335,561
Prepaid lease payments	4	–	492,256
Investments in associates	6	<b>1,456</b>	1,555
Investments in joint ventures	7	<b>21,561</b>	17,135
<b>TOTAL NON-CURRENT ASSETS</b>		<b>4,157,918</b>	3,846,507
Inventories	8	<b>796,819</b>	825,818
Trade and other receivables	9	<b>1,565,011</b>	2,260,569
Fund investment	10	<b>51,004</b>	50,000
Cash and cash equivalents	11	<b>3,425,500</b>	2,187,891
<b>TOTAL CURRENT ASSETS</b>		<b>5,838,334</b>	5,324,278
<b>TOTAL ASSETS</b>		<b>9,996,252</b>	9,170,785
<b>EQUITY</b>			
Share capital	12	<b>993,454</b>	993,454
Reserves	13	<b>4,982,490</b>	4,903,651
<b>Total equity attributable to shareholders of the Company</b>		<b>5,975,944</b>	5,897,105
Non-controlling interests	14	<b>35,451</b>	40,135
<b>TOTAL EQUITY</b>		<b>6,011,395</b>	5,937,240
<b>LIABILITIES</b>			
Borrowings	15	<b>168,653</b>	29,924
Deferred tax liabilities	16	<b>100,318</b>	124,518
Other long term liabilities and provisions	17	<b>28,473</b>	29,268
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>297,444</b>	183,710
Trade and other payables	18	<b>3,440,211</b>	2,972,400
Borrowings	15	<b>165,502</b>	25,036
Taxation		<b>81,700</b>	52,399
<b>TOTAL CURRENT LIABILITIES</b>		<b>3,687,413</b>	3,049,835
<b>TOTAL LIABILITIES</b>		<b>3,984,857</b>	3,233,545
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>9,996,252</b>	9,170,785

The notes set out on pages 211 to 279 are an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 RM'000	2018 RM'000 (restated)
Revenue	19	<b>30,293,571</b>	30,068,753
Cost of revenue		<b>(27,079,646)</b>	(27,217,943)
<b>Gross profit</b>		<b>3,213,925</b>	2,850,810
Selling and distribution expenses		<b>(1,330,145)</b>	(1,013,826)
Administration expenses		<b>(1,176,512)</b>	(1,083,816)
Other income		<b>439,527</b>	424,901
<b>Operating profit</b>	20	<b>1,146,795</b>	1,178,069
Financing costs	21	<b>(21,812)</b>	(4,547)
Share of profit after tax of equity accounted associates and joint ventures		<b>3,889</b>	3,504
<b>Profit before taxation</b>		<b>1,128,872</b>	1,177,026
Tax expense	22	<b>(291,237)</b>	(315,567)
<b>Profit for the year</b>		<b>837,635</b>	861,459
<b>Other comprehensive expense</b>			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising from translation of financial statements of foreign operations		<b>(731)</b>	(18,467)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>836,904</b>	842,992
<b>Profit attributable to:</b>			
Shareholders of the Company		<b>829,535</b>	849,849
Non-controlling interests		<b>8,100</b>	11,610
<b>PROFIT FOR THE YEAR</b>		<b>837,635</b>	861,459
<b>Total comprehensive income attributable to:</b>			
Shareholders of the Company		<b>828,804</b>	831,382
Non-controlling interests		<b>8,100</b>	11,610
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>836,904</b>	842,992
Basic earnings per ordinary share	23	<b>83.5 sen</b>	85.5 sen

The notes set out on pages 211 to 279 are an integral part of these financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	← Attributable to shareholders of the Company →						Total equity RM'000
		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	
<b>At 1 January 2018</b>		993,454	263	(18,732)	5,024,585	5,999,570	39,025	6,038,595
Exchange difference arising from translation of financial statements of foreign operations		–	(18,467)	–	–	(18,467)	–	(18,467)
Total other comprehensive expense for the year		–	(18,467)	–	–	(18,467)	–	(18,467)
Profit for the year		–	–	–	849,849	849,849	11,610	861,459
<b>Total comprehensive (expense)/income for the year</b>		–	(18,467)	–	849,849	831,382	11,610	842,992
<i>Distribution to shareholders of the Company</i>								
Dividends to shareholders of the Company	24	–	–	–	(933,847)	(933,847)	–	(933,847)
Dividends to non-controlling interests							(10,500)	(10,500)
<b>Total transactions with owners of the Company</b>		–	–	–	(933,847)	(933,847)	(10,500)	(944,347)
<b>At 31 December 2018</b>		993,454	(18,204)	(18,732)	4,940,587	5,897,105	40,135	5,937,240
		Note 12	Note 13	Note 13			Note 14	

The notes set out on pages 211 to 279 are an integral part of these financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

(CONTINUED)

		← Attributable to shareholders of the Company →						
		← Non-distributable →			Distributable			
Note		Share capital RM'000	Foreign currency translation reserve RM'000	Capital reserves RM'000	Retained profits RM'000	Total RM'000	Non- controlling interests RM'000	Total equity RM'000
<b>At 1 January 2019</b>		<b>993,454</b>	<b>(18,204)</b>	<b>(18,732)</b>	<b>4,940,587</b>	<b>5,897,105</b>	<b>40,135</b>	<b>5,937,240</b>
– As previously reported								
– Adjustment on initial application of MFRS 16, net of tax	37	–	–	–	(54,547)	(54,547)	(9,109)	(63,656)
<b>At 1 January 2019, restated</b>		<b>993,454</b>	<b>(18,204)</b>	<b>(18,732)</b>	<b>4,886,040</b>	<b>5,842,558</b>	<b>31,026</b>	<b>5,873,584</b>
Exchange difference arising from translation of financial statements of foreign operations		–	(731)	–	–	(731)	–	(731)
Total other comprehensive expense for the year		–	(731)	–	–	(731)	–	(731)
Profit for the year		–	–	–	829,535	829,535	8,100	837,635
<b>Total comprehensive (expense)/income for the year</b>		–	(731)	–	829,535	828,804	8,100	836,904
<i>Distribution to shareholders of the Company</i>								
Dividends to shareholders of the Company	24	–	–	–	(695,418)	(695,418)	–	(695,418)
Dividends to non-controlling interests		–	–	–	–	–	(3,675)	(3,675)
<b>Total transactions with owners of the Company</b>		–	–	–	(695,418)	(695,418)	(3,675)	(699,093)
<b>At 31 December 2019</b>		<b>993,454</b>	<b>(18,935)</b>	<b>(18,732)</b>	<b>5,020,157</b>	<b>5,975,944</b>	<b>35,451</b>	<b>6,011,395</b>
		Note 12	Note 13	Note 13			Note 14	

The notes set out on pages 211 to 279 are an integral part of these financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

### FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 RM'000	2018 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Profit before taxation</b>		<b>1,128,872</b>	1,177,026
Adjustments for:			
Depreciation and amortisation		<b>471,457</b>	341,215
Net impairment (write-back)/ losses on:			
– Receivables		<b>(478)</b>	4,491
Share of profit after tax of equity accounted associates and joint ventures		<b>(3,889)</b>	(3,504)
Net gain on disposal of property, plant and equipment		<b>(18,727)</b>	(10,125)
Interest income		<b>(121,997)</b>	(96,006)
Financing costs		<b>21,812</b>	4,547
Inventories written off		<b>471</b>	–
Property, plant and equipment written off		<b>9,778</b>	8,769
Net unrealised foreign exchange gain		<b>(399)</b>	(2,323)
<b>Operating profit before changes in working capital</b>		<b>1,486,900</b>	1,424,090
Changes in working capital:			
Inventories		<b>28,999</b>	43,423
Trade and other receivables		<b>695,558</b>	(584,618)
Trade and other payables		<b>463,175</b>	(412,930)
<b>Cash generated from operations</b>		<b>2,674,632</b>	469,965
Taxation paid		<b>(266,037)</b>	(388,161)
<b>Net cash generated from operating activities</b>		<b>2,408,595</b>	81,804
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest income		<b>121,997</b>	96,006
Placement of fund investment		<b>(1,004)</b>	(50,000)
Purchase of property, plant and equipment		<b>(460,142)</b>	(374,865)
Proceeds from disposal of prepaid lease assets		–	716
Proceeds from disposal of property, plant and equipment		<b>31,271</b>	35,662
Dividends received from associates	6	<b>380</b>	–
Dividends received from joint ventures	7	<b>2,250</b>	1,000
<b>Net cash used in investing activities</b>		<b>(305,248)</b>	(291,481)

The notes set out on pages 211 to 279 are an integral part of these financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED 31 DECEMBER 2019****(CONTINUED)**

	Note	2019 RM'000	2018 RM'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	15		
Dividends paid		<b>(695,418)</b>	(933,847)
Dividends paid to non-controlling interests		<b>(3,675)</b>	(10,500)
Net (repayment)/drawdown of revolving credit facility		<b>(957)</b>	5,729
Repayment of Islamic financing facilities		<b>(19,214)</b>	(18,305)
Repayment of lease liabilities		<b>(124,426)</b>	–
Interest paid on revolving credit and term loan		<b>(107)</b>	(178)
Profit margin paid for Islamic financing facilities		<b>(1,841)</b>	(2,725)
Interest paid on lease liabilities		<b>(18,930)</b>	–
<b>Net cash used in financing activities</b>		<b>(864,568)</b>	(959,826)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>1,238,779</b>	(1,169,503)
<b>NET FOREIGN EXCHANGE DIFFERENCES</b>		<b>(1,170)</b>	(348)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>		<b>2,187,891</b>	3,357,742
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	11	<b>3,425,500</b>	2,187,891
<b>CASH AND CASH EQUIVALENTS</b>			
Cash with PETRONAS Integrated Financial Shared Services Centre		<b>3,221,696</b>	1,973,835
Cash and bank balances		<b>50,279</b>	31,584
Deposits placed with licensed banks		<b>153,525</b>	182,472
	11	<b>3,425,500</b>	2,187,891

Total cash outflows for leases amounts to RM446,251,000 which comprise of 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 211 to 279 are an integral part of these financial statements.

# STATEMENT OF FINANCIAL POSITION

## AS AT 31 DECEMBER 2019

	Note	2019 RM'000	2018 RM'000
<b>ASSETS</b>			
Property, plant and equipment	3	<b>3,836,914</b>	3,144,897
Prepaid lease payments	4	–	492,256
Investments in subsidiaries	5	<b>60,010</b>	29,010
Investments in associates	6	<b>530</b>	530
Investments in joint ventures	7	<b>25</b>	25
<b>TOTAL NON-CURRENT ASSETS</b>		<b>3,897,479</b>	3,666,718
Inventories	8	<b>789,694</b>	810,897
Trade and other receivables	9	<b>1,376,002</b>	2,061,662
Cash and cash equivalents	11	<b>3,146,732</b>	1,969,066
<b>TOTAL CURRENT ASSETS</b>		<b>5,312,428</b>	4,841,625
<b>TOTAL ASSETS</b>		<b>9,209,907</b>	8,508,343
<b>EQUITY</b>			
Share capital	12	<b>993,454</b>	993,454
Reserves	13	<b>4,571,557</b>	4,491,727
<b>TOTAL EQUITY</b>		<b>5,565,011</b>	5,485,181
<b>LIABILITIES</b>			
Borrowings	15	<b>82,291</b>	–
Deferred tax liabilities	16	<b>76,350</b>	95,727
Other long term liabilities and provisions	17	<b>27,680</b>	28,777
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>186,321</b>	124,504
Trade and other payables	18	<b>3,245,170</b>	2,854,988
Borrowings	15	<b>138,406</b>	–
Taxation		<b>74,999</b>	43,670
<b>TOTAL CURRENT LIABILITIES</b>		<b>3,458,575</b>	2,898,658
<b>TOTAL LIABILITIES</b>		<b>3,644,896</b>	3,023,162
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>9,209,907</b>	8,508,343

The notes set out on pages 211 to 279 are an integral part of these financial statements.

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

### FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 RM'000	2018 RM'000
Revenue	19	<b>29,726,075</b>	29,476,319
Cost of revenue		<b>(26,666,919)</b>	(26,774,432)
<b>Gross profit</b>		<b>3,059,156</b>	2,701,887
Selling and distribution expenses		<b>(1,303,382)</b>	(997,004)
Administration expenses		<b>(1,097,656)</b>	(1,006,050)
Other income		<b>440,307</b>	402,564
<b>Operating profit</b>	20	<b>1,098,425</b>	1,101,397
Financing costs	21	<b>(13,430)</b>	(1,644)
<b>Profit before taxation</b>		<b>1,084,995</b>	1,099,753
Tax expense	22	<b>(272,280)</b>	(293,233)
<b>PROFIT FOR THE YEAR REPRESENTING TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>812,715</b>	806,520

The notes set out on pages 211 to 279 are an integral part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY

### FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Attributable to shareholders of the Company		Total RM'000
		Non- distributable	Distributable	
		Share capital RM'000	Retained profits RM'000	
<b>At 1 January 2018</b>		993,454	4,619,054	5,612,508
Profit for the year representing total comprehensive income for the year		–	806,520	806,520
Dividends paid	24	–	(933,847)	(933,847)
<b>At 31 December 2018/1 January 2019</b>				
– As previously reported		993,454	4,491,727	5,485,181
– Adjustment on initial application of MFRS 16, net of tax	37	–	(37,467)	(37,467)
<b>At 1 January 2019, restated</b>		<b>993,454</b>	<b>4,454,260</b>	<b>5,447,714</b>
Profit/Total comprehensive income for the year		–	<b>812,715</b>	<b>812,715</b>
Dividends paid	24	–	<b>(695,418)</b>	<b>(695,418)</b>
<b>At 31 December 2019</b>		<b>993,454</b>	<b>4,571,557</b>	<b>5,565,011</b>

Note 12

The notes set out on pages 211 to 279 are an integral part of these financial statements.

## STATEMENT OF CASH FLOWS

### FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 RM'000	2018 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Profit before taxation</b>		<b>1,084,995</b>	1,099,753
Adjustments for:			
Depreciation and amortisation		<b>434,629</b>	317,563
Net impairment losses/(write-back) on:			
– Receivables		<b>(355)</b>	4,293
Net gain on disposal of property, plant and equipment		<b>(18,727)</b>	(10,125)
Interest income		<b>(113,133)</b>	(89,226)
Dividend income		<b>(9,455)</b>	(20,500)
Property, plant and equipment written off		<b>9,778</b>	308
Net unrealised foreign exchange gain		<b>(411)</b>	(2,271)
Inventories written off		<b>390</b>	–
Financing costs		<b>13,431</b>	1,644
<b>Operating profit before changes in working capital</b>		<b>1,401,142</b>	1,301,439
Changes in working capital:			
Inventories		<b>21,203</b>	33,497
Trade and other receivables		<b>685,660</b>	(518,213)
Trade and other payables		<b>387,597</b>	(387,861)
<b>Cash generated from operations</b>		<b>2,495,602</b>	428,862
Taxation paid		<b>(248,496)</b>	(372,904)
<b>Net cash generated from operating activities</b>		<b>2,247,106</b>	55,958
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Dividends received		<b>9,455</b>	20,500
Interest income		<b>113,133</b>	89,226
Investment in a newly incorporated subsidiary		<b>(31,000)</b>	–
Purchase of property, plant and equipment		<b>(360,858)</b>	(366,907)
Proceeds from disposal of prepaid lease assets		<b>–</b>	716
Proceeds from disposal of property, plant and equipment		<b>31,111</b>	16,483
<b>Net cash used in investing activities</b>		<b>(238,159)</b>	(239,982)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid	24	<b>(695,418)</b>	(933,847)
Repayment of lease liabilities		<b>(123,367)</b>	–
Interest paid on lease liabilities		<b>(12,496)</b>	–
<b>Net cash used in financing activities</b>		<b>(831,281)</b>	(933,847)

The notes set out on pages 211 to 279 are an integral part of these financial statements.

**STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED 31 DECEMBER 2019****(CONTINUED)**

	Note	2019 RM'000	2018 RM'000
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>1,177,666</b>	(1,117,871)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>		<b>1,969,066</b>	3,086,937
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	11	<b>3,146,732</b>	1,969,066
<b>CASH AND CASH EQUIVALENTS</b>			
Cash with PETRONAS Integrated Financial Shared Services Centre		<b>3,111,722</b>	1,944,019
Cash and bank balances		<b>35,010</b>	25,047
	11	<b>3,146,732</b>	1,969,066

Total cash outflows for leases amounts to RM438,662,000 which comprise of 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 211 to 279 are an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

**31 DECEMBER 2019**

## 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 Bursa Malaysia Securities Berhad.

As of 1 January 2019, the Group and the Company had adopted new MFRS amendments to MFRSs and IC Interpretations (collectively referred to as "pronouncements") that have been issued by the Malaysian Accounting Standards Board ("MASB") as described fully in Note 35.

MASB has also issued new and revised pronouncements which are not yet effective for the Group and the Company and therefore, have not been adopted in these financial statements. These pronouncements are set out in Note 36. 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 25 February 2020.

### 1.2 BASIS OF MEASUREMENT

The financial statements of the Group and of the Company have been prepared on the historical cost basis except that, as disclosed in the accounting policies below, certain items are measured at fair value.

### 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 thousand, unless otherwise stated.

### 1.4 USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with MFRS requires management to make judgements, 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 estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements 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 15 : Borrowings;
- (iii) Note 16 : Deferred tax;
- (iv) Note 22 : Tax expense; and
- (v) Note 29 : Financial instruments.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

### 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.

Arising from the adoption of MFRS 16 *Leases*, there are changes to the accounting policies applied to lease contracts entered into by the Group entities and the Company as compared to those adopted in previous financial statements. The impacts arising from the changes are disclosed in Note 37.

At 1 January 2019, the Group and the Company has also applied the amendments in relation to MFRS 123 *Borrowing Costs* arising from the Annual Improvements to MFRS Standards 2015 – 2017 Cycle (“the Annual Improvement”). The Annual Improvement clarifies that general borrowing includes specific borrowings which no longer have a qualifying asset. Accordingly, the Group and the Company capitalises borrowing costs for specific borrowing where the qualifying asset is no longer available, into the general borrowing. In previous years, the borrowing costs for specific borrowing were expensed off to profit or loss when the qualifying asset is no longer available. Changes in the accounting policies are disclosed in Note 37.

#### 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.

**NOTES TO THE FINANCIAL STATEMENTS****31 DECEMBER 2019****2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.1 BASIS OF CONSOLIDATION (CONTINUED)*****Business combinations (continued)***

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 value of any previously held interest in the acquiree over the fair value of the identifiable assets acquired and liabilities assumed at the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Transaction costs, other than those associated with the issuance of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

***Non-controlling interests***

Non-controlling interests at the end of the reporting period, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the shareholders of the Company. Non-controlling interests in the results of the Group are presented in the consolidated statement of profit or loss and 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 other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as fair value through other comprehensive income financial asset depending on the level of influence retained.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.2 ASSOCIATES

Associates are entities in which the Group has significant influence including representation on the Board of Directors, but not control or joint control, over the financial and operating policies of the investee company.

Associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The consolidated financial statements include the Group's share of post-acquisition profits or losses and other comprehensive income of the equity-accounted associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

The Group's share of post-acquisition reserves and retained profits less losses is added to the carrying value of the investment in the consolidated statement of financial position. These amounts are taken from the latest audited financial statements or management financial statements of the associates.

When the Group's share of post-acquisition losses exceeds its interest in an equity accounted associate, the carrying amount of that interest (including any long term investments such as loans and advances) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that associate, with the resulting gain or loss being recognised in the profit or loss. Any retained interest in the former associate at the date when significant influence is lost is remeasured 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 arrangement. The Group accounts for its interest in the joint venture using the equity method as described in Note 2.2.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.4 PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION*****Recognition and measurement***

Freehold land and projects-in-progress are stated at cost less accumulated impairment losses and are not depreciated. Other property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the assets to working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of material and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

***Subsequent costs***

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company and its cost can be measured reliably. The carrying amount of the replaced item of property, plant and equipment is derecognised with any corresponding gain or loss recognised in the profit or loss accordingly. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

***Depreciation***

Depreciation for property, plant and equipment other than freehold land and projects-in-progress, is recognised in the profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Property, plant and equipment are not depreciated until the assets are ready for their intended use.

Buildings are depreciated over 20 to 30 years or over the remaining land lease year, whichever is shorter.

The estimated useful lives of the other property, plant and equipment are as follows:

Plant, machinery, tankage and pipeline	6 – 20 years
Office equipment, furniture and fittings	3 – 7 years
Motor vehicles	4 – 10 years
Computer software and hardware	5 years

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.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.4 PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION (CONTINUED)

##### *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.

#### 2.5 LEASES

The Group and the Company have applied MFRS 16 *Leases* using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported under MFRS 117 *Leases* and related interpretations.

##### *Current financial year*

##### **(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.

**NOTES TO THE FINANCIAL STATEMENTS****31 DECEMBER 2019****2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.5 LEASES (CONTINUED)****(ii) Recognition and initial measurement****(a) 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 the Group and the Company are reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group and the Company are reasonably certain not to early terminate the contract.

The Group and the Company exclude variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

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.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.5 LEASES (CONTINUED)

##### (iii) Subsequent measurement

###### (a) 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 that 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.

##### ***Previous financial year***

###### ***Leased assets***

A lease arrangement was accounted for as finance or operating lease in accordance with the accounting policy stated below. When the fulfilment of an arrangement was dependent on the use of a specific asset and the arrangement conveys a right to use the asset, it was accounted for as a lease in accordance with the accounting policy below although the arrangement did not take the legal form of a lease.

**NOTES TO THE FINANCIAL STATEMENTS****31 DECEMBER 2019****2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.5 LEASES (CONTINUED)*****Previous financial year (continued)******Finance lease***

A lease was recognised as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the Group and the Company. Upon initial recognition, the leased asset was measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset was accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability was included in the statement of financial position as borrowings.

Minimum lease payments made under finance leases were apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, were recognised in the profit or loss and allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each accounting period.

Leasehold land which in substance was a finance lease was classified as property, plant and equipment.

***Operating lease***

All leases that did not transfer substantially to the Group and the Company all the risks and rewards incidental to ownership were classified as operating leases and the leased assets were not recognised in the Group's and the Company's statement of financial position.

Payments made under operating leases were recognised as an expense in the profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as a reduction of rental expense over the lease term on a straight-line basis. Contingent rentals were charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance was an operating lease was classified as prepaid lease payments.

***Prepaid lease payments***

Prepaid rental and leasehold land which in substance was an operating lease were classified as prepaid lease payments. The payments made on entering into a lease arrangement or acquiring a leasehold land were accounted for as prepaid lease payments that were amortised over the lease term in accordance with the pattern of benefits provided.

**2.6 INVESTMENTS**

Long term investments in subsidiaries, associates and joint ventures are stated at cost less impairment loss, if any, in the Company's financial statements unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

The carrying amount of these investments includes fair value adjustments on shareholder's loans and advances, if any (Note 2.7(ii)).

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.7 FINANCIAL INSTRUMENTS

##### **Recognition and initial measurement**

A financial instrument is recognised in the statement of financial 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 initially 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.

##### **Classification and subsequent measurement**

###### **(i) Financial assets**

Financial assets are classified as measured at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL") as appropriate.

The Group and the Company determine the classification of financial assets at initial recognition and are not subsequently reclassified unless the Group and the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

###### **Amortised cost**

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss.

###### **Subsequent measurement**

Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method (Note 2.7 (iv)). Interest income and foreign exchange gains and losses are recognised in profit or loss.

###### **(ii) Financial liabilities**

The category of financial liabilities at initial recognition is as follows:

###### **Amortised cost**

Subsequent to initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest method (Note 2.7(iv)).

Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the amortisation process.

**NOTES TO THE FINANCIAL STATEMENTS****31 DECEMBER 2019****2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.7 FINANCIAL INSTRUMENTS (CONTINUED)*****Classification and subsequent measurement (continued)******(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 or 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.

***(iv) Effective interest method***

Amortised cost is computed using the effective interest method. This method uses 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 (Note 2.8 (i)) where effective interest rate is applied to the amortised cost.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.7 FINANCIAL INSTRUMENTS (CONTINUED)

##### *Classification and subsequent measurement (continued)*

##### *(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.

#### 2.8 IMPAIRMENT

##### *(i) Financial assets*

The Group and the Company recognise loss allowances for expected credit losses ("ECL") on financial assets measured at amortised cost.

Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where applicable.

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 considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations 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.

**NOTES TO THE FINANCIAL STATEMENTS****31 DECEMBER 2019****2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.8 IMPAIRMENT (CONTINUED)****(i) Financial assets (continued)**

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.

**2.9 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.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.10 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.

#### 2.11 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.

#### 2.12 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 net 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.

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 17.

#### 2.13 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.

**NOTES TO THE FINANCIAL STATEMENTS****31 DECEMBER 2019****2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.13 EMPLOYEE BENEFITS (CONTINUED)****(ii) Defined contribution plans**

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF").

Some of the Group's foreign subsidiaries make contributions to their respective countries' statutory pension schemes 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.

**2.14 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 initial recognition of goodwill and the initial recognition of an asset or liability in a transaction which is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, where they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax asset is reviewed at each reporting date and is reduced to the extent that it is no longer probable that the future taxable profit will be available against which the related tax benefit can be realised.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.15 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 date of the transactions or an average rate that approximates those rates. All resulting exchange differences are taken to 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 a 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.

#### 2.16 BORROWING COSTS AND FOREIGN CURRENCY EXCHANGE DIFFERENCES RELATING TO PROJECTS-IN-PROGRESS

Borrowing costs which are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to be prepared for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset 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.

#### **Current financial year**

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 assets, 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 subsequent to the completion a specific qualifying asset are included in the determination of the capitalisation rate.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.16 BORROWING COSTS AND FOREIGN CURRENCY EXCHANGE DIFFERENCES RELATING TO PROJECTS-IN-PROGRESS (CONTINUED)*****Previous financial year***

In previous years, borrowing costs incurred subsequent to the completion of a specific qualifying asset were expensed off to profit or loss.

**2.17 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.

**2.18 FINANCING COSTS**

Financing costs comprise interest payable on borrowings and profit sharing 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 those capitalised in accordance with the accounting policy stated in Note 2.15. The interest component of finance lease payments is accounted for in accordance with policy set out in Note 2.5. The financing costs on borrowings are recognised using the effective profit/interest method.

**2.19 EARNINGS PER SHARE**

The Group presents basic earnings per ordinary share ("EPS") data for its ordinary shares.

Basic EPS is calculated by dividing the profit or 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.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.20 OPERATING SEGMENTS

An operating segment is a component of the Group and 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 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.

#### 2.21 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 values 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 identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable input).

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 3. PROPERTY, PLANT AND EQUIPMENT

Group	At 31.12.2018 as previously reported RM'000	Effect of adoption of MFRS 16 RM'000	At 1.1.2019 as restated RM'000	Additions RM'000	Disposals/ write-offs RM'000	Transfers RM'000	Translation exchange difference RM'000	At 31.12.2019 RM'000
<b>At cost:</b>								
Own use								
Freehold land	1,008,337	–	1,008,337	40	(3,397)	22,587	–	1,027,567
Leasehold land	626,750	(626,750)	–	–	–	–	–	–
Buildings	2,121,545	–	2,121,545	–	(24,610)	66,127	–	2,163,062
Plant, machinery, tankage and pipeline	2,440,889	–	2,440,889	16,440	(49,149)	204,985	–	2,613,165
Office equipment, furniture and fittings	516,057	–	516,057	4,693	(12,208)	48,263	96	556,901
Motor vehicles	94,038	–	94,038	407	(455)	12,656	248	106,894
Computer hardware and software	636,911	–	636,911	84,413	(9,460)	12,880	138	724,882
Projects-in-progress	255,038	–	255,038	352,287	(8,718)	(406,709)	–	191,898
	<b>7,699,565</b>	<b>(626,750)</b>	<b>7,072,815</b>	<b>458,280</b>	<b>(107,997)</b>	<b>(39,211)</b>	<b>482</b>	<b>7,384,369</b>
Right-of-use								
Leasehold land	–	1,165,742	1,165,742	1,862	(17,389)	39,211	–	1,189,426
Buildings	–	5,479	5,479	1,137	–	–	–	6,616
Other plant and equipment	–	3,360	3,360	–	–	–	–	3,360
Vessels	–	166,430	166,430	112,718	–	–	–	279,148
Motor vehicles	–	4,675	4,675	–	–	–	–	4,675
	–	<b>1,345,686</b>	<b>1,345,686</b>	<b>115,717</b>	<b>(17,389)</b>	<b>39,211</b>	–	<b>1,483,225</b>
	<b>7,699,565</b>	<b>718,936</b>	<b>8,418,501</b>	<b>573,997</b>	<b>(125,386)</b>	–	<b>482</b>	<b>8,867,594</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	At 31.12.2018 as previously reported RM'000	Effect of adoption of MFRS 16 RM'000	At 1.1.2019 as restated RM'000	Charge for the year RM'000	Disposals/ write-offs RM'000	Translation exchange difference RM'000	At 31.12.2019 RM'000
<b>Accumulated depreciation and impairment losses:</b>							
<u>Own use</u>							
Freehold land	809	-	809	-	-	-	809
Leasehold land	113,068	(113,068)	-	-	-	-	-
Buildings	1,471,613	-	1,471,613	87,919	(22,048)	-	1,537,484
Plant, machinery, tankage and pipeline	1,718,230	-	1,718,230	154,530	(45,652)	-	1,827,108
Office equipment, furniture and fittings	403,406	-	403,406	32,120	(11,896)	48	423,678
Motor vehicles	80,370	-	80,370	5,128	(455)	163	85,206
Computer hardware and software	576,508	-	576,508	45,704	(9,310)	85	612,987
Projects-in-progress	-	-	-	-	-	-	-
	<b>4,364,004</b>	<b>(113,068)</b>	<b>4,250,936</b>	<b>325,401</b>	<b>(89,361)</b>	<b>296</b>	<b>4,487,272</b>
<u>Right-of-use</u>							
Leasehold land	-	113,068	113,068	39,711	(13,703)	-	139,076
Buildings	-	-	-	1,261	-	-	1,261
Other plant and equipment	-	-	-	1,034	-	-	1,034
Vessels	-	-	-	102,297	-	-	102,297
Motor vehicles	-	-	-	1,753	-	-	1,753
	<b>-</b>	<b>113,068</b>	<b>113,068</b>	<b>146,056</b>	<b>(13,703)</b>	<b>-</b>	<b>245,421</b>
	<b>4,364,004</b>	<b>-</b>	<b>4,364,004</b>	<b>471,457</b>	<b>(103,064)</b>	<b>296</b>	<b>4,732,693</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	At 1.1.2018 RM'000	Additions RM'000	Disposals/ write-offs RM'000	Transfers RM'000	Translation exchange difference RM'000	At 31.12.2018 RM'000
<b>At cost:</b>						
Freehold land	1,012,366	3,087	(521)	(6,595)	–	1,008,337
Leasehold land	637,347	380	(1,476)	(9,501)	–	626,750
Buildings	2,116,559	11	(20,711)	25,686	–	2,121,545
Plant, machinery, tankage and pipeline	2,405,031	11,485	(71,035)	95,395	13	2,440,889
Office equipment, furniture and fittings	502,754	4,085	(4,126)	13,335	9	516,057
Motor vehicles	86,722	314	(1,495)	8,437	60	94,038
Computer hardware and software	658,941	7,123	(37,134)	7,946	35	636,911
Projects-in-progress	113,042	348,380	(286)	(206,098)	–	255,038
	7,532,762	374,865	(136,784)	(71,395)*	117	7,699,565

\*Amount relates to transfer to Prepaid Lease Payments (Note 4).

Group	At 1.1.2018 RM'000	Charge for the year RM'000	Disposals/ write-offs RM'000	Transfers RM'000	Translation exchange difference RM'000	At 31.12.2018 RM'000
<b>Accumulated depreciation and impairment losses:</b>						
Freehold land	809	–	–	–	–	809
Leasehold land	106,186	8,206	(1,324)	–	–	113,068
Buildings	1,400,993	87,428	(16,808)	–	–	1,471,613
Plant, machinery, tankage and pipeline	1,621,733	138,767	(41,930)	(347)	7	1,718,230
Office equipment, furniture and fittings	377,775	29,293	(4,011)	347	2	403,406
Motor vehicles	74,795	7,050	(1,495)	–	20	80,370
Computer hardware and software	578,179	35,227	(36,910)	–	12	576,508
	4,160,470	305,971	(102,478)	–	41	4,364,004

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	At 31.12.2018 as previously reported RM'000	Effect of adoption of MFRS 16 RM'000	At 1.1.2019 as restated RM'000	Additions RM'000	Disposals/ write-offs RM'000	Transfers RM'000	At 31.12.2019 RM'000
<b>At cost:</b>							
<u>Own use</u>							
Freehold land	1,008,337	–	1,008,337	40	(3,397)	22,587	1,027,567
Leasehold land	625,075	(625,075)	–	–	–	–	–
Buildings	2,094,470	–	2,094,470	–	(24,610)	65,903	2,135,763
Plant, machinery, tankage and pipeline	2,043,111	–	2,043,111	15,210	(44,507)	202,176	2,215,990
Office equipment, furniture and fittings	511,338	–	511,338	4,462	(12,055)	47,747	551,492
Motor vehicles	86,273	–	86,273	–	(455)	12,656	98,474
Computer hardware and software	619,019	–	619,019	886	(9,449)	11,796	622,252
Projects-in-progress	251,380	–	251,380	338,398	(8,718)	(402,076)	178,984
	<b>7,239,003</b>	<b>(625,075)</b>	<b>6,613,928</b>	<b>358,996</b>	<b>(103,191)</b>	<b>(39,211)</b>	<b>6,830,522</b>
<u>Right-of-use</u>							
Leasehold land	–	1,125,531	1,125,531	1,862	(17,386)	39,211	1,149,218
Buildings	–	311	311	–	–	–	311
Other plant and equipment	–	3,360	3,360	–	–	–	3,360
Vessels	–	166,430	166,430	112,718	–	–	279,148
Motor Vehicles	–	4,675	4,675	–	–	–	4,675
	–	<b>1,300,307</b>	<b>1,300,307</b>	<b>114,580</b>	<b>(17,386)</b>	<b>39,211</b>	<b>1,436,712</b>
	<b>7,239,003</b>	<b>675,232</b>	<b>7,914,235</b>	<b>473,576</b>	<b>(120,577)</b>	<b>–</b>	<b>8,267,234</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	At 31.12.2018 as previously reported RM'000	Effect of adoption of MFRS 16 RM'000	At 1.1.2019 as restated RM'000	Charge for the year RM'000	Disposals/ write-offs RM'000	At 31.12.2019 RM'000
<b>Accumulated depreciation and impairment losses:</b>						
<u>Own use</u>						
Freehold land	809	-	809	-	-	809
Leasehold land	112,782	(112,782)	-	-	-	-
Buildings	1,444,848	-	1,444,848	87,789	(22,048)	1,510,589
Plant, machinery, tankage and pipeline	1,497,645	-	1,497,645	138,778	(41,136)	1,595,287
Office equipment, furniture and fittings	400,707	-	400,707	31,440	(11,770)	420,377
Motor vehicles	73,713	-	73,713	5,097	(455)	78,355
Computer hardware and software	563,602	-	563,602	27,888	(9,303)	582,187
	<b>4,094,106</b>	<b>(112,782)</b>	<b>3,981,324</b>	<b>290,992</b>	<b>(84,712)</b>	<b>4,187,604</b>
<u>Right-of-use</u>						
Leasehold land	-	112,782	112,782	38,346	(13,703)	137,425
Buildings	-	-	-	207	-	207
Other plant and equipment	-	-	-	1,034	-	1,034
Vessels	-	-	-	102,297	-	102,297
Motor Vehicles	-	-	-	1,753	-	1,753
	-	112,782	112,782	143,637	(13,703)	242,716
	<b>4,094,106</b>	<b>-</b>	<b>4,094,106</b>	<b>434,629</b>	<b>(98,415)</b>	<b>4,430,320</b>

## NOTES TO THE FINANCIAL STATEMENTS

**31 DECEMBER 2019**

### 3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	At 1.1.2018 RM'000	Additions RM'000	Disposals/ write-offs RM'000	Transfers RM'000	At 31.12.2018 RM'000
<b>At cost:</b>					
Freehold land	1,012,366	3,087	(521)	(6,595)	1,008,337
Leasehold land	635,672	380	(1,476)	(9,501)	625,075
Buildings	2,089,484	11	(20,711)	25,686	2,094,470
Plant, machinery, tankage and pipeline	2,008,274	9,444	(40,061)	65,454	2,043,111
Office equipment, furniture and fittings	498,949	4,055	(4,121)	12,455	511,338
Motor vehicles	79,331	–	(1,495)	8,437	86,273
Computer hardware and software	644,328	6,426	(37,114)	5,379	619,019
Projects-in-progress	80,872	343,504	(286)	(172,710)	251,380
	7,049,276	366,907	(105,785)	(71,395)*	7,239,003

\*Amount relates to transfer to Prepaid Lease Payments (Note 4).

Company	At 1.1.2018 RM'000	Charge for the year RM'000	Disposals/ write-offs RM'000	Transfers RM'000	At 31.12.2018 RM'000
<b>Accumulated depreciation and impairment losses:</b>					
Freehold land	809	–	–	–	809
Leasehold land	105,910	8,196	(1,324)	–	112,782
Buildings	1,374,983	86,673	(16,808)	–	1,444,848
Plant, machinery, tankage and pipeline	1,416,896	119,354	(38,605)	–	1,497,645
Office equipment, furniture and fittings	376,061	28,653	(4,007)	–	400,707
Motor vehicles	69,622	5,586	(1,495)	–	73,713
Computer hardware and software	566,625	33,857	(36,880)	–	563,602
	3,910,906	282,319	(99,119)	–	4,094,106

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Carrying amount	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<u>Own use</u>				
Freehold land	<b>1,026,758</b>	1,007,528	<b>1,026,758</b>	1,007,528
Leasehold land	–	513,682	–	512,293
Buildings	<b>625,578</b>	649,932	<b>625,174</b>	649,622
Plant, machinery, tankage and pipeline	<b>786,057</b>	722,659	<b>620,703</b>	545,466
Office equipment, furniture and fittings	<b>133,223</b>	112,651	<b>131,115</b>	110,631
Motor vehicles	<b>21,688</b>	13,668	<b>20,119</b>	12,560
Computer hardware and software	<b>111,895</b>	60,403	<b>40,065</b>	55,417
Projects-in-progress	<b>191,898</b>	255,038	<b>178,984</b>	251,380
	<b>2,897,097</b>	3,335,561	<b>2,642,918</b>	3,144,897
<u>Right-of-use</u>				
Leasehold land	<b>1,050,350</b>	–	<b>1,011,793</b>	–
Buildings	<b>5,355</b>	–	<b>104</b>	–
Other plant and equipment	<b>2,326</b>	–	<b>2,326</b>	–
Vessels	<b>176,851</b>	–	<b>176,851</b>	–
Motor Vehicles	<b>2,922</b>	–	<b>2,922</b>	–
	<b>1,237,804</b>	–	<b>1,193,996</b>	–
	<b>4,134,901</b>	3,335,561	<b>3,836,914</b>	3,144,897

**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 judgements and assumptions in relation to leases**

The Group assesses at lease commencement by applying significant judgement 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 also applied judgement and assumptions in determining the incremental borrowing rate of the respective leases. Group entities first determine the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

### 4. PREPAID LEASE PAYMENTS

Group and Company	At 1.1.2018 RM'000	Additions RM'000	Transfer from property, plant and equipment RM'000	Disposals RM'000	Charge for the year RM'000	At 31.12.2018 RM'000
Leasehold land	20,181	–	2,697	(276)	(1,120)	21,482
Prepaid rental	436,640	–	68,698	(440)	(34,124)	470,774
	456,821	–	71,395	(716)	(35,244)	492,256

As at 1 January 2019, the prepaid lease payments balances of RM492,256,000 are reclassified as right-of-use assets based on the respective underlying assets following the adoption of MFRS 16.

#### **Restrictions of land title**

The titles to certain leasehold land are in the process of being registered in the Company's name.

### 5. INVESTMENTS IN SUBSIDIARIES

	Company	
	2019 RM'000	2018 RM'000
Unquoted shares at cost	60,010	29,010

On 9 January 2019, SETEL, a wholly owned subsidiary, was incorporated in Malaysia with an issued share capital of 5,000 ordinary shares of RM1,000 per ordinary share at a total cash consideration of RM5,000,000. In addition, during the year, 26,000 redeemable preference shares of RM1,000 per preference share were subscribed at a total cash consideration of RM26,000,000.

Details of the subsidiaries are stated in Note 32 to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 6. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Unquoted shares at cost	530	530	530	530
Share of post-acquisition profits and reserves	926	1,025	–	–
	<b>1,456</b>	1,555	<b>530</b>	530
Dividend received	<b>380</b>	–	<b>380</b>	–

Summary of financial information on associates:

	Group	
	2019 RM'000	2018 RM'000
<b>As at 31 December</b>		
Total assets	<b>10,524</b>	9,458
Total liabilities	<b>(3,243)</b>	(1,680)
Net assets	<b>7,281</b>	7,778
<b>Year ended 31 December</b>		
Revenue	<b>17,970</b>	17,011
Total comprehensive income	<b>1,404</b>	995

Details of the associates are stated in Note 33 to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

### 7. INVESTMENTS IN JOINT VENTURES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Unquoted shares at cost	4,121	1,053	25	25
Share of post-acquisition profits and reserves	17,440	16,082	–	–
	<b>21,561</b>	17,135	<b>25</b>	25
Dividend received	2,250	1,000	2,250	1,000

Summary of financial information on joint ventures:

	Group	
	2019 RM'000	2018 RM'000
<b>As at 31 December</b>		
Total assets	124,651	96,992
Total liabilities	(69,924)	(51,846)
Net assets	54,727	45,146
<b>Year ended 31 December</b>		
Revenue	523,303	515,976
Total comprehensive income	8,459	8,968

Details of the joint ventures are stated in Note 34 to the financial statements.

### 8. INVENTORIES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Petroleum products	795,288	824,383	789,694	810,897
Stores and spares	1,531	1,435	–	–
	<b>796,819</b>	825,818	<b>789,694</b>	810,897
Recognised in profit or loss:				
Inventories recognised as cost of sales	27,056,978	27,193,713	26,666,906	26,774,432
Write-down to net realisable value	3,060	1,192	–	–
Reversal of write-down to net realisable value	(1,180)	(65)	–	–
Inventories written off	471	–	390	–

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 9. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Trade</b>				
Amounts due from:				
– Holding company	23	183	23	119
– Subsidiaries	–	–	101	101
– Related companies	98,402	81,194	89,222	78,703
– Associates and joint ventures	5	–	5	–
Trade receivables	1,262,929	1,211,449	1,091,095	1,019,115
Less: Impairment losses	(10,469)	(10,645)	(3,321)	(3,292)
	<b>1,350,890</b>	1,282,181	<b>1,177,125</b>	1,094,746
<b>Non-trade</b>				
Other receivables, deposits and prepayments	103,483	100,217	88,199	90,753
Advances and loans to:				
– Associates and joint ventures	851	4,348	851	1,282
Amounts due from:				
– Holding company	7,110	198,104	6,546	197,308
– Subsidiaries	–	–	635	1,899
– Related companies	1,365	10,523	1,334	10,479
Subsidy receivables	237,223	801,273	237,223	801,272
Less: Impairment losses	(135,911)	(136,077)	(135,911)	(136,077)
	<b>214,121</b>	978,388	<b>198,877</b>	966,916
Trade and other receivables	<b>1,565,011</b>	2,260,569	<b>1,376,002</b>	2,061,662

The trade amounts due from holding company, subsidiaries and related companies arose in the normal course of business.

The non-trade amounts due from holding company, subsidiaries, associates, joint ventures and related companies are unsecured, interest free and repayable on demand.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

### 10. FUND INVESTMENT

	Group	
	2019 RM'000	2018 RM'000
Deposits placed with licensed banks	51,004	50,000

Fund investment consists of deposits placed with licensed banks which typically have a maturity period of more than 3 months.

### 11. CASH AND CASH EQUIVALENTS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash with PETRONAS Integrated Financial Shared Services Centre	3,221,696	1,973,835	3,111,722	1,944,019
Cash and bank balances	50,279	31,584	35,010	25,047
Deposits placed with licensed banks	153,525	182,472	–	–
	<b>3,425,500</b>	2,187,891	<b>3,146,732</b>	1,969,066

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 RM3,409,338,000 (2018: RM2,178,077,000) and RM3,130,339,000 (2018: RM1,959,448,000) respectively.

### 12. SHARE CAPITAL

	Number of shares		Amount	
	2019 '000	2018 '000	2019 RM'000	2018 RM'000
<b>Group and Company</b>				
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 the ordinary share are entitled to receive dividend as declared from time to time and are entitled to one vote per share at meetings of the Company.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

**13. RESERVES****Capital reserve**

Capital reserve arose as a result of business combination of entities under the common control of PETRONAS and comprises merger deficit.

Merger deficit represents the excess of cost of acquisition over the Group's interest in the net carrying value of identifiable net assets, liabilities and contingent liabilities of the acquiree. Merger deficit is classified as part of non-distributable reserves.

**Foreign currency translation reserve**

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial 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.

**14. NON-CONTROLLING INTERESTS**

This consists of the non-controlling interests' proportion of share capital and reserves of a partly-owned subsidiary.

**15. BORROWINGS**

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Non-current</b>				
<b>Secured</b>				
Lease liabilities	158,694	–	82,291	–
<b>Unsecured</b>				
Islamic financing facilities	9,959	29,924	–	–
<b>Total non-current borrowings</b>	<b>168,653</b>	29,924	<b>82,291</b>	–
<b>Current</b>				
<b>Secured</b>				
Lease liabilities	140,239	–	138,406	–
<b>Unsecured</b>				
Islamic financing facilities	19,797	19,046	–	–
Revolving credit facility	5,466	5,990	–	–
<b>Total current borrowings</b>	<b>165,502</b>	25,036	<b>138,406</b>	–
<b>Total borrowings</b>	<b>334,155</b>	54,960	<b>220,697</b>	–

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

### 15. BORROWINGS (CONTINUED)

#### Terms and debt repayment schedule

Group 2019	Total RM'000	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000	Over 5 years RM'000
<b>Secured</b>					
Lease liabilities	298,933	140,239	63,252	13,086	82,356
<b>Unsecured</b>					
Islamic financing facilities	29,756	19,797	9,959	–	–
Revolving credit facility	5,466	5,466	–	–	–
	<b>334,155</b>	<b>165,502</b>	<b>73,211</b>	<b>13,086</b>	<b>82,356</b>

Group 2018	Total RM'000	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000	Over 5 years RM'000
<b>Unsecured</b>					
Islamic financing facilities	48,970	19,046	29,924	–	–
Revolving credit facility	5,990	5,990	–	–	–
	54,960	25,036	29,924	–	–

Company 2019	Total RM'000	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000	Over 5 years RM'000
<b>Secured</b>					
Lease liabilities	220,697	138,406	61,199	9,848	11,244

#### 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 4.27% to 4.68% (2018: 4.27% to 4.68%) per annum with principal repayment by quarterly instalments until September 2021.

#### Unsecured revolving credit facility

The unsecured revolving credit facility bears an interest rate of 2.90% (2018: 2.55%) per annum.

#### Secured lease liabilities

The lease liabilities of the Group and the Company bear interest at rates ranging from 4.19% to 8.43% and 4.19% to 7.80% per annum respectively.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 15. BORROWINGS (CONTINUED)

## Reconciliation of movement of liabilities to cash flows arising from financing activities

	Group		Company	
	Borrowings RM'000	Dividends RM'000	Borrowings RM'000	Dividends RM'000
<b>Balance at 1 January 2019</b>	<b>54,960</b>	–	–	–
Effect of adoption of MFRS 16	<b>310,435</b>	–	<b>232,277</b>	–
Balance at 1 January 2019, restated	<b>365,395</b>	–	<b>232,277</b>	–
Changes from financing cash flows				
Net Repayment of:				
– Islamic financing facilities	<b>(19,214)</b>	–	–	–
– Revolving credit facility	<b>(957)</b>	–	–	–
– Lease liabilities	<b>(124,426)</b>	–	<b>(123,367)</b>	–
Interest expenses:				
– Revolving credit facility	<b>(107)</b>	–	–	–
– Lease liabilities	<b>(18,930)</b>	–	<b>(12,496)</b>	–
Profit margin paid for Islamic financing facilities	<b>(1,841)</b>	–	–	–
Dividends paid	–	<b>(695,418)</b>	–	<b>(695,418)</b>
Dividends paid to non-controlling interest	–	<b>(3,675)</b>	–	–
<b>Total changes from financing cash flows</b>	<b>(165,475)</b>	<b>(699,093)</b>	<b>(135,863)</b>	<b>(695,418)</b>
<i>The effect of changes in foreign exchange rates</i>	<b>433</b>	–	–	–
<i>Other changes</i>				
– Dividends declared	–	<b>699,093</b>	–	<b>695,418</b>
– Finance costs	<b>20,878</b>	–	<b>12,496</b>	–
– Addition of new leases	<b>113,855</b>	–	<b>112,718</b>	–
– Termination of leases	<b>(931)</b>	–	<b>(931)</b>	–
<b>Balance at 31 December 2019</b>	<b>334,155</b>	–	<b>220,697</b>	–

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

### 15. BORROWINGS (CONTINUED)

#### Reconciliation of movement of liabilities to cash flows arising from financing activities (continued)

	Group		Company
	Borrowings RM'000	Dividends RM'000	Dividends RM'000
<b>Balance at 1 January 2018</b>	67,275	–	–
Changes from financing cash flows			
Net (Repayment)/Drawdown of:			
– Islamic financing facilities	(18,305)	–	–
– Revolving credit facility	5,729	–	–
Interest expense for revolving credit facility	(178)	–	–
Profit margin paid for Islamic financing facilities	(2,725)	–	–
Dividends paid	–	(933,847)	(933,847)
Dividends paid to non-controlling interest	–	(10,500)	–
<b>Total changes from financing cash flows</b>	(15,479)	(944,347)	(933,847)
<i>The effect of changes in foreign exchange rates</i>	261	–	–
Other changes			
– Dividends declared	–	944,347	933,847
– Finance costs	2,903	–	–
<b>Balance at 31 December 2018</b>	54,960	–	–

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 16. DEFERRED TAX

The components and movements of deferred tax liabilities and assets during the year are as follows:

Group	At 31.12.2018 RM'000	Adjustments on initial application of MFRS 16 RM'000	At 1.1.2019 RM'000	Credited/ (charged) to profit or loss RM'000	At 31.12.2019 RM'000
<b>Deferred tax liabilities</b>					
Property, plant and equipment	(143,021)	–	(143,021)	4,254	(138,767)
Contract liability – Loyalty Programme	17,817	–	17,817	3,834	21,651
Lease liabilities	–	20,099	20,099	(3,891)	16,208
Expected Credit Loss ("ECL")	686	–	686	(96)	590
	<b>(124,518)</b>	<b>20,099</b>	<b>(104,419)</b>	<b>4,101</b>	<b>(100,318)</b>

Group	At 1.1.2018 RM'000	Credited to profit or loss RM'000	At 31.12.2018 RM'000
<b>Deferred tax liabilities</b>			
Property, plant and equipment	(150,824)	7,803	(143,021)
Contract liability - Loyalty Programme	10,725	7,092	17,817
Expected Credit Loss ("ECL")	658	28	686
	<b>(139,441)</b>	<b>14,923</b>	<b>(124,518)</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

### 16. DEFERRED TAX (CONTINUED)

The components and movements of deferred tax liabilities and assets during the year are as follows: (continued)

Company	At 31.12.2019 RM'000	Adjustments on initial application of MFRS 16 RM'000	At 1.1.2019 RM'000	Credited/ (charged) to profit or loss RM'000	At 31.12.2019 RM'000
<b>Deferred tax liabilities</b>					
Property, plant and equipment	(114,047)	–	(114,047)	7,999	(106,048)
Contract liability - Loyalty Programme	17,817	–	17,817	3,833	21,650
Lease liabilities	–	11,832	11,832	(4,143)	7,689
Expected Credit Loss ("ECL")	503	–	503	(144)	359
	(95,727)	11,832	(83,895)	7,545	(76,350)

Company	At 1.1.2018 RM'000	Credited/ (charged) to profit or loss RM'000	At 31.12.2018 RM'000
<b>Deferred tax liabilities</b>			
Property, plant and equipment	(121,264)	7,217	(114,047)
Contract liability – Loyalty Programme	10,725	7,092	17,817
Expected Credit Loss ("ECL")	554	(51)	503
	(109,985)	14,258	(95,727)

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 17. OTHER LONG TERM LIABILITIES AND PROVISIONS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Dismantling, removal and restoration costs	27,680	28,777	27,680	28,777
Other long term liabilities	793	491	–	–
	<b>28,473</b>	29,268	<b>27,680</b>	28,777

***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	
	2019 RM'000	2018 RM'000
Balance at 1 January	28,777	30,782
Net changes in provisions	(2,031)	(3,649)
Unwinding of discount	934	1,644
Balance at 31 December	<b>27,680</b>	28,777

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.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

### 18. TRADE AND OTHER PAYABLES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Trade</b>				
Amounts due to:				
– Holding company	–	41,138	–	41,138
– Subsidiaries	–	–	<b>4,268</b>	4,810
– Associates and joint ventures	<b>10</b>	17	<b>10</b>	17
– Related companies	<b>2,308,558</b>	1,934,078	<b>2,269,620</b>	1,879,289
Trade payables	<b>94,314</b>	20,888	<b>72,549</b>	6,325
Contract liability	<b>90,211</b>	74,237	<b>90,211</b>	74,237
	<b>2,493,093</b>	2,070,358	<b>2,436,658</b>	2,005,816
<b>Non-trade</b>				
Other payables	<b>739,871</b>	772,216	<b>676,572</b>	721,400
Amounts due to:				
– Holding company	<b>197,920</b>	114,096	<b>120,261</b>	112,044
– Subsidiaries	–	–	<b>5,477</b>	–
– Associates and joint ventures	<b>2,674</b>	5,064	<b>2,674</b>	5,064
– Related companies	<b>6,653</b>	10,666	<b>3,528</b>	10,664
	<b>947,118</b>	902,042	<b>808,512</b>	849,172
Trade and other payables	<b>3,440,211</b>	2,972,400	<b>3,245,170</b>	2,854,988

Contract liability is attributable to the monetary value of the awarded Mesra points under PETRONAS Mesra Loyalty Programme.

The trade amounts due to the holding company, subsidiaries, associates, joint ventures and related companies arose in the normal course of business.

The non-trade amounts due to holding company, subsidiaries, associates, joint ventures and related companies are unsecured, interest free and repayable on demand.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 19. REVENUE

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Revenue from contracts with customers</b>				
Sales of petroleum products	<b>30,266,957</b>	30,048,313	<b>29,726,075</b>	29,476,319
Rendering of services	<b>26,614</b>	20,440	–	–
	<b>30,293,571</b>	30,068,753	<b>29,726,075</b>	29,476,319

**Disaggregation of revenue from contracts with customers**

In the following table, revenue is disaggregated by major products/services lines.

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Major products/services lines</b>				
- Retail	<b>15,369,819</b>	15,033,532	<b>15,181,299</b>	14,858,440
- Commercial	<b>14,897,138</b>	15,014,781	<b>14,544,776</b>	14,617,879
- Others	<b>26,614</b>	20,440	–	–
	<b>30,293,571</b>	30,068,753	<b>29,726,075</b>	29,476,319

Revenue derived from petroleum products are predominantly sold to the retail and commercial sectors in Malaysia which have been disclosed in the Operating Segment (Note 27). The timing and recognition of revenue derived from petroleum products is recognised at a point in time.

**Nature of goods and services**

<b>Nature of goods and services</b>	<b>Timing of recognition or method used to recognise revenue</b>	<b>Significant payment terms</b>
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 element in consideration, obligation for returns or refunds nor warranty in the provision of the goods and services by the Group and the Company.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 20. OPERATING PROFIT

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Included in profit for the year are the following charges:</b>					
Amortisation of prepaid lease payments	4	–	35,244	–	35,244
Audit fees:					
– KPMG Malaysia		<b>684</b>	638	<b>541</b>	520
– other auditors		<b>116</b>	106	–	–
Non Audit fees:					
– KPMG Malaysia		<b>347</b>	220	<b>317</b>	220
– other auditors		<b>138</b>	–	<b>138</b>	–
Depreciation of property, plant and equipment	3	<b>471,457</b>	305,971	<b>434,629</b>	282,319
Expenses relating to short-term leases (Note (a))		<b>104,814</b>	–	<b>104,805</b>	–
Expenses relating to leases of low value assets (Note (b))		<b>121</b>	–	<b>25</b>	–
Expenses relating to variable lease payments not included in the measurement of lease liabilities		<b>197,974</b>	–	<b>197,970</b>	–
Impairment losses on:					
– trade receivables		<b>1,038</b>	1,993	<b>822</b>	1,558
– other receivables		<b>562</b>	4,541	<b>562</b>	4,541
Inventories written down to net realisable value	8	<b>3,060</b>	1,192	–	–
Inventories written off	8	<b>471</b>	–	<b>390</b>	–
Net realised loss on foreign exchange		–	302	–	275
Property, plant and equipment written off		<b>9,778</b>	8,769	<b>9,778</b>	308
Facility charges:					
– plant and equipment		<b>701</b>	4,949	<b>691</b>	4,863
– land and buildings		<b>30,462</b>	34,849	<b>30,031</b>	26,711
Staff costs:					
– wages, salaries and others		<b>271,749</b>	244,634	<b>238,327</b>	215,211
– contributions to EPF		<b>33,665</b>	31,950	<b>30,207</b>	29,785

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 20. OPERATING PROFIT (CONTINUED)

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>and credits:</b>					
Net gain on disposal of property, plant and equipment		<b>18,727</b>	10,125	<b>18,727</b>	10,125
Dividend income:					
– subsidiary		–	–	<b>6,825</b>	19,500
– associate	6	–	–	<b>380</b>	–
– joint venture	7	–	–	<b>2,250</b>	1,000
Interest income		<b>121,997</b>	96,006	<b>113,133</b>	89,226
Income from rental of premises		<b>864</b>	1,075	–	60
Net unrealised gain on foreign exchange		<b>399</b>	2,323	<b>411</b>	2,271
Net realised gain on foreign exchange		<b>2,593</b>	–	<b>2,658</b>	–
Reversal of write-down of inventories to net realisable value	8	<b>1,180</b>	65	–	–
Write back of impairment losses:					
– trade receivables		<b>1,082</b>	2,043	<b>743</b>	1,806
– other receivable		<b>996</b>	–	<b>996</b>	–

- 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 equipments 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.

## 21. FINANCING COSTS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Unwinding of discount				
– Provision for dismantling, removal and restoration costs	<b>934</b>	1,644	<b>934</b>	1,644
Profit margin on Islamic financing facilities	<b>1,841</b>	2,725	–	–
Interest on revolving credit facility	<b>107</b>	178	–	–
Interest on lease liabilities	<b>18,930</b>	–	<b>12,496</b>	–
	<b>21,812</b>	4,547	<b>13,430</b>	1,644

## NOTES TO THE FINANCIAL STATEMENTS

**31 DECEMBER 2019**

### 22. TAX EXPENSE

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Current tax expense</b>				
Current year	<b>310,000</b>	312,941	<b>289,270</b>	289,586
Prior year	<b>(14,662)</b>	17,549	<b>(9,445)</b>	17,905
	<b>295,338</b>	330,490	<b>279,825</b>	307,491
<b>Deferred tax expense</b>				
Reversal of temporary differences	<b>(7,292)</b>	(14,144)	<b>(9,091)</b>	(14,751)
Under/(Over) provision in prior year	<b>3,191</b>	(779)	<b>1,546</b>	493
Total deferred tax expense	<b>(4,101)</b>	(14,923)	<b>(7,545)</b>	(14,258)
<b>Total tax expense</b>	<b>291,237</b>	315,567	<b>272,280</b>	293,233

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	%	2019	%	2018
		RM'000		RM'000
Profit before taxation		<b>1,128,872</b>		1,177,026
Taxation at Malaysian statutory tax rate	<b>24</b>	<b>270,929</b>	24	282,530
Effect of different tax rates in foreign jurisdictions	–	<b>(31)</b>	–	190
Effect of net deferred tax assets not recognised	<b>1</b>	<b>6,779</b>	–	–
Non-deductible expenses, net of non-taxable income	<b>2</b>	<b>25,031</b>	1	16,077
	<b>27</b>	<b>302,708</b>	25	298,797
(Over)/Under provision in prior year				
– current tax expense	<b>(1)</b>	<b>(14,662)</b>	2	17,549
– deferred tax expense	–	<b>3,191</b>	–	(779)
Tax expense	<b>26</b>	<b>291,237</b>	27	315,567

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 22. TAX EXPENSE (CONTINUED)

Company	%	2019 RM'000	%	2018 RM'000
Profit before taxation		1,084,995		1,099,753
Taxation at Malaysian statutory tax rate	24	260,399	24	263,941
Non-deductible expenses, net of non-taxable income	2	19,780	1	10,894
	26	280,179	25	274,835
(Over)/Under provision in prior year				
– current tax expense	(1)	(9,445)	2	17,905
– deferred tax expense	–	1,546	–	493
Tax expense	25	272,280	27	293,233

**Unrecognised deferred tax assets**

The deferred tax assets not recognised in the statement of financial position in respect of the temporary differences of a subsidiary are as follows:

	Group	
	2019 RM'000	2018 RM'000
Unutilised tax losses carried forward	28,246	–

The unutilised tax losses 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 carried forward will be limited to 7 years of assessment starting from the year of assessment 2019.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

### 23. EARNINGS PER ORDINARY SHARE

#### *Basic earnings per ordinary share*

The calculation of basic earnings per ordinary share at 31 December 2019 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

	Group	
	2019	2018
Profit for the year attributable to shareholders (RM'000)	<b>829,535</b>	849,849
Number of ordinary shares ('000)	<b>993,454</b>	993,454
Basic earnings per ordinary share (sen)	<b>83.5</b>	85.5

#### *Diluted earnings per ordinary share*

No diluted earnings per share is disclosed in these financial statements as there is no potential dilutive ordinary share.

### 24. DIVIDENDS

	Company	
	2019	2018
<b>In respect of financial year ended 31 December 2018:</b>		
Interim dividend of 25.0 sen per ordinary share (2017: 49.0 sen)	<b>248,363</b>	486,792
<b>In respect of financial year ended 31 December 2019:</b>		
Interim dividend of 15.0 sen per ordinary share (2018: 13.0 sen)	<b>149,018</b>	129,149
Interim dividend of 14.0 sen per ordinary share (2018: 16.0 sen)	<b>139,084</b>	158,953
Interim dividend of 16.0 sen per ordinary share (2018: 16.0 sen)	<b>158,953</b>	158,953
	<b>695,418</b>	933,847

The Directors had, on 25 February 2020, declared an interim dividend of 25.0 sen per ordinary share amounting to RM248,363,500 and a special dividend of 15.0 sen per ordinary share amounting to RM149,018,100 in respect of the financial year ended 31 December 2019 which has not been accounted for in the financial statements for the year ended 31 December 2019.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

**25. 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 Group, 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 includes 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	
	2019 RM'000	2018 RM'000
<b>Directors</b>		
– Fees	1,010	891
– Other short term benefits (including estimated monetary value of benefits-in-kind)	31	18
	<b>1,041</b>	909

The Company pays fees to the holding company in relation to services of an Executive Director and also director fees for certain Non-Executive Directors of the Company as disclosed in the related parties disclosures.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

### 25. RELATED PARTIES DISCLOSURES (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		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Holding company</b>				
Purchase of petroleum products	–	(890,212)	–	(890,212)
Facility charges	<b>(21,313)</b>	(17,937)	<b>(21,313)</b>	(17,937)
Management fees	<b>(1,520)</b>	(752)	<b>(1,520)</b>	(752)
Interest income from PETRONAS IFSSC	<b>121,977</b>	96,006	<b>113,133</b>	89,226
Fees for representation in the Board of Directors*	<b>(502)</b>	(559)	<b>(502)</b>	(559)
Information, communication and technology charges	<b>(40,659)</b>	(40,588)	<b>(39,939)</b>	(39,750)
<b>Related companies</b>				
Sales of petroleum products	<b>1,299,305</b>	1,219,023	<b>1,269,794</b>	1,193,865
Purchases of petroleum products	<b>(26,950,776)</b>	(27,378,757)	<b>(26,637,025)</b>	(27,021,156)
<b>Federal and State Government of Malaysia</b>				
Sales of petroleum products	<b>306,648</b>	322,090	<b>306,428</b>	322,090
<b>Government of Malaysia's related entities</b>				
Sales of petroleum products	<b>5,043,219</b>	5,058,331	<b>5,043,219</b>	5,058,331

\* 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 2019 is disclosed in Note 9 and Note 18. 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.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

**26. 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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Property, plant and equipment</b>				
Approved and contracted for	<b>34,209</b>	5,407	<b>34,209</b>	3,249
Approved but not contracted for	<b>215,258</b>	12,322	<b>178,450</b>	287
	<b>249,467</b>	17,729	<b>212,659</b>	3,536

**27. 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 segments, 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.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

### 27. 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.

Business Segments	2019				2018			
	Retail RM'000	Commercial RM'000	Others RM'000	Group RM'000	Retail RM'000	Commercial RM'000	Others RM'000	Group RM'000
Revenue	15,369,819	14,897,138	26,614	30,293,571	15,033,532	15,014,781	20,440	30,068,753
Depreciation and amortisation	347,529	94,659	29,269	471,457	285,946	37,897	17,372	341,215
Other income	387,638	47,386	4,503	439,527	317,253	67,676	39,972	424,901
Operating profit	581,894	556,419	8,482	1,146,795	596,075	534,236	47,758	1,178,069
Financing costs	(9,354)	(4,490)	(7,968)	(21,812)	(1,734)	(88)	(2,725)	(4,547)
Share of profit after tax of associates and joint ventures				3,889				3,504
<b>Profit before taxation</b>				<b>1,128,872</b>				<b>1,177,026</b>

#### 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 2019, there are no major customers with revenue that contribute to more than 10 percent of Group revenue.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 28. CONTINGENCIES

	Group	
	2019 RM'000	2018 RM'000
<b>Contingent assets</b>		
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 2018.

## 29. FINANCIAL INSTRUMENTS

## Categories of financial instruments

The table below provides an analysis of financial instruments categorised as Amortised Cost ("AC").

Group 2019	Note	AC RM'000	Total carrying amount RM'000
<b>Financial assets</b>			
Trade and other receivables*	9	1,507,863	1,507,863
Fund investment	10	51,004	51,004
Cash and cash equivalents	11	3,425,500	3,425,500
		4,984,367	4,984,367
<b>Financial liabilities</b>			
Borrowings	15	(35,222)	(35,222)
Trade and other payables*	18	(3,349,770)	(3,349,770)
		(3,384,992)	(3,384,992)

\* These balances exclude non-financial instruments balances.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

### 29. FINANCIAL INSTRUMENTS (CONTINUED)

#### Categories of financial instruments (continued)

The table below provides an analysis of financial instruments categorised as Amortised Cost ("AC"). (continued)

Group 2018	Note	AC RM'000	Total carrying amount RM'000
<b>Financial assets</b>			
Trade and other receivables*	9	2,024,851	2,024,851
Fund investment	10	50,000	50,000
Cash and cash equivalents	11	2,187,891	2,187,891
		4,262,742	4,262,742
<b>Financial liabilities</b>			
Borrowings	15	(54,960)	(54,960)
Trade and other payables*	18	(2,898,118)	(2,898,118)
		(2,953,078)	(2,953,078)
<b>Company 2019</b>			
<b>Financial assets</b>			
Trade and other receivables*	9	<b>1,325,917</b>	<b>1,325,917</b>
Cash and cash equivalents	11	<b>3,146,732</b>	<b>3,146,732</b>
		<b>4,472,649</b>	<b>4,472,649</b>
<b>Financial liability</b>			
Trade and other payables*	18	<b>(3,154,959)</b>	<b>(3,154,959)</b>

\* These balances exclude non-financial instruments balances.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 29. FINANCIAL INSTRUMENTS (CONTINUED)

## Categories of financial instruments (continued)

Company 2018	Note	AC RM'000	Total carrying amount RM'000
<b>Financial assets</b>			
Trade and other receivables*	9	1,829,663	1,829,663
Cash and cash equivalents	11	1,969,066	1,969,066
		3,798,729	3,798,729
<b>Financial liability</b>			
Trade and other payables*	18	(2,780,751)	(2,780,751)

\* 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 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.

The main financial risks faced by the Group and the Company arising from the use of financial instruments in their normal activities are credit risk, liquidity risk and market risk relating to profit margin or interest rate risk and foreign currency risk.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

### 29. FINANCIAL INSTRUMENTS (CONTINUED)

#### **Credit risk**

Credit risk is the 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") and bank guarantees.

The Group uses ageing analysis to monitor the credit quality of the receivables. As at the year end, 94% (2018: 99%) 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.

At each reporting date, the Group or the Company assesses whether any of the trade receivables are credit impaired.

The gross carrying amounts of credit impaired trade receivables 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 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;
- breach of contract such as default; or
- is it probable that the customer will enter bankruptcy or other financial reorganisation.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

**29. 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 15% (2018: 10%) of the total trade receivables of the Group, of which all outstanding balances are current.

In addition, there is a significant concentration of credit risk of the Group being an amount owing from the Government constituting 70% (2018: 89%) of the total other receivables of the Group relating to subsidies arising from the Automatic Pricing Mechanism governing the sale 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 performs credit rating assessment of all its counterparties in order to measure ECLs 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 Company's historical experience.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2019 which are grouped together as they are expected to have similar risk nature.

## NOTES TO THE FINANCIAL STATEMENTS

**31 DECEMBER 2019**

### 29. FINANCIAL INSTRUMENTS (CONTINUED)

**Credit risk (continued)**
**Trade and other receivables (continued)**
**Recognition and measurement of impairment loss (continued)**

		<b>Group 2019</b>		
<b>Credit Risk Rating</b>	<b>Note</b>	<b>Gross carrying amount RM'000</b>	<b>Loss allowance RM'000</b>	<b>Net balance RM'000</b>
Sovereign rating		56,678	–	56,678
Good rating		983,860	(667)	983,193
Standard rating		310,032	(1,363)	308,669
		<b>1,350,570</b>	<b>(2,030)</b>	<b>1,348,540</b>
Credit impaired: More than 90 days past due		<b>10,789</b>	<b>(8,439)</b>	<b>2,350</b>
		<b>10,789</b>	<b>(8,439)</b>	<b>2,350</b>
Representing: Trade receivables	9	<b>1,361,359</b>	<b>(10,469)</b>	<b>1,350,890</b>

		<b>Group 2018</b>		
<b>Credit Risk Rating</b>	<b>Note</b>	<b>Gross carrying amount RM'000</b>	<b>Loss allowance RM'000</b>	<b>Net balance RM'000</b>
Sovereign rating		66,087	–	66,087
Good rating		977,015	(664)	976,351
Standard rating		218,175	(1,652)	216,523
		<b>1,261,277</b>	<b>(2,316)</b>	<b>1,258,961</b>
Credit impaired: More than 90 days past due		<b>31,549</b>	<b>(8,329)</b>	<b>23,220</b>
		<b>1,292,826</b>	<b>(10,645)</b>	<b>1,282,181</b>
Representing: Trade receivables	9	<b>1,292,826</b>	<b>(10,645)</b>	<b>1,282,181</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 29. FINANCIAL INSTRUMENTS (CONTINUED)

## Credit risk (continued)

## Trade and other receivables (continued)

## Recognition and measurement of impairment loss (continued)

		Company 2019		
Credit Risk Rating	Note	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
Sovereign rating		44,652	–	44,652
Good rating		875,783	(532)	875,251
Standard rating		256,244	(1,055)	255,189
		<b>1,176,679</b>	<b>(1,587)</b>	<b>1,175,092</b>
Credit impaired:				
More than 90 days past due		3,767	(1,734)	2,033
		<b>3,767</b>	<b>(1,734)</b>	<b>2,033</b>
Representing:				
Trade receivables	9	<b>1,180,446</b>	<b>(3,321)</b>	<b>1,177,125</b>

		Company 2018		
Credit Risk Rating	Note	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
Sovereign rating		47,523	–	47,523
Good rating		852,388	(492)	851,896
Standard rating		195,861	(1,319)	194,542
		<b>1,095,772</b>	<b>(1,811)</b>	<b>1,093,961</b>
Credit impaired:				
More than 90 days past due		2,266	(1,481)	785
		<b>1,098,038</b>	<b>(3,292)</b>	<b>1,094,746</b>
Representing:				
Trade receivables	9	<b>1,098,038</b>	<b>(3,292)</b>	<b>1,094,746</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

### 29. FINANCIAL INSTRUMENTS (CONTINUED)

#### Credit risk (continued)

#### Trade and other receivables (continued)

As at the end of the reporting period, the maximum exposure to credit risk arising from trade 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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>At net</b>				
Current	<b>1,281,254</b>	1,208,763	<b>1,162,690</b>	1,076,183
Past due 1 to 30 days	<b>26,831</b>	40,646	<b>6,765</b>	15,224
Past due 31 to 60 days	<b>12,389</b>	8,751	<b>4,359</b>	669
Past due 61 to 90 days	<b>10,840</b>	10,693	<b>1,278</b>	404
Past due more than 90 days	<b>19,576</b>	13,328	<b>2,033</b>	2,266
	<b>1,350,890</b>	1,282,181	<b>1,177,125</b>	1,094,746
Representing:				
Trade receivables (Note 9)	<b>1,361,359</b>	1,292,826	<b>1,180,446</b>	1,098,038
Less: Impairment losses (Note 9)	<b>(10,469)</b>	(10,645)	<b>(3,321)</b>	(3,292)
	<b>1,350,890</b>	1,282,181	<b>1,177,125</b>	1,094,746

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 and bank guarantees.

Trade receivables which are credit impaired amounting to RM10,469,000 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 RM159,355,000.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

**29. FINANCIAL INSTRUMENTS (CONTINUED)****Credit risk (continued)****Trade and other receivables (continued)**

The movements in the allowance for impairment losses of trade receivables during the year are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Opening balance	<b>10,645</b>	10,695	<b>3,292</b>	3,540
Impairment losses recognised	<b>1,038</b>	1,993	<b>822</b>	1,558
Write back of impairment	<b>(1,082)</b>	(2,043)	<b>(743)</b>	(1,806)
Impairment loss written off	<b>(132)</b>	–	<b>(50)</b>	–
Closing balance	<b>10,469</b>	10,645	<b>3,321</b>	3,292

**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 criteria, and within approved credit limits, as stipulated in the policies and guidelines. The treasury function is governed by counterparty credit risk management framework.

The maximum exposure to credit risk is represented by the carrying amounts in the statements 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.

**Liquidity risk**

Liquidity risk is the risk that the Group or 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 primarily from its trade payables and borrowings. In managing its liquidity risk, the Group and the Company maintain a 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 of the Company.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

### 29. FINANCIAL INSTRUMENTS (CONTINUED)

#### Liquidity risk (continued)

#### 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	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
<b>2019</b>							
<b>Financial liabilities</b>							
Unsecured Islamic financing facilities floating rate	29,756	4.27 – 4.68	30,888	20,762	10,126	–	–
Unsecured revolving credit facility fixed rate	5,466	2.90	5,506	5,506	–	–	–
Lease liabilities	298,933	4.19 – 8.43	446,198	155,359	72,203	43,394	175,242
Trade and other payables	3,349,770	–	3,349,770	3,349,770	–	–	–
	<b>3,683,925</b>		<b>3,832,362</b>	<b>3,531,397</b>	<b>82,329</b>	<b>43,394</b>	<b>175,242</b>
<b>2018</b>							
<b>Financial liabilities</b>							
Unsecured Islamic financing facilities floating rate	48,970	4.27 – 4.68	52,457	19,038	33,419	–	–
Unsecured revolving credit facility fixed rate	5,990	2.55	6,142	6,142	–	–	–
Trade and other payables	2,898,118	–	2,898,118	2,898,118	–	–	–
	<b>2,953,078</b>		<b>2,956,717</b>	<b>2,923,298</b>	<b>33,419</b>	<b>–</b>	<b>–</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 29. FINANCIAL INSTRUMENTS (CONTINUED)

## Liquidity risk (continued)

## Maturity analysis (continued)

Company	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
<b>2019</b>							
<b>Financial liabilities</b>							
Lease liabilities	220,697	4.19 – 7.80	244,354	147,015	63,909	15,254	18,176
Trade and other payables	3,154,959	–	3,154,959	3,154,959	–	–	–
	<b>3,375,656</b>		<b>3,399,313</b>	<b>3,301,974</b>	<b>63,909</b>	<b>15,254</b>	<b>18,176</b>
<b>2018</b>							
<b>Financial liability</b>							
Trade and other payables	2,780,751	–	2,780,751	2,780,751	–	–	–

## Market risk

Market risk is the risk or uncertainty arising from changes 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 and 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 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 2019, 98% (2018: 89%) of the interest-bearing financial liabilities of the Group are floating rate instruments.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

### 29. FINANCIAL INSTRUMENTS (CONTINUED)

#### Market risk (continued)

##### Profit margin risk sensitivity analysis

As at 31 December 2019, it is estimated that a change of 100 basis points in profit margin of the Islamic financing facilities with all other variables held constant, is not expected to have any significant impact to the Group's cash flows.

##### 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/or 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:

	Denominated in USD	
	2019 RM'000	2018 RM'000
<b>Group</b>		
<b>Financial asset</b>		
Trade and other receivables	147,372	132,805
<b>Financial liabilities</b>		
Trade and other payables	(13,425)	(15,508)
Lease liabilities	(101,672)	–
<b>Net exposure</b>	<b>32,275</b>	117,297
<b>Company</b>		
<b>Financial asset</b>		
Trade and other receivables	147,315	132,634
<b>Financial liabilities</b>		
Trade and other payables	(13,425)	(15,508)
Lease liabilities	(101,672)	–
<b>Net exposure</b>	<b>32,218</b>	117,126

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 29. FINANCIAL INSTRUMENTS (CONTINUED)

**Market risk (continued)****Foreign exchange risk (continued)**

Sensitivity analysis for a given market variable provided in this note, discloses the effect on profit or loss and equity as at 31 December 2019 assuming that a reasonably possible change in the relevant market variable had occurred at 31 December 2019 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 foreign exchange rates. Reasonably possible changes in interest rates are based on management judgement and historical experience.

The sensitivity analysis is hypothetical and should not be considered to be predictive of future performance because the Group's actual exposure to market prices is constantly changing with changes in the Group's portfolio of among others 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 of applying reasonably foreseeable market movements in the following currency exchange rates:

	2019		2018	
	Appreciation in foreign currency rate %	Effect on profit or loss RM'000	Appreciation in foreign currency rate %	Effect on profit or loss RM'000
<b>Group</b>				
USD	10	3,227	10	11,730
<b>Company</b>				
USD	10	3,222	10	11,713

A depreciation in USD would have had equal but opposite effect, on the basis that all other variables remain constant.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

### 29. FINANCIAL INSTRUMENTS (CONTINUED)

#### Fair value information

The Group's financial instruments consist of borrowings, cash and cash equivalents, fund investments, trade and other receivables and trade and other payables.

The carrying amounts of cash and cash equivalents, short term fund investments, receivables and payables and short term borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

The following table analyses financial instruments not carried at fair value for which fair value is disclosed, together with the carrying amounts shown in the consolidated statement of financial position.

Group	Fair value of financial instruments not carried at fair value		Carrying amount RM'000
	Level 3 RM'000	Total RM'000	
<b>2019</b>			
<b>Financial liabilities</b>			
Islamic financing facilities	28,131	28,131	29,756
Revolving credit facility	5,312	5,312	5,466
	<b>33,443</b>	<b>33,443</b>	<b>35,222</b>
<b>2018</b>			
<b>Financial liabilities</b>			
Islamic financing facilities	45,528	45,528	48,970
Revolving credit facility	5,841	5,841	5,990
	51,369	51,369	54,960

#### Non-derivative financial instruments

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 29. FINANCIAL INSTRUMENTS (CONTINUED)

## Gains and losses arising from financial instruments

Group	Interest income RM'000	Interest expense RM'000	Reversal/ (impairment loss) RM'000	Others RM'000	Total RM'000
<b>2019</b>					
Financial assets at amortised cost	121,997	–	(478)	3,777	125,296
Financial liabilities at amortised cost	–	(1,948)	–	(785)	(2,733)
<b>Total</b>	<b>121,997</b>	<b>(1,948)</b>	<b>(478)</b>	<b>2,992</b>	<b>122,563</b>
<b>2018</b>					
Financial assets at amortised cost	96,006	–	(4,491)	(4,512)	87,003
Financial liabilities at amortised cost	–	(2,903)	–	6,533	3,630
<b>Total</b>	<b>96,006</b>	<b>(2,903)</b>	<b>(4,491)</b>	<b>2,021</b>	<b>90,633</b>
Company	Interest income RM'000	Interest expense RM'000	Reversal/ (impairment loss) RM'000	Others RM'000	Total RM'000
<b>2019</b>					
Financial assets at amortised cost	113,133	–	(355)	3,776	116,554
Financial liabilities at amortised cost	–	–	–	(707)	(707)
<b>Total</b>	<b>113,133</b>	<b>–</b>	<b>(355)</b>	<b>3,069</b>	<b>115,847</b>
<b>2018</b>					
Financial assets at amortised cost	89,226	–	(4,293)	(4,509)	80,424
Financial liabilities at amortised cost	–	–	–	6,505	6,505
<b>Total</b>	<b>89,226</b>	<b>–</b>	<b>(4,293)</b>	<b>1,996</b>	<b>86,929</b>

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.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

### 30. 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 Petroliam Nasional Berhad ("PETRONAS"), the Group's approach in managing capital is set out in the PETRONAS Group Corporate 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 equity ratio of the Group as at 31 December 2019 is 5.6:100 (2018: 0.9:100).

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 Group 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.

### 31. HOLDING AND ULTIMATE HOLDING COMPANY

The holding company as well as ultimate holding company is Petroliam Nasional Berhad ("PETRONAS"), a company incorporated in Malaysia.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 32. SUBSIDIARIES AND ACTIVITIES

	Effective ownership and voting interest		Principal Activities
	2019	2018	
<b>Companies incorporated in Malaysia</b>			
Kuala Lumpur Aviation Fuelling System Sdn. Bhd.	65%	65%	To develop, operate, maintain and manage an aviation fueling system at Kuala Lumpur International Airport and Kuala Lumpur International Airport 2, Sepang.
PETRONAS Lubricants Marketing (Malaysia) Sdn. Bhd.	100%	100%	To market and distribute lubricants.
PETRONAS Aviation Sdn. Bhd.	100%	100%	To provide technical consultancy services.
Setel Ventures Sdn. Bhd.	100%	–	To provide a seamless payment solution.
<b>Company incorporated in Netherlands</b>			
**PDB (Netherlands) B.V.	100%	100%	Investment holding company.
<b>Company incorporated in Thailand</b>			
*PETRONAS International Marketing (Thailand) Co., Ltd. <sup>1</sup>	100%	100%	To market and distribute lubricants.

\* Audited by firm of auditors other than KPMG PLT

\*\* 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.

<sup>1</sup> Directly owned by PDB (Netherlands) B.V.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

### 33. ASSOCIATES AND ACTIVITIES

	Effective ownership and voting interest		Principal Activities
	2019	2018	
<b>Companies incorporated in Malaysia</b>			
*IOT Management Sdn. Bhd.	20%	20%	To operate and manage a petroleum storage terminal with facilities for receipt, storage and delivery of petroleum products at Senari, Kuching, Sarawak for the users, PETRONAS Dagangan Berhad and Shell Timur Sdn. Bhd.
*Tanjung Manis Oil Terminal Management Sdn. Bhd.	20%	20%	To operate and manage a petroleum storage terminal with facilities for receipt, storage and delivery of petroleum products located at Bandar Baru Tanjung Manis, Mukah, Sarawak for the users, PETRONAS Dagangan Berhad and Shell Timur Sdn. Bhd.

### 34. JOINT VENTURES AND ACTIVITIES

	Effective ownership and voting interest		Principal Activities
	2019	2018	
<b>Companies incorporated in Malaysia</b>			
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 the petroleum products on behalf of the MPP-KVDT owners/ shareholders.
P S Terminal Sendirian Berhad	50%	50%	To operate, manage and maintain the joint facilities – terminal, depot, warehouse etc. in Tawau and Bintulu on behalf of the owners, PETRONAS Dagangan Berhad and Shell Timur Sdn. Bhd.
<b>Company incorporated in Kingdom of Saudi Arabia</b>			
*United Fuel Company Limited (Limited Liability Company) <sup>2</sup>	40%	40%	To provide support, maintenance and operation services for airport facilities and gas fuel, storage equipment and fuel supply to aircrafts in the airports of the Kingdom of Saudi Arabia.

\* Audited by firm of auditors other than KPMG PLT

<sup>2</sup> Interest owned by PETRONAS Aviation Sdn. Bhd.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

**35. ADOPTION OF NEW AND REVISED PRONOUNCEMENTS**

As of 1 January 2019, 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 2019**

MFRS 16 *Leases*

Amendments to MFRS 3 *Business Combinations (Annual Improvements 2015-2017 Cycle)*

Amendments to MFRS 11 *Joint Arrangements (Annual Improvements 2015-2017 Cycle)*

Amendments to MFRS 112 *Income Taxes (Annual Improvements 2015-2017 Cycle)*

Amendments to MFRS 123 *Borrowing Costs (Annual Improvements 2015-2017 Cycle)*

Amendments to MFRS 128 *Investment in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures*

Amendments to MFRS 119 *Employee Benefits: Plan Amendment, Curtailment or Settlement*

IC Interpretation 23 *Uncertainty over Income Tax Treatments*

The principal changes in accounting policies and their effects are set out below:

**i. MFRS 16 Leases****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. On transition to MFRS 16, the Group and the Company reassessed all contracts to determine whether the contracts are, or contain a lease at the date of initial application.

**As a lessee**

MFRS 16 introduces a single, on balance sheet lease accounting for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

Where the Group and the Company are a lessee, the Group and the Company applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings at 1 January 2019.

At 1 January 2019, for leases that were previously classified as operating lease under MFRS 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group entities' incremental borrowing rate as at 1 January 2019. The Group's and the Company's weighted-average rate applied is 4.19% and 8.43% respectively. Right-of-use assets are measured at their carrying amount as if MFRS 16 had been applied since the commencement date, discounted using the Group entities' incremental borrowing rate at 1 January 2019.

The Group entities used the following practical expedients when applying MFRS 16 to leases previously classified as operating lease under MFRS 117:

- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term as at 1 January 2019;
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

### 35. ADOPTION OF NEW AND REVISED PRONOUNCEMENTS (CONTINUED)

#### i. MFRS 16 Leases (continued)

##### As a lessee (continued)

For leases that were classified as finance lease under MFRS 117, the carrying amounts of the right-of-use asset at 1 January 2019 are determined to be the same as the carrying amount of the lease asset under MFRS 117 immediately before that date.

#### ii. Amendments to MFRS 123 Borrowing Costs (Annual Improvements 2015-2017 Cycle)

In previous years, borrowing costs relating to a specific qualifying assets were capitalised into the cost of the asset. The capitalisation of borrowing costs ceased when substantially all activities necessary to prepare the qualifying asset for its intended use or sale were completed. Any borrowing costs incurred subsequently were expensed off to profit or loss.

Following the amendments, borrowing costs incurred after the completion of the specific qualifying asset is capitalised into the general borrowings. Capitalisation rate is determined as the weighted average of the borrowing costs applicable to all borrowings of the Group and the Company outstanding during the period.

The initial application of the above-mentioned pronouncements did not have any material impact to the financial statements of the Group and the Company except as disclosed in Note 37.

### 36. PRONOUNCEMENTS YET IN EFFECT

The following pronouncements that have been issued by the Malaysian Accounting Standards Board 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 2020**

Amendments to MFRS 3 *Business Combinations (Definition of a Business)*

Amendments to MFRS 9 *Financial Instruments*, MFRS 139 *Financial Instruments: Recognition and Measurement* and MFRS 7 *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*

Amendments to MFRS 101 *Presentation of Financial Statements (Definition of Material)*

Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Material)*

#### **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 abovementioned pronouncements beginning from the respective dates the pronouncements become effective. The initial application of the abovementioned pronouncements are not expected to have any material impacts to the financial statements of the Group and the Company.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

**37. IMPACT OF THE ADOPTION OF PRONOUNCEMENTS**

Since the Group and the Company applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application at 1 January 2019 and amendments to MFRS 123 prospectively, there are no adjustments made to the prior period presented.

**a) Impact of the adoption of MFRS 16 Leases**

The following table explains the difference between operating lease commitments disclosed applying MFRS 117 at 31 December 2018, and lease liabilities recognised in the statement of financial position at 1 January 2019.

	Note	Group RM'000	Company RM'000
Operating lease commitments at 31 December 2018 as disclosed in the financial statements		467,752	259,702
Discounted using the incremental borrowing rate at 1 January 2019		311,371	233,141
Recognition exemption for short-term leases		(123)	(123)
Recognition exemption for leases of low-value assets		(813)	(741)
Lease liabilities recognised at 1 January 2019	15	310,435	232,277

	Adjustments at 1 January 2019	
	Group RM'000	Company RM'000
Increase in assets	226,680	182,978
Decrease in equity	63,656	37,467
Increase in lease liabilities	310,435	232,277
Decrease in deferred tax liabilities	20,099	11,832

**b) Impact of the adoption of Amendments to MFRS 123 Borrowing Costs (Annual Improvements 2015-2017 Cycle)**

The initial application of the above-mentioned pronouncement did not have any material impact to the financial statements of the Group and the Company.

**38. NEW PRONOUNCEMENTS NOT APPLICABLE TO THE GROUP AND THE COMPANY**

The MASB has issued a new pronouncement, MFRS 17 *Insurance Contracts* which is effective for annual periods beginning on or after 1 January 2021. However, it is not relevant to the operations of the Group and the Company and hence, no further disclosure is warranted.

# 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 2019 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 200 to 279.

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 2019, 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* ("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 227 (Note 2.17 Significant Accounting Policies) and page 249 (Note 19) 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 Risk Management specialist to test the overall general IT 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 Directors' 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 auditors' 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, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining parts of the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors of the Company and take appropriate actions in accordance with approved standards on auditing in Malaysia and International Standards on Auditing.

##### **RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS**

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

## INDEPENDENT AUDITORS' REPORT

### TO THE MEMBERS OF PETRONAS DAGANGAN BERHAD

(Company No. 198201008499 (88222-D))  
(Incorporated in Malaysia)

#### AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## 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 32 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: 03337/12/2021 J  
Chartered Accountant

Petaling Jaya  
25 February 2020

## ANALYSIS OF SHAREHOLDINGS

AS AT 20 FEBRUARY 2020

### 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	840	10.97	4,147	0.00
100 – 1,000	1,929	25.19	1,195,037	0.12
1,001 – 10,000	4,134	53.98	11,177,681	1.13
10,001 – 100,000	515	6.72	17,242,383	1.74
100,001 to less than 5% of issued shares	239	3.12	235,587,541	23.71
5% and above of issued shares	2	0.02	728,247,211	73.30
	7,659	100.00	993,454,000	100.00

### CLASSIFICATION OF SHAREHOLDERS

Category	No. of Shareholders		No. of Shares		% of Total Shareholdings	
	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
• Individual	6,147	67	14,916,071	262,241	1.50	0.03
• Body Corporate						
a. Banks/Finance Companies	42	0	103,990,900	0	10.46	0.00
b. Investment Trusts/ Foundation/Charities	1	0	1,400	0	0.00	0.00
c. Other types of companies	182	7	2,644,802	274,797	0.26	0.03
• Government Agencies/Institutions	7	0	7,418,300	0	0.75	0.00
• Nominees	589	617	775,058,157	88,887,332	78.02	8.95
• Others	0	0	0	0	0.00	0.00
	<b>6,968</b>	<b>691</b>	<b>904,029,630</b>	<b>89,424,370</b>	<b>90.99</b>	<b>9.01</b>

## ANALYSIS OF SHAREHOLDINGS

AS AT 20 FEBRUARY 2020

## 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
<b>TOTAL</b>	<b>635,201,300</b>	<b>63.94</b>	<b>Nil</b>	<b>Nil</b>
Citigroup Nominees (Tempatan) Sdn Bhd (Exempt AN for Employees Provident Fund)	103,217,411	10.39	Nil	Nil

## LIST OF DIRECTORS' SHAREHOLDINGS

No. Name	Direct		Indirect	
	No. of Shares	% of Total Shareholding	No. of Shares	% of Total Shareholding
1. Datuk Md Arif Mahmood	Nil	Nil	Nil	Nil
2. Azrul Osman Rani	Nil	Nil	Nil	Nil
3. Lim Beng Choon	Nil	Nil	Nil	Nil
4. Vimala V.R. Menon	Nil	Nil	Nil	Nil
5. Datuk Anuar Ahmad	Nil	Nil	Nil	Nil
6. Nuraini Ismail	Nil	Nil	Nil	Nil
7. Dato' Sri Syed Zainal Abidin Syed Mohamed Tahir	Nil	Nil	Nil	Nil
8. Shafie Shamsuddin	Nil	Nil	Nil	Nil
9. Alvin Michael Hew Thai Kheam	Nil	Nil	Nil	Nil
10. Nirmala Doraisamy	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. Norliwati Abdul Wahab	Nil	Nil	Nil	Nil
3. Wan Yussman Wan Yusof	Nil	Nil	Nil	Nil
4. Khalil Jaffri Muhammad Muri	Nil	Nil	Nil	Nil
5. Ramzulhakim Ramli	Nil	Nil	Nil	Nil
6. Pramela Vallinayagan	Nil	Nil	Nil	Nil
7. Hardeep Singh Kirpal Singh	Nil	Nil	Nil	Nil
8. Aadrin Azly	Nil	Nil	Nil	Nil
9. Mohd Shobri A. Bakar	Nil	Nil	Nil	Nil
10. Min Edina Mustapha Kamal	Nil	Nil	Nil	Nil
11. Ruziah Azdi Abdul Rahman	Nil	Nil	Nil	Nil
12. Naina Mohd Shukri Omar	Nil	Nil	Nil	Nil
13. Nur Nadia Mohd Nordin	Nil	Nil	Nil	Nil
14. Rosnan Hamzah	Nil	Nil	Nil	Nil
15. Mohd Imran M. Ashraf	Nil	Nil	Nil	Nil

## ANALYSIS OF SHAREHOLDINGS

AS AT 20 FEBRUARY 2020

### LIST OF 30 LARGEST SHAREHOLDERS

Name	No. of Shares	% of Total Shares
1. CIMB GROUP NOMINEES (TEMPATAN) SDN BHD <i>EXEMPT AN FOR PETROLIAM NASIONAL BERHAD</i>	635,000,400	63.92
2. CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>EMPLOYEES PROVIDENT FUND BOARD</i>	93,246,811	9.39
3. AMANAHRAYA TRUSTEES BERHAD <i>AMANAH SAHAM BUMIPUTERA</i>	39,199,100	3.95
4. AMANAHRAYA TRUSTEES BERHAD <i>AMANAH SAHAM MALAYSIA</i>	15,535,900	1.56
5. AMANAHRAYA TRUSTEES BERHAD <i>AMANAH SAHAM MALAYSIA 2 - WAWASAN</i>	8,845,700	0.89
6. CARTABAN NOMINESS (ASING) SDN BHD <i>EXEMPT AN FOR STATE STREET BANK &amp; TRUST COMPANY (WEST CLT OD67)</i>	7,557,500	0.76
7. DB (MALAYSIA) NOMINEE (ASING) SDN BHD <i>BNYM SA/NV FOR PEOPLE'S BANK OF CHINA (SICL ASIA EM)</i>	6,285,100	0.63
8. PERMODALAN NASIONAL BERHAD	5,988,200	0.60
9. PERTUBUHAN KESELAMATAN SOSIAL	5,700,000	0.57
10. AMANAHRAYA TRUSTEES BERHAD <i>AMANAH SAHAM BUMIPUTERA 2</i>	5,589,700	0.56
11. CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 1)</i>	5,031,100	0.51
12. HSBC NOMINEES (ASING) SDN BHD <i>JPMCB NA FOR VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND</i>	4,734,640	0.48
13. LEMBAGA TABUNG HAJI	4,611,100	0.46
14. CARTABAN NOMINEES (TEMPATAN) SDN BHD <i>PAMB FOR PRULINK EQUITY FUND</i>	4,560,400	0.46
15. AMANAHRAYA TRUSTEES BERHAD <i>AMANAH SAHAM MALAYSIA 3</i>	4,344,000	0.44
16. HSBC NOMINEES (ASING) SDN BHD <i>JPMCB NA FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND</i>	4,269,007	0.43

## ANALYSIS OF SHAREHOLDINGS

AS AT 20 FEBRUARY 2020

Name	No. of Shares	% of Total Shares
17. CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>EMPLOYEES PROVIDENT FUND BOARD (AFFIN-HWG)</i>	4,207,000	0.42
18. MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>MAYBANK TRUSTEES BERHAD FOR PUBLIC ITTIKAL FUND (N14011970240)</i>	3,000,000	0.30
19. AMANAHRAYA TRUSTEES BERHAD <i>PUBLIC ISLAMIC DIVIDEND FUND</i>	2,704,400	0.27
20. AMANAHRAYA TRUSTEES BERHAD <i>AMANAH SAHAM BUMIPUTERA 3 – DIDIK</i>	2,635,100	0.27
21. HSBC NOMINEES (ASING) SDN BHD <i>JPMBL SA FOR ROBECO CAPITAL GROWTH FUNDS</i>	2,535,500	0.26
22. CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>EMPLOYEES PROVIDENT FUND BOARD (CIMB PRIN)</i>	2,500,000	0.25
23. MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>MAYBANK TRUSTEES BERHAD FOR PUBLIC REGULAR SAVINGS FUND (N14011940100)</i>	2,432,000	0.24
24. CARTABAN NOMINEES (ASING) SDN BHD <i>GIC PRIVATE LIMITED FOR GOVERNMENT OF SINGAPORE (C)</i>	2,319,000	0.23
25. MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>MTRUSTEE BERHAD FOR PRINCIPAL DALI EQUITY GROWTH FUND (UT-CIMB-DALI) (419455)</i>	2,157,000	0.22
26. AMANAHRAYA TRUSTEES BERHAD <i>PUBLIC ISLAMIC EQUITY FUND</i>	2,057,100	0.21
27. MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>SETIAUSAHA KERAJAAN PULAU PINANG</i>	2,000,000	0.20
28. STATE FINANCIAL SECRETARY SARAWAK	2,000,000	0.20
29. HSBC NOMINEES (ASING) SDN BHD <i>JPMCB NA FOR BLACKROCK INSTITUTIONAL TRUST COMPANY, N.A. INVESTMENT FUNDS FOR EMPLOYEE BENEFIT TRUSTS</i>	1,801,100	0.18
30. STATE SECRETARY KEDAH INCORPORATED	1,800,000	0.18

# NET BOOK VALUE OF LAND AND BUILDINGS OF THE COMPANY

AS AT 31 DECEMBER 2019

	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)
<b>CENTRAL REGION</b>	400,968	113	4,174,589	288,040	92	19,662,162	689,008	205	23,836,751	219,634
<b>NORTHERN REGION</b>	195,334	87	3,741,813	50,975	43	5,728,801	246,309	130	9,470,614	105,604
<b>SOUTHERN REGION</b>	355,915	139	5,516,397	80,416	44	1,655,018	436,331	183	7,171,415	135,567
<b>EAST COAST REGION</b>	68,368	37	1,593,158	38,466	53	1,915,981	106,834	90	3,509,138	85,143
<b>SARAWAK</b>	5,958	3	116,025	25,845	36	1,441,917	31,803	39	1,557,942	44,429
<b>SABAH</b>	215	1	49,223	33,472	37	2,534,198	33,687	38	2,583,421	34,797
<b>Grand Total</b>	<b>1,026,758</b>	<b>380</b>	<b>15,191,205</b>	<b>517,214</b>	<b>305</b>	<b>32,938,077</b>	<b>1,543,972</b>	<b>685</b>	<b>48,129,281</b>	<b>625,174</b>

\* This excludes rights-of-use land

## 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
<b>CENTRAL REGION</b>	–	2	–	1	194	1	7	205
<b>NORTHERN REGION</b>	3	–	–	–	119	–	8	130
<b>SOUTHERN REGION</b>	–	–	–	–	175	–	8	183
<b>EAST COAST REGION</b>	–	–	1	–	82	–	7	90
<b>SARAWAK</b>	3	–	–	–	36	–	–	39
<b>SABAH</b>	3	–	–	–	33	–	2	38
<b>Grand Total</b>	<b>9</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>639</b>	<b>1</b>	<b>32</b>	<b>685</b>

\* This represents usage of freehold and leasehold land only, and exclude stations or facilities built on rights-of-use land

## LIST OF TOP 10 LANDED PROPERTIES

AS AT 31 DECEMBER 2019

Name of facilities and location	Net Book Value (RM)
<b>LUMUT FUEL TERMINAL</b> Lumut Port Industrial Park, Kg Acheh, 32000 Sitiawan, Perak	11,350,504
<b>PSS JLN KOLAM AYER AMPANG</b> Lot 36904, Jalan Kolam Air Lama, 68000 Ampang, Kuala Lumpur	9,653,064
<b>PASIR GUDANG LPG BOTTLING PLANT</b> Lot 108, Lorong Sawit 2, Kawasan Pelabuhan Johor, 81700 Pasir Gudang, Johor	8,951,300
<b>PRAI LPG BOTTLING PLANT</b> Lot 93, Prai Industrial Area, 13600 Prai, Penang	6,086,424
<b>PSS PLUS/BESRAYA HIGHWAY</b> KM 305, PLUS Arah Selatan, Lot 896, GRN 46223, Mukim Kajang, 43650 Hulu Langat, Selangor	5,584,835
<b>PSS LEBUHRAYA SILK DENGKIL</b> Lot 44116, KM 26.8 Lebuhraya Silk (Arah Kajang), 43300 Seri Kembangan, Selangor	5,172,962
<b>PSS JURU LAYBY NORTH BOUND</b> Lot 4290, MK.6, Lebuhraya Utara Selatan, Perhentian Juru, 14000 Bukit Mertajam, Penang	4,935,550
<b>PSS KM0.7 BESRAYA</b> KM 0.7, Lebuhraya Sg. Besi, 43300 Seri Kembangan, Selangor	4,531,366
<b>PSS KM 58 KL-KARAK HIGHWAY</b> Lot 8207 Mukim Bentong, Daerah Bentong, 28400 Bentong, Pahang	4,331,107
<b>MELAKA LPG TERMINAL</b> Lot 1396-1399 Mukim Sungai Udang, Tangga Batu 76300 Melaka	3,944,716

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### **Datuk Md Arif Mahmood**

*Chairman*

*Non-Independent Non-Executive Director*

### **Azrul Osman Rani**

*Managing Director/Chief Executive Officer*

### **Lim Beng Choon**

*Senior Independent Director*

### **Vimala V.R. Menon**

*Independent Non-Executive Director*

### **Datuk Anuar Ahmad**

*Independent Non-Executive Director*

### **Nuraini Ismail**

*Non-Independent Non-Executive Director*

### **Dato' Sri Syed Zainal Abidin Syed Mohamed Tahir**

*Non-Independent Non-Executive Director*

### **Shafie Shamsuddin**

*Independent Non-Executive Director*

### **Alvin Michael Hew Thai Kheam**

*Independent Non-Executive Director*

### **Nirmala Doraisamy**

*Independent Non-Executive Director*

## BOARD AUDIT COMMITTEE

Vimala V.R. Menon (*Chairman*)

Lim Beng Choon

Datuk Anuar Ahmad

Nuraini Ismail

## NOMINATION AND REMUNERATION COMMITTEE

Lim Beng Choon (*Chairman*)

Vimala V.R. Menon

Shafie Shamsuddin

## BOARD RISK COMMITTEE

Alvin Michael Hew Thai Kheam (*Chairman*)

Vimala V.R. Menon

Datuk Anuar Ahmad

Shafie Shamsuddin

Nirmala Doraisamy

## SENIOR INDEPENDENT DIRECTOR

Lim Beng Choon

Email: bengchoon.lim@petronas.com.my

## COMPANY SECRETARIES

Nur Nadia Mohd Nordin (LS0009231)

Yeap Kok Leong (MAICSA 0862549)

## REGISTERED ADDRESS

Tower 1, PETRONAS Twin Towers

Kuala Lumpur City Centre

50088 Kuala Lumpur

Malaysia

Tel: (+603) 2051 5000

## CORPORATE INFORMATION

### BUSINESS ADDRESS

Level 27-32, Tower 1  
 PETRONAS Twin Towers  
 Kuala Lumpur City Centre  
 50088 Kuala Lumpur  
 Malaysia  
 Tel: (+603) 2051 5000

### INVESTOR RELATIONS

Level 31, Tower 1  
 PETRONAS Twin Towers  
 Kuala Lumpur City Centre  
 50088 Kuala Lumpur  
 Malaysia  
 Tel: (+603) 2331 1909  
 Email: nurasyirin@petronas.com.my

### SHARE REGISTRARS

Boardroom Share Registrars Sdn Bhd  
 (Registration No.: 199601006647 (378993-D))  
 11<sup>th</sup> 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  
 10<sup>th</sup> Floor, KPMG Tower  
 8, First Avenue, Bandar Utama  
 47800 Petaling Jaya  
 Selangor Darul Ehsan  
 Malaysia  
 Tel: (+603) 7721 3388  
 Fax: (+603) 7721 3399

### PRINCIPAL BANKERS

CIMB Bank Berhad  
 Malayan Banking Berhad

### 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

### CREDIT RATING

Local Rating Agency  
 Malaysian Rating Corporation Berhad  
 MARC-1<sub>YS</sub>/AAA<sub>YS</sub>

### WEBSITE

www.mymesra.com.my

### CUSTOMER SERVICE CENTRE

#### (Mesralink)

Tel : 1-300-88-8181  
 E-mail : mesralink@petronas.com.my

# CORPORATE DIRECTORY



**1 HEAD OFFICE**

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

**5 Sarawak Region**

4<sup>th</sup> Floor  
Wisma Naim  
Lot 2679, Jalan Rock  
93200, Kuching, Sarawak  
Tel: (+6082)-255 200  
Fax: (+6082)-412 712

**3 Southern Region**

2<sup>nd</sup> Floor  
Bangunan PETRONAS  
Lot 12106, Bandar Baru UDA  
Km 7, Jalan Skudai  
81200, Johor Bahru, Johor  
Tel: (+607)-233 6000  
Fax: (+607)-233 6001

**6 Sabah Region**

Lot 7AF01-7AF13  
Block A, Level 7  
Karamuning Complex  
88300, Kota Kinabalu, Sabah  
Tel: (+6088)-525 777

**4 Eastern Region**

A-39 and A-43, 2<sup>nd</sup> Floor  
Jalan Haji Abdul Aziz  
25000, Kuantan, Pahang  
Tel: (+609)-513 7022/7099  
Fax: (+609)-514 4040

# GRI CONTENT INDEX

GRI Standards	Brief Description of the Disclosures	Page number(s)
<b>Organisational Profile</b>		
102-1	Name of the organisation	6
102-2	Activities, brands, products and services	8 to 9
102-3	Location of headquarters	293
102-4	Location of operations	12 to 13
102-5	Ownership and legal form	10
102-6	Markets served	8 to 9
102-7	Scale of the organisation	12, 13, 31, 55, 172
102-8	Information on employees and other workers	172
102-9	Supply chain	14 to 15
102-11	Precautionary Principle or approach	137 to 147
<b>Strategy</b>		
102-14	Statement from senior decision-maker	18 to 23
<b>Ethics and Integrity</b>		
102-16	Values, principles, standards, and norms of behaviour	7
<b>Governance</b>		
102-18	Governance structure	107 to 109
<b>Stakeholder Engagement</b>		
102-40	List of stakeholder groups	48 to 49
102-41	Collective bargaining agreements	181
102-42	Identifying and selecting stakeholders	48 to 49
102-43	Approach to stakeholder engagement	48 to 49
102-44	Key topics and concerns raised	48 to 49

## GRI CONTENT INDEX

GRI Standards	Brief Description of the Disclosures	Page number(s)
<b>Reporting Practice</b>		
102-45	Entities included in the consolidated financial statements	275 to 276
102-46	Defining report content and topic boundaries	150 to 151
102-47	List of material topics	44 to 47
102-48	Restatements of information	44
102-50	Reporting period	1
102-51	Date of most recent report	1
102-52	Reporting cycle	1
102-55	GRI content index	294 to 296
102-56	External assurance	162, 280 to 283
<b>Management Approach</b>		
103-1	Explanation of the material topic and its boundary	44 to 47
103-2	The management approach and its components	44 to 47
103-3	Evaluation of the management approach	44 to 47, 148, 156, 160, 165, 172, 180, 182, 186
<b>Topic-Specific Disclosures</b>		
201-1	Direct economic value generated and distributed	156
201-2	Financial implications and other risks and opportunities due to climate change	42, 160
202-2	Proportion of senior management hired from the local community	90, 91, 100 to 103
203-2	Significant indirect economic impacts	157 to 159
204-1	Proportion of spending on local suppliers	156
205-2	Communication and training about anti-corruption policies and procedures	148 to 149
302-1	Energy consumption within the organisation	161
303-1	Water withdrawal by source	165

## GRI CONTENT INDEX

GRI Standards	Brief Description of the Disclosures	Page number(s)
305-1	Direct (Scope 1) GHG emissions	162
305-2	Energy indirect (Scope 2) GHG emissions	162
306-1	Water discharge by quality and destination	165
306-2	Waste by type and disposal method	164
306-3	Significant spills	164
401-1	New employee hires and employee turnover	172
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	176 to 177
401-3	Parental leave	176
403-1	Workers representation in formal joint management–worker health and safety committees	167
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	168
404-1	Average hours of training per year per employee	173
404-2	Programmes for upgrading employee skills and transition assistance programmes	173 to 175
405-1	Diversity of governance bodies and employees	90, 100 to 103, 172
405-2	Ratio of basic salary and remuneration of women to men	180
413-1	Operations with local community engagement, impact assessments, and development programmes	182 to 185

## GLOSSARY

<IR>	Integrated Report
ABC	Anti-Bribery and Corruption
AGM	Annual General Meeting
AIDS	Acquired Immune Deficiency Syndrome
AMG	Aufrecht, Melcher and Großaspach
ASB	Asian Supply Base Sdn Bhd
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
Board	The Board of Directors of PDB
BRC	Board Risk Committee
BRR	Business Risk Reports
Bursa Malaysia	Bursa Malaysia Securities Berhad
CA	Companies Act
CFO	Chief Financial Officer
CMT	Crisis Management Team
CO <sub>2</sub>	Carbon Dioxide
CO <sub>2</sub> e	Carbon Dioxide Equivalent
CoBE	Code of Conduct and Business Ethics
CoCHR	Contractors Code of Conduct on Human Rights
COI	Conflict of Interest
COSO	Committee of Sponsoring Organisations of the Treadway Commission
CSR	Corporate Social Responsibility
EEVs	Energy Efficient Vehicles
EMT	Emergency Management Team
EPF	Employees Provident Fund
EPM	Employee Performance Management
EPS	Earnings per Share
ERM	Enterprise Risk Management
FBM KLCI	FTSE Bursa Malaysia Kuala Lumpur Composite Index
FCF	Financial Control Framework
FTSE	Financial Times Stock Exchange
FWO	Flexible Work Options
GDP	Gross Domestic Product

GHG	Greenhouse Gas
GJ	GigaJoule
Group	PETRONAS Dagangan Berhad and its subsidiaries
HEMP	Hazards and Effects Management Process
HIV	Human Immunodeficiency Virus
HRM	Human Resource Management
HSE	Health, Safety and Environment
HSE MS	Health, Safety and Environment Management System
IAD	Internal Audit Department
IIRC	International Integrated Reporting Council
INED	Independent Non-Executive Director
ISO	International Standards Organisation
IR	Investor Relations
IT	Information Technology
JV	Joint Venture
KAPENAS	Kesatuan Kakitangan Petroliaam Nasional Berhad
KLIA	Kuala Lumpur International Airport
KPI	Key Performance Indicator
KVDT	Klang Valley Distribution Terminal
LNG	Liquefied Natural Gas
LOA	Limits of Authority
LOPC	Loss of Primary Containment
LPG	Liquefied Petroleum Gas
LRT	Light Rail Transit
LT	Leadership Team
LWP	Leave Without Pay
MARC	Malaysian Rating Corporation Berhad
MASB	Malaysian Accounting Standards Board
MCCG 2017	Malaysian Code on Corporate Governance 2017
MD/CEO	Managing Director/Chief Executive Officer
MEP	Market Execution Partners
MFRS	Malaysian Financial Reporting Standard
Mil	Million
MMLR	Main Market Listing Requirements
MPP-KVDT	Multi-Product Pipeline and Klang Valley Distribution Terminal
MRT	Mass Rapid Transit
MSWG	Minority Shareholders Watch Group
MT	Metric Tonnes
MWh	Megawatt-hour
NDR(s)	Non-Deal Roadshows

## GLOSSARY

NEDs	Non-Executive Directors
NGV	Natural Gas Vehicle
NINED	Non-Independent Non-Executive Director
No <sub>x</sub>	Nitrogen Oxide
NPS	Net Promoter Score
NRC	Nomination and Remuneration Committee
PBT	Profit Before Tax
PCB	PETRONAS Cultural Beliefs
PDB	PETRONAS Dagangan Berhad
PETRONAS	Petroleum Nasional Berhad (PETRONAS)
PIMTCL	PETRONAS International Marketing (Thailand) Co. Ltd.
PLMMSB	PETRONAS Lubricants Marketing (Malaysia) Sdn Bhd
PS	PETRONAS Stations
PST	PETRONAS Shell Terminal
QAIP	Quarterly Assurance and Improvement Programme
R&D	Research and Development

RM	Ringgit Malaysia
RMGC	Risk Management and Governance Committee
RMD	Risk Management Department
RON	Research Octane Number
RPTs	Related Party Transactions
RRPTs	Recurrent Related Party Transactions
SDG	Sustainable Development Goals
SME	Small and Medium Enterprise
SORMIC	Statement on Risk Management and Internal Control
So <sub>x</sub>	Sulphur Oxide
TOR	Terms of Reference
U.S.	United States of America
UN SDG	United Nations Sustainable Development Goals
USD	United States Dollar
VSD	Variable Speed Drives
WBP	Whistleblowing Policy

# NOTICE OF 38<sup>TH</sup> ANNUAL GENERAL MEETING

**PETRONAS DAGANGAN BERHAD**  
**Registration No.: 198201008499 (88222-D)**  
**(Incorporated in Malaysia)**

**NOTICE IS HEREBY GIVEN THAT** the 38<sup>th</sup> Annual General Meeting (AGM) of PETRONAS Dagangan Berhad (“the Company”) will be held at Exhibition Hall 1, Ground Floor, Kuala Lumpur Convention Centre, Jalan Pinang, 50088 Kuala Lumpur, Malaysia on Wednesday, 10 June 2020 at 10.00 a.m. for the following businesses:

## AGENDA

### ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2019 together with the Reports of the Directors and Auditors thereon.  
*Please refer to Explanatory Note A*
2. To re-elect the following Directors who were appointed pursuant to Article 100 of the Company’s Constitution:
  - (a) Nirmala Doraisamy **(Resolution 1)**
  - (b) Azrul Osman Rani **(Resolution 2)***Please refer to Explanatory Note B*
3. To re-elect the following Directors who retire by rotation pursuant to Article 107 of the Company’s Constitution:
  - (a) Shafie Shamsuddin **(Resolution 3)**
  - (b) Alvin Michael Hew Thai Kheam **(Resolution 4)***Please refer to Explanatory Note B*
4. To approve the Directors’ Fees and Allowances payable to the Non-Executive Directors of up to RM2,300,000 with effect from 11 June 2020 until the next AGM of the Company. **(Resolution 5)**  
*Please refer to Explanatory Note C*
5. To approve the re-appointment of KPMG PLT, as Auditors of the Company for the financial year ending 31 December 2020 and to authorise the Directors to fix their remuneration. **(Resolution 6)**  
*Please refer to Explanatory Note D*

### SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Ordinary Resolution pursuant to Article 98 of the Company’s Constitution:

6. **Proposed Increase of Number of Directors** **(Resolution 7)**  
 “THAT the maximum number of Directors of the Company which is currently fixed at not more than ten (10) as set out in Article 98 of the Company’s Constitution be hereby increased to twelve (12) with immediate effect.”  
*Please refer to Explanatory Note E*
7. To transact any other business for which due notice shall have been given in accordance with the Companies Act 2016 and the Company’s Constitution.

## NOTICE OF 38<sup>TH</sup> ANNUAL GENERAL MEETING

**PETRONAS DAGANGAN BERHAD**

**Registration No.: 198201008499 (88222-D)**

**(Incorporated in Malaysia)**

**FURTHER NOTICE IS HEREBY GIVEN THAT** for the purpose of determining a member who shall be entitled to attend and vote at the forthcoming 38<sup>th</sup> AGM, the Company shall be requesting the Record of Depositors as at 3 June 2020. Only a depositor whose name appears on the Record of Depositors as at 3 June 2020 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**

**NUR NADIA MOHD NORDIN** (LS0009231)

**YEAP KOK LEONG** (MAICSA 0862549)

*Company Secretaries*

Kuala Lumpur

31 March 2020

### **NOTES:**

#### **Proxy and/or Authorised Representative**

1. A member of the Company entitled to attend, participate, speak and vote at the meeting may appoint not more than two proxies to attend, participate, speak and vote on his 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.
2. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), 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.
3. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for the 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. An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
4. 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.
5. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if the appointer is a corporation either under seal or under the hand of an officer or attorney duly authorised and must be deposited with Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively to submit your electronic proxy form via TIIH Online at <https://tiih.online> not less than 48 hours before the time fixed for holding the meeting. Please refer to the Annexure of the Proxy Form in the Administrative Details for submission of electronic proxy form.
6. If the Proxy Form is signed under the hand of an officer duly authorised, it should be accompanied by a statement reading "signed as authorised officer under Authorisation Document which is still in force, no notice of revocation having been received". If the Proxy Form is signed by an attorney duly appointed under a power of attorney, it should be accompanied by a statement reading "signed under Power of Attorney which is still in force, no notice of revocation having been received". A copy of the Authorisation Document or the Power of Attorney, which should be valid in accordance with the laws of the jurisdiction in which it was created and is exercised, should be enclosed with this Proxy Form.
7. Pursuant to Paragraph 8.29A of Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Malaysia), all resolutions set out in the Notice of 38<sup>th</sup> AGM will be put to vote on a poll.

**NOTICE OF  
38<sup>TH</sup> ANNUAL GENERAL MEETING  
PETRONAS DAGANGAN BERHAD  
Registration No.: 198201008499 (88222-D)  
(Incorporated in Malaysia)**

8. **Explanatory Notes**

**Note A**

**Audited Financial Statements for the Financial Year Ended 31 December 2019**

The Audited Financial Statements are laid before the shareholders pursuant to the provision of Section 244(2)(a) of the Companies Act 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**

Article 100 of the Company's Constitution provides that the Board shall have power to appoint any person to be a Director to fill a casual vacancy or as an addition to the existing Board, and that any Director so appointed shall hold office until the next following AGM and shall then be eligible for re-election.

Article 107 of the Company's Constitution provides that one-third of the Directors of the Company for the time being shall retire by rotation at an AGM 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 38<sup>th</sup> AGM, three Directors will be retiring in accordance with Article 107 of the Company's Constitution and they are Dato' Sri Syed Zainal Abidin Syed Mohamed Tahir, Shafie Shamsuddin and Alvin Michael Hew Thai Kheam. Whilst Shafie Shamsuddin and Alvin Michael Hew Thai Kheam, being eligible for re-election, have given their consent for re-election at the AGM, Dato' Sri Syed Zainal Abidin Syed Mohamed Tahir has expressed his decision to retire at close of the AGM. In view thereof, Dato' Sri Syed Zainal Abidin Syed Mohamed Tahir will retire from office upon the conclusion of the 38<sup>th</sup> AGM of the Company.

The Board has endorsed the Nomination and Remuneration Committee'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 92 to 97 (inclusive) of the 2019 <IR>.

**Note C**

**Non-Executive Directors' Fees and Allowances**

Pursuant to Section 230(1) of the Companies Act 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 is as follows:

- Monthly fixed fees for duties as Director/Chairman;
- Meeting allowance for each Board/Board Committee attended; and
- Fuel allowance.

The Directors' fees and meeting allowances for Non-Independent Non-Executive Directors who are also employees of Petroliaam Nasional Berhad (PETRONAS) are paid directly to PETRONAS.

**NOTICE OF  
38<sup>TH</sup> ANNUAL GENERAL MEETING  
PETRONAS DAGANGAN BERHAD  
Registration No.: 198201008499 (88222-D)  
(Incorporated in Malaysia)**

The shareholders at the last AGM held on 25 April 2019 approved the Directors' fees of up to RM2,300,000 for the period from 26 April 2019 until the next AGM of the Company. The Directors' fees and other benefits paid to NEDs for the said period was RM1,928,997.20.

The Directors' fees and allowances for the NEDs for the period from 11 June 2020 until the conclusion of the next AGM of the Company (Mandate Period) are estimated not to exceed RM2,300,000. 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 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.

Details of the Directors' fees and allowances paid to the NEDs for the financial year ended 31 December 2019 are published in the Corporate Governance Report on PDB's corporate website at [www.mymesra.com.my](http://www.mymesra.com.my).

**Note D**

**Re-appointment of Auditors**

In May 2019, the Board Audit Committee (BAC) has endorsed the adoption of PETRONAS Framework on External Auditors (the Framework) for PDB effective June 2019. One of the requirements under the Framework is for the BAC to carry out annual assessment on the suitability, objectivity, independence and performance of the 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.

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 25 February 2020 recommended the re-appointment of KPMG PLT as the External Auditors of the Company for the financial year ending 31 December 2020 for approval by the shareholders under Resolution 6.

**Note E**

**Proposed Increase of Number of Directors**

The Ordinary Resolution, if passed, shall allow the Company to increase the number of Board members to be in line with the dynamic growth of the business of Company and to provide diverse views as well as to facilitate effective decision-making and constructive deliberation at the Board/Board Committees meetings.

**9. Other Information**

The Company has engaged independent scrutineers to count, audit and validate the votes for each proposal presented to shareholders.

## ADMINISTRATIVE DETAILS

### PETRONAS DAGANGAN BERHAD 38<sup>TH</sup> ANNUAL GENERAL MEETING

#### REGISTRATION

- 1) Registration will start at 8.00 a.m. on 10 June 2020 at Exhibition Hall 2, Ground Floor, Kuala Lumpur Convention Centre, Jalan Pinang, 50088 Kuala Lumpur, Malaysia.
- 2) Please produce your original MyKad/passport to the registration staff for verification. Please make sure to collect your MyKad/passport thereafter.
- 3) Upon verification, you are required to write your name and sign on the Attendance List placed on the registration table.
- 4) You will also be given an identification wristband with personalised passcode for the voting purpose. No person will be allowed to enter the meeting hall without the identification wristband. There will be no replacement in the event that you lose or misplace the identification wristband.
- 5) No person will be allowed to register on behalf of another person, even with the original MyKad/passport of that person.
- 6) The registration counter will handle only verification of identity and registration.
- 7) After registration, please vacate the registration area immediately.

#### PROXY

- 8) A member entitled to attend and vote is entitled to appoint proxy/proxies, to attend and vote instead of him. If you are unable to attend the meeting and wish to appoint a proxy to vote on your behalf, please submit your Proxy Form in accordance with the notes and instructions printed therein.
- 9) The appointment of a proxy may be made in hard copy form or by electronic form. If you wish to submit your appointment in hard copy form, the proxy form must be deposited with Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively to submit your electronic proxy form via TIIH Online at <https://tiih.online> not less than 48 hours before the time fixed for holding the meeting. Please refer to the Annexure of the Proxy Form in the Administrative Details for submission of electronic proxy form.
- 10) If you wish to attend the meeting yourself, please do not submit any Proxy Form. You will not be allowed to attend the meeting together with a proxy appointed by you.
- 11) If you have submitted your Proxy Form prior to the meeting and subsequently decided to attend the meeting yourself, please proceed to the **Help Desk** to revoke the appointment of your proxy.

#### POLL VOTING

- 12) The voting at the 38<sup>th</sup> AGM will be conducted by poll in accordance with Paragraph 8.29A of MMLR of Bursa Malaysia. The Company has appointed Tricor Investor & Issuing House Services Sdn Bhd (Tricor) as Poll Administrator to conduct the poll by way of electronic voting (**e-voting**) and Boardroom Share Registrars Sdn Bhd as Scrutineers to verify the poll results.
- 13) During the 38<sup>th</sup> AGM, the Chairman will invite the Poll Administrator to brief you on the e-voting procedures using smartphone or tablet (**voting device**).

## ADMINISTRATIVE DETAILS

- 14) Members and proxies who wish to use their **own voting device** to vote are required to take note of the following e-voting requirements and procedures:
- (a) Download Tricor e-Vote App (Version 1.3.7) onto your voting device before attending the meeting. Tricor e-Vote App download is available at no cost from Google Play Store or Apple App Store. If you require assistance on how to download the Tricor e-Vote App, please contact Tricor officers listed in Item 21 below.
  - (b) When you arrive at the meeting venue, connect to the Wi-Fi network provided by Tricor for use and access to Tricor e-Vote App:
 

Username: Tricor\_eVote

Password: petdag1006
  - (c) Use the camera function of your voting device to capture the passcode on your wristband to access Tricor e-Vote App.
  - (d) Once login, you can proceed to vote on the resolutions and submit your votes at any time from **10.30 a.m.** but before the completion of the voting session which will be announced by the Chairman during the meeting.
- 15) Members and proxies who **do not have voting device** to submit their votes, they can do so at the voting kiosks. The Chairman will announce the commencement of voting at the kiosks upon conclusion of the deliberations of all the businesses transacted at the 38<sup>th</sup> AGM. Members and proxies will be directed to the kiosks which are equipped with voting devices and polling officers are stationed to assist. The duration of voting at the kiosks is estimated to be 10 minutes.
- 16) Upon completion of the voting session for the 38<sup>th</sup> AGM, the Scrutineers will verify and announce the poll results followed by the Chairman’s declaration whether the resolutions are duly passed.

### REMOTE PARTICIPATION AND VOTING (RPV)

- 17) Members (**individuals only**) who are unable or do not wish to be physically present at Kuala Lumpur Convention Centre will have the option to participate and vote remotely at the 38<sup>th</sup> AGM via the RPV facilities which are available on Tricor’s **TIIH Online** website at <https://tiih.online>.
- 18) If you wish to engage in remote participation through live streaming and online remote voting at the 38<sup>th</sup> AGM using the RPV facilities, please read and follow the procedures below:

	Procedure	Action
<b>BEFORE THE AGM DAY</b>		
(a)	Register as a user with TIIH Online	<ul style="list-style-type: none"> <li>Using your computer, access the website at <a href="https://tiih.online">https://tiih.online</a>. Register as a user under the “e-Services”. Refer to the tutorial guide posted on the homepage for assistance</li> <li>If you are already a user with TIIH Online, you are not required to register again. You will receive an <b>e-mail to notify</b> you that the remote participation is available for registration at TIIH Online.</li> </ul>
(b)	Submit your request	<ul style="list-style-type: none"> <li>Registration is open from 10.00 a.m. Tuesday, 31 March 2020 up to 10.00 a.m. Monday, 8 June 2020.</li> <li>Login in with your user ID and password and select the corporate event: “<b>(REGISTRATION) PETRONAS DAGANGAN 38<sup>TH</sup> AGM REMOTE PARTICIPATION</b>”.</li> <li>Read and agree to the Terms and Conditions and confirm the Declaration.</li> <li>Insert the CDS account number and indicate the number of shares.</li> <li>Submit to register your remote participation.</li> <li>System will send an <b>e-mail to notify</b> that your registration for remote participation is received and will be verified.</li> <li>After verification of your registration against the General Meeting ROD as at 3 June 2020, the system will send you an <b>e-mail to approve</b> or reject your registration for remote participation.</li> </ul>

## ADMINISTRATIVE DETAILS

	Procedure	Action
<b>ON THE AGM DAY</b>		
(c)	Login to TIH Online	<ul style="list-style-type: none"> <li>Login with your user ID (i.e e-mail address) and password for remote participation at the 38<sup>th</sup> AGM at any time from 9.40 a.m. i.e. 20 minutes before the commencement of meeting at 10.00 a.m. on Wednesday, 10 June 2020.</li> </ul>
(d)	Participate through Live Streaming	<ul style="list-style-type: none"> <li>Select the corporate event: “<b>(LIVE STREAMING MEETING) PETRONAS DAGANGAN 38<sup>TH</sup> AGM</b>” to engage in the proceedings of the 38<sup>th</sup> AGM remotely.</li> <li>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 relevant questions submitted by remote participants during the 38<sup>th</sup> AGM. If there is time constraint, the responses will be e-mailed to you at the earliest possible, after the meeting.</li> <li>Take note that the quality of the live streaming is dependent on the bandwidth and stability of the internet connection at the location of the remote participants.</li> </ul>
(e)	Online Remote Voting	<ul style="list-style-type: none"> <li>Select the corporate event: “<b>(REMOTE VOTING) PETRONAS DAGANGAN 38<sup>TH</sup> AGM</b>”.</li> <li>Read and agree to the Terms and Conditions and confirm the Declaration.</li> <li>Voting session commences from 10.30 a.m. Wednesday, 10 June 2020 until a time when the Chairman announces the completion of the voting session at the 38<sup>th</sup> AGM venue.</li> <li>Select the CDS account that represents your shareholdings.</li> <li>Indicate your votes for the resolutions that are tabled for voting.</li> <li>Confirm and submit your votes.</li> </ul>
(f)	End of remote	Upon the announcement by the Chairman on the closure of the 38 <sup>th</sup> AGM, the Live Streaming will end.

### CORONAVIRUS DISEASE (COVID-19) OUTBREAK

- 19) As you may be aware, the COVID-19 has infected more than 500,000 people globally and there are already 2,161 cases (as at 27 March 2020) in Malaysia. In view of the COVID-19 outbreak, we advise members to take advantage of the RPV facilities (in items 17 and 18 above) to attend the 38<sup>th</sup> AGM remotely as a precautionary measure. You may also consider appointing Chairman of the meeting as your proxy to attend and vote on your behalf at the forthcoming 38<sup>th</sup> AGM.

If you have travelled overseas to China, South Korea, Japan, Italy, Iran and other affected countries (as and when announced by the Ministry of Health) in the past 14 days prior to the date of the 38<sup>th</sup> AGM or if you are unwell with sore throat/fever/flu/cough/shortness of breath, please quarantine yourself at home. Under such circumstances, you are advised to attend the 38<sup>th</sup> AGM remotely using the RPV facilities.

- 20) Your safety is the Company’s priority. As a precautionary measure, we will be conducting temperature checks on all persons upon arrival at the AGM venue. If a member has high temperature or showed symptoms of respiratory illness such as coughing and sneezing, we would strongly advise him/her not to attend the 38<sup>th</sup> AGM.

### ENQUIRY

- 21) If you have any enquiry in relation to printed copy, proxy form and RPV facilities prior to the meeting, please contact the following officers during office hours:

<b>Tricor Investor &amp; Issuing House Services Sdn Bhd</b> Registration No. 197101000970 (11324-H) Unit 32-01, Level 32, Tower A Vertical Business Suite, Avenue 3, Bangsar South No. 8, Jalan Kerinchi 59200 Kuala Lumpur, Malaysia	<b>Telephone Number</b>	
	<b>General Line</b>	603-2783 9299
	• Puan Ros Sakila Bahari	603-2783 9277
	• Encik Muhammad Ashraff bin Mohd Khaizan	603-2783 9276
	<b>Fax Number</b>	603-2783 9222

## ADMINISTRATIVE DETAILS

### HELP DESK

- 22) Please proceed to the PDB's Help Desk for any clarification or enquiry.
- 23) Poll Administrator's Help Desk will handle the revocation of a proxy's appointment.

### PARKING

- 24) Please take note that PDB will not be providing cash reimbursement for parking. Instead, you are advised to park at Kuala Lumpur Convention Centre or Suria KLCC. Please bring your original parking ticket for validation at the counter in Exhibition Hall 2.
- 25) By validating the parking ticket, you will not be charged for parking when you leave. Please be advised, that the parking ticket expires at 3.00 p.m. on 10 June 2020. Any additional costs incurred for parking after 3.00 p.m. will not be borne by PDB.
- 26) Please be advised that PDB will not reimburse any parking costs incurred at any other locations. As such, please observe the abovementioned parking area.

### 2019 INTEGRATED REPORT

- 27) PDB's Integrated Report for the Financial Year 2019 (IR 2019) is available on:  
<https://www.mymesra.com.my/investor-relations/integrated-reportannual-report-and-financial-performances/integrated-report-annual-report>
- 28) You may request for a printed copy of the IR 2019 at <https://tiih.online> by selecting "Request for Annual Report" under the "Investor Services". Limited copies of the IR 2019 will be available for collection on a first come first serve basis, on the date of the 38<sup>th</sup> AGM.
- 29) In light of the Malaysian Government's announcements on 16 March 2020 and 25 March 2020 relating to the Movement Restriction Order effective 18 March 2020 to 14 April 2020 (or any extension thereof), there may be some delay in the delivery of the hardcopies of the IR 2019, as requested by the shareholders. The hardcopies will be delivered once they are made available to the Company.
- 30) Nevertheless, we hope you would consider the environment before you decide to print the above reports or request for the printed copy of the IR 2019. The environmental concerns like global warming, deforestation, climate change and many more affect every human, animal and nation on this planet.

# ANNEXURE

## ELECTRONIC SUBMISSION OF PROXY FORM VIA TIIH ONLINE

Dear shareholders,

We are pleased to inform that you as a shareholder can have the option to submit your proxy forms by electronic means through our system, TIIH Online ("**e-Proxy**").

TIIH Online is an application that provides an online platform for shareholders (individuals only) to submit document/form electronically which includes proxy form in paperless form ("e-Submission"). Once you have successfully submitted your e-Proxy form, you are no longer required to complete and submit the physical proxy form to the company or Tricor office.

To assist you on how to engage with e-Proxy, kindly read and follow the guidance notes which are detailed below:

### 1. **Sign up as user of TIIH Online**

-  Using your computer, access our website at <https://tiih.online>
-  Sign up as a user by completing the registration form, registration is free
-  Upload a softcopy of your MyKad (front and back) or your passport
-  Administrator will approve your registration within one working day and notify you via email
-  Activate your account by re-setting your password

- Notes:
- (i) If you are already a user of TIIH Online, you are not required to sign up again
  - (ii) An email address is allowed to be used once to register as a new user account, and the same email cannot be used to register another user account
  - (iii) At this juncture, only individual security holders are offered to register as user and participate in e-Proxy

### 2. **Proceed with submission of e-Proxy**

-  After the release of the Notice of Meeting by the Company, login with your user name (i.e. e-mail address) and password
-  Select the corporate event: "**Submission of Proxy Form**"
-  Read and agree to the Terms & Conditions and confirm the Declaration
-  Select/insert the CDS account number and indicate the number of shares for your proxy(s) to vote on your behalf
-  Appoint your proxy(s) or chairman and insert the required details of your proxy(s)
-  Indicate your voting instructions – FOR or AGAINST, otherwise your proxy will decide your vote
-  Review & confirm your proxy(s) appointment
-  Print e-proxy for your record

Should you need assistance on our e-Submission, please contact us. Thank you.

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

Telephone No: 03-27839299  
Fax No: 03-27839222  
E-mail: [is.enquiry@my.tricorglobal.com](mailto:is.enquiry@my.tricorglobal.com)

This page has been intentionally left blank

# PROXY FORM

PETRONAS DAGANGAN BERHAD (Registration No.: 198201008499 (88222-D))  
FOR THE 38<sup>TH</sup> ANNUAL GENERAL MEETING



**PETRONAS**

<b>Number of Ordinary Shares Held</b>	
<b>CDS Account Number</b>	

I/We \_\_\_\_\_ NRIC/Passport No./Company No. \_\_\_\_\_  
(full name in block letters)

of \_\_\_\_\_ Telephone No. \_\_\_\_\_  
(full address)

being a member of PETRONAS Dagangan Berhad (the Company) hereby appoint:

Full Name (in block letters)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Full Address			

and/or (delete as appropriate)

Full Name (in block letters)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Full 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 38<sup>th</sup> Annual General Meeting (AGM) of the Company to be held at Exhibition Hall 1, Ground Floor, Kuala Lumpur Convention Centre, Jalan Pinang, 50088 Kuala Lumpur, Malaysia on **Wednesday, 10 June 2020** at **10.00 a.m.** and at any adjournment thereof.

Resolutions	Ordinary Business	For	Against
1	Re-election of Nirmala a/p Doraisamy as a Director		
2	Re-election of Azrul bin Osman Rani as a Director		
3	Re-election of Shafie bin Shamsuddin as a Director		
4	Re-election of Alvin Michael Hew Thai Kheam as a Director		
5	Directors' Fees and Allowances of up to RM2,300,000 with effect from 11 June 2020 until the next Annual General Meeting of the Company payable to the Non-Executive Directors		
6	Re-appointment of KPMG PLT as Auditors of the Company.		
Resolution	Special Business	For	Against
7	Proposed Increase of Number of Directors		

\* Please refer to the Notice of Annual General Meeting 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: \_\_\_\_\_

\_\_\_\_\_  
Signature(s)/Common Seal of Shareholder(s)

**Notes:**

1. A member of the Company entitled to attend, participate, speak and vote at the meeting may appoint not more than two proxies to attend, participate, speak and vote on his 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.
2. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), 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.
3. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for the 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. An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
4. 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.
5. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if the appointer is a corporation either under seal or under the hand of an officer or attorney duly authorised and must be deposited with Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively to submit your electronic proxy form via TIIH Online at <https://tiah.online> not less than 48 hours before the time fixed for holding the meeting. Please refer to the Annexure of the Proxy Form in the Administrative Details for submission of electronic proxy form.
6. If the Proxy Form is signed under the hand of an officer duly authorised, it should be accompanied by a statement reading "signed as authorised officer under Authorisation Document which is still in force, no notice of revocation having been received". If the Proxy Form is signed by an attorney duly appointed under a power of attorney, it should be accompanied by a statement reading "signed under Power of Attorney which is still in force, no notice of revocation having been received". A copy of the Authorisation Document or the Power of Attorney, which should be valid in accordance with the laws of the jurisdiction in which it was created and is exercised, should be enclosed with this Proxy Form.
7. Pursuant to Paragraph 8.29A of Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of 38<sup>th</sup> AGM will be put to vote on a poll.

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](http://www.mymesra.com.my)