



PETRONAS

PETRONAS Dagangan Berhad
INTEGRATED REPORT TWENTY TWENTY

FUTURE PROOF



www.mymesra.com.my



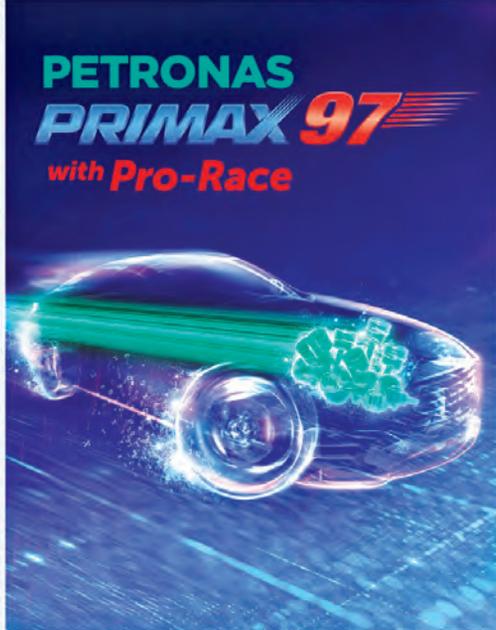
FUTURE-PROOF

The COVID-19 pandemic is impacting economies, industries and society at large; compelling individuals and companies to rapidly change how they live and work. To remain competitive, we are working tirelessly to mitigate the impact of the pandemic by re-evaluating our approach to business and embracing forward-thinking to enhance the new workplace dynamic.

We are taking decisive action through progressive strategies, innovative solutions, sustainable practices and resource development. We believe these focused efforts will ensure business sustainability as we continue to pursue our growth agenda.

By pushing the boundaries of technology and innovation, we strive to create progressive solutions that add transformative, real-world value to our portfolio. Through digital initiatives and strategic collaborations, we want to be a part of our customers' lives in ways that matter. By focusing not only on present needs but anticipating future ones, we aim to make your everyday life simpler and better.

As Malaysia's leading retailer and marketer of downstream petroleum products, PDB continues to be more innovative, thinking differently and leading the way; to ultimately future-proof the organisation for what's next.





OUR REPORTING SUITE

- ➔ The PDB Integrated Report <IR> is our primary report to stakeholders and it is aimed to provide balanced assessment of the Group's ability to create sustainable value based on our short, medium and long-term strategy whilst supported by our 6 strong capitals.
- ➔ Group annual financial statements (AFS) is a comprehensive report of the group's financial performance for the year.

ABOUT THIS REPORT

Our Integrated Report is prepared to provide a comprehensive account of the Group's performance and how we seek to create value for our stakeholders. This year marks the 5th year of our integrated reporting journey with emphasis on driving greater disclosure quality, transparency and conciseness of the Report.

BY READING THIS REPORT:

- **Investors** will gain greater insight into our strategy, business model and how it creates value over time;
- **Our customers** will appreciate our world-class quality products and our emphasis on customer-centricity;
- **Our dealers, contractors and business partners** will recognise how we seek to foster win-win solutions with them;
- **Our employees** will see how we nurture a stimulating and rewarding work environment;
- **Authorities** are regulatory bodies who enforce policies and regulations, of which PDB will consistently strive to comply; and
- **Communities** will grow together with the Company by leveraging our education, community and environment programmes.

REPORTING SCOPE AND BOUNDARY

This Report covers the primary activities of PDB and provides material information relating to our financial and non-financial performances, covering the period from 1 January 2020 to 31 December 2020. This report is prepared in accordance with International Integrated Reporting Council, Audited Financial Statement ended 31 December 2020 and Sustainability Report.

Through this Report, we hope to give a comprehensive and holistic overview of the resources we use, challenges faced, actions taken and value we create for our stakeholders, and draw closer links between our risks and opportunities to give investors a clearer view on PDB's long-term prospects and growth potential.

REPORTING FRAMEWORK

In preparation of the report, linkage and connectivity have been added throughout the report for the purpose of integrating our narratives. We are guided by and make reference to the following statutory bodies:

- International Integrated Reporting Council (IIRC) <IR> Framework
- MMLR by Bursa Malaysia
- MCCG 2017 by Securities Commission Malaysia
- Corporate Governance Guide (3rd Edition) issued by Bursa Malaysia and Securities Commission Malaysia
- MFRS
- IFRS
- Companies Act 2016
- MSWG's ASEAN Reporting Scorecard

Sustainability Report:

- Bursa Malaysia Sustainability Reporting Guide, 2nd Edition 2018, referencing the GRI Standards
- Incorporated the United Nations' Sustainable Development Goals (SDGs) in our approach to sustainability

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 2021. 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



Our Capitals



Financial



Human



Manufactured



Social and Relationship



Intellectual



Natural

Our Strategic Priorities



Market Leadership



Great Place to Work



Safe, Reliable and Efficient



Digitally Enabled

Our Stakeholders



Investors



Employees



Communities



Customers



Authorities/
Regulators



Rakan Niaga/
Dealers



Contractors/Suppliers/
Business Partners

Material Matters



Health, Safety and
Environment



Performance
Management



Human Capital



Seamless and
Frictionless
Customer
Experience



Social Capital



Conduct and Trust



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

STATEMENT OF ACKNOWLEDGEMENT ON RELIABILITY AND COMPLETENESS OF PDB <IR2020>

PDB's Board of Directors acknowledges its responsibility in ensuring the integrity of this Integrated Report, which in the Board's opinion addresses all the issues that are material to the Group's ability to create value and fairly presents the integrated performance of PDB Group. This report has been prepared in accordance with the IIRC <IR> Framework. This report was approved by the Board on 19 February 2021 and signed on behalf of the Board:

DATUK MD ARIF BIN MAHMOOD
Chairman

AZRUL BIN OSMAN RANI
Managing Director/Chief Executive Officer

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

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OVERVIEW OF PETRONAS DAGANGAN BERHAD

WHO WE ARE AND WHAT WE DO

PDB is committed to delivering innovative and differentiated offerings to fuel the nation’s growth

Driven by our customer-centricity, digitalisation and agile ways of working with sustainability at the core, we strive to elevate the customer experience in the next normal, underpinned by our commitment to make their everyday lives simpler and better.

As we navigate the challenges of COVID-19 and fluctuating Brent price, our path forward remains clear – and that is to future-proof our business. To this end, we continue to leverage PETRONAS’ extensive investments in R&D to deliver world-class downstream petroleum products and strengthen our market presence in these four core businesses:

- Retail
- Commercial
- LPG
- Lubricant

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 38 years, the hard work, determination and dedication of our passionate workforce has seen PDB grow from strength to strength.

OUR PROMISE

Making your everyday life simpler and better

Pushing the boundaries of technology and innovation is what we do. But why we do it, who it's for, matter just as much. We strive to be a part of our customers lives in ways that matter. This requires evolving beyond traditional offerings and services.

By delivering on present needs and anticipating future ones, we continuously create progressive solutions that are relevant to our customers' changing needs.

This is our dream for a simpler, better and more meaningful tomorrow for all. Brought to life with the power of progress.

PETRONAS

STATEMENT OF PURPOSE

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

BRAND TAGLINE

Passionate about Progress

CULTURAL BELIEFS

-  **CUSTOMER FOCUSED**
I deliver solutions from the customer lens
-  **INNOVATE NOW**
I challenge norms and push boundaries
-  **BE ENTERPRISING**
I seek opportunities and make them happen
-  **SPEAK UP**
I express my views openly
-  **COURAGE TO ACT**
I take action to progress with pace

SHARED VALUES

-  **LOYALTY**
Loyal to Corporation
-  **INTEGRITY**
Honest and Upright
-  **PROFESSIONALISM**
Strive for Excellence
-  **COHESIVENESS**
United, Trust and Respect for Each Other

retail



Our Retail Business offers superior quality petroleum and non-fuel products and services through over 1,000 PETRONAS stations and over 800 *Kedai Mesra* respectively. With the introduction of *Makan@Mesra*, we aim to enhance customers' experience and expand our on-the-go food and beverages solutions with more quality offerings at affordable prices. This is complemented by *Setel*[®], an innovative platform that provides every motorist a seamless experience for retail on-the-go. We also reward loyal customers through the PETRONAS Mesra Loyalty Programme, with offerings from more than 80 partners for instant redemption.



commercial



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

We also offer a suite of cleaner energy solutions through Liquefied Natural Gas bunkering solutions to meet marine customers' emerging needs, as well as Virtual Pipeline System to deliver LNG on road to off-grid customers in Peninsular Malaysia.



lpg



Our LPG Business is the market leader in Malaysia, offering LPG to the Household, Commercial and Industrial segments.

Being Malaysia's No. 1 Cooking Gas in the Household segment, we have further expanded the availability of LPG gas cylinders at selected PETRONAS stations nationwide.

For the Commercial and Industrial segments, we constantly strive to add value to our customers through our fully integrated LPG product offerings as well as providing technical solutions to support their business.

Our products are designed to meet safety standards and supplied through the nation's largest LPG supply and distribution network. This comprises of eight terminals and bottling facilities as well as more than 300 LPG Channel Members consisting of premier dealers, dealers and bulk dealers.



lubricant



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

Beyond Malaysia, we also operate in Thailand through our subsidiary, PETRONAS International Marketing (Thailand) Co. Ltd.



WHAT WE OFFER



RETAIL

OFFERS FUEL AND NON-FUEL PRODUCTS AND SERVICES

at its network of >1,000 PETRONAS stations and 800 *Kedai Mesra* across the country

Fuel

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

Non-Fuel

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

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



key highlights

Revenue
RM10,131.2
million

~900
Rakan Niaga/Dealers

>4 million
Registered *Kad Mesra*
Members



COMMERCIAL

FULLY INTEGRATED BUSINESS WITH MARKET LEADERSHIP IN DOMESTIC SALES AND MARKETING

of bulk petroleum products



Jet A-1



Diesel



Bitumen



Petroleum Coke



Methanol



Fuel Oil



Sulphur



Gasoline



Kerosene



Smartpay



key highlights

Revenue
RM7,071.6
million

>1,000
Commercial
Customers

WHAT WE OFFER



SELLS AND MARKETS LIQUEFIED PETROLEUM GAS

to household, commercial and industrial customers. We are the industry leader, holding the largest market share in Malaysia



Household

- 12kg cylinders
- 14kg cylinders



Commercial

- 14kg cylinders
- 50kg cylinders



Industrial

- Bulk LPG



key highlights

Revenue
RM1,051.6
million

>300
Dealers



LUBRICANT

PETRONAS LUBRICANTS MARKETING (MALAYSIA) SDN. BHD.

undertakes all sales and marketing functions of PETRONAS Lubricant products in Malaysia

Key Strategic Brands

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

Passenger Car Motor Oils

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

Motorcycle Oils (4T, 2T and Scooter)

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

Commercial Vehicle Lubricants

- Heavy Duty Diesel Engine Oil

Automotive Functional Fluids and Oils

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

Industrial and Marine Lubricants Fluids and Oils

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

Other Services

- AutoExpert
- Technical Advisory



key highlights

Revenue
RM445.0
million

>2,000
Customers

WHAT WE OFFER



VENTURE BUILDER

INVENT, INCUBATE AND SCALE DISRUPTIVE VENTURES

to diversify and grow new revenue streams

Setel®

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

ROVR

Malaysia's First Mobile Refuelling Partner

Gas Retailing and Transportation

LNG retailing as alternative clean fuel

PRYSM

Offering a range of motorsport and lifestyle products, available on PRYSM web and at selected *Kedai Mesra*



key highlights

Setel®
>2 million
delighted customers

ROVR
Exponential growth in volume

1st LNG
solutions provider using road trucks for off-grid customer in Peninsular Malaysia

PETRONAS merchandise sold on
PRYSM
web and at selected *Kedai Mesra*

AWARDS AND ACCOLADES

BRAND AND MARKETING

Association of Accredited Advertising Agents Malaysia PUTRA BRAND AWARDS 2020

- Platinum Award for Automotive Fuel, Lubricants and Accessories

The BrandLaureate

THE BRANDLAUREATE E-BRANDING AWARDS 2020

- Setel® - Innovation (e-Payment App)

HSE

NCOSH

NATIONAL COUNCIL FOR OCCUPATION SAFETY AND HEALTH AWARD

- OSH Excellence Award (Transportation)
- OSH Excellence Award (Retail and Wholesale)

MSOSH

MALAYSIAN SOCIETY FOR OCCUPATIONAL SAFETY AND HEALTH AWARDS

- Gold Merit:**
 - ✓ Lumut Fuel Terminal
 - ✓ Labuan Fuel Terminal
 - ✓ Pasir Gudang Fuel and LPG Terminals
 - ✓ Kertih Fuel and LPG Terminals
 - ✓ Bintulu LPG Terminal
 - ✓ Langkawi Fuel Terminal
 - ✓ Prai Fuel and LPG Terminals
 - ✓ Kota Kinabalu Aviation Fuel Terminals
- Gold Class 1:**
 - ✓ Kuantan Fuel Terminal
 - ✓ Melaka Fuel and LPG Terminals
 - ✓ Miri Fuel Terminal
 - ✓ Kuching Aviation Fuel Terminal
 - ✓ KL Aviation Fuel System Terminal

INNOVATION

Singapore Business Review

MALAYSIA TECHNOLOGY EXCELLENCE AWARDS

- Setel® - Technology Excellence Award (Digital Startup Category)

Malaysia Productivity Corporation

REGIONAL INNOVATION SHOWCASE TEAM EXCELLENCE (RTEX 2020)

- Gold Award

Hong Kong Wireless Technology Industry Association

ASIA SMART APP AWARDS

- Setel® - Certificate of Merit (Lifestyle, Social and Entertainment Category)

GOVERNANCE

Minority Shareholders Watch Group

MSWG-ASEAN CORPORATE GOVERNANCE AWARDS 2019

- 1st Place for Industry Excellence Award (Consumer Products and Services Category)
- 2nd Place for Excellence Award for Overall CG and Performance
- 3rd Place for Excellence Award for CG Disclosure

INVESTOR RELATIONS

MerComm, Inc.

ANNUAL REPORT COMPETITION (ARC) AWARDS INTERNATIONAL XXXIV

Retailer/Marketer of Downstream Petroleum Products Category

- Gold (Cover Photo Design)
- Gold (Traditional Annual Report)
- Bronze (Interior Design)



BUSINESS HIGHLIGHTS



RETAIL



Launched

PETRONAS PRIMAX 97 with Pro-Race

Operationalised

**>10
New Stations**

Introduced new

Kedai Mesra
concept



COMMERCIAL



Preserved

Strategic Partnership

Strengthened customer base and position as a

Reliable and Trusted Fuel Supplier

Secured

>200 New Contracts



LPG



Malaysia's

**No.1
Cooking Gas**

Fortified market
leadership

Expanded LPG@PS at

**>100
PETRONAS stations**

Embarked new sales channel
through **LPG@SundryShop**



LUBRICANT



**Top-Tier
Premium**

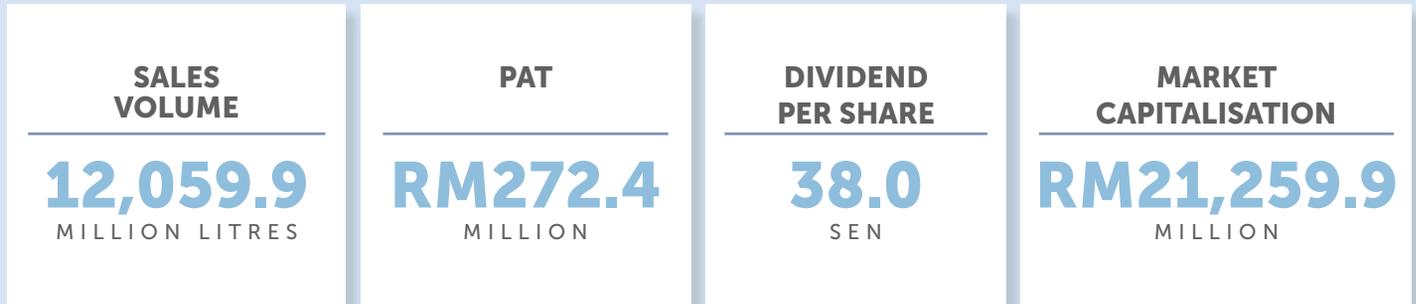
lubricant product

**Secured New
Customer**

from key sector

Continued long-term **Strategic
Partnership** with **Key Customers**

FINANCIAL HIGHLIGHTS



SUSTAINABILITY HIGHLIGHTS

Economic



ESTABLISHED PARTNERSHIPS with
>350
local SME food suppliers nationwide



Developed Entrepreneurship and Business Skills of Business Partners



CREATED BUSINESS opportunities for
536 sub-dealers nationwide



FRANCHISED the PETRONAS brand to
60 local automotive SME workshops to drive customer footfall

Environment



PDB
1st LNG Solution
Provider in Peninsular Malaysia, Providing Our Customers With Access To Cleaner Energy



Rooftop Solar
generated 197 MWh
Electricity Translated To Conservation of 25,000 Mangrove Trees



54,603 litres
of Water Withdrawal From Harvested Rainwater – Equivalent To Water Used For 364 Commercial Vehicles Washed

Social



ACHIEVED
ZERO
fatalities and LTI in 2020



RM1.5 million
Training Investment



Complimentary Engine Oil Change for close to
400 medical frontliners



Ramadhan Community Service benefitted
>500 occupants in 10 charity homes

GROUP CORPORATE STRUCTURE

Petroliam Nasional Berhad (PETRONAS)



63.94%

PETRONAS DAGANGAN BERHAD (PDB)



NETHERLANDS

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

Investment holding company

THAILAND

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

To market and distribute lubricants

MALAYSIA

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

To market and distribute lubricants

MALAYSIA

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

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

MALAYSIA

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

To operate, manage and maintain the joint facilities – terminal, depot, warehouse etc. in Tawau and Bintulu on behalf of the owners, PDB and Shell Timur Sdn. Bhd.

● Subsidiary ● Joint Ventures ● Associate

MALAYSIA

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

To provide technical consultancy services

SAUDI ARABIA

UNITED FUEL COMPANY LIMITED LIABILITY COMPANY

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

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

MALAYSIA

IOT MANAGEMENT SDN. BHD.

PDB: **20%**
Shell Timur Sdn. Bhd.: **10%**
Senari Synergy Sdn. Bhd.: **70%**

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, PDB and Shell Timur Sdn. Bhd.

MALAYSIA

TANJUNG MANIS OIL TERMINAL MANAGEMENT SDN. BHD.

PDB: **20%**
Shell Timur Sdn. Bhd.: **20%**
Senari Synergy Sdn. Bhd.: **60%**

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, PDB and Shell Timur Sdn. Bhd.

MALAYSIA

KUALA LUMPUR AVIATION FUELLING SYSTEM SDN. BHD.

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

To develop, operate, maintain and manage an aviation fuelling system at Kuala Lumpur International Airport and Kuala Lumpur International Airport 2, Sepang

MALAYSIA

SETEL VENTURES SDN. BHD.

PDB: **100%**

To provide a seamless payment solution

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)

LUBRICANT WAREHOUSE:

1. Bangkok

LPG TERMINALS AND BOTTLING FACILITIES:

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

BUNKERING FACILITIES:

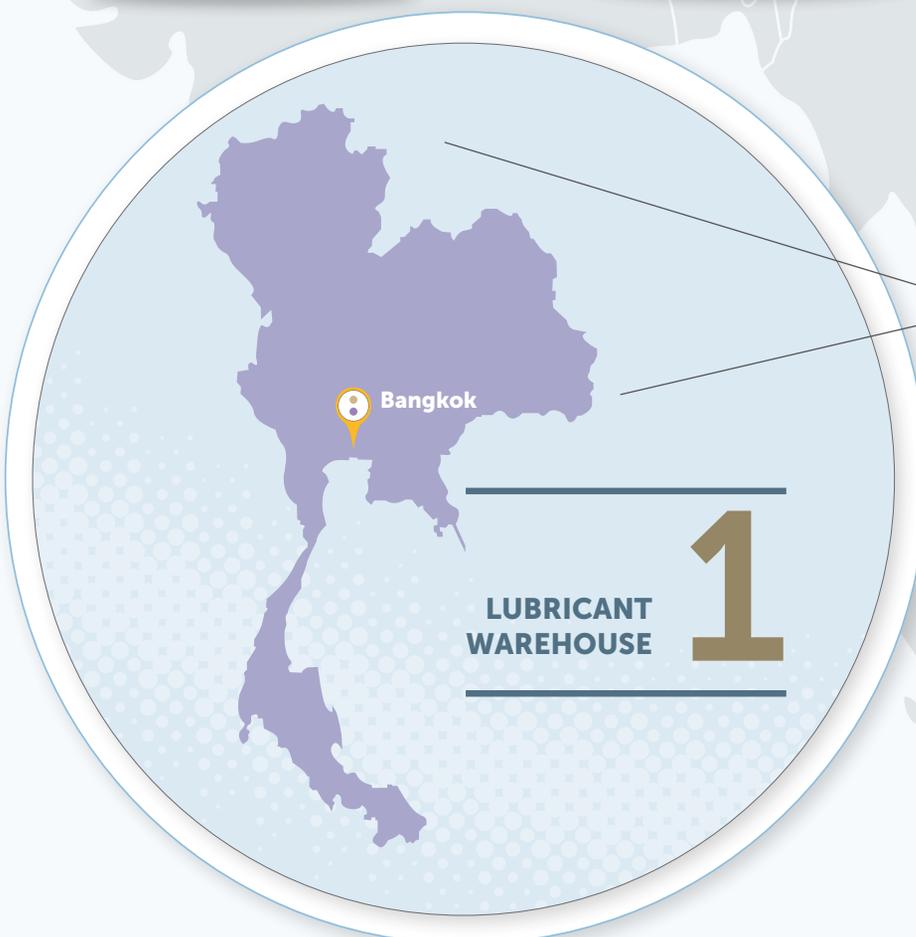
1. PST Bintulu (JV)
2. Kuantan
3. IOT Kuching (JV)
4. Labuan
5. Lumut
6. Pasir Gudang
7. Prai
8. Pulau Langkawi
9. Sandakan
10. Sepangar Bay

AVIATION TERMINALS:

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

OFFICES:

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



38 TERMINALS

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FUEL TERMINALS

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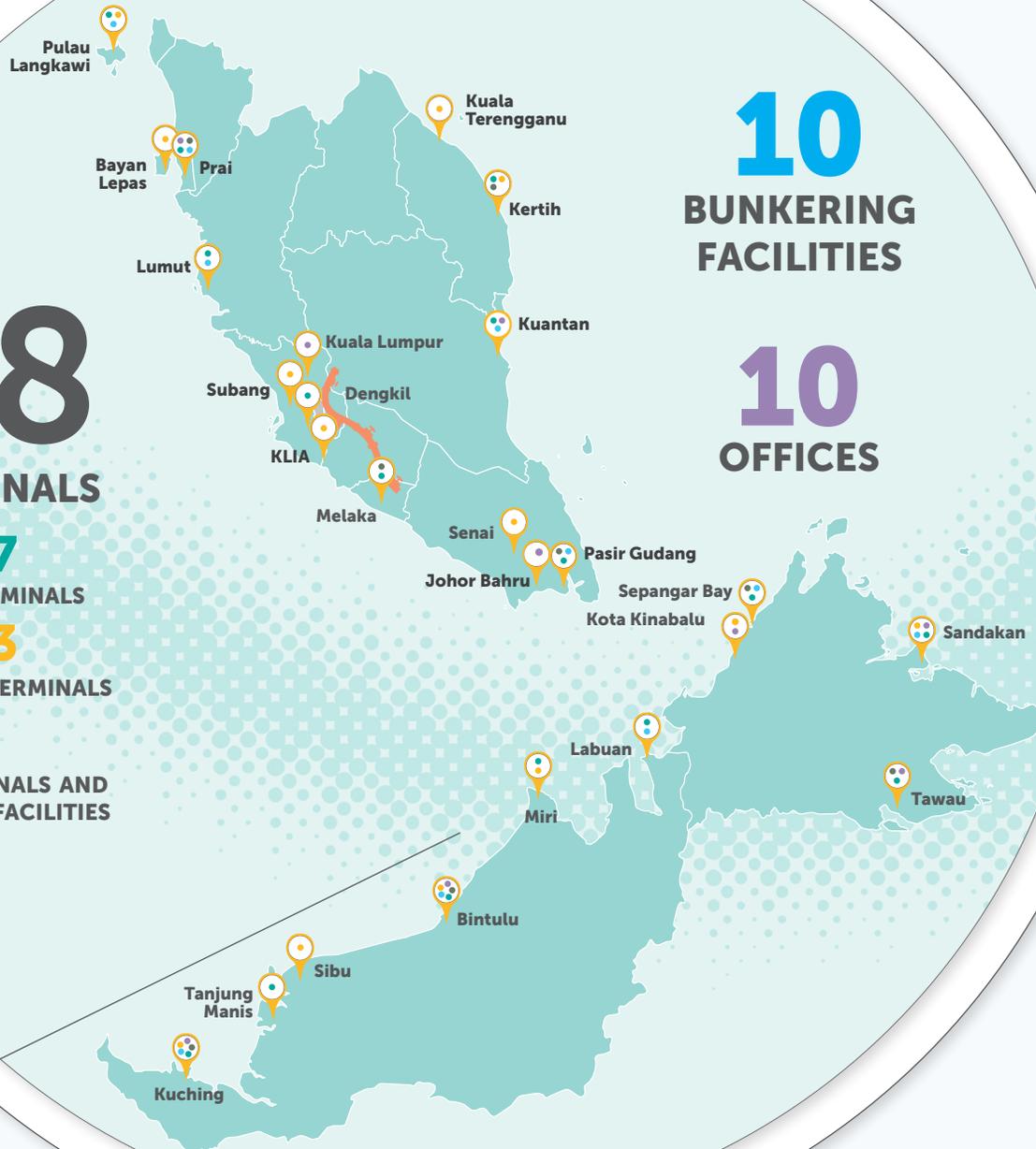
AVIATION TERMINALS

8

LPG TERMINALS AND
BOTTLING FACILITIES

10 BUNKERING FACILITIES

10 OFFICES



Fuel
Terminals



LPG Terminals
and Bottling Facilities



Bunkering
Facilities



Offices



Aviation
Terminals



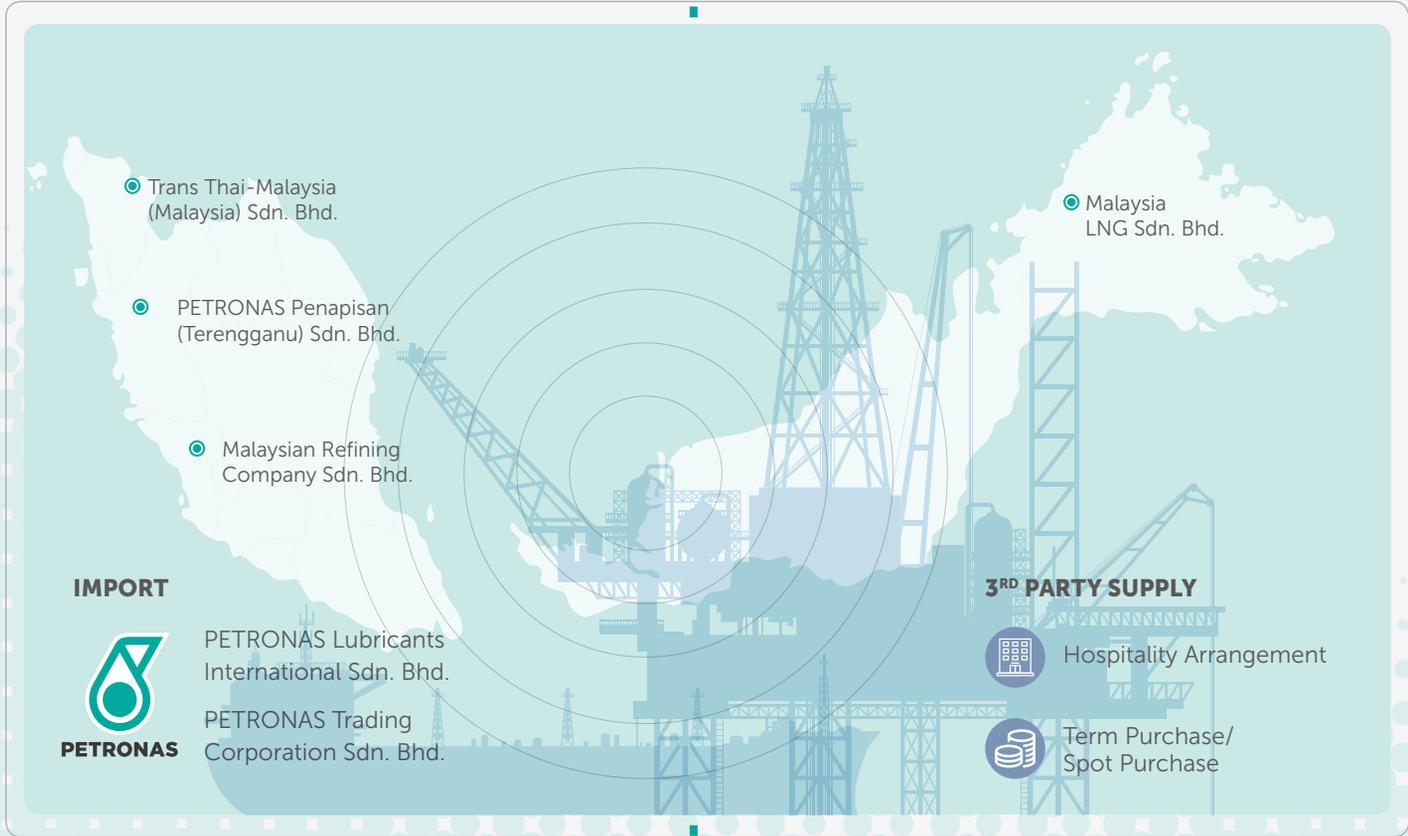
Lubricant
Warehouse



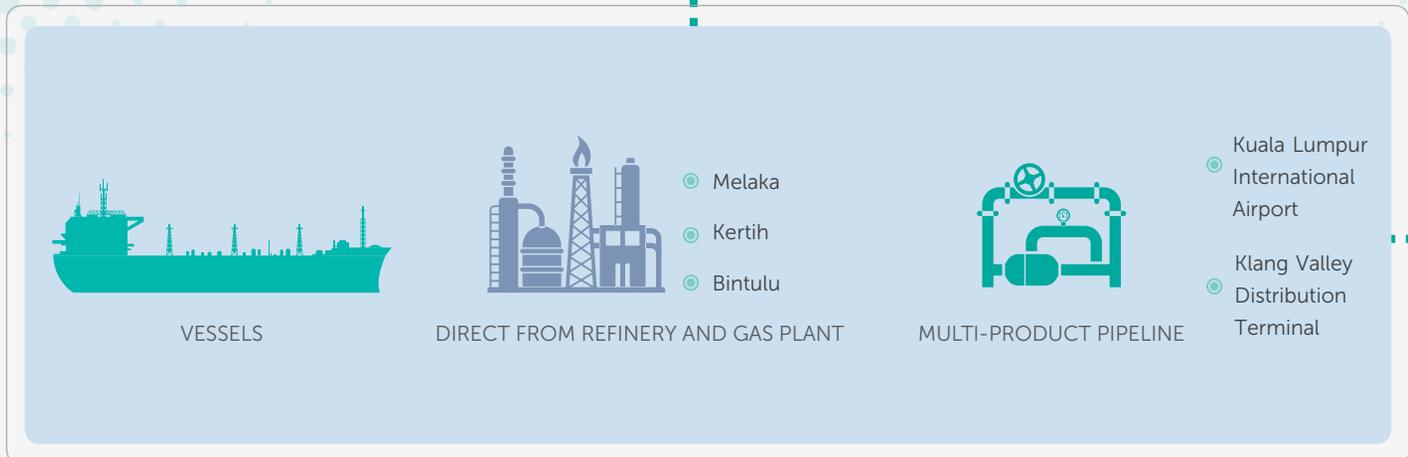
Multi-Product
Pipeline

OUR VALUE CHAIN

PRODUCT SUPPLY



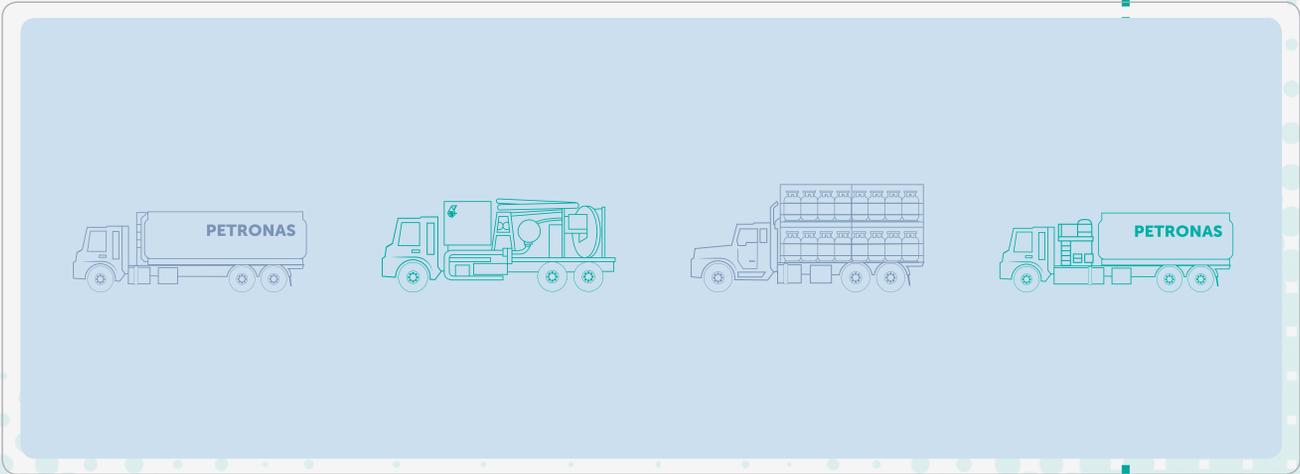
PRIMARY DISTRIBUTION



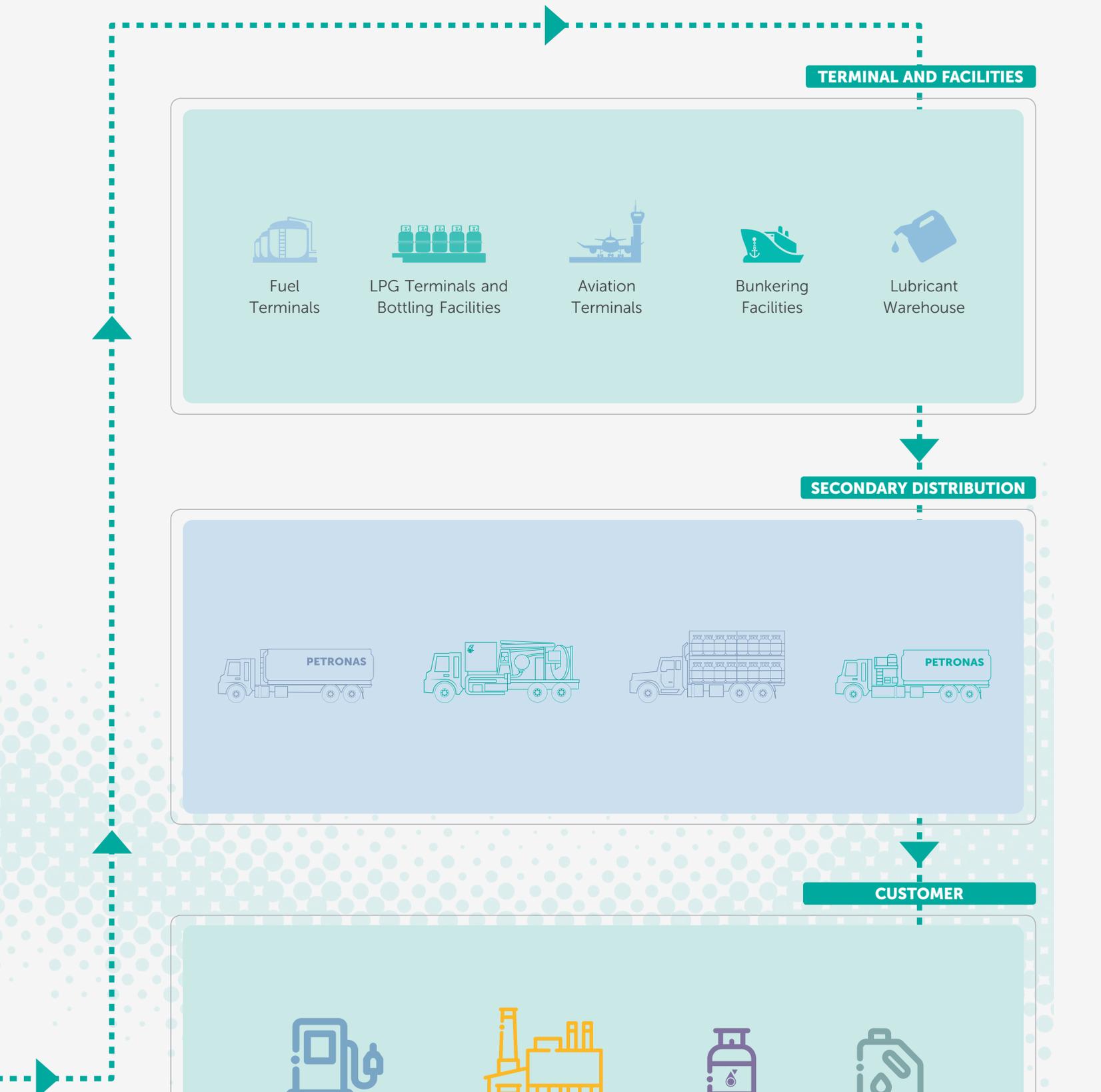
TERMINAL AND FACILITIES



SECONDARY DISTRIBUTION



CUSTOMER



OUR STRATEGIC ALLIANCES



BUSINESS PARTNERS





CUSTOMERS



BANKING FACILITIES



AUTHORITIES



CORPORATE MILESTONES

1980-1989



1981

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

1982

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

1985

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

1987

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

2000-2009



2000

- Launched a new unleaded petrol, PETRONAS Primax
- Introduced PDB's website www.mesra.com.my to establish online presence

2001

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

2002

- Official launch of Mesralink

2004

- Introduced PETRONAS Primax Baru

2006

- Launched a new fuel, PETRONAS Primax 3

2009

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

1990-1999



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

2010-2019

2010

- Introduced PETRONAS Primax 97

2011

- Launched PETRONAS Primax 95 Xtra

2012

- Launched the 1001st PETRONAS station at Wangsa Maju
- Launched Gas PETRONAS Home Delivery
- Launched the first-of-its-kind twin stations namely, PETRONAS Station Solaris Serdang and PETRONAS Station Solaris Putra
- Regional expansion to the Philippines, Thailand and Vietnam

2013

- Launched the first fully branded automobile workshop, PETRONAS LubeXperts
- Rolled out PDB's Corporate Social Responsibility programme, 'Water For Life'
- Unveiled the improved PETRONAS SmartPay Chip Card
- Launched the first LPG Flexspeed facility in Melaka

2014

- Introduced PETRONAS Syntium 7000 Lubricant
- Launched PETRONAS Primax 95 with Advanced Energy Formula



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

2015

- Launched PETRONAS Syntium °CoolTech™
- First to launch 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 ChargeEV facilities at selected PETRONAS stations

2018

- PETRONAS was named Brand of the Year by Putra Brand Awards
- Launched Setel®, an innovative mobile application that enhances customers' experience at PETRONAS stations
- PDB was awarded Company of the Year at the Edge Billion Ringgit Club and Corporate Awards
- Introduced PETRONAS' white label brand, Mesra Bites

2020

JANUARY

PRYSM

by PETRONAS

Launched PRYSM, PETRONAS motorsport and lifestyle brand

Offering a range of motorsport and lifestyle products, available on PRYSM web and at selected *Kedai Mesra*.



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

B20 BIODIESEL GO ON GREEN

Implemented B20 Biodiesel at PETRONAS stations

The implementation of B20 in phases is in support of the Ministry of Primary Industries' B20 programme for the transport sector.

FEBRUARY



Setel® expanded nationwide

PETRONAS customers can now experience Setel® – an innovative platform that provides every motorist a seamless experience for retail on-the-go.

SEPTEMBER



Launched Love Local campaign

The campaign aims to stimulate domestic consumption by empowering buyers to choose local brands, in the midst of the global pandemic. It is also in line with PDB's SME programme, established for over 25 years to support local entrepreneurs' business. To date, PDB has over 350 local vendors supplying to its *Kedai Mesra* nationwide.



Became Malaysia's first LNG solution provider using road trucks for off-grid customers in Peninsular Malaysia

Through the VPS solution, PDB now has the capability to deliver LNG using trucks fitted with cryogenic tanks, providing off-grid industries within Peninsular Malaysia access to cleaner energy.

OCTOBER



Introduced Makan@Mesra as an expansion of food and beverage solutions

PDB introduced Makan@Mesra, a new eatery corner within the newly designed *Kedai Mesra* that offers convenient yet fresh and well-balanced premium food at affordable prices. The new concept is part of PDB's continuous effort in growing its non-fuel business leveraging the increased demand for food-to-go solutions.

NOVEMBER



First in South East Asia to offer ship-to-ship transfer of LNG

The completion of its first LNG bunkering operation at Pasir Gudang, Johor marked the start of business for LBV. Through a collaboration with Titan LNG, a leading LNG bunkering solution provider operating in Europe, the operation involved a ship-to-ship LNG bunkering transfer from MV Avenir Advantage, PETRONAS' first LNG Bunkering Vessel to SIEM Aristotle.

DECEMBER



Launched the new PETRONAS Primax 97 with Pro-Race

Dubbed as its best fuel, the new fuel has been engineered for unbeatable performance delivering more power, responsiveness and efficiency, to meet motorists' driving needs. Utilising a formulation that is only unique to PETRONAS, the fuel has been proven to give more mileage, resulting in lower carbon emissions.

CHAIRMAN'S STATEMENT

DATUK MD ARIF MAHMOOD
Chairman



DEAR SHAREHOLDERS,

The unprecedented COVID-19 pandemic combined with increased economic uncertainties and oil price volatility tested the resilience of governments and businesses alike, resulting in one of the toughest business environments that our company has ever faced. We also saw in 2020 the acceleration of energy transition commitments, innovation and collaboration, as governments and businesses adapted to the elevated societal expectations to address climate change impacts, depressed economic environment and new ways of working.

In PETRONAS Dagangan Berhad, our inherent resilience was tested. We managed to address these challenges proactively while ensuring uninterrupted operations. Working closely with our suppliers, partners and customers, we ensured that the needs of our customers were met given our robust supply chains and reliable business operations. These efforts had enabled our company to remain profitable and continue delivering value for our shareholders.

I am, therefore, pleased to report that, despite the highly challenging business environment that we faced in 2020, PDB delivered a dividend of 38.0 sen per share for the year.

“

I wish to reaffirm PDB's determination to continue building on our strengths and deliver on our purpose, "To be a progressive energy and solutions partner, enriching lives for a sustainable future"

”

DIVIDEND PER SHARE

38.0
S E N

PAYOUT RATIO

96.0%

CHAIRMAN'S STATEMENT

Moving forward, I wish to reaffirm PDB's determination to continue building on our strengths and deliver on our purpose, "To be a progressive energy and solutions partner, enriching lives for a sustainable future".

Rapid Implementation of Future-Proof Initiatives

The need to future-proof our business against the rapid changes affecting the energy industry has always been part of our strategy. The demand for cleaner forms of energy, increasing fuel-efficiency of vehicles and the rise of e-commerce have accelerated the need to build and scale new businesses to complement our fuels business. Our proactive response to these challenges has kept us ahead of the curve. This will be further elaborated in the MD/CEO's Statement and throughout this report.

Figures from the IMF show that the world economy shrank by 3.5% in 2020, despite the gradual rebound in the second half of the year. However, our robust strategy and ability to swiftly respond to the crisis, had allowed us to capitalise on the situation, especially when the market recovers.

The overall performance of our company in this difficult environment is a testament to the robustness of our risk management planning and the strength of the Leadership Team and businesses. As we push forward our next phase of our transformation journey, we shall amplify efforts on future-proofing the organisation by diversifying our revenue streams further. Our efforts in each of these areas are laid-out in detail in this report.

Leveraging on Our Strengths

PDB is confident in its ability to continue delivering value for our stakeholders. Central to this is our relentless commitment to our customers, complemented with strong brand recognition and superior products. We are also in an advantageous position where we are able to capitalise on the strengths of the PETRONAS Group as a whole.

Since its inception in 1974, PETRONAS now has a presence in more than 65 countries, establishing itself as one of the world's top oil and gas companies. PETRONAS retained its position as the most valuable ASEAN brand, as reported by Brand Finance Global 500. At the national level, PETRONAS' 11th consecutive win at the Putra Brand Awards is a testament that our automotive fuel and lubricants remain Malaysians' favourite.



Leveraging on PETRONAS' experience in developing the fluid technology that powered the Mercedes-AMG PETRONAS F1 team in winning its seventh consecutive FIA F1 World Constructors Championship in 2020, our technical and research team continue to develop superior fuels and lubricants. The strength of our reputation in both our commitment to customers' needs and superior products. Our continuous improvements, particularly in Primax fuels and Syntium lubricant, have earned us our customers' confidence and loyalty to our brand over the years. We will continue to push the boundaries to meet the high expectations of our customers and other stakeholders.

Strengthening Corporate Governance and Integrity Measures

PDB is committed to ensuring the highest standards of governance at all times. We place a priority on conducting our business with integrity, transparency and strong governance. It remains one of our greatest responsibilities, as a public-listed company, to continue instilling confidence and upholding the trust placed in us by our stakeholders.

In 2020, we continued to strengthen anti-corruption measures by undertaking and completing a corruption risk assessment to identify any gaps and take the necessary mitigation actions to reduce exposure to corruption risk. This year, we also implemented mandatory training for all directors, officers and employees of the Company, to create greater awareness about anti-corruption measures, as well as on the new national corporate liability provisions under Section 17A of the MACC Act 2009 which extended the liability to the Company for acts by individuals, commercial organisations and associated persons.

CHAIRMAN'S STATEMENT

The Board recognises that organisational integrity is vital to establishing a culture that supports our long-term success. The Board is, therefore, committed to ensure that Adequate Procedures in line with the Guidelines issued by the Prime Minister's Department pursuant to Section 17A of the Malaysian Anti-Corruption Commission Act 2009 are in place, as the Company's defence to Corporate Liability. The Board also notes that central to these new guidelines is the obligation that it imposed on the Board and the Leadership Team in ensuring compliance with anti-bribery laws. As a further commitment to integrity, the Leadership Team has also signed the Integrity Pledge. These measures all form part of our ongoing efforts to ensure adherence to the highest levels of corporate governance and transparency.

Our commitment to the highest levels of integrity is rooted in our corporate culture, which is derived from our Shared Values of Loyalty, Integrity, Professionalism and Cohesiveness. The Board continually seeks to ensure that these values are integrated and applied in our everyday working lives at all levels of our company.

Sustainability and Corporate Social Responsibility

Our Sustainability Agenda has now been fully integrated into the Board's mandate and form part of our discussion at the Board. Central to our approach to sustainability is a focus on seeking innovative solutions to reduce our carbon emissions, in support of the nation and our customers' efforts to transition towards a low-carbon future. Specific initiatives that we are undertaking in this area are detailed throughout this report.

Our success in delivering on these efforts are recognised and affirmed by our continued inclusion in the FTSE4Good Bursa Malaysia Index every year since 2015. The Index recognises companies that have made a genuine effort to embrace sustainable business practices.

Our company is highly conscious of its responsibilities as a corporate citizen. Against the challenging backdrop of 2020, we stepped-up our community engagement and social responsibility initiatives. At the national level, we made significant efforts to contribute to the wellbeing of frontliners and to the communities that we operate in. Our employees are at the heart of our business, and we supported them by enabling them to work from home where feasible and by maintaining strict SOPs to ensure the safety of those who continued to work on-site.

A commitment to Sustainability is integral to our business strategy and PDB will continue to balance the need for profitable growth, environmental protection and social responsibility as we move forward.

Awards and Accolades

The excellence that we have worked so hard to inculcate and embed in all areas of our operations continues to be acknowledged through numerous awards.

Our strong commitment to uphold high standards of corporate governance, accountability, transparency and a high level of disclosure of information to our stakeholders was proven when PDB was honoured with three top awards at the Minority Shareholders Watch Group ASEAN Corporate Governance Awards. PDB won awards in the following categories:

- Overall Corporate Governance and Performance
- Overall Corporate Governance Disclosure
- Industry Excellence Award (Consumer Products and Services)

Additionally, PDB was once again recognised for our high level of excellence in integrated corporate reporting this year. At the Annual Report Competition Awards International XXXIV, we won two Gold and one Bronze awards for the quality of our corporate reporting.

In 2020 we were also awarded a 4-star rating by FTSE4Good in the area of Environmental, Social and Governance, putting PDB among the TOP 25% of PLCs in the FBM EMAS by ESG Rating.

These accolades are a testament to the quality and commitment of our people.

Thriving in the Next Normal

PDB is well-positioned to continue thriving in what is increasingly being referred to as the next normal. While there are signs of recovery in 2021, the outlook for the year ahead remains volatile.

As PDB marks almost four decades in business, we truly appreciate the efforts that will be required to navigate the next normal and to ensure the long-term sustainability of the Company. The challenge is real, but we are confident that with the commitment of our staff and clear strategies, PDB will be able to continue delivering sustainable value for our shareholders. Accordingly, we look forward to continuing to work collaboratively with all our stakeholders as we endeavour to future-proof PDB.

Acknowledgements

At the end of what has been a very eventful year, I wish to thank my colleagues on the Board of Directors for their support. Also, my deepest gratitude to Dato' Sri Syed Zainal Abidin Syed Mohamed Tahir and Ms. Vimala V.R. Menon, who served the Board well before stepping down during the year. On behalf of the Board, I would like to wish them the best in their future undertakings. At the same time, I would like to welcome Ms. Tang Saw Hua and Encik Ahmad Adly Alias, who joined us in July and August, respectively.

PDB has an excellent Leadership Team that understands both the challenges and opportunities that our operating environment presents. I wish to thank them for their commitment and wish them further success in the year ahead.

Finally, I would like to express my profound gratitude to our shareholders for their continued support.

DATUK MD ARIF MAHMOOD

Chairman

MD/CEO'S STATEMENT



AZRUL OSMAN RANI
*Managing Director/
Chief Executive Officer*

DEAR SHAREHOLDERS,

2020 was a pivotal year for PETRONAS Dagangan Bhd. In addition to facing the challenge of the COVID-19 pandemic, it also marked the conclusion of the three-year transformation journey that we began in 2018. I am pleased to report that at the end of this period, our company has achieved the major goals that we set-out when we began this journey. We are now embarking on the next phase of our strategy, which is anchored on the goal of future-proofing our organisation, as we adapt to the new emerging economic and business landscape.

Operating Environment

This has been an extraordinary year in terms of the challenges that PDB and the global economy have faced, as a result of the COVID-19 pandemic. 2020 began with forecasts of robust global and domestic economic growth and a strong outlook for the oil industry, with the benchmark Brent price reaching close to USD70.00 per barrel in the opening weeks of January. Likewise, on the domestic front, BNM projected that GDP would grow by 4.8% in 2020, a visibly stronger performance than the 4.3% growth recorded in 2019. This upbeat scenario was projected to support a favourable operating environment for Malaysian oil and gas companies.

The prospect of strong, synchronised, global growth and a supportive business environment, however, was overturned by the rapid spread of the COVID-19 pandemic in the first quarter of the year. The resulting international travel restrictions and the lockdowns imposed by governments in many countries caused a massive drop in petroleum demand, particularly in the retail and aviation sectors, as both road and air travel were severely limited. The impact of these restrictions led to a global decline in consumer spending and sentiment.

The result of this contraction in economic activity on the global oil and gas industry was acute, with the plunge in demand resulting in massive oil price declines. The downwards pressure on prices was further intensified by the price war between leading oil exporters that began in March. Consequently, the benchmark Brent oil price which had reached a high for the year of USD69.97 per barrel in the first week of January plunged to a low of USD13.24 per barrel by 21 April 2020. The gradual recovery in demand for oil over the course of the second half of the year as governments began to ease lockdowns and travel restrictions sustained a rise in the price of oil, resulting in an average price for the year of USD41.68 per barrel of Brent. By contrast, the price of Brent averaged USD64.00 per barrel in 2019.

PDB also faced a highly challenging domestic business environment, with the Malaysian government implementing a MCO in March, which brought business activity in many sectors to a near halt. In response to these measures, BNM initially revised its 2020 GDP growth projection downwards to between -2% and 0.5%, before revising it down even further in the second half of the year to between -3.5% and -5.5%. These successive downward revisions in growth estimates reflected the depressed economic activity and business sentiment during the pandemic period, where PDB recorded its first quarterly loss since Quarter 1, 2005.

The second half of the year saw a much stronger business and economic environment as governments across the world began easing lockdowns and travel restrictions and introduced large-scale stimulus packages. In Malaysia, these took the form of the government's PRIHATIN and PENJANA packages. These policy measures supported a gradual rebound in the oil and gas industry in the second half of 2020 and have led to renewed optimism about the outlook for 2021.

MD/CEO'S STATEMENT

Against the challenging backdrop of 2020, we have also continued to see the acceleration of key trends that PDB has long anticipated and sought to capitalise on. Rapid digitalisation of the economy has been one of the most obvious outcomes of the pandemic. The lockdowns and MCOs in Malaysia have led to massive growth in the digital and low-touch economy, spurring the e-commerce and logistic industry. Alongside this, we have also continued to see a push by governments and consumers to diversify away from traditional fossil fuels and towards cleaner forms of energy as the issue of sustainability continues to move to the foreground. This global energy transition is the single largest macro-trend impacting the operating environment for the oil and gas industry.

In response to these trends and to the changed environment that we envision, PDB has embarked on a strategy to future-proof our organisation. This entails building greater flexibility into how we operate by embedding digitalisation more deeply into all areas of our business, and by diversifying our revenue base through offering clients cleaner energy solutions, such as LNG and B20 Biodiesel, as well as actively working to grow the non-fuel areas of our business. Our specific initiatives in this direction are laid-out in this Report.

Effective execution of these goals is crucial to our ability to continue thriving in the rapidly-evolving global economic milieu and forms a key part of our strategy going forward.

Accelerating Our Transformation

Our resilient performance in the face of the challenges posed by COVID-19 and the MCO is a testament to the effectiveness of the strategy and processes that we have adopted as part of our transformation journey since 2018, which was summarised by the tagline *Move Like Never Before*. A key element of this transformation has been to shift our company away from an over-reliance on revenue from fuel.

Our growth strategy in the three-year period 2018 to 2020 has been anchored on the four key areas of 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. Our success in implementing these strategies has had a visibly positive impact on our business during this period and we aim to accelerate the pace of transformation going forward.

Building on these strong foundations, and in alignment with PETRONAS Group's overall strategy, the next phase of our journey will focus on 3 main pillars – Value, which means sustaining the strength of our current businesses; Growth, which will be achieved by continuing to diversify our business in the non-fuel sector and capitalising on the energy transition; and Sustainability, which entails striking a balance on our triple bottom line of people, profit and planet. Together, these three pillars anchor our strategy to future-proof our organisation in an increasingly challenging business landscape.

To achieve this aim, we will continue to focus on delivering breakthrough products, accelerating our digital initiatives and strengthening our strategic collaborations. While the growth strategy has now entered a new phase, the intention remains the same – creating sustainable value for our shareholders and to deliver on our vision of simplifying and improving our customers' lives.

Our Performance

I am pleased to share with you that despite the extraordinary challenges that we faced in 2020, PDB has achieved a commendable set of operational and financial results. Our company's performance is a testament to the extraordinary dedication of our people who, across the board, rallied and came together to deliver for our company and our stakeholders during the toughest business environment that we have ever faced. I am proud to have served alongside them.

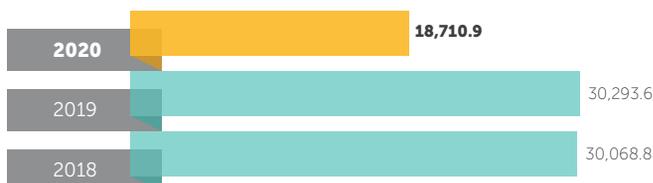
The COVID-19 pandemic had a negative impact on both our top and bottom line performance in the year under review. Lower demand for oil and gas as a result of the lockdowns and travel restrictions, coupled with a lower average Brent price for the year led to a decline in sales volume and reduced financial margins as a result of our lower average selling price.

For the financial year ending 31 December 2020, PDB registered a sales volume of 12,059.9 million litres and a total revenue of RM18,710.9 million. PDB observed a reduction in revenue of 38.2% this year, due to a drop of 22.9% in sales volume, which was compounded by the 20.1% lower average selling price achieved. In line with trends across the industry, these numbers are markedly lower than in 2019. For 2020, we recorded a Profit After Tax of RM272.4 million.



Revenue
RM18,710.9
MILLION

RM Million



In view of these results, the Board is pleased to announce that the Company has declared a total dividend for the year of 38.0 sen per ordinary share.

Sustaining Market Leadership

The impact of COVID-19 was visible across all segments of our business in 2020. In particular, it emphasised our continued over-reliance on revenue from mobility. Going forward, PDB will continue to work on future-proofing our company by refining and accelerating plans to expand and diversify our non-fuel revenue.

Our **Retail Business** was strongly affected by demand disruption for fuel in 2020, amidst the lockdown in the first half of the year and the resulting dampened economic activity. Nonetheless, PDB continued to build on the strength of previous years, with the launch of more than 10 new stations and the roll-out of several new products and initiatives, despite the particular challenges of the year.



In December 2020, we launched the new PETRONAS Primax 97 with Pro-Race, the world's first dual friction modifier, which is 25.0% more efficient in friction reduction than the previous version. It also delivers significantly higher engine power and fuel efficiency, resulting in reduced carbon emissions, with two-thirds of drivers experiencing more power, responsiveness and efficiency. The launch has resulted in a 10.0% increase in sales over the corresponding period. In the non-fuel area, we have continued to strengthen the offerings in our *Kedai Mesra*, with the expansion of our own-brand Mesra Bites range. Additionally we now have more than 100 Tealive X PETRONAS kiosks operating across the country in 2020 and introduced a menu that is exclusive to our outlets, strengthening our collaboration with the popular Tealive brand.

We have also begun adapting and remodelling the *Kedai Mesra* at our PETRONAS stations to give them a warmer, more customer-friendly ambience. The new *Kedai Mesra* concept was piloted in strategic locations within the Klang Valley in 2020 and will continue to be expanded in the year ahead. As part of that transformation, we launched the new concept Mekan@Mesra in October, which offers in-store ready-to-eat and ready-to-drink products, and will be expanded significantly over the coming year. These initiatives form part of a concerted strategy to attract additional traffic to our stations and diversify our Retail Business away from over-reliance on revenue from fuel and mobility.

Our **Commercial Business** was adversely impacted by the unprecedented lower demand for petroleum products and the steep drop in oil prices as a result of COVID-19 and the MCO in the first half of the year. Total volume for the year declined by 32.6%. However, we were able to mitigate the severity of the impact from the downturn through the implementation of effective recovery and rebound strategies to capitalise on post-MCO recovery by focusing on maximising sales to high-margin sectors whilst growing our share of wallet from common customers.

MD/CEO'S STATEMENT

Commercial Business had always thrived in providing unrivalled level of service and solutions which had enabled us to continue securing new customer in 2020 despite the tough economic and business environment.

Our **LPG Business** retained its position as the industry leader in 2020. We remain Malaysia's No.1 retailer and marketer of liquefied petroleum gas, utilising our extensive network of LPG channel members, which consists of premier dealers, dealers and bulk dealers. This year, we launched a new sales channel through our LPG@Sundry Shop initiative and secured more than 40 new commercial customers. Additionally, we continued to leverage on our network of stations with LPG@PS, which is now available at over 100 stations nationwide. Notwithstanding these initiatives, overall volume declined by 12.8% due to lower demand resulting from the implementation of various stages of MCOs. We are confident, however, that these initiatives lay the basis for our further growth as we go forward.

Our **Lubricant Business** remains an area with major growth potential and we maintain a clear focus on achieving market leadership in both the B2B and B2C segments. Critical to this is building strong brand awareness of our key products, PETRONAS Syntium, PETRONAS Sprinta and PETRONAS Urania through a sustained and integrated communications strategy. The integrated marketing campaigns that we undertook in 2020 have had a tangible effect, with brand awareness for our key products rising from 10.0% in 2019 to 57.0% in 2020 amongst retail consumers.

On the B2B front, our lubricants business made further inroads into key target sectors and we continued to win new anchor customers in 2020.

Against the challenging backdrop of 2020, we continued to expand our market reach by capitalising on cross-selling opportunities through PDB's other business segments. Additionally, by entering into e-commerce, we have expanded our ability to reach consumers beyond the existing geographic boundaries. We have also continued to build long-term partnerships with strategic stakeholders in a business model that emphasises sustainable margins for all business partners along our value chain. We are confident that these measures strengthen the foundations for future growth.

While we are optimistic about the strong growth prospects for our lubricants business going forward, the challenging environment in 2020 saw overall sales volume decline by 14.1% from 2019.



Future-Proofing PDB

In a year where traditional business models were under pressure everywhere, PDB continued to innovate with the launch and scaling-up of ventures that form part of our future-proofing strategy.

Among the key initiatives that we implemented this year was the nationwide roll-out of Setel®, an innovative platform that provides every motorist with a seamless experience for retail on-the-go. The platform delivered on its promise to disrupt retail on-the-go through the Deliver2Me feature and in-store cashless payment with the Setel® wallet. Deliver2Me allows customers to purchase selected items from participating *Kedai Mesra* and have them promptly delivered directly to their vehicles while refuelling. These new, innovative features offer greater convenience and maximise safety for our customers.

The Mesra Rewards redemption platform is also now on Setel® and customers can seamlessly redeem their Mesra points for attractive rewards right from the app or through the web at app.setel.my.

Customers also requested for more payment options and we met this need by increasing the modes of payment available through Setel® throughout 2020. Setel® facilitated cash top-ups and introduced CardTerus that enables customers to make direct credit card payments to enjoy fuel cashback benefits. The platform experienced rapid growth in 2020, with a total customer base of more than 2 million motorists, quadrupling its 2019 record, as demand for low-touch services accelerated.

Recognising the impact of the global transition towards cleaner energy, PDB is working closely with our customers to encourage them to adopt cleaner fuels, as well as expanding our distribution capacity to serve previously difficult-to-reach customers. As part of this effort, we have launched our new Gas Retailing and Transportation business, which promotes LNG as an alternative



clean fuel. With the launch of this new venture, PDB becomes the first LNG solutions provider using road trucks for off-grid customers in Peninsular Malaysia. Our distribution system utilises a Virtual Pipeline Solution of trucks fitted with cryogenic tanks, giving us the capability to deliver LNG to industries within Peninsular Malaysia that are not connected to the natural gas infrastructure, providing them with access to cleaner energy. As an essential part of our growing LNG distribution infrastructure, we have also established our first LNG bunkering operation at the port of Pasir Gudang.

In addition, we further grew ROVR's customer base, validating demand for mobile refuelling service. ROVR, which now operates 14 trucks, continues to give back to communities by deploying its truck to targeted enhanced MCO areas. We have also continued to launch new ventures on the retail front in order to keep growing our non-fuel revenue. In 2020 we launched PRYSM, PETRONAS' authorised merchandiser, offering a range of motorsport and lifestyle brands, sold online and at selected *Kedai Mesra*.



Together, these ventures form a key thrust by PDB to continue diversifying our growth drivers as we go forward.

Sustainability: A Commitment to Our Triple Bottom Line

PDB remains highly committed to the goal of sustainability, which we have worked to embed into all aspects of our business and operations. Not only do we believe that this is the right thing to do, but we believe that it is sound business practice. In the context of our business model, Sustainability entails striking a balance on our triple bottom line: people, profit and planet.

We acknowledge the role that we play in addressing environmental protection and climate change. In line with PETRONAS' Net-Zero Carbon Emissions aspiration by 2050, PDB is advancing the transition to offer cleaner fuel options to its customers. PDB became Malaysia's first LNG solution provider through a virtual pipeline system in Peninsular Malaysia. We will also continue to install renewable energy options at our stations, wherever feasible.

In 2020, we also doubled down on efforts to promote entrepreneurship and boost local businesses hit by COVID-19. Our Love Local Campaign drew more than 80 local brands and ignited pride amongst Malaysians to support local talents and local products. Our SME programme remains vibrant 25 years on, and has over 350 vendors supplying to *Kedai Mesra* across the nation.

In a year when so many across our nation were badly affected by the COVID-19 pandemic, PDB actively contributed to the national relief effort and supported our frontliners, in particular, through various programmes.

Our fundamental commitment to sustainable growth and business practices is made clear by our decision to make Sustainability the third leg in our three-pronged transformation plan as we work to future-proof our organisation.

Ensuring Safe, Reliable and Efficient Operations

PDB recognises our obligation to ensure the safety of our employees, customers, *Rakan Niaga*, business partners and contractors as our highest priority. This has never been more critical or more challenging than under the circumstances created by COVID-19. Accordingly, at the beginning of the COVID-19 crisis, we made swift and decisive decisions to strengthen health and safety SOPs across our business. We also enabled a high degree of working from home through improved technology in order to minimise infection risks.

Recognising that our people are our greatest asset, we also continued to invest in training and health and safety throughout the year. Our commitment and effectiveness in ensuring the health and safety of our people has been recognised by the award of 8 Gold Merit and 5 Gold awards by the Malaysian Society for Occupational Safety and Health.

Digitally Enabled

Digitalisation is a crucial driver of our growth strategy and its importance has been enhanced by the rapid shift to online commerce during the course of the COVID-19 pandemic. This has been an important year for the implementation of the Digitally Enabled leg of our transformation and growth strategy as we rolled-out major initiatives that began in 2019 under our Digital Blueprint. At the heart of our digital strategy is the effective leveraging and optimising of the vast amounts of data that we generate, in order to deliver a seamless and frictionless customer experience. This is enabled through PDB's establishment of one of the largest Data Lakes in PETRONAS and a new Customer Relationship Management platform in 2020.

MD/CEO'S STATEMENT



As we continue to leverage the power of technology, we have increasingly embedded digitalisation, anchored on our Cloud First and Mobile First strategies, in all aspects of our business and it serves as the key driver behind some of our new ventures. Technological innovation across our company accelerated in 2020 with the introduction of our new next generation cloud-based Point-of-Sales system; and installing our new Outdoor Payment Terminal with enhanced digital and secured touchpoints at selected stations nationwide. The impact and implication of these individual technologies are dealt with in the Digitally Enabled section of this report. Collectively, they form a major push by PDB into an increasingly digitally-driven and touchless business model.

Outlook

The global roll-out of vaccines for COVID-19 across 2021 offers the prospect of a strong rebound in economic activity this year. The IMF, which estimates that global GDP contracted by 3.5% in 2020, forecasts a rebound to growth of 5.5% for 2021. Likewise, on a national level, BNM projects that Malaysia's economy will grow by between 6.5% and 7.5% in 2021. This rebound, however, will not result in a return to the status-quo. It is increasingly clear that many of the trends that accelerated under the COVID-19 pandemic are now embedded in the new normal and that companies will have to adapt their strategies accordingly. Among the key changes that will impact our industry is the rapidly accelerating pace of digital adoption that has resulted from consumers being forced to become familiar with online transactions during the lockdowns. The resulting increase in demand for e-commerce, digital entertainment, and remote working arrangements will be key features of the new post-COVID-19 business landscape.

Adapting to this emerging landscape will require us to move from a product-centric approach to one of creating digital solutions around our customers at every step of their purchase experience. In short, as we go forward, we aim to become a solutions partner to our customers by simplifying and improving their everyday experiences.

Alongside the changes caused by the COVID-19 pandemic, the long-term trends towards tighter environmental regulations and the continued growth in the number of energy efficient vehicles will also impact our business and we will continue to adapt to these anticipated changes by growing our clean fuels and non-fuels businesses.

With the prospect of a stronger economic performance in 2021, we believe that our strategy of continued focus on customer-centricity, diversifying our offerings, greater cross-selling of our products and services, accelerating digitalisation, strengthening sustainability practices and maintaining a strong focus on growing our non-fuel revenue leave us well-positioned to capitalise on the key growth trends in the post-COVID-19 economy.

To deliver on this vision, we will continue to push the boundaries of technology and innovation and to move beyond the traditional offerings and services. Our focus must be not only on the present needs of our customers but anticipate future ones. That is how we will continue to build sustainable value and deliver on our promise of making our customers' lives simpler and better.

Acknowledgements

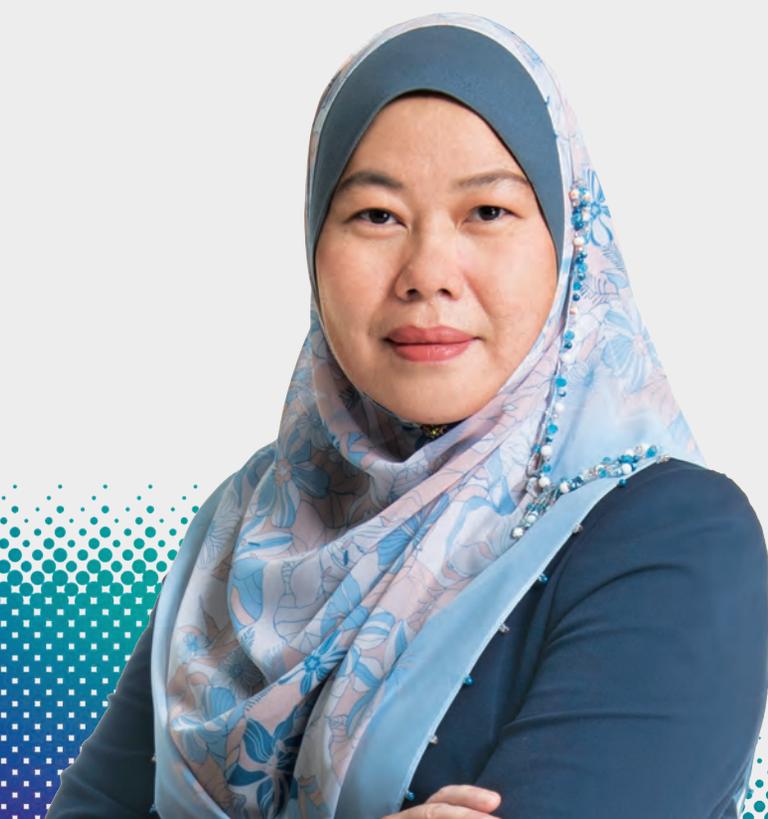
I wish to begin by thanking our customers for their continued support during the year, as we all played our part in tackling the challenges brought-on by COVID-19. I would also like to express my gratitude to all our shareholders for your continued confidence in us in 2020 despite the extended market volatility. PDB will continue to work to deserve your trust in the year ahead.

I wish to thank the Chairman of the Board, fellow Board of Directors and my colleagues on the Leadership Team for the extraordinary dedication that they have continued to show. Working together with you, I look forward to continuing to focus on the opportunities ahead for our company.

I would like to acknowledge Cik Norliwati Abdul Wahab, En Aadrin Azly, En Mohd Shobri A. Bakar and Pn Nur Nadia Mohd Nordin for their contributions during their tenures on PDB's Leadership Team. As they depart, I would like to welcome Pn Farzlina Ahmad Murad, Pn Mazlin Erawati Ab Manan, Pn Normah Basri and Pn Suria Kamarul Baharin who have recently joined our Leadership Team.

Finally, I wish to thank our *Rakan Niaga*, Dealers, Business Partners and Contractors whose support has been essential to enabling our success on our transformation journey.

CHIEF FINANCIAL OFFICER'S REVIEW



PDB Group saw a softer performance in the year under review, reflecting the weaker economic environment.

With a firm balance sheet and cash position, the Group will continue pursuing our agenda of future-proofing our business.

FARZLINA AHMAD MURAD
Chief Financial Officer

PROFIT AFTER TAX

RM272.4
MILLION

ASSETS

TOTAL ASSET:	CASH:
RM8,359.6	RM2,691.8
MILLION	MILLION

DIVIDEND PER SHARE

38.0
SEN

MARKET CAPITALISATION

RM21,259.9
MILLION

CHIEF FINANCIAL OFFICER'S REVIEW

Overall Financial Performance

For the financial year ended 31 December 2020, PDB recorded revenue of RM18,710.9 million, a decrease of 38.2% from the year before. This was attributable to a 22.9% decline in total sales volume, as well as a 20.1% decrease in average selling price.

Group PBT for the year stood at RM386.4 million, a decrease of 65.8% from the previous year. This was primarily due to lower demand during various stages of MCO. The impact of these declines was offset by a reduction of RM279.5 million in OPEX.

OPEX for the Group reduced by 11.1% to RM2,249.0 million mainly due to lower expenditure on advertising and promotions, as well as lower redemption of Mesra points, reflecting both the challenging operating environment in 2020, and the continued stringent management of expenditure across the Group.

Segmental Performance Review

The Group's reportable segments comprise Retail, Commercial and Others. The Retail Segment consists of sales and purchases of fuel, LPG and lubricant to the retail sectors. Our Commercial Segment consists of sales and purchases to the commercial sectors. The combined Retail and Commercial Segments represent 99.9% of the Group's revenue and PBT. The Others Segment consists of aviation fuelling and technical services, as well as all business activities other than those in the Retail and Commercial Segments.

Retail Segment

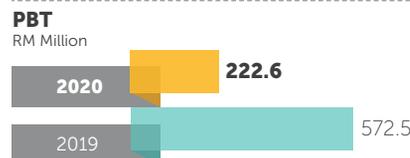
The Retail Segment saw a decrease in revenue of 27.3% in 2020. This was driven by a 16.2% decrease in average selling price, as well as a 13.3% decrease in sales volume, in tandem with overall lower demand.

PBT for the year decreased by 61.2%, mainly due to lower gross profit from Mogas and Diesel, following a sharp decline in MOPS prices at the beginning of the year, as well as lower sales volume. The impact of this decline was offset by lower operating expenditure incurred during the year.

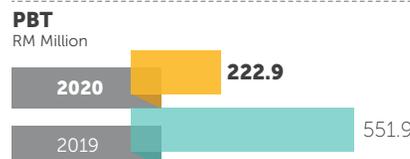
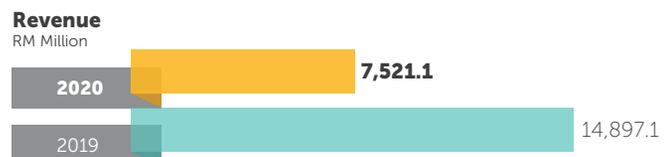
The performance of the Retail Segment was heavily impacted during the first half of the year, due to the full lockdown imposed by the Government from March until May. A gradual recovery in monthly sales volume was observed during the second half of the year, but this was slightly impacted by the reintroduction of the MCO following an increase in COVID-19 cases in Quarter 4, 2020.

During the year, the Retail Segment pro-actively focused on accelerating key marketing programmes and capturing market demand with the introduction of a new premium fuel, PETRONAS Primax 97 with Pro-Race, in December 2020.

Retail Segment



Commercial Segment



Our strategy of growing non-fuel income continues to deliver results. Mesra income grew by a commendable 3.6% against 2019. This rise in income was driven, primarily, by the various enhanced offerings at our *Kedai Mesra* and collaboration with new and existing partners. Retail delivered this higher income in spite of the MCO, which resulted in shorter operational hours for our *Kedai Mesra*, as well as restrictions on the number of customers in the stores, in adherence to strict government-mandated SOPs.

Our relationships with our customers and dealers are at the very heart of our business and value-creation strategy. Accordingly, against the challenging backdrop of 2020, we worked closely with our dealer network to continue building their capacity and to ensure the continued reach of our distribution network.

Commercial Segment

Our Commercial Segment recorded a decrease in revenue of 49.5%, due to a 33.1% decline in sales volume and a 24.4% decrease in average selling price. PBT for the segment decreased by 59.6%, in line with lower gross profit from Jet A-1 and Diesel due to lower MOPS prices and the decreases in sales volume in the first half of the year.

The decrease in the sales volume for Jet A-1 was, predominantly, due to local and international travel restrictions. The decline in sales volume for Diesel was a result of lower demand from the manufacturing, construction and upstream sectors due to the prolonged MCO. As part of its rebound and recovery efforts, the Commercial Segment is focused on leveraging on the post-MCO recovery by maximising sales to high-margin sectors and pursuing a higher share of wallet from common customers. Additionally, we will continue to provide comprehensive offerings to improve our customer value proposition.

Other Income

Other income declined by 17.2% due to lower interest income, reflecting our lower average cash balances and lower average interest rates during the year. The decrease was, however, offsetted by higher *Kedai Mesra* income and higher sales from PRYSM, an official PETRONAS merchandise platform as part of our continuous efforts to grow the non-fuel segment.

Group Financial Position

PDB maintained the strength of its balance sheet and overall financial position in 2020. This ensured the availability of funds to support our business plans and maximise shareholder value. Effective financial management ensured that the Group continued to meet all of its financial obligations in the year under review while reducing leverage.

Total Assets

The Group's total assets decreased by 16.4% from the previous year. The decrease was due to lower cash and cash equivalents, as well as lower trade and other receivables, in line with the lower overall sales recorded by the Group and the special dividend payment in Quarter 1, 2020.

Total Liabilities

Total liabilities decreased by 32.6% in 2020, as compared to 2019. The decrease in total liabilities was mainly due to lower trade and other payables as a result of the decrease in purchased volume, as well as lower purchase prices, stemming from lower overall demand.

Total borrowings for the year declined by 46.7% from 2019, mainly due to the repayment of lease liabilities and Islamic financing facilities.



Cash Flows

In anticipation of reduced cash inflow under the current operating environment, the Group implemented stringent cash flows monitoring to ensure that we maintained adequate cash balances and an optimal working capital position.

The Group's cash and cash equivalents stood at RM2,691.8 million as at 31 December 2020. This represents a decrease of 21.4%, from the RM3,425.5 million recorded as at 31 December 2019.

CHIEF FINANCIAL OFFICER'S REVIEW

Net cash generated from operating activities was lower in 2020. This was mainly due to a reduction of RM9,385.6 million in sales as a result of lower sales volume, as demand was impacted by the MCO. The biggest reductions in demand were for our Mogas, Diesel and Jet A-1. The impact of this decrease was offsetted by lower purchases of RM9,377.3 million.

Cash used for investing activities was, substantially, comparable against last year. Cash outflow from financing activities was RM86.8 million lower due to lower dividends paid, in line with our lower profit after taxation during the year.

Returns to Shareholders

Despite the unprecedented circumstances that we faced in 2020, PDB has continued to demonstrate its appreciation to our shareholders by paying a dividend of 38.0 sen per share for the year under review.

PDB has a dividend policy of paying-out 50.0% of the Company's PAT to our shareholders. However, we have consistently exceeded this. The Group maintained this policy in 2020, continuing to provide our shareholders with a high-quality income stream, despite the challenging business landscape.

The determination of our total dividend for the year remains consistent with our policy of maintaining sufficient cash balances to fund the Company's investment and growth requirements.

Strong Cost Discipline and Stringent Spending

PDB maintained strong cost discipline across 2020, as we worked to ensure the right balance between our capital and operational expenditure.

Our OPEX is subject to extensive monitoring across the organisation and we continue to focus on cost optimisation and the reprioritisation of initiatives such as advertising and promotions spending to capitalise on the evolving business environment.

In the area of CAPEX, PDB has enhanced our investment framework by creating a special committee, known as the Investment Review Committee, to oversee overall capital spending. The enhanced framework ensures that any capital expenditure is prioritised based on its financial returns and criticality to our HSE needs, meeting our regulatory obligations and to our growth strategy before the spending is authorised. Accordingly, in 2020 we continued our asset-refresh programmes at our stations, as part of our HSE compliance.

During the year, we also continued to invest in the new ventures that are emerging as our growth-drivers and in the key digital initiatives that differentiate us and will help future-proof our business.

Robust Management of Working Capital and Liquidity

The Group's operations and performance are strongly influenced by movements in petroleum product prices. Against the volatile backdrop of the year under review, PDB took rigorous action to ensure that we maintained sufficient working capital by focusing on optimum inventory and liquidity management.

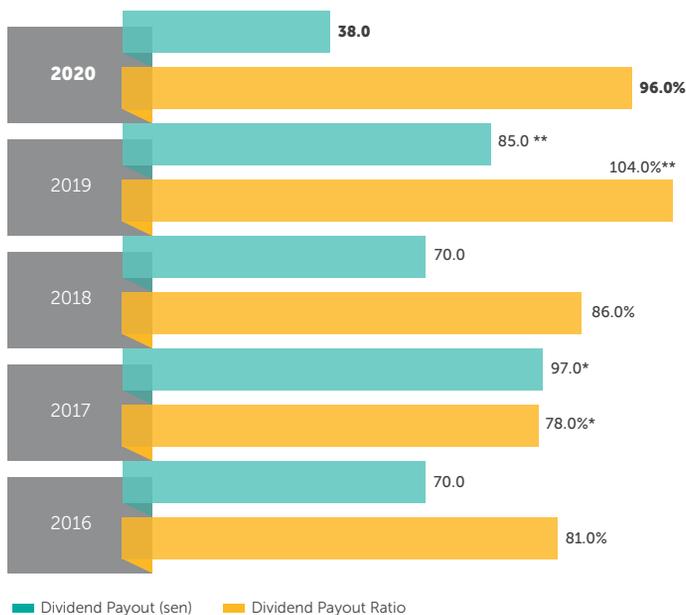
In order to minimise the risk of financial exposure to the Group from movements in the oil price, we have continued to maintain inventory at a commendable level of 11.76 days, despite the severely challenging environment due to COVID-19. Insight into inventory optimisation is achieved through our integrated inventory management committee meetings.

Liquidity risk is managed by ensuring that we maintain a sufficient cash balance through comprehensive monitoring and forecasting of cash inflows and outflows.

PDB ensures effective credit risk and trade receivables management through the stringent assessment of credit terms and credit limits of both new and existing customers, based on the PETRONAS' Credit Risk Framework and Guidelines. We also continue to monitor trade receivables closely to ensure timely collection and to reduce risk from overdue payments.

 For more information on how we manage credit risk, please refer to Key Risks and Mitigation on pages 61 to 65 of this <IR>

Dividend Payout to Shareholders



* Includes special dividend of 22 sen per ordinary share
 ** Includes special dividend of 15 sen per ordinary share

Effective Risk Management

In a highly challenging year, PDB was not spared from the negative impact of the COVID-19 pandemic which exposed us to unfamiliar and complex risks. In response, we strengthened our risk management practices by implementing a robust and comprehensive framework to manage the Group's risks within our acceptable risk appetite.

During the year, PDB has prioritised our focus on effective risk management through identification, assessment and management of the risks faced by our business. We performed a robust review of our corporate risk profile, which includes periodic assessments of the risks we believe could threaten the Group's business operations, performance and profitability. As the COVID-19 outbreak quickly developed into a pandemic, we took steps to move the pandemic risk from an emerging risk to a critical risk in our corporate risk profile.

Another important area of focus during the year was to ensure our preparedness in meeting the requirements of the newly introduced Corporate Liability Provisions under Section 17A of the Malaysia Anti-Corruption Commission Act 2009. We have taken the necessary steps to identify and assess various corruption risks across our business operations, in order to identify as well as implement adequate mitigation measures.

As the Group continues to uphold a pervasive risk management culture, we mandated that all our decision papers include rigorous risk assessments for management and the Board's deliberation. The Group also strives to inculcate a strong risk culture and ownership by engaging our employees through a risk management communications programme.

 For more information on how we manage risks, please refer to Key Risks and Mitigation on pages 61 to 65 of this <IR>

Heightened Governance and Compliance

Over the years, the Group has built a strong governance structure, supported by approved policies, framework and processes.

During the year, PDB continued to promote a stronger governance and compliance culture focusing on the implementation of Adequate Procedures as a defence against corporate liability charges under the new Section 17A of MACC Act which became effective on 1 June 2020. Apart from performing Corruption Risk Assessment, we have mandatory online learning modules for all directors and employees as well as conducted virtual briefing sessions for key associated persons to create greater awareness on PETRONAS' anti-bribery policy and procedures.

In addition to the above, PDB also implemented a structured approach in conducting our assurance programmes with more emphasis on ownership and accountability within PDB for reasonable assurance to stakeholders through implementation of Integrated Assurance.

PDB has also enhanced its Limits of Authority focusing on addressing its new business requirements and strengthening key strategic areas of decision making to ensure efficient and focused execution across the organisation.

In addition, BNM has granted an e-money license for Setel®, an innovative platform that provides every motorist a seamless experience for retail on-the-go.

Engagement with the Investment Community

PDB is committed to upholding the confidence and trust of our shareholders and we maintain a robust investor relations programme to ensure that they receive timely information about all material developments in our company. Our investor relations activities are led by the MD/CEO and CFO, ensuring that investors and analysts have access to the key decision-makers, giving them direct insight into our company. This framework helps maintain confidence within the local and international investment communities.

In 2020, we ensured that communication lines with local and foreign investors remained open despite the challenges caused by the COVID-19 pandemic. With limited opportunities for physical meetings with investors and analysts, we stepped-up our virtual engagements and ensured that the quality of disclosure in these meetings continued to meet the high standards expected from PDB.

During the year, we were able to conduct 1 face-to-face Analysts Briefing prior to the MCO being implemented by the government in February 2020 and 3 virtual Analyst Briefings in the following quarters. The effectiveness of our technological solution was validated when, in a first for our company, PDB's 38th AGM was held virtually on 10 June 2020 in accordance with the Securities Commission Guideline on Virtual Meetings by Listed Issuers, which was issued on 18 April 2020. We are committed to maintaining the highest quality of engagement with the investor community as we go forward.

Outlook

The outlook for the year ahead is broadly supportive of a recovery for the global oil and gas industry and for the Malaysian economy. However, the still ongoing COVID-19 pandemic remains a key risk. Accordingly, even as we are positioned to capitalise on a recovery, we have also taken strong measures to deal with continued volatility. Our retail segment will continue to focus on growing non-fuel income and leveraging on technology as a growth-driver. Our commercial segment, which remains affected by the international travel restrictions, will continue to capitalise on opportunities in domestic air travel and seek cost-efficiencies.

Going forward, our company will maintain the strong cost discipline and prudent management of working capital and liquidity that we implemented in 2020, in order to ensure the robustness of our balance sheet. Building on this solid foundation, we will continue the process of transforming our organisation and culture in order to build a genuinely future-proof business that continues to deliver sustainable returns for our shareholders.

RESPONDING TO THE IMPACT OF COVID-19

Overview

The COVID-19 pandemic was the single most impactful factor upon the global economy and our business operating environment in 2020. The rapid global spread of the virus in the first quarter of the year resulted in a near-total halt to global travel and widespread national lockdowns. The resulting plunge in economic activity saw global GDP shrink by 3.5%. Domestically, Malaysia's GDP shrank by 5.6%.

Globally, the gradual lifting of the lockdowns and travel restrictions in the second half of the year, coupled with widespread government stimulus spending helped spur a revival in economic activity and fuel demand. In Malaysia, the economy picked-up with the relaxation of the nationwide MCO that had been imposed in March and the government's stimulus measures, helping revive domestic demand for oil and gas products.

The pandemic has also driven changes in customer behaviour, as fear over the spread of the virus and mandated social distancing rules, has led to reduced in-person transaction, accelerating a move towards e-commerce.

Financial Impact

The financial impact upon PDB was felt, principally, through the fall in sales volume. Domestic and international travel restrictions resulted in lower demand for its key products including petrol and jet fuel. Additionally, demand for Diesel also dropped as a result of the contraction in domestic industrial activity. This resulted in PDB's total fuel sales volume declining by 22.9% in 2020.

How We Responded

On the financial front, PDB responded rapidly to this challenging macro-environment by streamlining both our OPEX and CAPEX to maintain the strength of our balance sheet.

At the same time, PDB also accelerated the diversification of its product portfolio to future-proof its business in response to the shift in consumer behaviour.

By expanding food offerings at stations through Makan@Mesra and rapid nationwide roll out of Setel®, PDB has effectively latched on to the rising need for on-the-go-food and contactless payment. Additionally, PDB launched PRYSM, PETRONAS motorsport and lifestyle brand. On the fuel business front, we expanded ROVR, Malaysia's first mobile refuelling partner. PDB also rolled-out its Gas Retailing and Transportation off-grid delivery service, offering Malaysia's first off-grid LNG delivery service to expand its clean fuels business.



For more information on the financial impact and our response, please refer to the MD/CEO's Statement on pages 32 to 38 and the CFO's Review on pages 39 to 43 of this <IR>

Operational Impact

The pandemic had a profound impact upon PDB's business operations. The introduction of the MCO in March led to restrictions on opening hours for its PETRONAS stations, limits on the number of people who could be in Kedai Mesra at any one time and the need to maintain strict social distancing while continuing to operate its business and deliver a high level of customer service. PDB also faced the challenge of managing inventory volumes in the fluctuating operating environment.

How We Responded

PDB took swift and decisive action to strengthen health and safety SOPs across its business to ensure the safety and well-being of its employees, customers, partners and the communities in which we operate. We adopted stringent procedures in-line with the government's mandate and international best practices.

At the station level, the SOPs included the regular sanitisation of all PETRONAS stations, the ready availability of hand sanitiser for customers and employees, the use of face masks, adherence to social distancing rules and controlling the number of customers allowed into the *Kedai Mesra* at one time.

PDB also responded to evolving customer behaviour by expanding its Setel® e-payment platform nationwide and added features to widen its use. Alongside that, we expanded ROVR, Malaysia's first mobile refuelling partner, reducing the need for customers to conduct in-person transactions.

At the corporate level, it enabled a high degree of working from home, both to facilitate social distancing and also in recognition of raised family and domestic obligations. The Company's ability to adapt to working from home and other forms of online working is a testament to the robustness of the digital systems that it has put in place over the last year.

Additionally, PDB worked to maintain optimal levels of fuel inventory to meet the fluctuating demand over the course of the year. The Company was able to maintain visibility into customer demand and projected product availability through the effectiveness of its integrated inventory management committee meetings.

Across the board, PDB also ensured that its customers did not experience supply disruptions by ensuring safe operations in its terminals and LPG bottling plants, and among its transportation partners and dealers. Together, these measures ensured its operational continuity during the most challenging year that it has faced.

Impact to our Stakeholders

Shareholders and the investment community

Restrictions on travel and the need for social distancing required PDB to reshape the way that it interacted with shareholders and the investment community. For the first time, PDB held a virtual AGM on 10 June 2020, in accordance with the Securities Commission Guidelines on Virtual Meetings by Listed Issuers that had been issued in April 2020. It also used technology to engage with the investment community throughout the year. While the Company was able to conduct 1 face-to-face Analysts Briefing in February, prior to the implementation of the MCO, the subsequent 3 quarterly Analyst Briefings were conducted virtually.

Customers

PDB's customers were affected by reduced mobility under the lockdowns and travel restrictions, leading to a fall in demand for its products. Commercial customers were also affected by the various restrictions on business activities during different stages of the MCO. In response, the Company worked closely with customers to ensure the sustainability of their businesses. PDB's engagement with retail customers was impacted by the restrictions on trading hours, their reduction in face-to-face interactions and limits on the number of people allowed into the *Kedai Mesra*. In response, it expanded the availability and features of the Setel® e-payment system and diversified its Mesra offerings to keep customers engaged.

Employees

The Company's employees were impacted by the pandemic in a myriad of ways. Across the board, they faced diminished mobility and having to familiarise themselves with new SOPs. Additionally, many had to rapidly adapt to new modes of working as a result of working from home. PDB responded to this situation by providing them with support, in-terms of training to prepare them for the new SOPs and modes of working, as well as supporting those working from home by providing them with the required digital support.

Rakan Niaga/Dealers

PDB's *Rakan Niaga* were negatively impacted by the decline in demand for fuel, as well as by the restrictions on the operations of *Kedai Mesra* during the MCO, in accordance with government mandated SOPs. PDB responded by helping them build capacity and actively worked to strengthen the offerings at *Kedai Mesra*. Through the wider roll-out of Setel®, the launch of the new *Kedai Mesra* concept, the expansion of its collaboration with Tealive and the launch of the new, improved, PETRONAS Primax 97 with Pro-Race, the Company helped mitigate the impact of the pandemic and the MCO upon our *Rakan Niaga*.

Business Partners and Vendors

PDB's business partners and vendors were negatively impacted by the dampened overall economic environment. A number

of key partners and vendors also faced disruption to their supply chains as a result of the travel restrictions, causing delays to the timelines of several PDB projects. Against the challenging backdrop of 2020, PDB worked closely with its business partners to ensure the robustness of its procurement ecosystem and project delivery capacity.

Authorities/Regulators

The negative impact of the COVID-19 pandemic on PDB's sales and profitability resulted in a reduction in the overall direct taxes that it paid in 2020.

PDB also provided direct support to the nation's frontliners by contributing shopping vouchers, snacks and coffee to 18 critical organisations across the country. These included 15 hospitals, the Royal Malaysian Police, the Ministry of Health and the National Disaster Management Agency. We provided further support to frontliners by providing them with free oil-change services at the mobile car service workshops that it set-up at three hospitals.

Communities

The negative impact of the COVID-19 pandemic has been visible across society as whole, with many Malaysians seeing reduced job security, diminished incomes and many young Malaysians, in particular, facing a much more challenging job market. PDB responded to this scenario by redoubling its effort at good corporate citizenship, supporting the communities in which it operates and making a contribution at the national level.

In 2020, PDB redoubled its efforts to promote entrepreneurship and boost local businesses hit by COVID-19. PDB's SME programme continued to support over 350 vendors supplying *Kedai Mesra* across the nation. In addition, the Company's Love Local Campaign drew more than 80 local brands, which supported local talent and local products.

Additionally, PDB worked with its *Rakan Niaga* to support local communities across the country by organising food banks and food giveaways for the most vulnerable.

Beyond responding to immediate needs, PDB continued to support communities and efforts at nation-building by giving opportunities to talented youth. In a year when many fresh graduates faced reduced employment opportunities, the Company took on-board 20 new graduates, out of the 200 taken-on by the PETRONAS Group as whole under its Protégé programme. In addition to that, PDB provided structured internships to 101 students, helping prepare them for future employment.



For more information on how we supported communities facing the impact of COVID-19 pandemic, please refer to our Sustainability Report on pages 239 to 242 of this <IR>



For more information on how our business divisions responded to the impact of COVID-19, please refer to our Business Reviews on pages 86 to 111 of this <IR>

Outlook

The impact of the COVID-19 pandemic will continue to be felt across 2021. The availability of vaccines, the eventual lifting of lockdowns and the gradual, if limited, restoration of international travel are all supportive of a stronger economic performance in the year ahead. However, the risk of a resurgence of the pandemic and of renewed disruption remain real and PDB continues to take measures to future-proof our organisation, as detailed throughout this report.

OUR APPROACH TO VALUE CREATION

ASSESS AND EVALUATE OUR OPERATING CONTEXT

ANALYSE BUSINESS LANDSCAPE

Our ability to create value is closely related to the macroeconomic environment within which we operate. The challenges presented by the external environment impacts our performance and business continuity, risk management and our strategy to create value.

Our performance and Value Creation are inextricable linked to the challenges presented by economic, regulatory, social, environmental and competitive environment of the operating landscape.

For more information on the Operating Environment and Market Outlook, please refer to pages 53 to 56 of this <IR>

IDENTIFY AND MANAGING RISKS

We are committed to effective risk management, identifying the risks and opportunities presented by our business landscape whilst pursuing our strategic and business objectives, with the ultimate aim of ensuring sustainable value creation for our stakeholders.

For more information on the Key Risks and Mitigation, please refer to pages 61 to 65 of this <IR>

STRENGTHEN RELATIONSHIPS

STAKEHOLDER ENGAGEMENT

It is vital for us to understand and respond to the needs, interests and concerns of our stakeholders. Our success and sustainability is dependent on the relationships we build. Quality relationships allows us to deliver sustained value to all our stakeholders and determine the continued success and growth of our business.

Our Key Stakeholders

- Investors
- Customers
- Rakan Niaga /Dealers
- Employees
- Authorities/Regulators
- Contractors/Suppliers/ Business Partners
- Communities

For more information on Stakeholder Engagement, please refer to pages 50 to 51 of this <IR>

DEFINE OUR MATERIAL MATTERS

OUR 3-STEP MATERIAL IDENTIFICATION PROCESS INCLUDE:



Our **MATERIAL MATTERS** are issues that have the potential to impact, both positively and negatively, our value creation in the short, medium and long term. These material matters are aligned with our risk profile. Managing them effectively could support or hinder our ability to execute our strategy and remain competitive. We have also identified opportunities per **Material Issue** and how these are viewed as growth opportunities for the Group through its strategic long-term plan.

For more information on the Material Matters, please refer to pages 57 to 60 of this <IR>

FORMULATE BUSINESS STRATEGY

IMPLEMENTING OUR STRATEGY

Responding to emerging market trends and the challenging business landscape, our strategies are devised to drive PDB's transformation plan to strengthen our core business and ensure value creation.

Our strategic direction and execution are guided by our 3 Strategic Pillars, to achieve our vision of being a progressive energy and solutions partner, enriching lives for a sustainable future.



PDB's approach to value-creation is driven by our values as a company and is in alignment with PETRONAS Group's overall strategy. As we mark the conclusion of the transformation journey that we began in 2018, we are now embarking on the next phase of our strategy, which is anchored on the goal of future-proofing our organisation by focusing on 3 main pillars:

- **Value:** which means sustaining the strength of our current businesses.
- **Growth:** which will be achieved by continuing to diversify our business in the non-fuel sector and capitalising on the energy transition.
- **Sustainability:** which entails striking a balance on our triple bottom line of people, profit and planet.



Together, these three pillars anchor our strategy to future-proof our organisation in an increasingly challenging business landscape.

ALLOCATE OUR RESOURCES

DRAWING UPON OUR KEY CAPITALS



Financial Capital



Manufactured Capital



Intellectual Capital



Human Capital



Social and Relationship Capital



Natural Capital

INTEGRATE INTO OUR BUSINESS MODEL

DRIVING OUR BUSINESS ACTIVITIES

OUR VALUE CREATING BUSINESS MODEL

Our business lines and enablers are committed to delivering innovative and differentiated offerings to fuel the nation's growth. Driven by our customer-centricity, digitalisation and agile ways of working with sustainability at the core, we strive to elevate the customer experience in the new normal, underpinned by our commitment to make their everyday lives simpler and better.

Business Activities



For more information on Our Value Creating Model, please refer to pages 48 to 49 of this <IR>

CREATING VALUE AND DELIVERING A POSITIVE IMPACT

Value, for us, means achieving our stakeholder goals

1. **QUALITY PRODUCTS**

2. **VALUE PROPOSITION**

3. **NETWORK**

4. **RELIABILITY**

5. **INNOVATION**

6. **CULTIVATE**

7. **DIVERSITY**

EMBEDDING GOOD GOVERNANCE

Our Board is committed to ensuring that there is a strong and effective system of corporate governance in place to support the successful execution of the Group's strategy, as well as continue to create and protect value ensuring the sustainability of our business.

OUR VALUE CREATING MODEL

UNDERPINNED BY:
PETRONAS CULTURAL BELIEFS

CUSTOMER FOCUSED

INNOVATE NOW



STATEMENT OF PURPOSE

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

OUR PROMISE

Pushing the boundaries of technology and innovation is what we do. But why we do it, who it's for, matter just as much. We strive to be a part of our customers lives in ways that matter. This requires evolving beyond traditional offerings and services.

By delivering on present needs and anticipating future ones, we continuously create progressive solutions that are relevant to our customers' changing needs.

This is our dream for a simpler, better and more meaningful tomorrow for all. Brought to life with the power of progress.

FINANCIAL

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

- Shareholders' Equity: RM5,643.7 Million
- Cash: RM2,691.8 Million

MANUFACTURED

Refers to our physical and digital infrastructure.

- PETRONAS stations: >1,000
- Kedai Mesra*: >800
- Total Terminals: 38
- ROVR Trucks: 14
- LPG cylinders: >11 million cylinders
- LNG Trucks: 4

INTELLECTUAL

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

- PETRONAS range of fuel
- PETRONAS range of lubricant
- Products under *Mesra* brand
- Setel®
- ROVR
- PRYSM
- PETRONAS LNG

HUMAN

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

- No. of employees: >1,600*

*PDB Group

OUR STRATEGIC PRIORITIES

- ML** MARKET LEADERSHIP
- SRE** SAFE, RELIABLE AND EFFICIENT
- GPW** GREAT PLACE TO WORK
- DE** DIGITALLY ENABLED

MATERIAL MATTERS

- HEALTH, SAFETY AND ENVIRONMENT
- SEAMLESS AND FRICTIONLESS CUSTOMER EXPERIENCE
- PERFORMANCE MANAGEMENT
- SOCIAL CAPITAL
- HUMAN CAPITAL
- CONDUCT AND TRUST

OUR RISKS

- HSE RISK
- FINANCIAL RISK
- OPERATIONS RISK
- TECHNOLOGY RISK
- STRATEGIC RISK
- TALENT RISK
- PANDEMIC RISK
- REGULATORY RISK



BE ENTERPRISING

SPEAK UP

COURAGE TO ACT

CAPITAL INPUTS

SOCIAL AND RELATIONSHIP



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

- Rakan Niaga/Dealers: ~900
- Established dealers: >1,200
- Business partners/suppliers/contractors/vendors: >650
- Authorities

NATURAL



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

- Total fuel usage: 21,045,851 litres
- Total energy usage: 156,036,773 kWh
- Total water usage: 88,400 m³

MARKET TRENDS

- ✓ COVID-19 PANDEMIC
- ✓ ACCELERATED DIGITALISATION
- ✓ ENERGY PRICE VOLATILITY
- ✓ THE ENERGY TRANSITION

OUR VALUE CREATING ACTIVITIES

retail
commercial
lpg
lubricant

FINANCIAL OUTCOMES



MARKET CAPITALISATION
RM21,259.9 million



COST OPTIMISATION OF
RM5.0 million
IN PRIMARY AND SECONDARY
DISTRIBUTION

VALUE CREATED FOR OUR STAKEHOLDERS



INVESTORS

- Superior and consistent return on investment
- Strengthened our position in FTSE4Good Bursa Malaysia Index since 2015
- **RM606.0 million** dividends paid to shareholders



CUSTOMERS

- Implementing high SOP standards in protecting the safety of our customers during the COVID-19 pandemic
- 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



DEALERS, CONTRACTORS/SUPPLIERS AND BUSINESS PARTNERS

- Protecting the safety of our 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 **RM18,719.1 million** payments to contractors/suppliers/business partners



EMPLOYEES

- Protecting the safety of our employees by implementing high SOP standards during the COVID-19 pandemic
- 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
- **RM275.0* million** paid for salaries and benefits
- **12.5%** employees promoted
- **RM1.5 million** training investment
- **32.0%**** female representation

*excluding training cost

**PDB Group



AUTHORITIES/REGULATORS

- Compliance with regulatory requirements
- **RM162.6** Taxes paid to Government

Various forms of COVID-19 donations for Frontliners:

- PETRONAS Coffee Break Campaign
- Complimentary Engine Oil Change
- Mesra Mineral Water
- Mesra Bites Buns



COMMUNITIES

- Provide local economic opportunities through employment, business partnerships and entrepreneurship
- Provide sponsorship through CSR and support to uplift their livelihood

CSR Activities:

- PETRONAS Coffee Break Campaign
- PROTEGE Programme
- Ramadan Community Service

STAKEHOLDER ENGAGEMENT

Stakeholder engagement is an important aspect for PDB in identifying and understanding the expectations of our stakeholders. As Malaysia’s leading retailer and marketer of downstream petroleum products, we have 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 them, 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 as shown below.



INVESTORS

Why We Engage

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

Areas of Interest

- Economic outlook
- Business outlook and risks
- Operational efficiencies
- Cash utilisation and dividends
- Governance and business ethics
- HSE

**Engagement Platform

- Quarterly results announcement
- Quarterly analyst briefings
- Group and one-on-one meetings
- NDRs and corporate conferences
- Corporate website - www.mymesra.com.my
- Periodic reports - Annual and Sustainability Reports
- Bursa Link under IR’s Events and Announcement on www.mymesra.com.my

Frequency of Engagement:

- Quarterly
- Annually



CUSTOMERS

Why We Engage

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

Areas of Interest

- HSE
- Customer experience
- Operational efficiencies
- Strategic Direction, Business Growth, Performance and Opportunities
- Products quality and availability

**Engagement Platform

- Events, dialogues, roadshows and engagements
- Email
- Hotline - PETRONAS Mesralink at 1-300-88-8181
- Social Media Platform (YouTube, Facebook, Instagram, Twitter)
- Corporate website - www.mymesra.com.my
- Customer feedback system via QR code at PETRONAS stations and mobile applications

Frequency of Engagement:

- Day-to-day
- Periodic engagements
- Annually



RAKAN NIAGA/DEALERS

Why We Engage

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

Areas of Interest

- Strategic Direction, Business Growth, Performance and Opportunities
- Technology and digital transformation
- Cyber Security
- Governance and Business Ethics
- Sustainability matters
- Human Rights
- HSE
- Workforce Development
- Economic Outlook

**Engagement Platform

- Dealer Conferences, Events, dialogues, roadshows and engagements
- Training sessions
- Emails
- Corporate website - www.mymesra.com.my
- Hotline - PETRONAS Mesralink at 1-300-88-8181
- Retail dealers - www.mystation.com.my

Frequency of Engagement:

- Weekly
- Monthly
- Quarterly
- Annually
- Regular interactions

* Fully virtual engagement

** Combination of both virtual and physical engagement with strictly adhered to SOP guidelines



EMPLOYEES

Why We Engage

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

Areas of Interest

- Strategic Direction, Business Growth, Performance and Opportunities
- Work-life Balance
- Capability and Career Development
- Welfare and Benefits
- HSE

*Engagement Platforms

- Townhall and Engagement Sessions
- Dialogues and Feedback Sessions
- Training Sessions
- Union Management
- Messages through Video, Newsletter, Intranet and Email

Frequency of Engagement:

- Monthly
- Quarterly
- Periodic engagements



AUTHORITIES/REGULATORS

Why We Engage

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

Areas of Interest

- Regulations and Policies
- Product Specifications
- HSE
- Environment and Climate Change
- Corporate Social Responsibility
- Human Rights
- Governance and Business Ethics

*Engagement Platforms

- Formal Meetings
- Dialogues and Feedback Sessions
- Periodic Reports
- Bursa Link under IR's Events and Announcement on www.mymesra.com.my

Frequency of Engagement:

- Periodic engagements
- Monthly
- Quarterly
- Annually



CONTRACTORS/SUPPLIERS/BUSINESS PARTNERS

Why We Engage

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

Areas of Interest

- Strategic Direction, Business Growth, Performance and Opportunities
- Technology and Digital Transformation
- Cyber Security
- HSE
- Products Availability and Services Quality
- Regulations and Policies
- Governance and Business Ethics
- Human Rights

**Engagement Platforms

- Email
- Formal Meetings
- Dialogues and Feedback Sessions
- PETRONAS Mesralink at 1-300-88-8181
- Periodic Reports
- Annual Dealer Conference
- Training Sessions

Frequency of Engagement:

- Day-to-day engagements
- Quarterly
- Periodic engagements
- Regular interactions



COMMUNITIES

Why We Engage

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

Areas of Interest

- CSR
- HSE
- Regulatory Compliance
- Environment and Climate Change
- Local Content and Employment Opportunities

**Engagement Platforms

- Community Engagement and Outreach Programme
- Corporate website - www.mymesra.com.my
- Hotline - PETRONAS Mesralink at 1-300-88-8181
- PETRONAS brands social media accounts (Facebook, Twitter, Instagram and YouTube)

Frequency of Engagement:

- Ad-Hoc





Our aim to continue generating sustained value for our stakeholders depends on our capacity to negotiate the rapidly-evolving landscape in which we operate. 2020 was a year of unique challenges, with the impact of the COVID-19 pandemic felt across all areas of the operating environment and emerging trends in the energy industry and evolving technology continuing to reshape the market for our products.

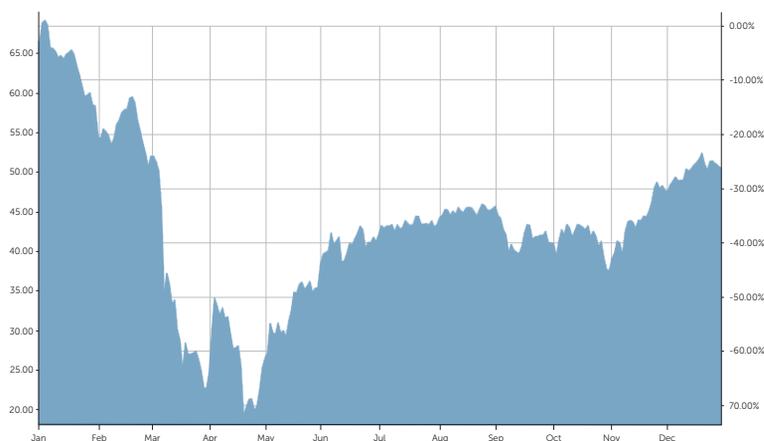
OPERATING ENVIRONMENT AND MARKET OUTLOOK

1 ENERGY PRICE VOLATILITY

MARKET TREND

Energy prices experienced major volatility in 2020 as a result of the lower demand due to the COVID-19 pandemic, coupled with a price war between major oil exporting countries that began in March. As a result, the benchmark Brent price plunged to USD13.24 per barrel in April, its lowest price in almost 20 years, which had a strong negative impact on the oil and gas industry worldwide.

Energy prices rebounded gradually throughout the 2nd half of the year after the the OPEC+ group agreed on a monumental cut of 9.7 million barrels per day. Despite the resulting stronger second-half, however, Brent only achieved an average price of USD41.68 per barrel in 2020, which was 34.9% lower than the USD64.00 per barrel averaged in 2019. Nevertheless, the promising news of COVID-19 vaccine provided the much needed respite in Quarter 4 and supported the price recovery to finally break the USD50.00 per barrel mark by December since the drop in March.



Source: U.S. Energy Information Administration (EIA)

IMPACT

As a fuel retailer, our performance is strongly impacted by crude oil prices. The crash in the oil price in the first half of the year saw pump price for petroleum products in Malaysia fall to about 40.0% of the level seen at the start of the year. For the year as a whole, PDB saw a 38.2% decline in revenue compared to 2019, directly impacting our bottom line.

OUR RESPONSE

PDB continued to diversify our earnings base by growing our non-fuel business by introducing Makan@Mesra to catch the trend for Ready-to-Eat and Ready-to-Cook meals and the sales of official PETRONAS merchandise through our PRYSM online store. We also exercised more prudent inventory management vis-a-vis current market demand to minimise the exposure to oil price fluctuations.

OUTLOOK

Crude oil prices are projected to continue rising in 2021. However these projections are dependent on the effectiveness of the ongoing global response to COVID-19. Recognising the ongoing risk from oil price volatility, PDB will continue our emphasis on growing its non-fuel revenue and the launch of higher-margin products. We also continue to ensure that inventory levels are maintained at optimal levels.

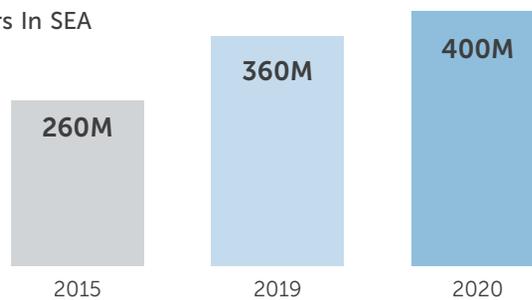
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ACCELERATED DIGITALISATION

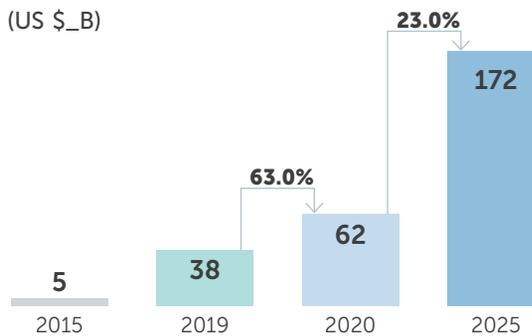
MARKET TREND

The pace of global consumer and digital adoption is estimated to have moved five years forward in the first quarter of 2020 alone, in response to the challenges and restriction imposed by the COVID-19 pandemic. This rapid acceleration in the digital economy comes on top of the already strong global growth that it has experienced over the last decade. In Southeast Asia, the online population jumped by 40 million in 2020, to nearly 400 million users, of which about 90.0% uses mobile internet, vastly expanding the potential e-commerce marketplace. At the same time, the COVID-19 pandemic has driven a massive and permanent surge in digital adoption, where more than one third of the digital services consumers are new consumers. Of these, 90.0% intend to continue their newfound habits after the pandemic.

Total Internet Users In SEA



e-Commerce GMV (US \$_B)



Source: Bain & Company

IMPACT

Widespread internet access in Malaysia facilitated an 87.0% year-on-year surge in gross merchandise value for the e-commerce sector in 2020, in response to the government-mandated lockdowns and fears over the spread of COVID-19. This was the highest e-commerce growth-rate in Southeast Asia and digital industry leaders believe that the country's shift to online transactions will outlast the COVID-19 pandemic, with Malaysia's digital economy expected to hit RM125 billion by 2025.

OUR RESPONSE

Being Digitally Enabled has been one of the legs of PDB's growth strategy under our *Transformation Journey*. Setel[®], an innovative platform that provides every motorist a seamless experience for retail on-the-go, experienced exponential growth as we rolled it out nationwide and expanded its functionality. We also strengthened our e-commerce offerings by providing customers with a delivery option at *Kedai Mesra*. We continued to accelerate the pace of embedding technology more deeply into our stations and other points of contact with customers in order to deliver a more seamless experience. We also enhanced digital support for our employees to enable effective Working From Home arrangements.

OUTLOOK

The pandemic has sped-up a lasting shift by businesses and the public to relying on online services. Additionally, under the newly-launched Malaysia Digital Economy Blueprint (MyDigital), the digital economy is expected to contribute 22.6% to the country's GDP by 2025. We will continue to build capabilities around the e-commerce space, leveraging on data and analytics and accelerating our digitalisation of business on all fronts to ensure our organisation phases smoothly into Industrial Revolution 4.0. Our customer and business data security and privacy remains one of our topmost priorities, and we take cyber security threats seriously. Accordingly, we continuously adopt best practices to strengthen the safety of customers' data.

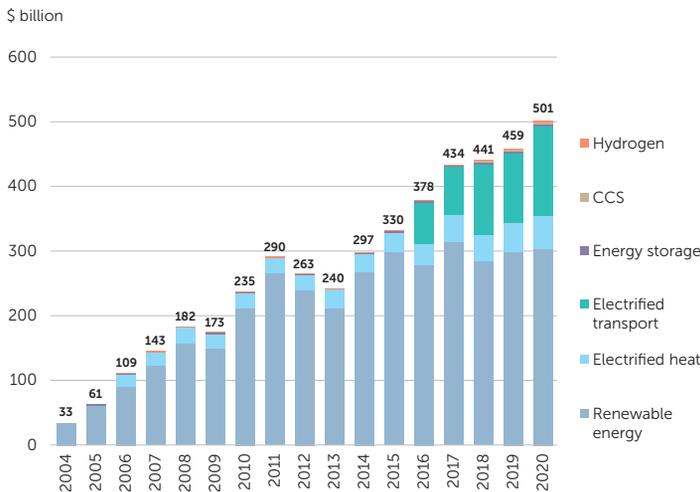
OPERATING ENVIRONMENT AND MARKET OUTLOOK

3 THE ENERGY TRANSITION

MARKET TREND

The single largest macro-trend impacting the operating environment for oil and gas companies is the ongoing transition towards renewable energy. The global shift away from fossil fuel-based systems of energy, such as oil, gas and coal, towards renewable sources such as hydro, wind, solar and biofuels is producing a secular shift in patterns of energy demand and consumption. This transition is being driven by a combination of technological advancement, growing price competitiveness, tighter environmental regulation and changing consumer preferences.

Figure 1: Global energy transition investment, 2001-2020



Source: BloombergNEF. Note: electrified heat figures begin in 2006; electrified transport in 2016; hydrogen and CCS in 2018.

Source: BloombergNEF

IMPACT

Despite the global economic slowdown and energy price volatility, worldwide investment in the Energy Transition accelerated in 2020, crossing the USD500 billion mark for the first time. The number of electric vehicles on the road globally has also now crossed 10 million, and the pace of adoption is set to continue accelerating. Similar trends can also be observed in the aviation and marine sectors though the development of Sustainable Aviation Fuel and the switch to LNG and Low-Sulphur Fuel Oil. These trends negatively impact demand in the traditional fuel sales that still form the core of PDB's business.

OUR RESPONSE

PDB is committed to growing our sustainable fuel portfolio in line with government policies and evolving customer interest. We have become the first LNG solutions provider using road trucks for off-grid customers in Peninsular Malaysia and introduced our LNG bunkering business, giving our customers more flexibility for their energy requirement. We also have ChargeEV charging facilities at 61 locations nationwide. At the same time, we expanded our offerings of eco-friendly products at the station by providing the new standard of B20 grade (containing 20.0% palm oil methyl ester) biodiesel under the PETRONAS Dynamic Diesel and Euro 5-compliant PETRONAS Dynamic Diesel Euro 5 with Pro Drive.

OUTLOOK

The pace of the global energy transition is set to accelerate with increasing amounts of investments and projects around the world. PDB will continue to observe the changes in regulatory requirements and customer trends, and future-proof our businesses by offering cleaner fuel solutions to the customers.

MATERIAL MATTERS

The Group's strategies and decisions are based on material matters that influence the achievement of business objectives. They are the principal economic, social and environmental issues that give rise to opportunities and risks that have the most impact on our ability to create sustainable value for our stakeholders. Our aspiration, however, goes beyond the expectations of our stakeholders by delivering innovative and future-proof solutions. The table below describes the management's approach to addressing these matters for optimal long-term growth.



Reviewing Material Matters

Revisiting the materiality process 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 strategic priorities of (1) Market Leadership, (2) Safe, Reliable and Efficient, (3) Great Place to Work and (4) Digitally Enabled.



HEALTH, SAFETY AND ENVIRONMENT

WHY IT IS IMPORTANT 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, both physically and mentally, as well as minimises HSE risk. This is particular important during the pandemic in order to curb the infection during the course of our business operations.

WHAT ARE THE RISKS

COVID-19 pandemic introduced more stringent safety and health requirements. Failure to adequately manage HSE risks may result in injury and health issues 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.

WHAT ARE THE OPPORTUNITIES

By having a strong HSE performance, prioritisation of areas for continuous improvement, and ability to quickly adapt to new operating environment, we maintain safe and reliable operations which provides us with a competitive edge in the market while managing its impact to our stakeholders and the environment. Attention to our stakeholders' safety, health, security and well-being will be an opportunity for us to continuously operate in safe and responsible manner.

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.

Our team has swiftly responded to the crisis in ensuring the safety of our staffs, dealers, partners and customers are not compromised during this period e.g. frequent sanitisations, social distancing at our facilities, and support system to our employees during the WFH period.

Capital:



Strategy:



Stakeholders:



MATERIAL MATTERS

SEAMLESS AND FRICTIONLESS CUSTOMER EXPERIENCE

WHY IT IS IMPORTANT TO US

It is important that our evolving 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.

WHAT ARE THE RISKS

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

WHAT ARE THE 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 during the next normal. Leveraging on technology advancements provide an avenue for differentiated solutions and increase efficiency for our customers while tapping into the new low-touch economy. This will help us protect our position in core markets as well as extend our reach into emerging markets.

OUR RESPONSE

Delivering superior customers experience is a strategic priority for PDB, expanding our offerings to cater for the new rising customer's need, while transforming customers experience through digitalisation initiatives and collaboration with partners in order to promote low touch economy and ride on the e-commerce uprising.

VALUE CREATION MEASUREMENTS

- Continuous Setel®'s features enhancement including Setel4Me, Deliver2Me, and Setel® at Kedai Mesra
- New Outdoor Payment Terminal and Cloud-based Point-of-Sales Terminal roll-out
- New offerings: PETRONAS Primax 97 with Pro-Race, Makan@Mesra, LPG@ Sundry Shop, LNG Virtual Pipeline System

Capital:



Strategy:



Stakeholders:



PERFORMANCE MANAGEMENT

WHY IT IS IMPORTANT TO US

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

WHAT ARE THE 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. Robust cashflow and inventory management is required to ensure healthy financial during crisis. Operational and reliability interruptions including non-availability of supply and services could lead to business disruption and financial loss.

WHAT ARE THE OPPORTUNITIES

Striving for operational efficiencies ensures a competitive advantage for our brands in the market. Maintaining healthy cashflow by cutting unnecessary expenses and optimising value chain ensures the Company remains afloat during times of crisis. The ability to respond quickly to market changes and having flexibility in our strategy allows us to capitalise on new emerging trends from the next normal and take advantage of lagging competitors' response.

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 maximise cash generation, fuel growth and set the trajectory moving forward.

VALUE CREATION MEASUREMENTS

- Total Volume
- Profitability
- ROACE
- Cashflow
- Inventory turn-around

Capital:



Strategy:



Stakeholders:



SOCIAL CAPITAL

WHY IT IS IMPORTANT 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. We support the development and well-being of the communities around us.

WHAT ARE THE RISKS

It is vital for PDB to continuously behave as a socially responsible organisation, especially during the pandemic crisis. 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.

WHAT ARE THE OPPORTUNITIES

Behaving in a socially responsible manner allows us to support the goals of our stakeholders in creating positive social impact. This opens opportunities for collaboration with social entrepreneurs and enable us to develop the communities and generate a win-win situation for all parties.

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. In light of the pandemic, we extend our support to the local produce to stimulate domestic consumption.

VALUE CREATION MEASUREMENTS

- Number of CSR programmes
- *Rakan Niaga*/Dealers development
- SME development

Capital:



Strategy:



Stakeholders:



HUMAN CAPITAL

WHY IT IS IMPORTANT TO US

Our talents are key assets in delivering our strategies.

WHAT ARE THE RISKS

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

WHAT ARE THE OPPORTUNITIES

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

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.

VALUE CREATION MEASUREMENTS

- Workforce development
- Training
- Internship/Onboarding programme
- Coaching

Capital:



Strategy:



Stakeholders:



MATERIAL MATTERS

CONDUCT AND TRUST

WHY IT IS IMPORTANT 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.

WHAT ARE THE RISKS

We must conduct our business in an ethical manner to instil trust to our stakeholders in areas we operate and avoid major losses due to integrity issues. Safeguarding the data and privacy of our customers and our business is paramount in instilling trustworthy relationships.

WHAT ARE THE OPPORTUNITIES

Establishing a corporate culture which inculcates ethical conduct and being respectful of our customers, partners, and company's data privacy and security will enable us to build trust with our stakeholders to uphold our image and reputation.

OUR RESPONSE

PDB has adopted the PETRONAS CoBE, the WBP, the ABC and Data Privacy policies with mandatory training to all our employees which also included the recently issued Guidelines on Adequate Procedures by MACC for defence against corporate liability charges. 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.

VALUE CREATION MEASUREMENTS

- Audits
- Training programme related to CoBE/ABC/Data Privacy/Cyber Security/Corporate Liability
- Certifications

Capital:



Strategy:



Stakeholders:



KEY RISKS AND MITIGATION

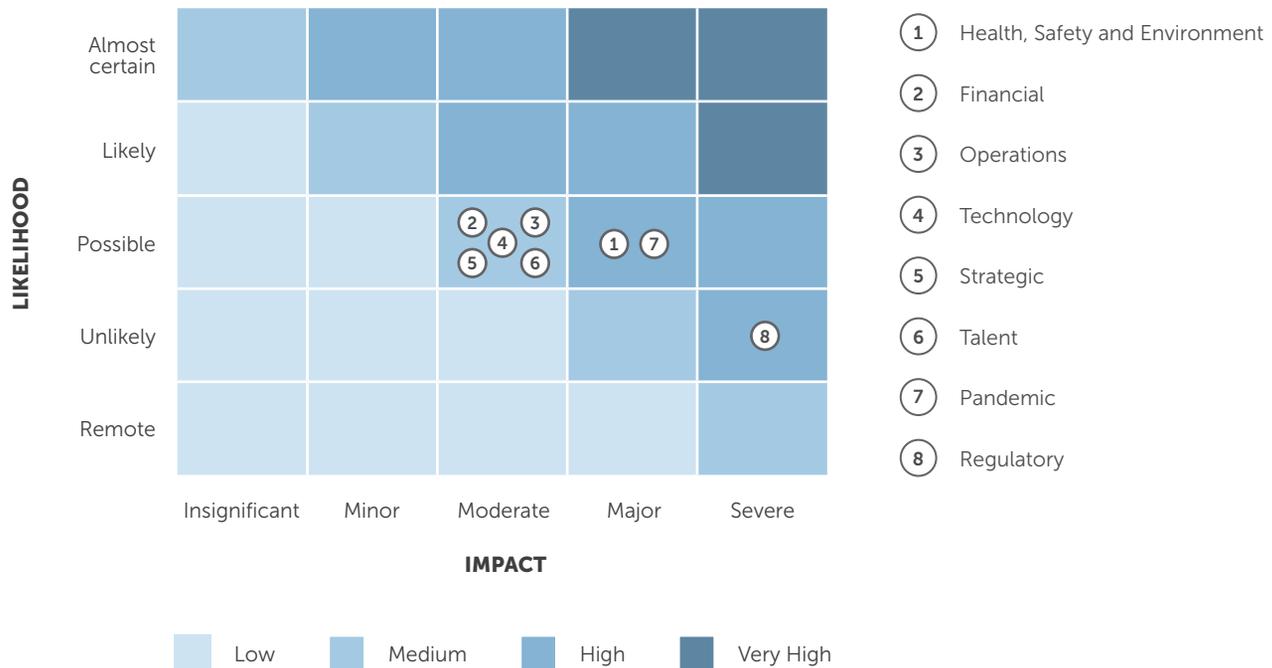
We are committed to effective risk management whilst pursuing our strategic and business objectives, with the ultimate aim of ensuring sustainable value creation for our stakeholders. Risk management is an integral part of our value-based strategy, our governance and day-to-day operations. Not only do 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.

In light of the shift in our operating landscape in 2020, we identified significant key risks and its potential impact whereas necessary actions are taken to mitigate these risks. These risks are mapped onto a risk matrix which specifies the likelihood of the risk and its impact.

 For more information on how we manage our risk, please refer to SORMIC on pages 182 to 193 of this <IR>



KEY RISKS AND MITIGATION

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

Risk Movement:

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

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

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

1 HEALTH, SAFETY AND ENVIROMENT RISK

RISK MOVEMENT: ↔

DESCRIPTION

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

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

The Company remains committed to safe, reliable and efficient operations.

IMPLICATION

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

MITIGATION STRATEGIES

- Address risks on potential hazards through identified control and preventive measures especially on transport safety, process safety as well as contractor and supplier management
- Heighten safety and compliance culture among employees and *Rakan Niaga*/dealers/contractors/haulers to achieve and sustain Generative HSE Culture
- Enhance integrity of assets through asset rejuvenation programme

 For more information on Managing Environmental Impact as well as Health and Safety, please refer to Our Key Operations on pages 86 to 88 and Driving Sustainability on pages 196 to 247 of this <IR>

RESULTS OF MITIGATION ACTIONS

- Significant achievement in HSE performance with zero fatality and major LOPC, signifying PDB's best overall achievement for the last 10 years

Link to:

Strategic Priorities



Capitals



2 FINANCIAL RISK

RISK MOVEMENT: ↔

DESCRIPTION

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

1. Price volatility

Adverse changes in market environment and commodity price volatility will impact the Company's business performance and market competitiveness. Exposure to petroleum price volatility poses a threat to short and medium term profitability.

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.

IMPLICATION

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

MITIGATION STRATEGIES

- Minimise price exposure and improve margins through Integrated inventory management
- 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
- Close monitoring and reporting of Trade Accounts Receivables to ensure payments are received on timely manner

 For more information on Integrated Inventory Management, please refer to Our Key Operations on page 88 of this <IR>

 For more information on Credit Risk Framework and Guidelines, please refer to SORMIC on page 191 of this <IR>

RESULTS OF MITIGATION ACTIONS

- Sustained optimum inventory levels below 11.76 days
- Healthy Average Collection Days
- Minimised credit exposure

Link to:

Strategic Priorities



Capitals



3 OPERATIONS RISK

RISK MOVEMENT: ↔

DESCRIPTION

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.

The Company's value chain may be impacted by operational interruptions, including unavailability of products leading to inability to meet customers' demand.

IMPLICATION

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

MITIGATION STRATEGIES

- Enhance operating discipline as well as ensure reliable and timely product delivery



For more information on Reliable Efficient Operations, please refer to Our Key Operations on pages 86 to 88 of this <IR>

RESULTS OF MITIGATION ACTIONS

- Sustained optimum inventory levels
- Improvement of timely product delivery from 99.3% to 101.5%

Link to:

Strategic Priorities



Capitals

**4 TECHNOLOGY RISK**

RISK MOVEMENT: ↑

DESCRIPTION

The Company is exposed to digital infrastructure and system disruptions which may adversely impact our business operations and customer experience. Cyber security risks are anticipated to heighten as our business becomes increasingly digitalised due to reliance on the internet and information technology as increased instances of remote/offsite network access during the pandemic.

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.

IMPLICATION

- Business disruptions
- Opportunity loss
- Inability to operate effectively
- Reputational damage
- Financial loss
- Penalties by authorities

MITIGATION STRATEGIES

- Deliver digital operational excellence through continual improvements in operational standards and industry compliance by implementing stringent controls in cyber security, managing vendor partners and digital project management
- Continuous training on cyber security awareness
- Continuously uplift customer and stakeholder experience



For more information on Operational Excellence, Cyber Security and Modernisation, please refer to Digitally Enabled on pages 107 to 111 of this <IR>

RESULTS OF MITIGATION ACTIONS

- Increased visibility in cyber threats monitoring
- Compliance to relevant operational standards
- Deliver efficiencies and cost savings across the organisation by leveraging the power of digitalisation to create superior customer experience

Link to:

Strategic Priorities



Capitals



KEY RISKS AND MITIGATION

Risk Movement:

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

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

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

5 STRATEGIC RISK

RISK MOVEMENT: ↔

DESCRIPTION

1. 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.

2. 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.

IMPLICATION

- Reduction in profit
- Loss of market competitiveness
- Financial loss

MITIGATION STRATEGIES

- Diversify earnings base by growing non-fuel business
- Launched a range of new ventures that form part of our future-proofing strategy
- Expand offerings to more eco-friendly products
- Elevate delivery of customer experience and customer centricity

 For more information on Our Response and Key Initiatives, please refer to Business Review on pages 86 to 111 of this <IR>

RESULTS OF MITIGATION ACTIONS

- Mesra income grew by a commendable 3.6% against 2019
- Accelerated the expansion of Setel® e-payment app and ROVR, Malaysia's first mobile refuelling partner
- Provide access to cleaner energy through PETRONAS 1st LNG solution provider using road trucks for off grid customers in Peninsular Malaysia
- Increase in PETRONAS Primax 97 with Pro-Race sales by more than 10.0% over the corresponding period

Link to:

Strategic Priorities



Capitals



6 TALENT RISK

RISK MOVEMENT: ↔

DESCRIPTION

The need for talents with required skills, knowledge and expertise is imperative in delivering PDB's business operations and strategies. In addition, we acknowledge the risk of insufficient talent with new and specific skill sets which might impede the achievement of PDB's strategic growth aspiration.

IMPLICATION

- Loss of competitive advantage
- Loss of intellectual capital resulting from poor talent retention

MITIGATION STRATEGIES

- 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 225 to 234 of this <IR>

RESULTS OF MITIGATION ACTIONS

- Average Training Man-days per employee of 2.8 days
- Achieved Talent Ratio per Critical Positions of 2.0:1

Link to:

Strategic Priorities



Capitals



7 PANDEMIC RISK**RISK MOVEMENT: NEW****DESCRIPTION**

The COVID-19 pandemic has a significant and prolonged impact on economic conditions, demand destruction and has challenged the way we operate. It also has an adverse impact on our profitability and operations which calls for the need to remain agile as well as constantly adapt to the changing environment to protect our people, operations and business.

IMPLICATION

- Financial loss
- Destruction in demand for key products
- Rapid change in customer behaviour
- Operations disruption

MITIGATION STRATEGIES

- Developed PDB Pandemic Preparedness and Response Plan
- Strengthen health and safety SOPs across our business and enabled working from home to facilitate social distancing
- Consistent communications and issue alerts on COVID-19 to all employees, dealers and contractors
- Streamline both OPEX and CAPEX as well as grow non-fuel income as part as cost operating and impact to profitability
- Maintain optimal levels of fuel inventory to meet the fluctuating demand



For more information on How We Responded, please refer to Responding to Impact of COVID-19 on pages 44 to 45 and Driving Sustainability on page 223 of this <IR>

RESULTS OF MITIGATION ACTIONS

- Maintained balance sheet strength and overall financial position in 2020
- Sustained optimum inventory levels below 11.76 days
- Uninterrupted delivery of products to our customers in a safe, timely and reliable manner
- >2 million Setel® downloads, an increase of 83.0% as compared to preceding year

Link to:

Strategic Priorities



Capitals

**8 REGULATORY RISK****RISK MOVEMENT: ↔****DESCRIPTION**

The need to ensure PDB complies to relevant regulatory requirements such as anti-money laundering, data protection as well as anti-bribery/corruption acts is essential where changing regulations could adversely impact the Group's competitive position and capacity to conduct business efficiently. The Company acknowledges changes in the regulatory environment, specifically on the newly introduced Corporate Liability Provisions under Section 17A of the MACC Act 2009 effective 1 June 2020, exposing the Company to criminal sanctions and civil suits.

PDB is exposed to Money Laundering/Counter Terrorism Financing, data breach and corruption risks which may adversely impact our reputation.

IMPLICATION

- Tarnished reputation
- Imprisonment and/or fines
- Decrease in stakeholders' (customers, suppliers, investors) confidence

MITIGATION STRATEGIES

- Establish Anti Money Laundering/Counter Financing of Terrorism Policy and Framework
- Establish Corporate Privacy Policy and Data Secrecy Manual to safeguard data privacy of our employees and third parties
- Adopts Third Party Risk Management controls and established a due diligence tool on Know Your Counterparty process
- Performed Corruption Risk Assessment as part of Adequate Procedures as a defense against corporate liability charge under Section 17A of MACC Act
- Adopts and practices the PETRONAS Code of Conduct and Business Ethics as well as PETRONAS Whistleblowing Policy



For more information on Internal Controls as well as Governance and Business Ethics, please refer to SORMIC on pages 182 to 193 and Driving Sustainability on pages 235 to 238 of this <IR>

RESULTS OF MITIGATION ACTIONS

- No breach of critical laws and regulations

Link to:

Strategic Priorities



Capitals



OUR STRATEGY

Our strategy charts our path towards becoming a sustainable business in order to create value for our stakeholders. Responding to emerging market trends and a challenging business landscape, our strategies are rooted in four core drivers: (1) Market Leadership, (2) Safe, Reliable and Efficient, (3) Great Place to Work and (4) Digitally Enabled.

Our strategic objectives and initiatives 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. Based on these four Strategic Priorities, we aim to ensure continuous business growth, improve financial strength and move the Company to be more customer-centric.

2020 Strategic Priorities

Strategic Thrust/Objectives

2020 Key Initiatives

ML Market Leadership

- Maximise value
- Defend and grow market position
- Increase customer base
- Increase NPS

- Expand retail network
- Focused and targeted marketing campaigns
- Grow strategic alliances
- Secure new customers
- New product offerings
- Drive power brands

SRE Safe, Reliable and Efficient

- Zero HSE incidents
- Operational excellence
- Asset integrity
- Reliable products supply
- Cost optimisation

- Full compliance to HSE requirements
- Improve supply efficiency and reliability
- Improve operating discipline

GPW Great Place to Work

- Empowered, enabled and agile workforce
- Safe, comfortable and conducive working environments

- Instil PETRONAS Cultural Beliefs
- Organisational restructuring for greater clarity of roles and accountability
- Capability development
- WFH arrangement

DE Digitally Enabled

- Optimise use of data
- Deliver seamless and frictionless customer experience through digitalisation

- Install next generation hardware
- Systems modernisation
- Build data hub infrastructure

ML Market Leadership

To become the market leader in every business segment whilst maximising value through customer-first mindset

SRE Safe, Reliable and Efficient

To ensure all facets of our business and operations are executed in a manner that is safe, reliable and efficient

GPW Great Place to Work

To create a healthy, positive and conducive working environment for our people, who are our greatest assets

DE Digitally Enabled

To accelerate growth, future proof our business and disrupt the competitive business landscape

2020 Achievement

- >10 new stations in 2020
- Introduced Makan@Mesra
- Introduced Gula Aren series exclusively sold at Tealive in PETRONAS stations
- Premium fuel launched of PETRONAS Primax 97 with Pro-Race
- First LNG solution provider using road trucks for off-grid customers in Peninsular Malaysia
- New LPG cylinders sales channel through LPG@Sundry Shop
- Launched PRYSM, PETRONAS motorsport and lifestyle brand

- Zero major HSE incident across terminals
- Sustained optimum inventory levels below 11.76 days despite the global pandemic
- Continuous improvement of timely product delivery by 2.2%
- Maintained LPG Filling Plant OEE at optimum level of 90.9%

- 2:1 ratio of ready talents to PDB critical positions
- 2.8 total training Man-days per employee
- Female Employees Composition:
 - Total Workforce: 32.0%*
 - Leadership Team: 47.0%*
 - Board of Directors: 30.0%*

*PDB Group

- Setel® rolled out to >1,000 PETRONAS Stations nationwide with >2 million downloads
- Launched pay-in-store capability and the Deliver2Me function
- Modernisation of Outdoor Payment Terminal and Cloud-based Point-of-Sales system to >500 PETRONAS stations

Link to:

Capital



Material Matters



Capital



Material Matters



Capital



Material Matters



Capital



Material Matters



2021 Priorities

- Growing our businesses with heightened corporate responsibility by balancing the Triple Bottom Lines i.e. 3Ps (People, Planet, and Profit)
- Winning B2B and B2C through integrated marketing
- Superior products delivery
- Develop strategic partnerships
- Grow non-fuel through MESRA and New Ventures

- Cost optimisation through OER2
- HSE excellence through HSE Generative Culture

- Sharpen employee competency
- Business improvement and transformation
- Development of PDB Human Capital Blueprint to embed Agile Enterprise transformation
- Conducive WFH arrangement

- Continued execution of Digital Blueprint

KEY PERFORMANCE INDICATORS

Metrics ↗	Unit ↗	Objectives ↗
FINANCIAL PERFORMANCE		
Revenue	RM	Income generated from normal business operations.
Total Volume	mil litres	To measure PDB's growth from normal business operations.
Profit After Tax	RM	PAT is a primary measure of financial results and the organisation's sustainable business growth.
Dividend: <ul style="list-style-type: none"> • per share • Payout Ratio 	<ul style="list-style-type: none"> • sen/share • % 	<ul style="list-style-type: none"> • To measure dividend payout in relation to number outstanding ordinary shares issued. • To deliver sustainable value to our shareholders via dividend contribution.
ROACE	%	To measure of profitability against capital investment.

2019 ↻

2020 ↻

How we Measure ↻

2021 Priorities

RM30.3 bil	RM18.7 bil	Based on PDB Group Audited Financial Statements.	To maximise income generation from normal business operation
15,638 ml	12,060 ml	Based on Retail and Commercial segment sales volume.	To maximise sales from normal business operations and to sustain market leadership in commercial
RM837.6 mil	RM272.4 mil	Based on PDB Group Audited Financial Statements.	Prudent spending on both development and operational cost to maximise shareholder's value
<ul style="list-style-type: none"> • 85.0 sen/share • 104.0% 	<ul style="list-style-type: none"> • 38.0 sen/share • 96.0% 	<ul style="list-style-type: none"> • Sum of declared dividends for every share outstanding ordinary shares issued. • Total dividend payout to shareholders relative to Net Income of PDB Group. 	PDB intends to maintain its current dividend policy of 50.0% of the company's PAT
14.1%	4.7%	PAT divided by Average Capital Employed.	To ensure optimal return from capital investment

KEY PERFORMANCE INDICATORS

Metrics ↗	Unit ↗	Objectives ↗
HEALTH, SAFETY AND ENVIRONMENT		
Greenhouse Gas Emissions	'000 MT CO2e	Allows company to account for increases or decreases of emission over time.
Spill to Environment above 1 barrel (>159 L)	Number	Allows company to account for increases or decreases of pollution over time.
LTI and LTIF	No of LTI per one million man-hours	<p>The figure represents the number of lost time injuries in a given period compared to the total number of hours worked during that period.</p> <p>The figure calculated shows companies what happened in each timeframe so they can take steps to prevent similar incidents in the future.</p>
Fatalities	Number	Death resulting from a recordable injury or illness regardless of the time intervening between the injury/illness and death.
Fatality Accident Rate	Recordable fatalities per 100 million man-hours	The figure represents the number of fatalities in a given period compared to the total number of hours worked during that period.
Total Reportable case frequency	No of Total Reportable case per one million man-hours	The figure represents the number of recordable cases in a given period compared to the one million man-hours.
ORGANISATIONAL CAPABILITY		
Ratio of Ready top talents to critical positions	Ratio	Ensure availability of the right talent to succeed critical positions
Critical positions succession planning	%	
Total Employees*	No of employees	To ensure smooth running of business operations
Female Employees Composition <ul style="list-style-type: none"> • Total Workforce* • Leadership Team • Board of Directors 	%	To support Diversity and Inclusivity in promoting gender equality

* PDB Company only

2019 ↻	2020 ↻	How we Measure ↻	2021 Priorities
221.0	185.8	Quantities of GHG emissions from both Scope 1 (Direct) and Scope 2 (Indirect) Emissions Sources from operation.	To conduct independent verification
2	2	Unplanned or uncontrolled release of liquid or solid associated with current operations from primary or secondary containment, into the environment.	To aim for ZERO Spill to Environment
0	0.16 (1)	An injury sustained by a worker that resulted in Fatality, Permanent Total Disability, Permanent Partial Disability and Lost Workday Case. The higher this measurement, the greater the indication HSE management is lacking.	To aim for ZERO LTI and LTIF
0	0	Rate of total number of recordable fatalities (staff, contractor and third party) from all incidents per one hundred million man-hours.	To aim for ZERO Fatality
0	0	The higher this measurement, the greater the indication HSE management is lacking.	
0.98	0.32	Rate of total number of recordable cases per one million man-hours. Total Recordable Cases are the sum of fatalities and total injuries resulting in Permanent Total Disabilities, Permanent Partial Disabilities, Lost Workday Cases, Restricted Work Cases, and Medical Treatment Cases.	To aim for ZERO total reportable case frequency
2.8:1 (88/31)	2.0:1 (76/39)	Ratio of ready talents to PDB critical positions	Ensure availability of the right talent to succeed critical positions
100%	100%	Completion of succession planning for PDB critical positions	
1,354	1,417	No of PDB Company employees as of 31 December 2020	To ensure smooth running of business operations
• 32 • 29 • 33	• 31 • 47 • 30	% of total female employees over total employees	To support Diversity and Inclusivity in promoting gender equality

5-YEAR GROUP FINANCIAL HIGHLIGHTS

	FY2016	FY2017	FY2018
OPERATING RESULTS (RM MILLION)			
Revenue	21,535	27,421	30,069
Operating profit	1,191	1,441	1,178
Profit before taxation	1,190	1,438	1,177
Profit after taxation	947	1,545	862
KEY BALANCE SHEET DATA (RM MILLION)			
Property, plant and equipment	3,794	3,372	3,336
Total assets	9,365	9,748	9,171
Total borrowings	119	67	55
Total liabilities	4,028	3,708	3,234
Share capital	993	993	993
Shareholders' equity	5,303	6,002	5,897
SHARE INFORMATION			
Per share (sen)			
Basic earnings	95.1 sen	155.0 sen	85.5 sen
Gross dividend	70 sen	97 sen*	70 sen
Share price as at financial year end (RM)	23.80	24.26	26.50
FINANCIAL RATIOS			
Return on revenue	4.2%	4.0%	2.9%
Return on equity	17.8%	25.7%	14.4%
Return on total assets	9.6%	11.2%	9.4%
Debt to equity ratio	2.2%	1.1%	0.9%
Dividend payout	81.0%	78.0%	86.0%

* Includes special dividend of 22 sen per ordinary share

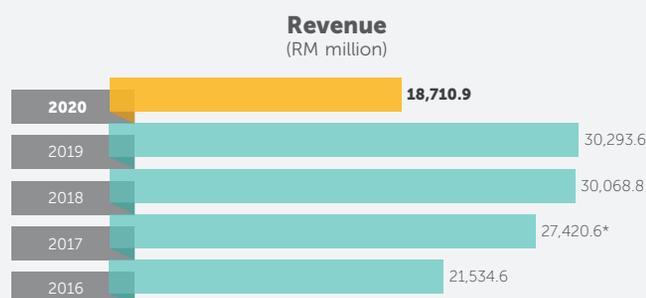
** Includes special dividend of 15 sen per ordinary share

Includes lease liabilities as part of total debts

5-YEAR GROUP FINANCIAL SUMMARY

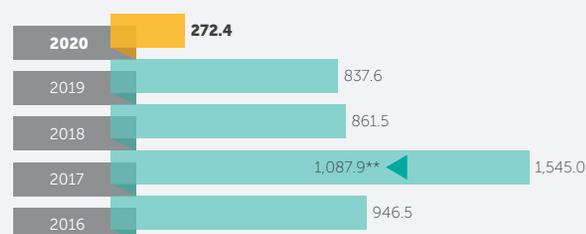
* Restated following adoption of MFRS15 Revenue from Contracts with Customers

** Excluding discontinued operations and gain on disposal of subsidiaries

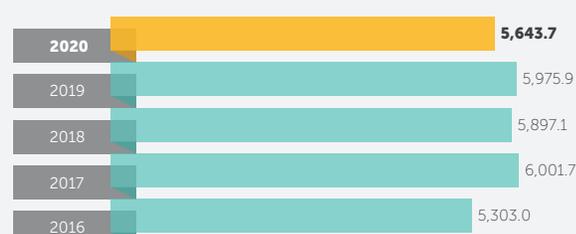


FY2019	FY2020
30,294	18,711
1,147	403
1,129	386
838	272
4,135	4,067
9,996	8,360
334 [#]	178[#]
3,985	2,684
993	993
5,976	5,644
83.5 sen	27.8 sen
85 sen ^{**}	38.0 sen
23.10	21.40
2.8%	1.5%
14.0%	4.8%
8.4%	3.3%
5.6%	3.1%
104.0%	96.0%

Profit after Taxation (RM million)



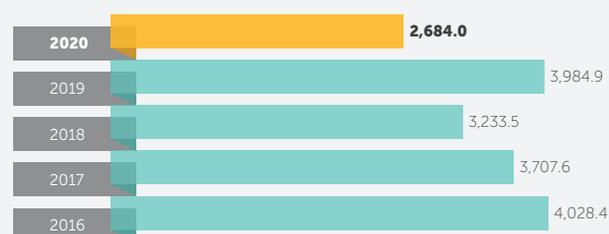
Equity attributable to Shareholders (RM million)



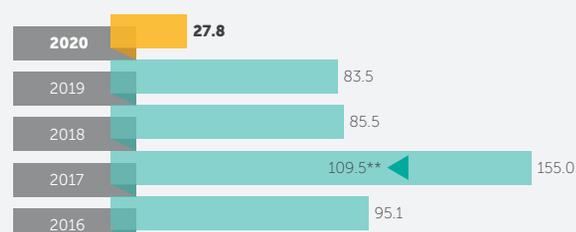
Total Assets (RM million)



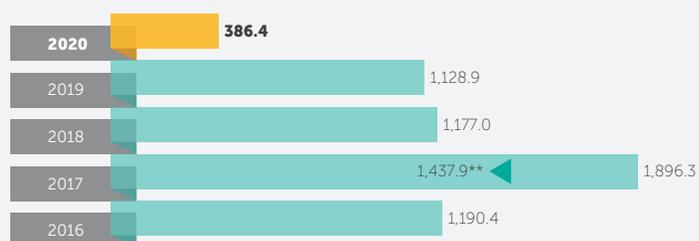
Total Liabilities (RM million)



Earnings per share (sen)

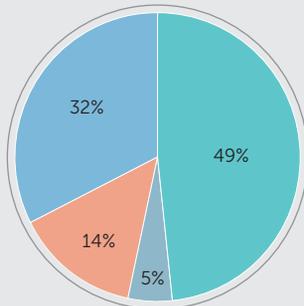


Profit before Taxation (RM million)



SIMPLIFIED GROUP STATEMENT OF FINANCIAL POSITION

Assets

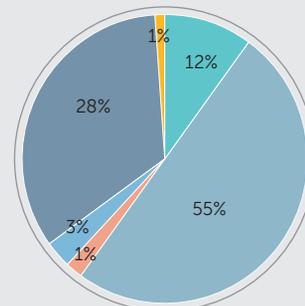


2020

TOTAL RM8,359.6 million

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

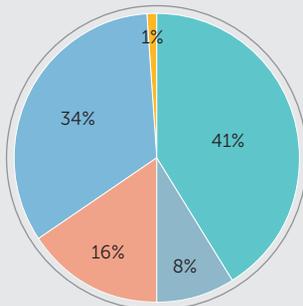
Equity & Liabilities



2020

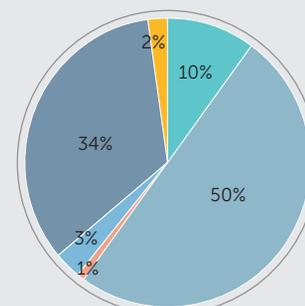
TOTAL RM8,359.6 million

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



2019

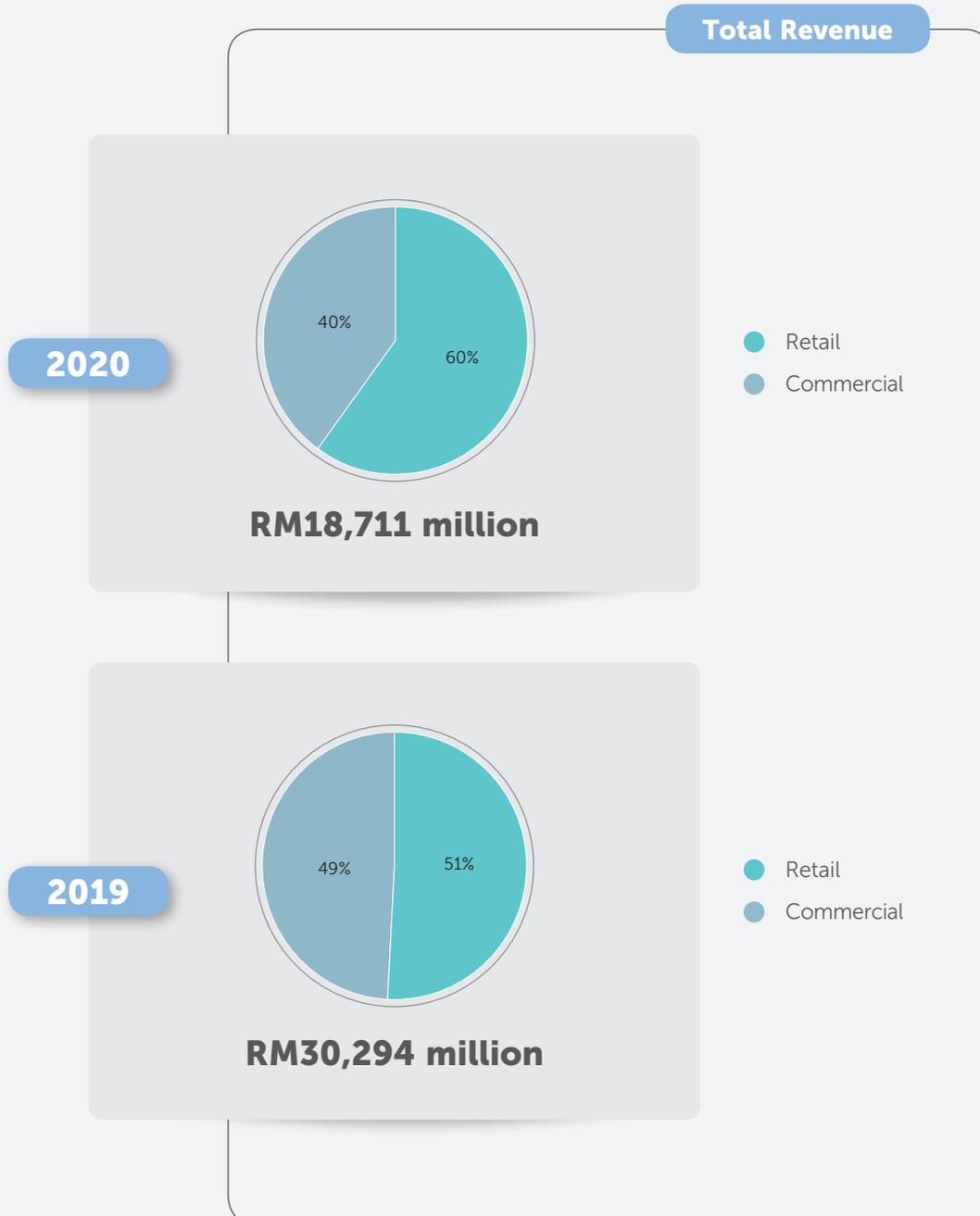
TOTAL RM9,996.3 million



2019

TOTAL RM9,996.3 million

SEGMENTAL ANALYSIS



GROUP QUARTERLY FINANCIAL PERFORMANCE

2020

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

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

KEY INTEREST BEARING ASSETS AND LIABILITIES

	2020			2019		
	As at 31 December (RM mil)	Effective Interest Rate (%)	Interest Income/ (Expenses) (RM mil)	As at 31 December (RM mil)	Effective Interest Rate (%)	Interest Income/ (Expenses) (RM mil)
Interest earning assets						
Cash and cash equivalents	2,678.7	2.7	71.3	3,409.3	3.6	121.1
Fund investment	–	–	–	51.0	3.5	0.9
Interest bearing liabilities						
Islamic financing facilities	9.9	2.8-4.3	(0.8)	29.8	4.3-4.7	(1.8)
Revolving credits	9.5	2.8-2.9	0.0	5.5	2.9	(0.1)
Lease liabilities	158.8	3.7-8.4	(14.0)	298.9	4.2-8.4	(18.9)

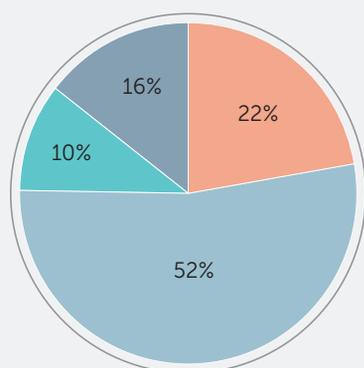
STATEMENT OF VALUE ADDED

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.

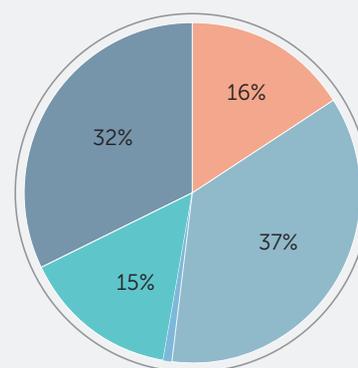
Group	2020 RM'000	2019 RM'000
Revenue	18,710,947	30,293,571
Less: Purchase of goods and services	(17,900,333)	(28,787,620)
Value added	810,614	1,505,951
Other income	363,791	439,527
Financing costs	(16,035)	(21,812)
Share of net (loss)/profit of associates and joint ventures	(78)	3,889
Value Created	1,158,292	1,927,555

DISTRIBUTION OF VALUE ADDED

	2020 RM'000	2019 RM'000
<i>Distributed to:</i>		
Employees - employment costs	257,998	305,414
Shareholders - dividends	606,007	699,093
Government - taxation	114,007	291,237
Retained for reinvestment and future growth:		
Depreciation and amortisation	497,839	471,457
Retained profits	(317,559)	160,354
Value Distribution	1,158,292	1,927,555



2020



2019

- Employees - employment costs
- Shareholders - dividends
- Government - taxation
- Retained for reinvestment and future growth

FINANCIAL CALENDAR

2020



25 February 2020

Announcement of the unaudited consolidated results for the 4th 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 4th quarter ended 31 December 2019

31 March 2020

Date of Notice of 38th Annual General Meeting and date of issuance of 2019 Integrated Report

18 May 2020

Announcement of the unaudited consolidated results for the 1st quarter ended 31 March 2020

10 June 2020

38th Annual General Meeting

17 June 2020

Date of payment of the interim dividend for the 1st quarter ended 31 March 2020

25 August 2020

Announcement of the unaudited consolidated results for the 2nd quarter ended 30 June 2020

24 September 2020

Date of payment of the interim dividend for the 2nd quarter ended 30 June 2020

17 November 2020

Announcement of the unaudited consolidated results for the 3rd quarter ended 30 September 2020

16 December 2020

Date of payment of the interim dividend for the 3rd quarter ended 30 September 2020

2021



19 February 2021

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

25 February 2021

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

19 March 2021

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

29 March 2021

Date of Notice of 39th Annual General Meeting and date of issuance of 2020 Integrated Report

28 April 2021

39th Annual General Meeting

INVESTOR RELATIONS

WE VALUE OUR SHAREHOLDERS AND PLACE UTMOST IMPORTANCE IN ESTABLISHING AND CONTINUING A 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

INVESTOR RELATIONS COMMUNICATION AND ENGAGEMENT CHANNELS

Communication lines with local and foreign investors were kept firmly open throughout the year, except during blackout periods. With physical interaction limited during the COVID-19 pandemic, engagements with investors/analysts are conducted virtually in accordance to PDB HSE's COVID-19 SOP either via one-on-one meetings, teleconferences or 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 team.

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 2020, we conducted one physical Analyst Briefing for Quarter 4, 2019 results in February prior to the MCO implementation by the government and three virtual Analyst Briefings on the subsequent quarters. 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. In 2020, we have engaged 137 analysts.



For more information on Quarterly Financial Result Announcements and Analyst Briefings, please refer to PDB's corporate website at www.mymesra.com.my

Purpose:

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

CORPORATE CONFERENCE

During the year, PDB participated in two Corporate Conferences and engaged with 42 analysts. Our participation in 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 and to provide a basis for fair valuation.

INVESTOR RELATIONS

ANNUAL GENERAL MEETING

PDB's 38th AGM was held virtually on 10 June 2020 in accordance to the Securities Commission Guideline on Virtual Meetings by Listed Issuers dated 18 April 2020 ("Guidance Note"). PDB strictly followed the Guidance Note in conducting the virtual AGM whereby there were only a maximum of eight essential individuals including the Chairman, one director, MD/CEO, CFO, Company Secretary, the Scrutineer and audio/visual support representatives. All resolutions tabled at the AGM were duly passed and voting was performed via electronic polling. Independent scrutineers were engaged to validate the voting on each proposal presented to 259 shareholders and proxies who attended the meeting. The minutes of PDB's AGM is available on PDB's corporate website within 60 days upon AGM.



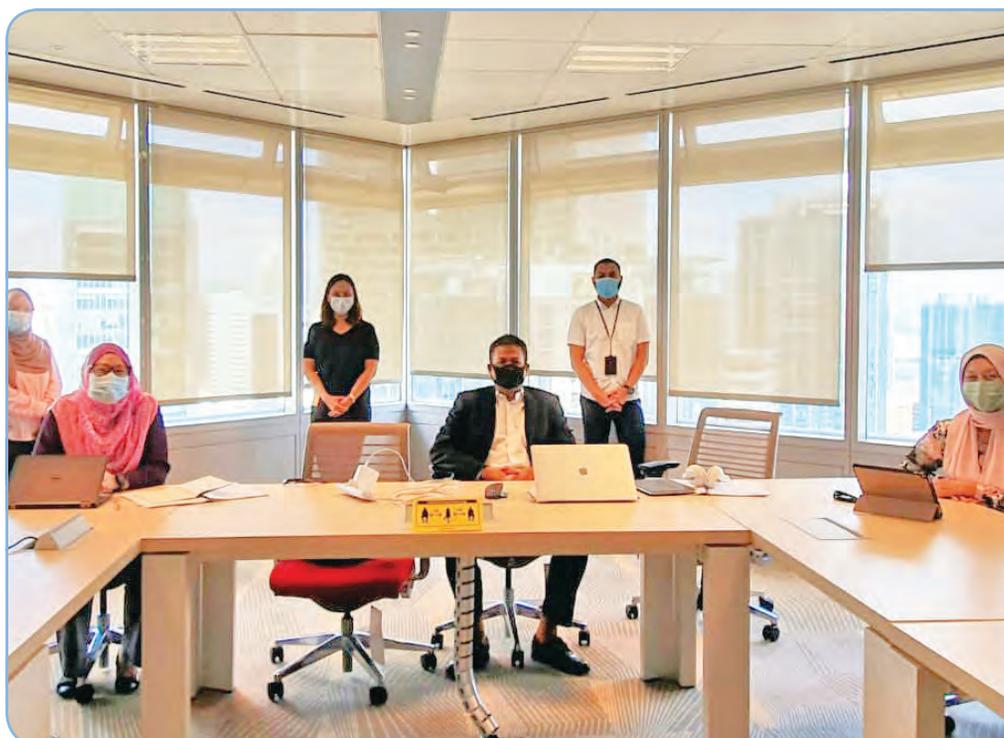
For more information on AGM, please refer to Corporate Governance Overview Statement on pages 132 to 165 of this <IR>

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.

INVESTOR RELATIONS ACTIVITIES

ANALYST BRIEFING IN 2020



PHYSICAL

Q4 2019 ANNOUNCEMENT DATE
25 February 2020

BRIEFING DATE
26 February 2020

VIRTUAL

Q1 2020 ANNOUNCEMENT DATE
18 May 2020

BRIEFING DATE
19 May 2020

Q2 2020 ANNOUNCEMENT DATE
25 August 2020

BRIEFING DATE
26 August 2020

Q3 2020 ANNOUNCEMENT DATE
17 November 2020

BRIEFING DATE
18 November 2020

Note:

The 2021 Analyst Briefing dates will be available on PDB's corporate website at www.mymesra.com.my one week prior to the Analyst Briefing

AGM

38TH ANNUAL GENERAL MEETING

Date

10 June 2020

Venue

Meeting Room 4003, Level 40, Tower 1,
PETRONAS Twin Towers, 50088 Kuala Lumpur

CORPORATE CONFERENCE



Date

7 January 2020

Event

CGS-CIMB 12th
Annual Malaysia
Corporate Day

Location

MALAYSIA

Date

2 September 2020

Event

RHB Virtual Conference:
Navigating Oil Price
Volatility

Location

VIRTUAL

SHARE PRICE PERFORMANCE

PDB's share price reached its peak of RM23.96 on 17 January 2020 and dipping at the lowest point to RM17.08 on 26 October 2020.

PDB SHARE PRICE VS FBM KLCI IN 2020



INVESTOR RELATIONS

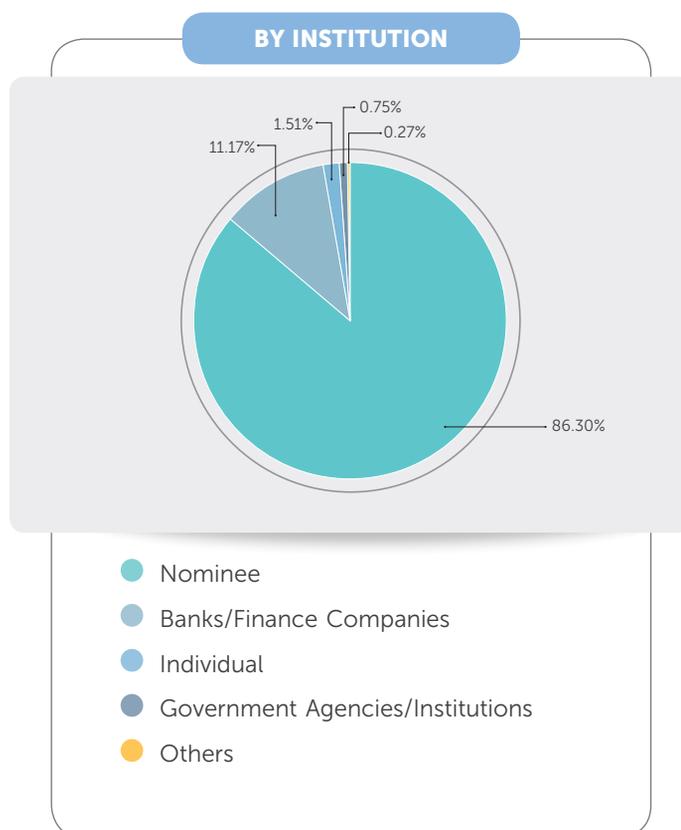
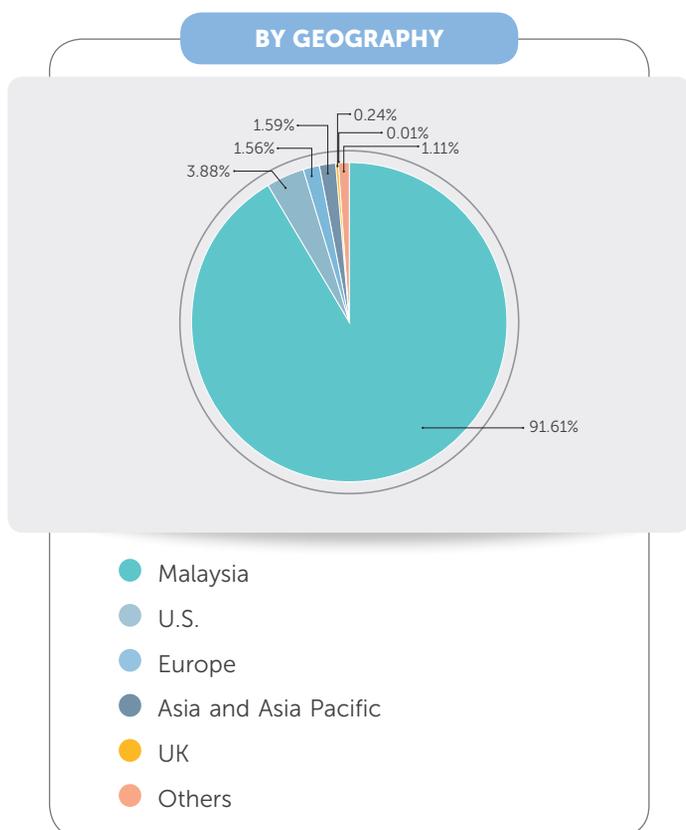
PDB SHARE PRICE VS FBM KLCI IN 2020

	MARKET CAPITALISATION	PDB VOLUME TRADED	SHARE PRICE	DIVIDEND PER SHARE	FOREIGN SHAREHOLDINGS
2020	RM21.26 bil	90.3 mil	Opening: RM22.92 Closing: RM21.40 Highest: RM23.96 Lowest: RM17.08	38.0 sen in 2020	9.08%* as at 31 January 2020
2019	RM22.95 bil	112.9 mil	Opening: RM26.00 Closing: RM23.10 Highest: RM28.48 Lowest: RM21.20	85.0 sen (include special dividend of 15.0 sen)	9.37%* as at 31 July 2019

*highest during the year

SHAREHOLDINGS

As at 31 December 2020, around 92.0% of our shareholders are Malaysians, comprising nominees, government agencies/institutions, banks/finance companies, corporations and other types of shareholders. Our parent company, PETRONAS is our major shareholder, holding close to 64.0% equity in PDB. In 2020, our foreign shareholding reached its highest at 9.08% in January.



As at 31 December 2020
Source: Symphony and Bloomberg

ANALYST COVERAGE

12 research houses covered PDB's stock in 2020, as follows:

- 01 Affin Hwang Capital
- 02 AllianceDBS Research Sdn. Bhd.
- 03 BIMB Securities Sdn. Bhd.
- 04 CGS-CIMB Securities Sdn. Bhd.
- 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 50 to 51 of this <IR>

ANALYST RECOMMENDATIONS

Overall recommendation on PDB's share price in 2020 by the research houses:

BUY/ADD

2

HOLD/
NEUTRAL

7

SELL/
REDUCE

1

Note:

1. The recommendations were based on 2020 results announcement.
2. Two research houses did not produce any report for 2020 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. 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

Adam Iskandar Ahmad Zahar

Executive, Investor Relations

Email: adamiskandar.ahmadz@petronas.com.my

BUSINESS REVIEW



OUR KEY OPERATIONS



NORMAH BINTI BASRI
Head,
Supply and Distribution Division



“Despite the global pandemic challenges, we are dedicated to continuing our daily operations in a safe, timely and reliable manner. We ensure that we are able to provide additional value to our customers and stakeholders through strengthening our key operations i.e Operational Discipline and digitalisation that are vital for highly efficient and productive operations”



KEY HIGHLIGHTS

- ➔ Sustained optimum inventory levels below 11.76 days despite the global pandemic
- ➔ Continuous Improvement from 99.3% to 101.5% **timely product delivery**
- ➔ Maintained **LPG Filling Plant Weighted Average OEE** at the optimum level of 90.9%
- ➔ Improved **On-Time Performance** Index by 100% to 0.00 index



WHO WE ARE AND WHAT WE DO

- The Supply and Distribution Division is in charge of overseeing a constant end-to-end supply network to send products to our consumers in the most effective manner. Our vital roles consists of product sourcing, product distribution, infrastructure planning, terminal operations, asset management and product delivery.
- SDD aids our lines of business through various distribution channels, crucial, proactive planning and a broad range of supply network across 38 terminals in Malaysia in assuring the PDB’s license to operate. We continue to strive by focusing to instill generative HSSE culture, operational excellence and in compliance with regulatory at all times.



KEY FOCUS AREAS

- We continue to improve our services through our outstanding efforts of cost optimisation and being the solution provider with a strong network that meet our customers’ expectation.
- We continue to focus on cost optimisation, supply reliability, customer satisfaction, HSE assurance and operational excellence as factors ensuring sustainable competitive advantage towards making people’s life simpler and better.



VALUE CREATED BY BUSINESS SEGMENT



Reliability

Exceed client expectation for delivery turnaround in a safe manner.



Create

An efficient and cost-effective supply value chain for improved profitability.



CHALLENGES

Safe

Challenges

- Risk of COVID-19 infection amongst staff, dealers, contractors and hauliers
- Exposure to HSE Risk whereby our products are highly flammable and transportation hazard

Our Response

- Stringent SOP during COVID-19 pandemic at all terminals particularly in red area and frequent swab test for high risk category such as *Rakan Khidmat Penghantar*
- Continuous compliance to HSE standards in all our operations
- Heighten safety and compliance culture amongst staff, dealers, contractors and hauliers

Reliable

Challenges

Ensuring uninterrupted product supply across the value chain and consistent delivery of quality product

Our Response

- Optimisation of fleet schedule to achieve timely delivery and to avoid supply disruption
- Maintain high reliability index of OEE and improvement in On-Time Performance

Efficient

Challenges

- Planning of product supplies due to uncertain demand profile during various stages of MCO
- Increasing operating and logistic cost impacting profitability

Our Response

- Optimise term charter vessel and road tankers to achieve the most efficient cost



PERFORMANCE REVIEW

Strategic Priorities



SAFE, RELIABLE AND EFFICIENT

Safe

Accreditation for Excellent Occupational Health and Safety Performance

→ Key Initiative

- Participation in annual audit by MSOSH

→ Results

- Awarded **8 Gold Merit and 5 Gold** awards by the MSOSH
- Zero major HSE incident** across terminals

Professional *Rakan Khidmat Penghantar* towards OER2

→ Key Initiative

- Enforcement On Board Camera Reviewer Competency Program for the hauliers

→ Results

- 100% completion** of Professional Haulier On Board Camera reviewer at all regions



Network

To build a mutually-beneficial relationship with stakeholders.



Cultivate

Inculcate competencies and promote ethical work culture of staff and contractors.



Innovate

Adding value to the consumer's experience by innovation and leverage the advancement of technology.

BUSINESS REVIEW

Our Key Operations



PERFORMANCE REVIEW

Strategic Priorities

SRE SAFE, RELIABLE AND EFFICIENT

Reliable

Margin Improvement

Ensure reliable and timely product delivery

→ **Key Initiative**

- Integrated Inventory Management to minimise exposure to price volatility
- Rationalisation of primary cost via matching the fleet size to meet business requirements
- Manage underutilisation of Road Tankers by diverting from low volume product such as Jet A-1 to commercial products

→ **Results**

- Sustained optimum inventory levels below 11.76 days despite the global pandemic
- Continuous improvement of timely product delivery by 2.2%

Strategic Priorities

SRE SAFE, RELIABLE AND EFFICIENT

Efficient

Improvement of Operational Discipline

Cost Optimisation and Value Creation

→ **Key Initiative**

- Operational Excellence roll out through OER2 Initial Implementation Assessment
- Optimise fleet utilisation through improved diversion from low volume product to carry other load size and effective route planning
- Low volume in aviation negated through outsource of manpower and vehicle deployment rationalisation initiative

→ **Results**

- **100% Peninsular Malaysia terminals** have passed OER2 Initial Implementation Assessment and proceed for final assessment
- Cost Optimisation of **RM5 million** from outsource of manpower and vehicle deployment rationalisation at Aviation

GPW GREAT PLACE TO WORK

For more information on Great Place to Work, please refer to Driving Sustainability on pages 225 to 234 of this <IR>

DE DIGITALLY ENABLED

For more information on Digitally Enabled, please refer pages 107 to 111 of this <IR>

OUTLOOK & PROSPECTS

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



RETAIL



"It been a challenging year for Retail Business. The effects of the COVID-19 outbreak and the MCO impacted our business and challenged us in unprecedented ways. Nevertheless, we continued to strengthen our brand presence and delivered superior customer experiences. We introduced PETRONAS Primax 97 with Pro-Race which provided our customers with an exceptional fuel. To ensure customer safety at all PETRONAS stations, we adhered to all SOP guidelines. Putting our customers first, we continued to provide a seamless and frictionless experience by leveraging digital technology. We will continue to innovate the market and future-proof our business by offering products of unparalleled quality, high levels of service delivery and establishing differentiating factors to appeal to our customers."



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



WHO WE ARE AND WHAT WE DO

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

- **FUEL** segment comprises premium products, developed in partnership with the Mercedes-AMG PETRONAS Formula One™ team which include PETRONAS Primax 97 with Pro-Race, PETRONAS Primax 95 with Pro-Drive, PETRONAS Dynamic Diesel (B10), PETRONAS Dynamic Diesel (B20) 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, hypermarkets, 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.
- All PETRONAS stations are operated by **RAKAN NIAGA**, who are appointed through a stringent selection process and provided with continuous training. Retail Business manages PETRONAS stations via two categories of dealerships – **COMPANY-OWNED, DEALER-OPERATED and DEALER-OWNED, DEALER-OPERATED**.



KEY FOCUS AREAS

- **Fuel branding** – New premium fuel PETRONAS Primax 97 with Pro-Race
- **Marketing programme** – Use of integrated and targeted marketing programmes to engage customers at all levels
- **Non-fuel** – Makan@Mesra and Ready-to-Eat, Ready-to-Drink and own labels



BUSINESS REVIEW

Retail



KEY HIGHLIGHTS

- ➔ >10 new stations in 2020
- ➔ Launched ready-to-eat meals and other food offers under new **Makan@Mesra** concept
- ➔ Expansion of **Mesra Bites** SKU range
- ➔ Introduced **Gula Aren** series exclusively sold at Tealive in PETRONAS stations
- ➔ Launched new **PETRONAS Primax 97 with Pro-Race** premium fuel
- ➔ Digitalised **Mesra Redemption portal** for mobile app (via Setel®) and web



VALUE CREATED BY BUSINESS SEGMENT



Quality
World-class quality fuel and 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



CHALLENGES

Challenges

Intense competition in a mature market

Disruption of marketing programmes due to restriction on movement

Deferment of project timeline due to various stages of MCO

Lower demand during COVID-19 pandemic

Our Response

Launched a superior quality fuel, the new PETRONAS Primax 97 with Pro-Race and new and differentiated food solutions; Makan@ Mesra

Leverage on new and innovative digital platforms to deepen customer engagements and communications

Project prioritisation for HSE compliance and value

Focus on safety and wellbeing of customers via Setel® (contactless payment). Engaged customers using below-the-line and digital channels



PERFORMANCE REVIEW

Strategic Priorities

ML MARKET LEADERSHIP

Elevate delivery of customer experience

→ Key Initiative

- Launched new PETRONAS Primax 97 with Pro-Race
- Increased the adoption of digital marketing

→ Results

- Increased PETRONAS Primax 97 with Pro-Race sales by **>10.0%** over the corresponding period
- Enabled **new and unique customer experiences** for Mesra members

Enhance network quality

→ Key Initiative

- Grow PETRONAS stations network at selected locations

→ Results

- Operationalised **>10 stations**



Diversity

Wide range of offerings via multiple channels to provide better options 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

BUSINESS REVIEW

Retail



PERFORMANCE REVIEW

Strategic Priorities



MARKET LEADERSHIP

Attract traffic to the stations

→ **Key Initiative**

- Ensure our customers are engaged and feel safe at our stations

→ **Results**

- Intensified adoption of digital engagement and marketing across the customer lifecycle
- Setel®'s seamless and frictionless customer experience (an innovative platform that provides every motorists a seamless experience for retail on-the-go) rolled-out to >1,000 stations nationwide

→ **Key Initiative**

- Collaborate with *Rakan Niaga* to conduct active customer engagements and promotion
- Collaborate with *Rakan Niaga* to conduct local community programmes at stations and surrounding communities such as food bank and food giveaways

→ **Results**

- Enhanced support of local products and entrepreneurs with the launch of Love Local

Introduce new *Kedai Mesra* concept

→ **Key Initiative**

- Rolled-out **new Kedai Mesra concept**

→ **Results**

- Completed **new pilot Kedai Mesra concept** stores with the following highlights:
- New and improved interior design exude a clean contemporary theme, fresh ambience with a hint of nature and heritage
 - Improve visibility of the convenience store from the forecourt and uplift *Kedai Mesra* brand as a whole
 - A bright environment with consumer focused look-and-feel, and focused customer offers especially in food categories

Shift reliance from *sunset categories*

→ **Key Initiative**

- Introduced **Makan@Mesra**

→ **Results**

- Successfully launched **Makan@Mesra** new concept
- Introduced **>300 SKUs** under the concept which consist Ready-to-Eat and Ready-to-Drink offerings

→ **Key Initiative**

- Expansion of Mesra own label brand

→ **Results**

- Expansion of **Mesra Bites SKU ranges** based on encouraging performance in previous phases



PERFORMANCE REVIEW

Strategic Priorities

ML MARKET LEADERSHIP

Re-imagining partners model

→ **Key Initiative**

- Enhance collaboration with Tealive

→ **Results**

- **>100 Tealive X PETRONAS kiosks** in operation
- Introduction of **Gula Aren series exclusively sold at Tealive in PETRONAS Stations**

Strengthen the supply chain to support business growth

→ **Key Initiative**

- Ensure smooth operations for product supply at *Kedai Mesra* and Mini Mesra

→ **Results**

- Successfully centralised distribution for *Kedai Mesra* and Mini Mesra in East Malaysia

Strategic Priorities

SRE SAFE, RELIABLE AND EFFICIENT

License to operate

→ **Key Initiative**

- Continuation of station upgrading exercises

→ **Results**

- Successfully completed **>20 stations** upgrading exercise

SRE SAFE, RELIABLE AND EFFICIENT

For more information on Safe, Reliable and Efficient, please refer to Our Key Operations on pages 86 to 88 of this <IR>

GPW GREAT PLACE TO WORK

For more information on Great Place to Work, please refer to Driving Sustainability on pages 225 to 234 of this <IR>

DE DIGITALLY ENABLED

For more information on Digitally Enabled, please refer pages 107 to 111 of this <IR>

**OUTLOOK &
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 customer loyalty programme as well as a growing e-commerce and digital presence.

BUSINESS REVIEW



COMMERCIAL



"2020 market environment was brutally harsh. The impact of the COVID-19 pandemic and imposition of the MCO resulted in unprecedented lower demand for petroleum products, coupled with a steep drop in global oil prices. Despite these setbacks, we persevered and bounced back strongly by effectively executing our recovery and rebound strategies to capitalise on market regrowth."



RAMZULHAKIM RAMLI
Head, Commercial Business Division



WHO WE ARE AND WHAT WE DO

- Commercial Business drives the sales and marketing of bulk petroleum products to various economic sectors such as Agriculture, Mining and Quarrying, Manufacturing, Construction, Services, Aviation and Bunker.
- Commercial business products include Diesel, Jet A-1, Fuel Oil, LNG, Bitumen, Kerosene, Gasoline, Petroleum Coke, Sulphur and Methanol.
- Commercial Business is entrusted to deliver value to the customers by leveraging on its strength of having extensive nationwide network which includes fuel storage terminals and transportation.



KEY FOCUS AREAS

- Provide comprehensive offerings to improve value proposition for customers coupled with unrivalled service and solutions.
- Drive sales to capture the demand recovery wave post-MCO.
- Focus on effective risk management and cost efficiency whilst maintaining high standards of customer service.



VALUE CREATED BY BUSINESS SEGMENT



Diversify

Fuel solution partner by providing superior products and services to support customers' needs



Cultivate

Cultivate capabilities of business partners



KEY HIGHLIGHTS

→ Superior Performance

Despite the challenging economic environment, Commercial Business maintained a strong performance across its volume and financial indicators on the back of effective execution of its recovery and rebound strategies.

→ Customer Centricity

Continuously engaged with customers and provided unrivalled customer experience, which enabled Commercial Business to grow and defend its customer base by securing new contracts and renewing existing ones.

→ Strategic Partnership

Strategic partnership with customers to push boundaries and explore new business opportunities to unlock value potential. Enabled sustainability agenda with our customers by switching from conventional fuels to LNG.



CHALLENGES

Challenges

Eroding demand due to COVID-19 pandemic coupled with imposition of MCO and steep drop in global oil prices that resulted in MOPS backwardation which had adversely affected Commercial Business performance

Intensifying competition at the back of demand erosion which resulted to excess product in the market

Our Response

- a. Driving sales to capitalise on post MCO demand recovery by pushing volume at high margin sectors and pursuing higher share of wallet from common customers
 - b. Secured new customers and renewed existing contracts to expand our customer and volume base
- a. Providing comprehensive packaged offerings to improve value proposition for customers
 - b. Effective channel management to strengthen market position, which enabled Commercial Business to navigate through the challenging market environment



Strategic Partnership

Maintain a strategic partnership with stakeholders to unlock value potential



Create

Leading market position despite challenging market environment

BUSINESS REVIEW

Commercial



PERFORMANCE REVIEW

Strategic Priorities



MARKET LEADERSHIP

Customer centricity

Partnership and Sustainability

→ **Key Initiative**

- Elevate customer experience by providing unrivalled level of service and solutions
- Expanding customer base by securing new customers and renewing existing contracts

→ **Results**

- **Secured >200** new contracts
- **Strengthened** market leadership



SAFE, RELIABLE AND EFFICIENT

For more information on Safe, Reliable and Efficient, please refer to Our Key Operations on pages 86 to 88 of this <IR>



GREAT PLACE TO WORK

For more information on Great Place to Work, please refer to Driving Sustainability on pages 225 to 234 of this <IR>



DIGITALLY ENABLED

For more information on Digitally Enabled, please refer pages 107 to 111 of this <IR>



OUTLOOK & PROSPECTS

The Commercial Business remains affected by the slower recovery of certain economic sectors due to the continued MCO going into 2021. Additionally, we face increased competition as a result of excess product in the market. We continue to drive commercial business strategies through our focus on value creation, partnership and sustainability. Commercial Business will continue moving forward with our sustainability agenda by leading the change to cleaner fuels in the industry.



LPG



"In dealing with an unprecedented and challenging business environment, LPG Business has remained agile and resilient. With this perseverance and focus, we stormed through aggressive competition while always supporting our channel members. Through this journey, we have solidified our position as the market leader; thus moving us towards a sustainable and enriching future together."



PRAMELA VALLINAYAGAN

Head,
LPG Business
Division



WHO WE ARE AND WHAT WE DO

LPG Business is the industry leader as well as Malaysia's No.1 retailer and marketer of liquefied petroleum gas.

With the nation's widest LPG supply and distribution network of eight terminals and bottling facilities, we are supported by LPG Channel Members consisting of premier dealers, dealers and bulk dealers in delivering our quality products to the masses.



KEY FOCUS AREAS

Our key focus area for Household segment is fortifying market leadership and driving growth for Commercial segment.

Overall, our main priority is to remain customer-centric as we aspire to continue creating a seamless and frictionless customer experience whilst sustaining an agile and resilient business in a challenging environment.



BUSINESS REVIEW

LPG



KEY HIGHLIGHTS

- Fortified **market leadership** in challenging business environment
- Embarked into **new sales channel** through **LPG@Sundry Shop**
- Secured **>40 new commercial customers** despite aggressive competition
- Continuation of **sales channel expansion** through **LPG@PS**



CHALLENGES

Challenges	Our Response
Market downturn due to COVID-19 pandemic	<ul style="list-style-type: none"> • Tailored business operations in accordance to the market behaviour • Improved operational efficiency through cost optimisation • Initiated new sales channel for competitive edge • Provided assistance to channel members such as credit facilities to cushion financial constraint
Intense market competition	<ul style="list-style-type: none"> • Offered competitive pricing and attractive sales package • Maximised value and competitive edge through superior customer service as well as product quality

VALUE CREATED BY OUR LPG BUSINESS

<div style="text-align: center; margin-bottom: 10px;"> <p>Create</p> </div> <p>Sustain market leadership and profitability</p>	<div style="text-align: center; margin-bottom: 10px;"> <p>Network</p> </div> <p>Serving customers through extensive network</p>	<div style="text-align: center; margin-bottom: 10px;"> <p>Empower</p> </div> <p>Develop local economies by contributing to the success of dealers' businesses</p>
<div style="text-align: center; margin-bottom: 10px;"> <p>Innovate</p> </div> <p>Capitalise on technology and innovation to improve on customers experience</p>	<div style="text-align: center; margin-bottom: 10px;"> <p>Reliability</p> </div> <p>Safe and reliable products to consumers</p>	<div style="text-align: center; margin-bottom: 10px;"> <p>Skilled</p> </div> <p>Develop high performing and skilled workforce</p>



PERFORMANCE REVIEW

Strategic Priorities

ML MARKET LEADERSHIP

Redefine Customer Experience

→ Key Initiatives

- **LPG@PS** – nationwide expansion
- **LPG@Sundry Shop** – rolled out in Northern regions

→ Results

- LPG@PS – operational at **>100 PETRONAS stations nationwide**
- LPG@Sundry Shop - pilot at **5 outlets**

Fortify Market Leadership

→ Key Initiatives

- Initiated new sales channel for Household segment
- Implemented competitive pricing strategy for Commercial segment
- Value added service through technical assistance

→ Results

- Extended customer reach to elevate customers experience
- Secured **>40 new commercial customers**

SRE SAFE, RELIABLE AND EFFICIENT

For more information on Safe, Reliable and Efficient, please refer to Our Key Operations on pages 86 to 88 of this <IR>

GPW GREAT PLACE TO WORK

For more information on Great Place to Work, please refer to Driving Sustainability on pages 225 to 234 of this <IR>

DE DIGITALLY ENABLED

For more information on Digitally Enabled, please refer pages 107 to 111 of this <IR>



OUTLOOK & PROSPECTS

Moving forward, we foresee minimal growth in market demand for LPG. Nevertheless, LPG Business has embarked on future-proofing our business by adapting to challenges and focusing on digitalisation to cater to a new market of next generation buyers in the next normal.

BUSINESS REVIEW



LUBRICANT



“This year has been unparalleled on many fronts, with companies having to adapt to new realities both on the consumer and customer front. Whilst there have been changes in consumer behaviour and cautious spending, our focus towards market leadership has never wavered. We continue to leverage on Fluid Technology Solutions towards delivering differentiated customer experience and benefits. With our world-class products, we have successfully ventured into the digital space and we look forward to new ways of working to stay competitive and sustainable in today’s market landscape.”



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



WHO WE ARE AND WHAT WE DO

Our Lubricant Business undertakes all sales, marketing and technical services related to PETRONAS Lubricant products in Malaysia. Our portfolio encompasses Passenger Car Motor Oils, Motorcycle Oils, Commercial Vehicle Lubricants as well as Industrial and Marine Lubricants which caters to consumer, 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.



KEY FOCUS AREAS

- **Power Brand** – the growth in brand awareness and affinity becoming the 1st choice of preference.
- **Availability and Penetration** – future-proofing the business by securing the right portfolio and ensuring easy availability to drive loyalty amongst consumers.
- **Value Generation** – delivering value through our propositions in a relevant and differentiated manner
- **Operational and Commercial Excellence** – customer satisfaction continues to drive our pursuit for excellence.



VALUE CREATED BY BUSINESS SEGMENT



Quality

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



Create

Sustainable margins for all business partners along our value chain



Business Synergy

Offering winning propositions, enabling our partners to grow with us

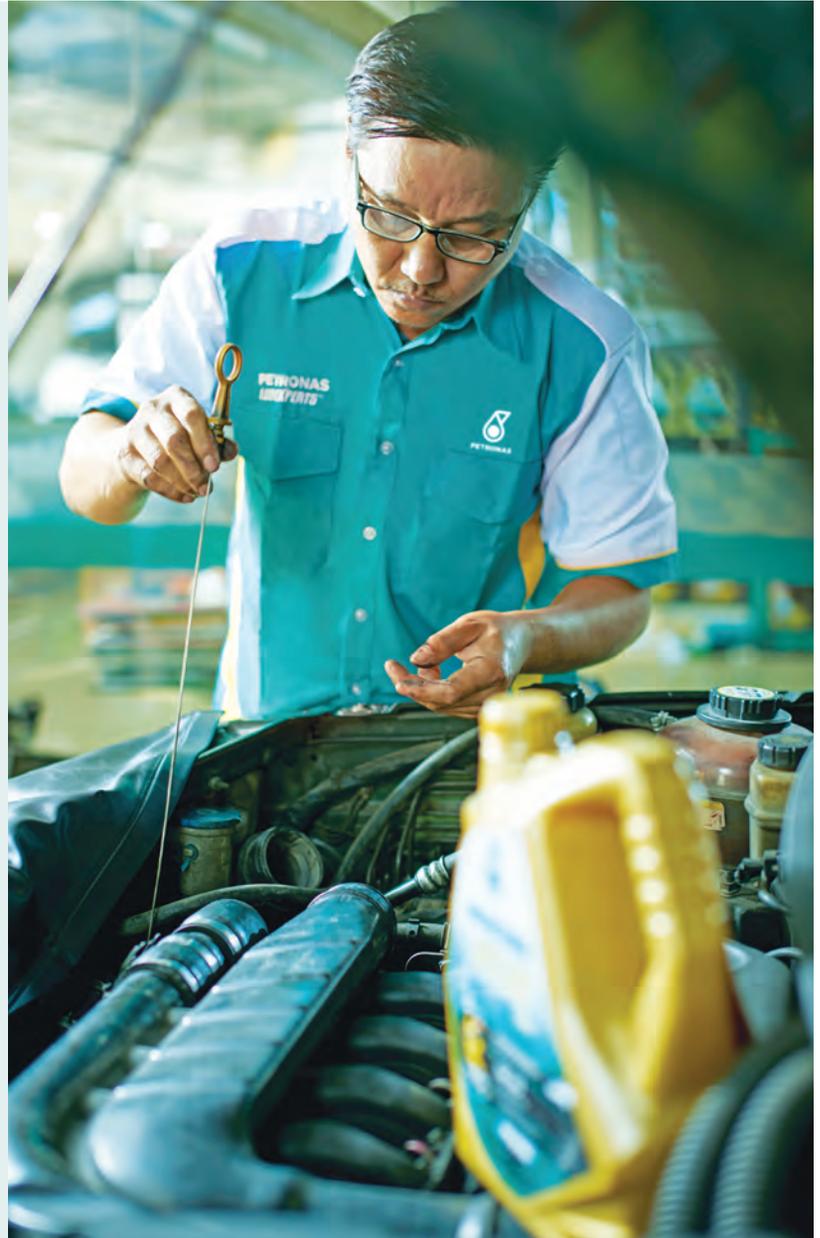
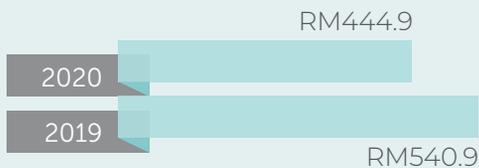


KEY HIGHLIGHTS

- Gaining inroads into key economic sectors (OEM, Agriculture, Construction, Power) driving the economy
- Building the brand and strengthening the proposition for our AutoExpert
- E-Comm entry provided us the platform in reaching out to our consumers and staying in touch
- Integrated communication in a relevant manner helped enhanced our brand image and acceptance

FINANCIAL HIGHLIGHTS

→ Revenue (RM Million)



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

BUSINESS REVIEW

Lubricant



CHALLENGES

Challenges

Competitive and low barrier to entry environment gave birth to new entrants and OEMs promoting their own Genuine Oils

Change in consumer expectations resulting in behaviour changes

Macro/micro economy challenges brought about challenging B2B customer expectations and needs

Our Response

In a highly technical evolving engine and hardware design environment, our products exceed the highest standard of performance. Packaged with a differentiated winning proposition aimed at delivering value is the added advantage offered.

- Embarking into digital was a key transformation effort addressing these changes in dynamics. The online to offline (O2O) supported by innovative servicing proposition (i.e. mobile servicing) became a winning proposition addressing the consumers need. Leveraging on our trusted AutoExpert chain did provide a peace of mind experience to the consumers.
- Integrated communication focussing on driving consistent messaging on our Power Brands: PETRONAS Syntium, PETRONAS Sprinta and PETRONAS Urania did play a pivotal role in strengthening our affinity to our consumers.

Delivering value through differentiated propositions was essential in strengthening/building new collaboration. We delivered numerous value driven programs delivering efficiency and savings.



PERFORMANCE REVIEW

Strategic Priorities



MARKET LEADERSHIP

Achieve market leadership in B2C

→ Key Initiative

- Build brand awareness and drive trials for PETRONAS Syntium with °CoolTech™ and PETRONAS Sprinta with UltraFlex™
- Drive integrated and relevant communication campaigns to increase brand awareness

→ Results

- Strong growth across all brand health measures (awareness, trials, most often brand used) and availability across key channels
- Increased brand awareness from 10.0% in 2019 to 57.0% in 2020 amongst retail consumers



PERFORMANCE REVIEW

Strategic Priorities



MARKET LEADERSHIP

Achieve market leadership in B2C

→ Key Initiative

- Future-proofing the business by further expanding our customer base into core OEMs
- Expand PETRONAS AutoExpert's network and sharpening our proposition with the aim of continuous improvement on the customer experience front

→ Results

- Secured new customers whilst growing and strengthening the relationship with existing customers
- Expanded PETRONAS AutoExpert's network and sharpening our proposition with the aim of continuous improvement on the customer experience front
- 2 new AutoExpert workshops joined the network, making it a total of 9 workshops in 2020
- Partnership with MARA in supporting their "Pembangunan Usahawan MARA PETRONAS" programme, resulting in more local entrepreneurs being part of our successful AutoExpert network
- Improved customer retention rate from 12.5% in 2019 to 45.0% in 2020 for PETRONAS AutoExpert

Achieve market leadership in B2B

→ Key Initiative

- Future-proofing the business by expanding our customer base into core segments driving the economy
- Our offering via "segmented value proposition" delivered targeted and differentiated offerings to the chosen segments, in a sustainable manner

→ Results

- Secured significant B2B customers through our collaborative approach, delivering value to their operations
- Good growth rates (5.0%) experienced, despite market contraction, due to the pandemic



SAFE, RELIABLE AND EFFICIENT

For more information on Safe, Reliable and Efficient, please refer to Our Key Operations on pages 86 to 88 of this <IR>



GREAT PLACE TO WORK

For more information on Great Place to Work, please refer to Driving Sustainability on pages 225 to 234 of this <IR>



DIGITALLY ENABLED

For more information on Digitally Enabled, please refer pages 107 to 111 of this <IR>



OUTLOOK & 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.

BUSINESS REVIEW



VENTURE BUILDER



"In a year that saw traditional business segments come under unprecedented pressure, we saw opportunities to grow our ventures and experiment with innovative offerings. In our pursuit to build a platform-based ecosystem, the aim is to scale and expand beyond current use cases through adjacent offerings to new and existing customers, leveraging on PDB's unique advantages. With data providing forward-looking insights into our customers behaviours and preferences, we continue to respond to their needs and provide distinctive and seamless experience, as evidenced from the new features and offerings from the ventures."



**MAZLIN ERAWATI
AB MANAN**
Head,
Venture Builder



WHO WE ARE AND WHAT WE DO

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



KEY FOCUS AREAS

- Grow customer base by improving customer journeys, continuous innovation and curating new solutions that address their needs
- Build advanced analytics capabilities and attract talents with agile and entrepreneurial mindsets
- Pursue effective partnerships to mesh capabilities and deliver value to customers more quickly



KEY HIGHLIGHTS

Setel®

- An innovative platform that provides every motorist a seamless experience for retail on-the-go, delighting >2 million motorists

ROVR

- Malaysia's first mobile refuelling partner, serving >30 business customers and customers impacted by TEMCO

Gas Retailing and Transportation

- Malaysia's first LNG (Liquefied Natural Gas) solution provider using road trucks for off-grid customers in Peninsular Malaysia

PRYSM

- Offering a range of motorsport and lifestyle products, available on PRYSM web and at selected *Kedai Mesra*



CHALLENGES

Challenges

- Attract and retain digital talents

Our Response

- Build company proposition on innovation, purposeful mission and promote learning and development



VALUE CREATED BY BUSINESS SEGMENT



Create

We champion new models of corporate entrepreneurship and innovation to drive growth



Diversify

We offer products and services beyond fuel to capture new customers



Innovate

We listen to our customers and continue to curate innovative solutions to address their needs



Nurture

We incubate ventures, attract partners, create jobs and wealth and support communities

BUSINESS REVIEW

Venture Builder



PERFORMANCE REVIEW

Strategic Priorities

ML MARKET LEADERSHIP

Scale up of ventures

→ **Key Initiative**

- Grow Setel® customer base and mining higher customer lifetime value
- Grow ROVR customer base
- **Launch of PRYSM**
- Operational readiness for gas retailing and transportation

→ **Results**

- **>2 million motorists on Setel®**
- Increase in fuel volume through targeted engagement and seamless loyalty redemption on Setel®
- >30 ROVR business customers
- **~RM8 million online sales**
- Deployment of **4 LNG** trucks, commission and entered Operation and Maintenance agreement for satellite regassification unit

SRE SAFE, RELIABLE AND EFFICIENT

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GPW GREAT PLACE TO WORK

For more information on Great Place to Work, please refer to Driving Sustainability on pages 225 to 234 of this <IR>

DE DIGITALLY ENABLED

For more information on Digitally Enabled, please refer pages 107 to 111 of this <IR>



OUTLOOK & PROSPECTS

Rapid digital adoption and changes in customer behaviour served as a catalyst to expand our new ventures in 2020. Building on our momentum, we will continue working to future-proof our business whilst supporting PDB on the next phase of its transformation journey, which is anchored on three main pillars: Value, which means sustaining the strength of our current businesses; Growth, which will be achieved by continuing to diversify our business in the non-fuel sector and capitalising on the energy transition; and Sustainability, which entails striking a balance on our triple bottom line of people, profit and planet.



DIGITALLY ENABLED

**WAN YUSSMAN
WAN YUSOF**
Chief Technology
Officer



WHO WE ARE AND WHAT WE DO

The Digital function supports all areas of established and emerging business, allowing them to optimise efficiencies and utilise the huge amounts of data that they generate. We act as the custodian and provide support in the management and operations of PDB's ICT and digital assets, including infrastructure systems, software and ICT services.

Our Digital Blueprint outlines the critical path for the transformation of our digital enterprise architecture and service delivery to make our customers' everyday lives simpler and better.



KEY FOCUS AREAS

Digital Blueprint

The Digital Blueprint provides overarching building blocks to inculcate a data-driven culture and facilitate new ways of working. We established a new foundation for future-state architecture to accelerate the democratisation of data, and generate actionable insights for business and operations.

Modernisation

We deployed state-of-the-art cloud-based platforms enabling multiple touch points for customers, modernised payment solutions, enhanced connectivity throughout retail network and a secured transactions environment. These upgrades and enhancements are critical in supporting PDB's growth ventures.

Operational Excellence

We aim to be brilliant at the basics. We will deliver excellence through continuous improvements in operational standards and industry compliance by implementing stringent controls in cyber security, managing vendor partners and focused execution in managing digital projects.

Cyber Security

As our business becomes increasingly digitalised, it is critical that we maintain the most robust cyber security possible. We will continue to harden our digital assets to ensure the safety of our systems and customer data.



"We drive change across the organisation by enabling all business segments to harness the power of actionable data. To this end, we are investing in digital solutions that are crucial to elevate operational efficiency and productivity. The work that we undertake helps PDB shift its business model from a product-centric approach to one of creating digital solutions around our customers at every step of their purchase experience."

BUSINESS REVIEW

Digitally Enabled



KEY HIGHLIGHTS

Digital Blueprint

- Established PDB's Cloud Landing Zone to centralise digital platforms with better economics
- Established PDB's Data Lake, PETRONAS Group's largest and most extensive
- Implemented Enterprise Scoreboard, known as PIVOT@PDB to drive data decision-making throughout the organisation
- Created Customer Data Cloud, enabling 360 degree view of customers

Modernisation

- Deployed Real-time Cloud-based Point of Sale system, the region's first for fuel retail
- Equipped PETRONAS stations with the latest PCI-PTS compliant payment terminals, the world's first with 15 inch interactive touch screen
- Upgraded network with Software Defined Wide Area Network at all PS
- Enabled Setel® nationwide

Operational Excellence

- Improved Service Level Agreement compliance average for vendor partners by 17.0%, from 82.0% to 99.0%
- Launched Command Center proactive systems for health check
- Embraced the New Operating Model to drive value creation
- Higher Cyber Security awareness in the workforce through continuous engagement and digital learning platforms



VALUE CREATED BY BUSINESS SEGMENT



Generate

Generate actionable data to enable superior decision making at all levels of our organisation



Empower

Upskilling our people so that they are able to utilise our fast-growing digital solutions to deliver optimal outcomes



CHALLENGES

Digital Blueprint

Challenges

- The quality of data was substandard and the journey to trace its use in many forms of media outside of the established systems was arduous
- Optimising the platform's capability and encouraging its wide adoption as the new way of working

Our Response

- Performed data discovery activities and rigorous data cleansing with various stakeholders to ensure all needed data is ready for ingestion and enrichment
- Mandated training in analytics and power BI for wider adoption and sustainability of delivered platforms

Modernisation

Challenges

- Keeping the 2020 plans on schedule due to pandemic travel restrictions and supply chain disruptions

Our Response

- Redesigned our solutions to be platform and device agnostic through open architecture
- Adopted agile enterprise methodologies to quickly adapt and respond to limitations and changing circumstances

Operational Excellence

Challenges

- Lack of visibility of incidents at remote sites causing operations to be reactive

Our Response

- Leveraged on the new Command Center systems and business process re-engineering to drive a more proactive digital operations playbook

Cyber Security

Challenges

- Increased incidents with the switch to new forms of working, with employees being online at any time and from anywhere

Our Response

- Continued to:
 - Educate our people and conducted tests to ensure the effectiveness of our Human Firewall
 - Harden our systems in collaboration with PETRONAS' Group Cyber Security in response to increased cyber threats



Create

Creating superior customer service experiences to build brand loyalty by removing customers' pain points



Deliver

Deliver efficiencies and cost savings across the organisation by leveraging the power of digitalisation

BUSINESS REVIEW

Digitally Enabled



PERFORMANCE REVIEW

Strategic Priorities



DIGITALLY ENABLED

Digital Blueprint

A data-driven organisation and future-proof our digital architecture

Key Initiative

- Creation of PDB's Cloud Landing Zone
- Establishment of PDB's Data Lake
- Implementation of PIVOT@PDB
- Creation of Customer Data Cloud

Results

- Created a strong foundation of future state digital architecture and landscape to better serve stakeholders
- Successfully enabled data ingestion from vast data points via Data Lake
- Accelerated data democratisation to improve corporate data literacy
- Successfully executed multiple digital campaigns based on hyper-personalisation to uplift volume and reduce customers churn rate

Strategic Priorities



DIGITALLY ENABLED

Modernisation

The seamless and frictionless experience

Key Initiative

- Deployment and implementation of the following:
- a. Next generation Cloud-based POS
 - b. State-of-the-art Indoor and Outdoor Payment Terminals
 - c. SDWAN upgrade

Results

- Successfully equipped and upgraded:
- a. 60.0% of retail network with modern POS and upgraded interconnected components
 - b. 45.0% of retail network with modern payment terminals
 - c. **100%** retail network with SDWAN and enabled remote access capability



PERFORMANCE REVIEW

Strategic Priorities

DE DIGITALLY ENABLED

Operational Excellence

Elevate the New Operating Model (NOM)

→ Key Initiative

- MesraLink eService 2.0
- Adoption of NOM at PDB terminals

→ Results

- Successfully deployed eService 2.0 for Mesra Link on Salesforce platform
- Uplifted margin through process simplification and increased productivity

Strategic Priorities

DE DIGITALLY ENABLED

Cyber Security

Cyber Threats Protection

→ Key Initiative

- Cyber security awareness campaign
- Enhancement of cyber security controls and processes

→ Results

- Increased cyber security literacy of the workforce through digital learning platforms
- Strengthened PETRONAS stations cyber security including threat response and data protection

SRE SAFE, RELIABLE AND EFFICIENT

For more information on Safe, Reliable and Efficient, please refer to Our Key Operations on pages 88 to 86 of this <IR>

GPW GREAT PLACE TO WORK

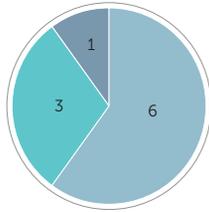
For more information on Great Place to Work, please refer to Driving Sustainability on pages 225 to 234 of this <IR>



OUTLOOK & PROSPECTS

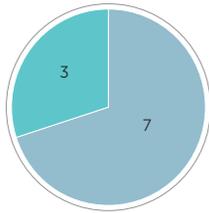
The appetite for innovation is high within our organisation. In 2020 we realised the integral part of our digital architecture, particularly in the critical area of data democratisation. Building on this, we are developing our *Innovision Blueprint* to drive innovation across the organisation and to accelerate our speed-to-market, continue uplifting customer experiences and maintain our position as the industry leader. This is how we enable PDB's business segments to accelerate growth through the power of digitalisation and this is how we will continue to build value for our stakeholders.

OUR BOARD AT A GLANCE



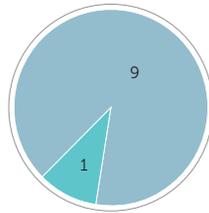
Designation

- Independent Non-Executive Director
- Non-Independent Non-Executive Director
- Executive Director



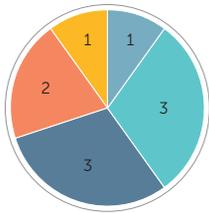
Gender

- Male
- Female



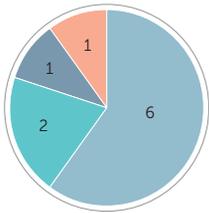
Nationality

- Malaysian
- Non-Malaysian



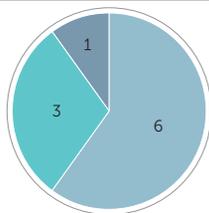
Age Group

- Below 50 years
- 50-55 years
- 56-60 years
- 61-65 years
- 66-70 years



Length of Service

- 1-3 years
- 4-6 years
- 7-9 years
- 9-12 years

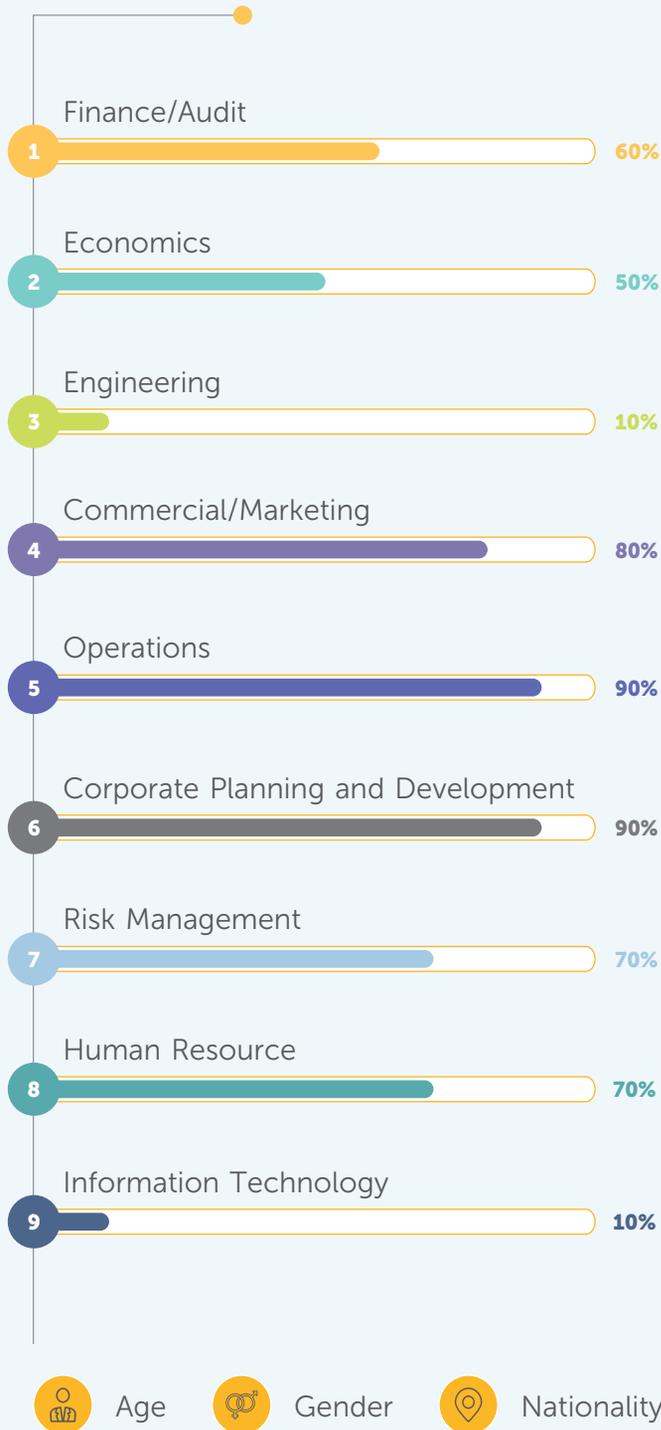


Race/Ethnicity

- Malay
- Chinese
- Indian

*9 - 12 years: Based on the date of this report, Nuraini Ismail serves as a Non-Independent Non-Executive Director for the Company for 9 years and 3 months. The 9 years' tenure policy is only applicable to Independent Non-Executive Director of the Company.

Skills Matrix



Industry Experience



*Includes formal qualification and professional experience.

BOARD OF DIRECTORS' PROFILE



DATUK MD ARIF MAHMOOD

Chairman
Non-Independent Non-Executive Director

- 58
- Male
- Malaysian
- Date of Appointment: 16 April 2015

Length of Service:
5 years and 10 months

Number of Board Meetings
Attended: **7/7**

Skills Matrix

3 4 5 6 7 8

Industry Experience



Academic/Professional Qualification

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

Present Directorships

Listed entities:

- PETRONAS Dagangan Berhad
- PETRONAS Chemicals Group Berhad

Other public company

Nil

Other Principle Appointments

- Chairman of PETRONAS Chemicals Group Berhad
- Executive Vice President and Chief Executive Officer of Downstream Business, Petroliaam Nasional Berhad (PETRONAS)
- Member of Executive Leadership Team, PETRONAS
- Member of People Development Committee, PETRONAS
- Member of Talent Council, PETRONAS
- Director of Johor Petroleum Development Corporation
- Chairman and Director of various companies within PETRONAS

Past Experiences

- Director of PETRONAS
- Senior Vice President (SVP) of Corporate Strategy, PETRONAS
- Vice President (VP) of Oil Business, PETRONAS
- Managing Director/Chief Executive Officer (MD/CEO) of ASEAN Bintulu Fertilizer Sdn. Bhd.
- Senior General Manager (SGM) of Retail Business Division, PETRONAS Dagangan Berhad (PDB)
- General Manager (Gas Processing Plant B) of PETRONAS Gas Berhad (PGB)



AZRUL OSMAN RANI

Managing Director/Chief Executive Officer
Non-Independent Executive Director

47 Male Malaysian

Date of Appointment: **1 January 2020**

Length of Service: **1 year 1 month**

Number of Board Meetings Attended: **7/7**

Skills Matrix

Industry Experience

Academic/Professional Qualification

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

Present Directorships

- | Listed entity: | Other public company |
|----------------------------|----------------------|
| • PETRONAS Dagangan Berhad | Nil |

Other Principle Appointments

- Chairman and Director of various companies within PETRONAS

Past Experiences

- Head (Commercial Development and JV Formation) of PETRONAS Refinery and Petrochemical Corporation (PRPC), Downstream
- Chief Executive Officer of PRPC Utilities and Facilities
- Business Director of Uzbekistan Gas to Liquid Limited Liability Company
- Senior Manager of International Trading, Malaysian International Trading Corporation Sdn. Bhd. (MITCO)
- Senior Manager of Business Development Oil Portfolio in PETRONAS Business Development Unit
- Manager Trading of Agriculture Product, MITCO
- Country Manager of MITCO Indonesia Office
- Various positions within PETRONAS Group



LIM BENG CHOON

Senior Independent Director

61 Male Malaysian

Date of Appointment: **13 August 2012**

Length of Service: **8 years and 6 months**

Number of Board Meetings Attended: **7/7**

Skills Matrix

Industry Experience

Academic/Professional Qualification

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

Present Directorships

- | Listed entities: | Other public company |
|----------------------------|----------------------|
| • PETRONAS Dagangan Berhad | Nil |
| • MISC Berhad | |

Other Principle Appointments

- Chairman of Nomination and Remuneration Committee (NRC), PDB
- Member of Board Audit Committee (BAC), PDB
- Member of BAC, MISC Berhad
- Member of NRC, MISC Berhad
- Trustee of ECM Libra Foundation

Past Experiences

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

BOARD OF DIRECTORS' PROFILE



DATUK ANUAR AHMAD

Independent Non-Executive Director

67 Male Malaysian

Date of Appointment:
1 August 2014 (appointed as NINED)
15 April 2016 (re-designated as INED)

Length of Service: **4 years and 10 months**

Number of Board Meetings Attended: **7/7**

Skills Matrix

2 4 5 6 7 8

Industry Experience

Academic/Professional Qualification

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

Present Directorships

- | Listed entities: | Other public company |
|---------------------------------------|----------------------|
| • PETRONAS Dagangan Berhad | Nil |
| • ENRA Group Berhad | |
| • Nylex (Malaysia) Berhad | |
| • Kumpulan Fima Berhad | |
| • Chemical Company of Malaysia Berhad | |

Other Principle Appointments

- Member of BAC, PDB
- Member of BRC, PDB
- Member of NRC, PDB
- Chairman of NRC, ENRA Group Berhad (EGB)
- Member of Audit Committee, EGB
- Member of Audit Committee, Nylex (Malaysia) Berhad
- Chairman of Finance & Investment Committee, Chemical Company of Malaysia Berhad (CCM)
- Member of Risk Management Committee, CCM

Past Experiences

- Chairman of Audit Committee, E.A. Technique (M) Berhad (EA Technique)
- Member of Remuneration Committee, EA Technique
- Chairman of PGB
- Chairman of PDB
- Director of PETRONAS
- Member of Executive Committee, PETRONAS
- Member of Management Committee, PETRONAS
- Executive Vice President (EVP) of Gas and Power Business, PETRONAS
- VP of Oil Business, PETRONAS
- VP of Human Resource Management, PETRONAS
- MD/CEO of PDB
- Various senior managerial positions within PETRONAS Group



SHAFIE SHAMSUDDIN

Independent Non-Executive Director

50 Male Singaporean

Date of Appointment: **6 February 2018**

Length of Service: **3 years**

Number of Board Meetings Attended: **7/7**

Skills Matrix

4 5 6 7 8

Industry Experience

Academic/Professional Qualification

- Bachelor of Business Administration, Nanyang Technological University, Singapore

Present Directorships

- | Listed entities: | Other public company |
|----------------------------|----------------------|
| • PETRONAS Dagangan Berhad | Nil |
| • Aeon Co. (M) Bhd | |

Other Principle Appointments

- Member of NRC, PDB
- Member of BRC, PDB
- Managing Director of Aeon Co. (M) Bhd
- Managing Director of AEON Big Sdn. Bhd.
- Chief Executive Officer of AEON Retail (Malaysia)

Past Experiences

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



ALVIN MICHAEL HEW THAI KHEAM

Independent Non-Executive Director

- 57 Male Malaysian
- Date of Appointment: **6 February 2018**
- Length of Service: **3 years**
- Number of Board Meetings Attended: **7/7**

Skills Matrix

1 2 4 5
6 7 8

Industry Experience



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

Present Directorships

- | Listed entities: | Other public company |
|--|---|
| <ul style="list-style-type: none"> • PETRONAS Dagangan Berhad • Maxis Berhad | <ul style="list-style-type: none"> • Nil |

Other Principle Appointments

- Chairman of BRC, PDB
- Member of NRC, PDB
- Member of Nomination Committee, Maxis Berhad (Maxis)
- Member of Business & IT Transformation Committee, Maxis
- Group Managing Director of Southgate Ventures Pte. Ltd.
- Board Director of SIS Group of Schools

Past Experiences

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



NIRMALA DORAISAMY

Independent Non-Executive Director

- 54 Female Malaysian
- Date of Appointment: **15 October 2019**
- Length of Service: **1 year and 4 months**
- Number of Board Meetings Attended: **7/7**

Skills Matrix

1 2 5 6 7

Industry Experience



Academic/Professional Qualification

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

Present Directorships

- | Listed entities: | Other public company |
|---|---|
| <ul style="list-style-type: none"> • PETRONAS Dagangan Berhad • Evergreen Fibreboard Berhad | <ul style="list-style-type: none"> • Nil |

Other Principle Appointments

- Member of BRC, PDB
- Member of BAC, PDB
- Senior Independent Director of Evergreen Fibreboard Berhad (EFB)
- Chairman of Risk and Sustainability Management Committee, EFB
- Chairman of Nomination Committee, EFB
- Member of Remuneration Committee, EFB
- Member of Audit Committee, EFB
- Member of Auditing and Assurance Standards Board, MIA

Past Experiences

- Director of Ecobuilt Holdings Berhad (Ecobuilt)
- Chairman of Nomination Committee, Ecobuilt
- Member of Audit Committee, Ecobuilt
- Head of Risk Management of Credit Guarantee Corporation Bhd
- Various positions in Affin Bank Bhd, Alliance Bank Malaysia Berhad and MBf Finance Bhd

BOARD OF DIRECTORS' PROFILE



TANG SAW HUA

Independent Non-Executive Director

- 61** **Female** **Malaysian**
- Date of Appointment: 1 July 2020**
- Length of Service: 7 Months**
- Number of Board Meetings Attended: 4/4**

Skills Matrix

1 5 6 7

Industry Experience



Academic/Professional Qualification

- Member of Malaysian Institute of Certified Public Accountants
- Member of MIA

Present Directorships

Listed entity:	Other public company
• PETRONAS Dagangan Berhad	Nil

Other Principle Appointments

- Chairman of BAC, PDB
- Member of BRC, PDB
- Member of NRC, PDB

Past Experiences

- Senior Independent Non-Executive Director of Cycle & Carriage Bintang Berhad (CCB)
- Chairperson of Audit Committee, CCB
- Member of Remuneration Committee, CCB
- Member of Nomination Committee, CCB
- Group CFO of Destination Resorts and Hotel Sdn. Bhd., a wholly owned subsidiary of Khazanah Berhad
- Senior General Manager of Integrated Petroleum Services Sdn. Bhd.
- General Manager of Finance, Proton Edar Sdn. Bhd.
- Group Financial Controller of the Oil and Gas Division in UMW Holdings Berhad
- Head of Finance, Edaran Otomobil Nasional Berhad
- Held various other Accountant positions in manufacturing, hotel and property development organisations



NURAINI ISMAIL

Non-Independent Non-Executive Director

- 58** **Female** **Malaysian**
- Date of Appointment: 18 November 2011**
- Length of Service: 9 years and 3 months**
- Number of Board Meetings Attended: 7/7**

Skills Matrix

1 2 4 5

Industry Experience



Academic/Professional Qualification

- Fellow of Association of Chartered Certified Accountants, UK

Present Directorships

Listed entity:	Other public company
• PETRONAS Dagangan Berhad	Nil

Other Principle Appointments

- Member of BAC, PDB
- VP of Treasury, PETRONAS
- Director of various companies within PETRONAS Group
- Member of various committee within PETRONAS Group
- Trustee of PETRONAS Research Fund
- Trustee of Abandonment Cess Fund

Past Experiences

- SGM of Group Treasury, PETRONAS
- General Manager of Finance and Accounts Services, MITCO
- General Manager of Commercial Services, MITCO
- Various positions in Bank Bumiputra Malaysia Berhad, Bumiputera Merchant Bankers and Maybank Finance Berhad



AHMAD ADLY ALIAS

Non-Independent Non-Executive Director

50 Male Malaysian

Date of Appointment: 25 August 2020

Length of Service: 5 Months

Number of Board Meetings Attended: 4/4

Skills Matrix

1 4 5 6 8

Industry Experience



Academic/Professional Qualification

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

Present Directorships

Listed entity: PETRONAS Dagangan Berhad **Other public company:** Nil

Other Principle Appointments

- VP of Downstream Marketing, PETRONAS
- Chairman and Director of various companies within PETRONAS

Past Experiences

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

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 2020

COMPANY SECRETARIES:



SURIA KAMARUL BAHARIN

Company Secretary

For more information about Suria Kamarul Baharin, please refer to page 126 of this <IR>



YEAP KOK LEONG

Joint Secretary

60 Male Malaysian

Academic/Professional Qualification

- Fellow of the Malaysian Institute of Chartered Secretaries and Administrators
- Member of MIA
- Associate and Chartered Global Management Accountant of The Chartered Institute of Management Accountants

LEADERSHIP TEAM



AZRUL OSMAN RANI

Managing Director/Chief Executive Officer



FARZLINA AHMAD MURAD

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.*



**MAZLIN ERAWATI
AB MANAN**

*Head,
Venture Builder*

NORMAH BASRI

Head,
Supply and Distribution Division



MIN EDINA MUSTAPHA KAMAL

Head,
Strategy Division



NAINA MOHD SHUKRI OMAR

Head,
Human Resource Management Division

RUZIAH AZDI ABDUL RAHMAN

Head,
Strategic Communications Division



SURIA KAMARUL BAHARIN

Head,
Legal and Secretariat Division



ROS NAN HAMZAH

Head,
Health, Safety and Environment Division



MOHD IMRAN M ASHRAF

Head,
Technical Services 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'S PROFILE

AZRUL OSMAN RANI

Managing Director/Chief Executive Officer

47 | Male | Malaysian | 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

Key Responsibilities

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

Past Experiences

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

Skills Matrix

Industry Experiences



FARZLINA AHMAD MURAD

Chief Financial Officer

45 | Female | Malaysian | 1 March 2020

Academic/Professional Qualification

- Bachelor of Science in Accounting (Hons), University of Wales, Cardiff, UK

Key Responsibilities

Responsible for the management of all financial related matters for PDB and its subsidiaries, risk management and investor relations

Past Experiences

- Head (Finance), Strategy, Finance & Risk, Downstream Corporate Office, PETRONAS
- Manager (Gas & Power Business), Treasury, PETRONAS
- Chief Financial Officer (Project Stardust), Strategy & New Ventures, PETRONAS
- Manager (New Venture Development & Negotiation), Accounting & Financial Services, PETRONAS Carigali Sdn. Bhd.
- Various positions within PETRONAS Group

Skills Matrix

Industry Experiences



WAN YUSSMAN WAN YUSOF

Chief Technology Officer

44 | Male | Malaysian | 1 July 2019

Academic/Professional Qualification

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

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

Skills Matrix

Industry Experiences



Skills Matrix

- | | | | |
|---------------|------------------------------------|------------------------|--|
| Finance/Audit | Commercial Marketing | Human Resource | HSE |
| Economics | Operations | Information Technology | Business Transformation |
| Engineering | Corporate Planning and Development | Risk Management | Corporate and Marketing Communications |

KHALIL JAFFRI MUHAMMAD MURI

Head, Retail Business Division

47 | Male | Malaysian | 1 January 2019

Academic/Professional Qualification

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

Key Responsibilities

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

Past Experiences

- Head, ROVR Project, Retail Business Division, PETRONAS Dagangan Berhad
- Head, Light Distillates, PETRONAS Trading Corporation Sdn. Bhd.
- Senior Manager, Marketing and Trading, Crude Oil for Asia Pacific/Far East, PETRONAS Trading Corporation Sdn. Bhd.
- Senior Manager, LNG Marketing for Korea and Taiwan
- Business Manager, OPTIMAL Group of Companies
- Analyst, PETRONAS Chemicals Group Berhad

Skills Matrix

2 4 5 6

Industry Experiences



RAMZULHAKIM RAMLI

Head, Commercial Business Division

44 | Male | Malaysian | 1 January 2020

Academic/Professional Qualification

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

Key Responsibilities

Responsible for sustainable value creation and growth of Commercial Business including strategic direction, business planning and development, sales and marketing as well as credit risk management

Past Experiences

- Head, LPG Business Division, PETRONAS Dagangan Berhad
- General Director/Chief Executive Officer, PETRONAS (Vietnam) Co. Ltd. And Thang Long LPG Co. Ltd.
- Chief Financial Officer, PETRONAS (Vietnam) Co. Ltd. and Thang Long LPG Co. Ltd.
- Head, Business Development, Vice President Downstream Marketing Office, PETRONAS
- Project Manager (Thailand), Downstream Marketing, PETRONAS
- Various positions within PETRONAS Group

Skills Matrix

1 4 6 9 11

Industry Experiences



PRAMELA VALLINAYAGAN

Head, LPG Business Division

46 | Female | Malaysian | 1 January 2020

Academic/Professional Qualification

- Bachelor of Business Administration, Universiti Utara Malaysia

Key Responsibilities

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

Past Experiences

- Head, Commercial Excellence Department, Commercial Business Division, PETRONAS Dagangan Berhad
- Head, Supply Integration and Optimisation Department, Enterprise Optimisation under Vice President's Office of Refining and Trading, PETRONAS
- Various positions within PETRONAS Group

Skills Matrix

4 5 6 9

Industry Experiences



- Brand and Reputation Management
- Law/Secretarial
- 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

HARDEEP SINGH KIRPAL SINGH

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

51 Male Malaysian 1 February 1919

Academic/Professional Qualification

- Bachelor in Mechanical Engineering, Universiti Teknologi Malaysia, Malaysia

Key Responsibilities

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

Past Experiences

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

Skills Matrix

2 3 4 5 6 15

Industry Experiences



MAZLIN ERAWATI AB MANAN

Head, Venture Builder

40 Female Malaysian 1 April 2020

Academic/Professional Qualification

- Bachelor of Commerce, University of Melbourne, Australia
- Member, Institute of Chartered Accountants in Australia

Key Responsibilities

Responsible for the creation, incubation and scaling of strategic businesses, leveraging on the Group's assets to create new and sustainable revenue streams

Past Experiences

- Head, CEO's Office, Pengerang Refining Company Sdn. Bhd.
- Head, Joint Venture Setup Readiness, PETRONAS Refinery & Petrochemical Corp. Sdn. Bhd.
- Head (Refinery and Logistics), Commercial Development and JV Formation, PETRONAS Refinery and Petrochemical Corp. Sdn. Bhd.
- Head (Downstream), Merger and Acquisition, PETRONAS
- Head (Commercial), Unconventional Energy Unit, PETRONAS
- Head (Portfolio Management), EVP Downstream, PETRONAS
- Various positions within PETRONAS Group
- Senior Associate (Assurance), PwC Malaysia

Skills Matrix

1 4 5 6

Industry Experiences



NORMAH BASRI

Head, Supply and Distribution Division

48 Female Malaysian 1 June 2020

Academic/Professional Qualification

- Bachelor of Accountancy, Universiti Utara Malaysia

Key Responsibilities

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

Past Experiences

- Chief Executive Officer, Kertih Port Sdn. Bhd.
- Head, Supply and Distribution Division, PETRONAS Chemicals Marketing Labuan, PCG
- Senior Manager, Logistics and Distribution, PETRONAS Chemicals Marketing Labuan, PCG
- Operations Manager (Polymer and Fertilizer), Malaysia Trading Company (MITCO)
- Project Services and Procurement, PETRONAS LNG business (LNG Tiga Project)
- Project Economics, Marketing and Project, PETRONAS LNG business (LNG Tiga Project)

Skills Matrix

1 3 4 5 10

Industry Experiences



MIN EDINA MUSTAPHA KAMAL

Head, Strategy Division

 42 |  Female |  Malaysian |  16 April 2018

Academic/Professional Qualification

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

Key Responsibilities

Responsible for PDB's long-range strategic plans, corporate sustainability, 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

Skills Matrix

 4  6  11

Industry Experiences



RUZIAH AZDI ABDUL RAHMAN

Head, Strategic Communications Division

 57 |  Female |  Malaysian |  1 December 2015

Academic/Professional Qualification

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

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

Skills Matrix

 12  13

Industry Experiences



NAINA MOHD SHUKRI OMAR

Head, Human Resource Management Division

 46 |  Male |  Malaysian |  1 June 2016

Academic/Professional Qualification

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

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

Skills Matrix

 7

Industry Experiences



LEADERSHIP TEAM'S PROFILE

SURIA KAMARUL BAHARIN

Head, Legal and Secretariat Division

47 Female Malaysian 1 April 2020

Academic/Professional Qualification

- Certificate of Legal Practice, Malaysia
- Bachelor of Laws, University of Wales, Aberystwyth

Key Responsibilities

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

Past Experiences

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

Skills Matrix

14 15

Industry Experiences



ROSANAN HAMZAH

Head, Health, Safety and Environment Division

48 Male Malaysian 1 November 2018

Academic/Professional Qualification

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

Key Responsibilities

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

Past Experiences

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

Skills Matrix

3 5 9 10

Industry Experiences



MOHD IMRAN M ASHRAF

Head, Technical Services Division

40 Male Malaysian 1 July 2018

Academic/Professional Qualification

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

Key Responsibilities

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

Past Experiences

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

Skills Matrix

3 5 9

Industry Experiences



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 pages 16 to 17 of this <IR>

A hand is shown holding a glowing, translucent sphere that contains a complex circuit board pattern. The background is a dense, blue-toned digital environment featuring various data visualizations, including line graphs, bar charts, and network diagrams. Overlaid on this background is semi-transparent JavaScript code. The word "GOVERNANCE" is prominently displayed in the center of the sphere in a bold, orange-red font.

GOVERNANCE

CHAIRMAN'S CORPORATE GOVERNANCE OVERVIEW

Dear Stakeholders,

2020 was a challenging and disruptive year as the world grappled with the COVID-19 pandemic that further exposed social inequalities and economic insecurities. It also accelerated the nations and industries commitment on energy transition to address the climate change impacts.



This crisis has brought to the fore the importance of Board leadership and good governance in an increasingly challenging global business environment where focus is placed on business resilience, our ability to manage the crisis, rebound and capitalise on the opportunities to be ahead of the game.

Our immediate priority when the crisis hit us was to ensure that our employees are safe while ensuring our customers are served. We had swiftly moved to working from home with minimal manning at site. Also, we had leveraged the digital tools, online platforms and our robust logistics to reach our customers and ensure that their business needs were not impacted.

We convened our Board meetings online, as part of our measures to stay safe and to curb the spread of the COVID-19 pandemic. In addition, and in line with the Securities Commission's Guidance Note on the Conduct of General Meetings for Listed Issuers issued on 18 April 2020, our 38th Annual General Meeting (AGM) of the Company was also successfully conducted virtually.

CHAIRMAN'S CORPORATE GOVERNANCE OVERVIEW

The Board's role will continue to focus on building resilience while growing the business. Strengthening its fundamentals while also laying the foundations for our future success.

The Board's governance oversight is guided by its commitment to its responsibilities and governance objectives. The Board leverages on the diversity of its demographics, skills and experience that could provide the necessary range of perspectives to achieve effective stewardship. During this difficult year, I was very well supported by Board members drawn from different business sectors and fields who steered the strategic direction of the Company. Collectively, they represent a formidable leadership and independent viewpoints as well as valuable insights in aiding the Board's decision making.

With 60% of the Board composition comprising Independent Non-Executive Directors, the Board is assured of diversity in experience, expertise and objectivity. Of the ten Directors, three are women, representing 30% of the Board's total composition and in compliance with Practice 4.5 of the Malaysian Code on Corporate Governance 2017 (MCCG 2017).

During the year in review, Dato' Sri Syed Zainal Abidin Syed Mohamed Tahir retired as Non-Independent Non-Executive Director (NINED) at the conclusion of the 38th AGM of the Company held on 10 June 2020, while Vimala V.R. Menon retired as Independent Non-Executive Director (INED) following the expiry of her nine years' tenure as INED on 17 November 2020.

Following their retirements, the Board was pleased to welcome Tang Saw Hua and Ahmad Adly Alias as INED and NINED on 1 July 2020 and 25 August 2020 respectively. Tang Saw Hua, who is a Member of the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants, was appointed as the Chairman of the Board Audit Committee (BAC) due to her vast experience in financial management. She was also appointed as a member to the Nomination and Remuneration Committee (NRC) and the Board Risk Committee (BRC). Ahmad Adly Alias currently is the Vice President, Marketing, Downstream in PETRONAS and has vast experience in oil and gas. Their appointments are not only meant to fulfil the spectrum of Board Diversity but also to ensure fair and collective views on PDB's business and operations.

The Board reviews and assesses its own performance and that of individual Directors regularly, identifying areas of strengths and opportunities for improvements. Diverse and inclusive perspectives enable the Company to make informed decisions. These in turn would lead to better outcomes and is a progressive culture that we want to create and uphold in the Company.

In the year under review, we strengthened and enhanced our internal governance practices. We revised the cooling-off period for the appointment of an Independent Director and specific person including an existing or former officer, adviser or transacting party of PDB or its related corporation, following amendments to the MMLR of Bursa Malaysia Securities Berhad (Bursa Malaysia).

Following the enforcement of Section 17A Malaysian Anti-Corruption Commission Amendment Act, 2018 made effective on 1 June 2020 which imposes corporate liability on companies for failure to prevent bribery and corruption, the Directors attended a PETRONAS organised workshop on 10 February 2020 on Corporate Liability and Adequate Procedures to equip them with the required understanding of their liability and penalty imposed for the offences under Section 17A. The Board will continue to strengthen its procedures to ensure adequacy in preventing acts of corruption related to the organisation. Additionally and in line with the enforcement of Section 17A, the Board amended the Terms of Reference of the BRC to enhance its functions and to fill any gaps or areas for improvement based on the latest corporate governance requirements and for purposes of clarity.

Together with PETRONAS Group of Companies, PDB also rolled-out online training modules covering the five critical legal areas of Ethics & Integrity, Competition Law, Privacy & Data Protection, Sanctions and Export Control for PDB's Directors, officers and employees.

As at the date of this report, I am pleased to inform that the Corporate Governance Overview Statement, reports of the NRC, BAC and the BRC have applied and complied with the relevant provisions of the MMLR of Bursa Malaysia, the Companies Act 2016, the MCCG 2017, and the Corporate Governance Guide – 3rd Edition issued by Bursa Malaysia Berhad. Our practices are also benchmarked against the ASEAN Corporate Governance Scorecard.

The details of how PDB has applied, complied with and adopted the MCCG 2017 Principles and Practices are enumerated in our Corporate Governance Report 2020, which is accessible to the public on PDB's corporate website, www.mymesra.com.my.

The Board remains fully committed towards continuously improving the Company's governance practices and processes in this increasingly challenging operating environment. Our priorities in the coming year will focus on greater transparency and control of bribery and corruption. Sustainability is increasingly central to corporate competitiveness and our continued ability to be resilient. Therefore, in providing leadership to the Group, the Board will continue to ensure sustainable growth and delivery of the Group's purpose for the benefit of all stakeholders.

DATUK MD ARIF MAHMOOD
Chairman

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

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

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

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

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

This Corporate Governance Overview Statement seeks to provide investors with vital insights into the corporate governance practices of PDB. In this Statement, the Board reports on the manner the Group has adopted and applied the statutory requirements, principles and best practices as set out in Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Malaysia), Companies Act 2016 (CA 2016), Malaysian Code on Corporate Governance 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 2020.

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 2020 which is accessible to the public at PDB's corporate website at www.mymesra.com.my.

The Corporate Governance Report provides the details on how the Company has applied each Practice as well as the departures and alternative measures in place within the Company during the financial year 2020 and demonstrates the commitment of the Board and Management of the PDB Group in applying and embracing the high standards of Corporate Governance in the organisation. This Corporate Governance Overview Statement serves to show how our measures are aligned with the principles of good governance in accordance with the MCCG 2017 and references are made to the three (3) key Corporate Governance principles in the MCCG 2017:

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

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

1. MSWG-ASEAN Corporate Governance (CG) Awards 2019
 - Excellence Award for Overall CG & Performance
 - Excellence Award for CG Disclosure
 - Industry Excellence Award
2. Achieved four stars (highest rating) from Environmental, Social and Governance Ratings by FTSE Russell
3. Annual Report Competition (ARC) Awards International XXXIV
 - Gold Award for Cover Photo/Design
 - Gold Award for Traditional Annual Report
 - Bronze Award for IR Interior Design

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

Our Governance Structure

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

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

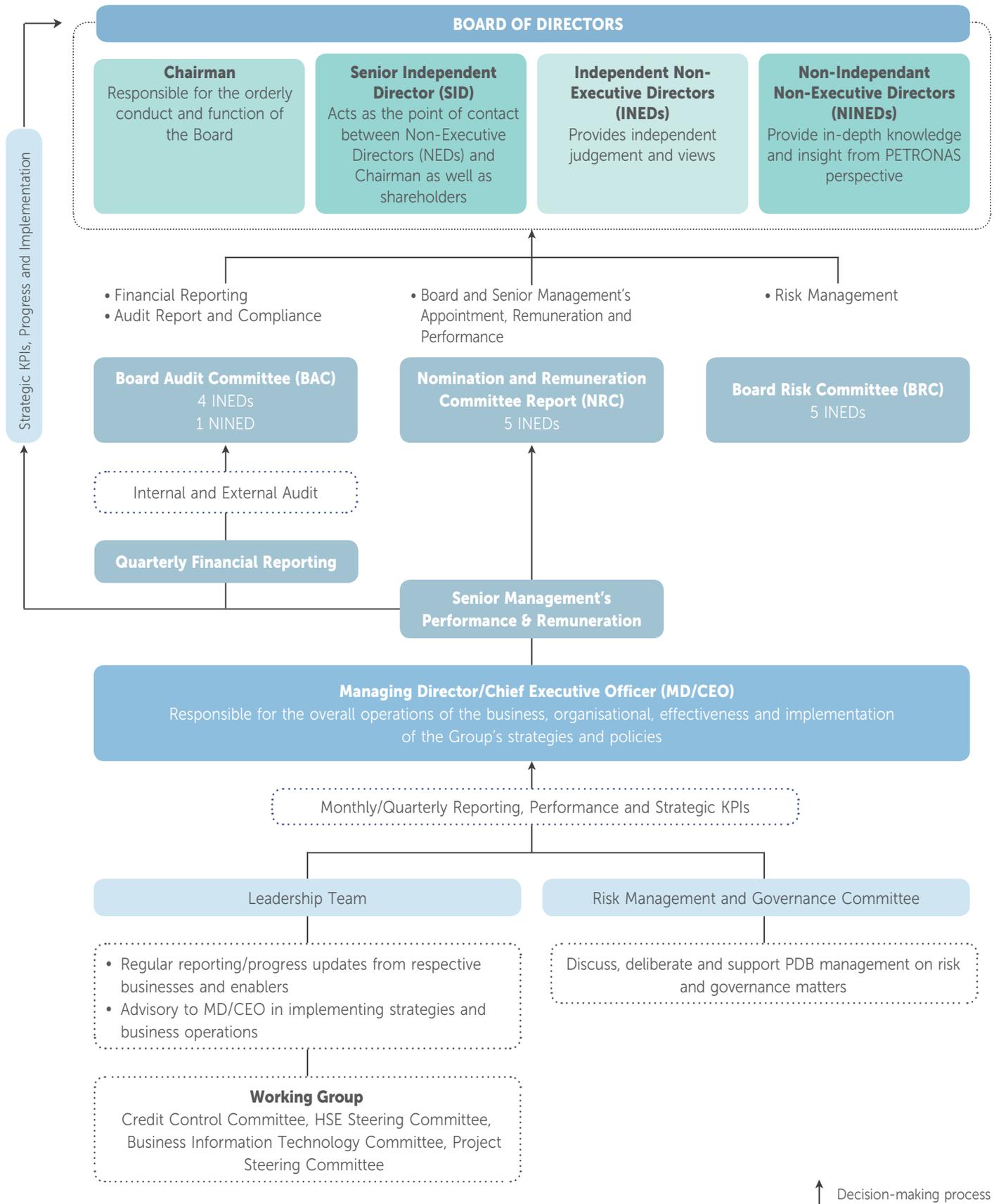
The Board is accountable to shareholders to create and deliver sustainable value through oversight of the management of the Group's business, approving strategic plans, monitoring their implementation and providing the necessary support for their successful execution.

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

Effective operation of the Board relies on clarity of the various roles and responsibilities. There is therefore a clear division of responsibilities between the leadership of the Board and the executive leadership of the Company's business in line with the principles of the MCCG 2017.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT



How The Board Operates

Board Charter

In discharging the Board's duties and responsibilities effectively, the Board is guided by its Board Charter, a document which sets out the principles and guidelines that are to be applied by the Board. This Board Charter has been developed to accentuate the Board's commitment to high standards of corporate governance. It adopted best practices, applicable rules and regulations, process and procedures to guide the Board in the discharge of its duties and functions.

The Board Charter sets out the roles and responsibilities of the Board, the Chairman and the Managing Director/Chief Executive Officer (MD/CEO), Board appointments and succession planning, establishment of Board Committees, stakeholder communication, risk management etc.

The delegation of authority as set out in the Board Charter is clear and ensures that the line of authority is in line with the legal and regulatory requirements. The Board Charter are reviewed and updated from time to time to reflect relevant changes to the policies, procedures and processes as well as amendments to rules and regulations to ensure the document remains relevant and consistent with the applicable rules and regulations and recommended best practices.

 For more information on the Board Charter, please refer to PDB's corporate website at www.mymesra.com.my

Board Leadership

The Board is responsible for the overall leadership of the Group and for promoting its long-term sustainability and success by providing leadership within a framework of prudent and effective controls.

The Board safeguards stakeholder value-creation. Prudent and effective controls make it possible for the Board to assess and manage emerging risks and opportunities continuously to ensure long-term sustainable development and growth.

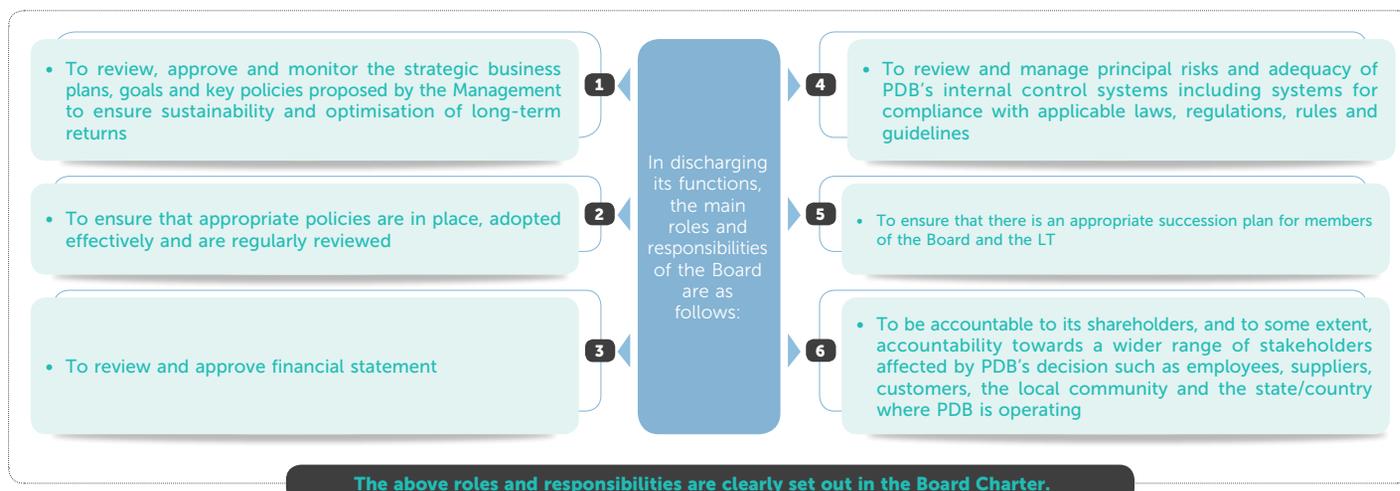
The Board commits itself and its Directors to ethical business and lawful conduct, including proper use of authority and appropriate decorum when acting as Board members.

All Board members exercise their powers for a proper purpose, in good faith and in the best interest of the Company. In directing or managing the Company's business and affairs, they exercise reasonable care, skill and diligence by applying their knowledge, skill and experience.

The Board ensures that key transactions or critical decisions are deliberated and decided on by the Board in a meeting. The Board also ensures that decisions and basis for those decisions, including any dissenting views are made known and properly minuted.

Principal Roles and Responsibilities of the Board

The Board is entrusted with the responsibility to promote the success of the Group by directing and supervising the Group's affairs in a responsible and effective manner. Each Director has a duty to act in good faith and in the best interest of the Company. The Directors are aware of their collective and individual responsibilities to all shareholders for the manner in which the affairs of the Company are managed, controlled and operated. The Board is satisfied that it has fulfilled these duties and obligations during the year under review.



CORPORATE GOVERNANCE OVERVIEW STATEMENT

Board Balance and Composition

The Board's size ensures that the purpose, involvement, participation, harmony and sense of responsibility of the Directors are not jeopardised and that it achieves the correct balance to realise the Group's strategic objectives.

The Board believes that a diverse Board that leverages on differences in the skills, knowledge, experience and views of Directors will ensure effective stewardship of LT and will steer the Company to retain its competitive advantage.

The Board comprises ten members, one of whom holds an Executive Office, as MD/CEO and nine are Non-Executive Directors (NEDs). 30% of the Directors are women. As at the date of this Statement and as per best practice, Independent Non-Executive Directors (INEDs) make up of 60% of the Board's composition in line with the requirements of Paragraph 15.02 of the MMLR of Bursa Malaysia and Practice 4.1 of MCGG 2017.

During the year under review, the Board saw changes to its composition with the retirement of Dato' Sri Syed Zainal Abidin Syed Mohamed Tahir and Vimala V.R. Menon on 10 June 2020 and 17 November 2020 respectively; and the appointment of Tang Saw Hua and Ahmad Adly Alias as INED and NINED on 1 July 2020 and 25 August 2020 respectively. Their retirements and appointments were duly announced to Bursa Malaysia. The Board wishes to extend its gratitude to Dato' Sri Syed Zainal Abidin Syed Mohamed Tahir and Vimala V.R. Menon for their significant contribution and services during their tenure as Directors of PDB. The profiles of Tang Saw Hua and Ahmad Adly Alias are available on pages 118 to 119 of this <IR>.

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



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

The Directors are selected based on their individual merits and experience. The current Board composition comprises individuals of diverse backgrounds with good corporate leadership, experience, expertise and skills, among others, finance/audit, economics, engineering, commercial/marketing, operations, corporate planning and development, risk management, human resource, information technology, oil and gas, retail, shipping/logistics, regional/international, banking and finance, education and automotive that could steer the strategic direction of the Company. Seven of the NEDs have experience in the oil and gas industry.

The current overall Board composition is adequate in terms of size and diversity of age, gender and has a blend of skills, experience and knowledge enabling them to provide effective oversight, strategic guidance and constructive challenge, examine proposals on strategy and empower the MD/CEO to implement strategies approved by the Board. This is to ensure diversity and inclusiveness of views as well as to facilitate effective decision-making and constructive deliberation during its meetings.

In considering new appointments to the Board, the Board through the NRC, takes into account corporate leadership skills, experience and expertise required to advance the strategic direction of the Company. The NRC also ensures that the Board has the right balance of skills, experience, independence and business knowledge necessary to discharge its responsibilities in keeping with the highest standards of governance while providing meaningful contributions to the business of the Company.

The balance on the Board with the presence of NEDs ensures that no individual or small group of Directors are able to dominate the decision-making process and that the interests of shareholders are protected. The Board considers each NEDs to be independent in character and judgement.

The NEDs possess the necessary expertise and experience to ensure that the strategies proposed by the Management are fully deliberated and examined, taking into account the interests of the shareholders and stakeholders. They contribute to the formulation of policy and decision making through their expertise and experience.

The INEDs play a significant role in providing unbiased and independent views, advice and judgement which brings objectivity and scrutiny to the Board's deliberations and decision-making. Their role is also particularly critical for related party transactions as these require independence of judgement and objective impartiality to protect the interests of minority shareholders. The Board is also of the view that all directors exercise independent judgement at all times.

To avoid any conflict of interest, all Board members declare their interests where applicable at all Board meetings.

In line with the Paragraph 15.06 of MMLR of Bursa Malaysia, none of the members of the Board holds more than five directorships in listed companies. Prior to acceptance of other appointment for directorship in other listed companies, the Directors are required to first notify the Chairman of PDB to ensure that such appointment would not unduly affect their time commitment and responsibilities to the Board. In addition, none of the Directors have appointed alternates.



For more information on Profile of Directors, please refer to pages 114 to 119 of this <IR>

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Separate Roles of Chairman, Managing Director/Chief Executive Officer and Senior Independent Director

An effective Board is crucial to the long-term prospects and strategic aims of the Company. This is achieved through strong and open working relationships between the Directors.

Additionally, the Board practices a clear demarcation of duties and responsibilities between Chairman and MD/CEO to ensure a balance of power and authority in the Board. The positions of Chairman and MD/CEO are held separately by Datuk Md Arif Mahmood and Azrul Osman Rani, respectively. This segregation ensures a clear distinction between the Chairman's responsibility to manage the Board and the MD/CEO's responsibility to manage the Company's business. Separation in the role of the Chairman and the MD/CEO is imperative as both roles have different expectations and serve distinct primary audiences.

The Senior Independent Director (SID) acts as a point of contact between the NEDs and the Chairman as well as the designated contact to whom shareholders' concerns may be raised.

A short summary of their roles and division of responsibilities is set out below:



CHAIRMAN

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.

Roles and responsibilities:

- 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 NEDs;
- Ensuring the provision of accurate, timely and clear information to Directors;
- Ensuring effective communication with shareholders and relevant stakeholders;
- Arranging evaluation of performance of Board members, its Committees and individual Directors, including assessment of the independence of Independent Directors;
- Ensuring that all Directors are properly briefed on issues arising at Board meetings and there is sufficient time allowed for discussion on complex or contentious issues and where appropriate, arranging for informal meetings beforehand to enable thorough preparations;
- Allowing every Board resolution to be voted on and ensuring the will of the majority prevails;
- Casting his votes in accordance with 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 114 of this <IR>

Roles and responsibilities:

- Develops and recommends to the Board the long-term strategy and vision for PDB and/or Group that will lead to the creation of long-term prosperity and stakeholder value;
- Develops and recommends to the Board the business plan and budget that support PDB's and/or Group's long-term strategy;
- Fosters a corporate culture that promotes ethical practices, encourages individual integrity and the fulfillment of PDB's corporate social responsibilities;
- Maintains a positive and ethical working environment that is conducive to attracting, retaining and motivating a diverse work-force at all levels;
- Recommends suitable management structures and operating authority levels which include delegations of responsibilities to the Management;
- Ensures an effective LT below the level of the MD/CEO and developing an appropriate succession plan;
- Formulates and oversees implementation of major corporate policies;
- Accountable to the Board for the financial management and reporting, including forecasts and budgets of PDB;
- Reports periodically to the Board on the Group's financial and business performance;
- Ensures continuous improvement in quality and value of the PDB's products and services; and
- Serves as spokesperson for PDB.



For more information on the MD/CEO's profile, please refer to pages 115 and 122 of this <IR>



The respective roles and responsibilities of the Chairman and MD/CEO can be viewed under the Board Charter in the PDB's corporate website at www.mymesra.com.my


**MANAGING DIRECTOR/
CHIEF EXECUTIVE OFFICER**
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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT



SENIOR INDEPENDENT DIRECTOR

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. The appointment is in line with the best practice recommended by the ASEAN CG Scorecard, which is used as a benchmark by the Company in its effort to maintain the highest standards of good governance.

Based on his experience with the Board and seniority amongst the INEDs, Lim Beng Choon satisfies the prescribed criteria, and is the most appropriate candidate for the role of SID. His familiarity with the operations throughout the years and on the workings of the Board as well as his involvement with NRC and BAC have also provided him with in-depth experience on the respective member's individual roles and forte. Lim Beng Choon also has significant influence within the Board and was able to play his role as a SID of PDB.

Roles and responsibilities:

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 channeled to the relevant parties.

All queries relating to the Group can be channeled to the SID's email address, 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 115 of this <IR>

Separation of Powers between the Board and Management

The MD/CEO is assisted by the LT and Risk Management and Governance Committee in managing the business on a day-to-day basis, whom he consults regularly. The LT ensures that effective systems, controls and resources are in place to execute business strategies and decisions taken by the Board and/or the MD/CEO. These committees report the performance and strategic Key Performance Indicators (KPIs) on a monthly basis to the MD/CEO, whilst progress and updates are reported regularly by working groups within the business units.

Board Diversity

PDB's Diversity Policy ensures that the mix and profiles of our Board members, in terms of age and gender, provide the necessary range of perspectives, experience and expertise required to achieve effective stewardship and management. The Board also supports the country's aspirational target of 30% representation of women directors in line with Practice 4.5 of MCCG 2017. To-date, there are three female Directors on the Board of PDB which constitutes 30% of the Board composition and there are seven women on the LT of PDB which represents 47% of the LT composition. In tandem with the emphasis on gender diversity, the Board is committed in developing a corporate culture that also embraces the aspect of gender diversity.

We believe that a truly diverse and inclusive Board will leverage on differences in thought, perspective, knowledge, skill, regional and industry experience, cultural and geographical background, age and gender all of which will ensure that PDB retains its competitive advantage. Diversity is also important to ensure the Company remains relevant and sustainable in the rapidly transforming and evolving business environment.

In this regard, the Nomination and Remuneration Committee (NRC) is empowered to review and evaluate the composition and performance of the Board annually, as well as assessing qualified candidates to occupy Board positions. Several suitable qualified independent directors have also been identified and included in the directors' pool for possible nomination as part of the succession plan for PDB Directors. At any given time, the Board may seek to improve one or more aspects of its diversity and measure the progress accordingly.

In connection with its effort to create and maintain a diverse Board, the NRC will:

- a. Adhere to the recruitment and sourcing process that seeks to include diverse candidates, including women in any director search;
- b. Assess the appropriate mix of diversity including gender, age, skills, experience and expertise required on the Board and address gaps, if any;
- c. Make recommendations to the Board in relation to the appointments and maintain an appropriate mix of diversity, skills, experience and expertise on the Board; and
- d. Periodically review and report to the Board on requirements in relation to diversity on the Board, if any.



For more information on the Board Diversity Policy, please refer to PDB's corporate website at www.mymesra.com.my

Independence

The Board recognises the important contributions that INEDs make to good corporate governance. All Directors, regardless of their independent status, are required to act in the best interests of the Company and to exercise unfettered and independent judgement. To date, all six INEDs satisfy the following criterias:

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

In line with the exemplary practice as recommended by the MCCG 2017, the Company has adopted a tenure policy whereby an INED's total tenure on the Board is capped at nine years.

Following the recent amendment to the MMLR of Bursa Malaysia on 13 August 2020 in relation to the enhancement of the definition of Independent Directors, the Board has revised the Board Selection Criteria and reviewed the Board Succession Planning Framework by revising the cooling-off period from two to three years for the appointment of Independent Directors and specific person including an existing or former officer, adviser or transacting party of PDB or its related corporation and require NINED to also observe the above revised cooling-off period.

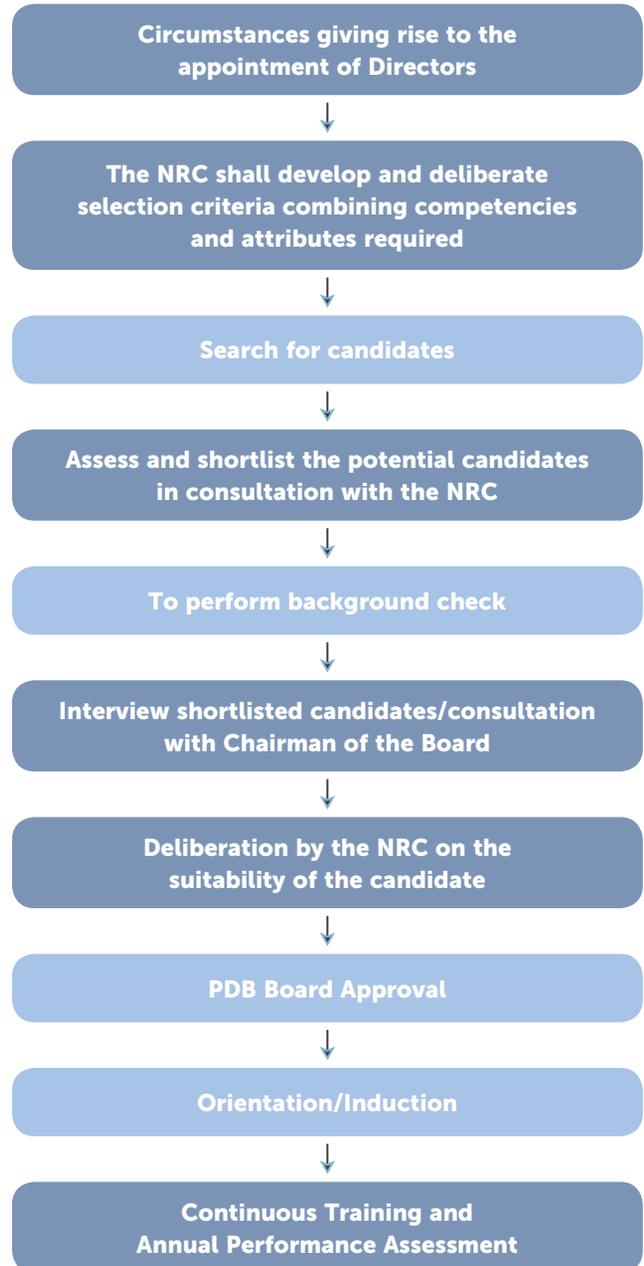
Board Appointment Process

PDB practices a formal and transparent process on the appointment of new Directors. The nomination of NINEDs to the Board is made by Petroliam Nasional Berhad (PETRONAS) being the majority shareholder of the Company. The nomination of INEDs to the Board is made through the engagement of a professional recruiting firm to find most suitable candidates to fill the vacant positions or via recommendations by the Board members.

In its selection of suitable candidates, the NRC is delegated in developing and deliberating selection criteria based on competencies and attributes required. The NRC will also screen, conduct initial selection, consider and present their findings on the nominee prior to making recommendation to the Board. Once a potential candidate has been shortlisted for recommendation, the Company Secretaries will conduct comprehensive background checks, including checks on financial and character integrity.

All 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.

The Board appointment process is summarised in the chart below:



Directors' Re-election and Re-appointment

In accordance with the MMLR and Article 107 of the Company's Constitution, one-third of the Directors of the Company for the time being shall retire by rotation at an AGM of the Company provided always that all Directors, shall retire from office at least once in every three years but shall be eligible for re-election at the AGM. A Director retiring at the AGM shall retain office until the close of the meeting whether adjourned or not. Whilst according to Article 100 of the Company's Constitution and the CA 2016, Directors appointed to fill a casual vacancy or as an addition to the Board of Directors shall hold office only until the conclusion of the next AGM and shall be eligible for re-election.

Taking into consideration the relevant requirements, the Directors' rotation list was presented to the NRC for endorsement prior to recommendation to the Board for approval and the affected Directors are required to give their consent on their re-election prior to PDB's Board meeting.

Board Meetings and Attendance

The Board meets at least quarterly with additional meetings convened as and when necessary. The Board, Board Committees, Board Strategy Away Day and AGM for the year under review were pre-scheduled in November 2019 to facilitate the Directors in planning ahead and incorporating the said meetings into their respective schedules. It also served to provide the Board with ample notice of the meetings. Aside from Board meetings, urgent matters were also decided via five Director's circular resolutions. Resolutions in writing signed by all of the Directors valid and effectual as if it had been passed at a Board meeting. During the year under review, all circular resolutions were signed by all Directors.

The robust and vigorous deliberations at Board and Board Committee meetings provide opportunities to all Directors to participate and contribute to the decision-making process as well as to ensure that the process of constructive and healthy dialogue is achieved.

In discharging their responsibilities, during each Board and Board Committees meeting, the INEDs were inquisitive in the quest for better understanding of items being discussed, vocal during discussions and judicious in the decision-making process. They were impartial in their views, with the Company's and stakeholders' best interests at the forefront of every major decision.

Although the minimum quorum for Board meeting is two, Board meetings are mostly attended by all Directors. While a decision of the Board and Board Committees only requires a majority of votes of the Directors, all decisions made are on consensus basis. In the case of a tied vote, the Chairman has a second or casting vote. During the year under review, the Chairman did not have the need to use his casting vote to pass any resolution.

Directors must immediately declare if they have any interest in transactions that are to be entered directly or indirectly with the Company. They must disclose the extent and nature of their interest at a Board meeting or as soon as practicable after they become aware of the conflict of interest. They must abstain from participating in the deliberation and Board decision on the matter as he/she is an interested party.

At all meetings, the Board practices a strong culture of open debate and raises challenging questions. Matters deliberated at Board meetings include 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 agenda of the Board and Board Committee meetings is finalised upon consultation between the Chairman of the Board and respective Committees, MD/CEO and the Company Secretary. The Board meetings are convened immediately following the finalisation of the Company's quarterly and annual results for the Board to review and approve prior to announcement to Bursa Malaysia. The respective Chairmen of Board Audit Committee (BAC), NRC and Board Risk Committee (BRC) also update the Board on the proceedings of their respective Committee meetings.

Relevant members of the LT and the external advisers attend Board meetings by invitation and report to the Board on matters pertinent to their respective areas of responsibility, to present new proposals or to brief on actions implemented pursuant to recommendations made by the Board. In the event a Director is unable to attend a meeting, his/her views are sought in advance and put to the meeting to facilitate a comprehensive discussion. Each Director therefore makes himself/herself available to fellow Directors and may contribute to all major decisions that the Board has to make.

All proceedings of Board and Board Committee's meetings and deliberations including comments made by the Directors are duly minuted and signed. Minutes of each Board and Board Committee's meeting are properly kept by the Company

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Secretary. The minutes of each Board and Board Committee's meetings were circulated in a timely manner to all Directors for their perusal prior to the minutes being tabled for confirmation at the next Board and Board Committee's meeting. The Directors may request for clarification or raise comments on the minutes prior to their confirmation.

The Director's commitment in carrying out their duties and responsibilities is reflected by their attendance at the Board and Board Committee meetings held during the year. Although some Directors hold multiple directorships, they were able to commit and devote their time for the Board and Board Committee meetings. The Board is satisfied that each Director has devoted sufficient time to effectively discharge his/her responsibilities.

A total of seven Board meetings were held during the year under review. All Directors complied with the minimum attendance requirement of at least 50% of the Board meetings pursuant to Paragraph 15.05(3)(c) of the MMLR of Bursa Malaysia. The COVID-19 crisis in 2020 has significantly changed the manner on how the Board and Management carry out meetings which are conducted online, including matters relating to strategic conversation, financial and governance. As such, six out of total of seven Board meetings were held virtually via digital platform during the year.

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

Meeting	Quarter 1 2020	Quarter 2 2020	Quarter 3 2020	Quarter 4 2020
Annual General Meeting	-	10 June 2020	-	-
Nomination and Remuneration Committee Meeting	14 January 2020 and 14 February 2020	-	-	5 November 2020
Board Audit Committee Meeting	18 February 2020	15 May 2020	17 August 2020	10 November 2020
Board Risk Committee	24 February 2020	13 May 2020	19 August 2020 and 17 September 2020	16 November 2020
Board Meeting	25 February 2020 and 31 March 2020	18 May 2020	25 August 2020	28 October 2020, 5 November 2020 and 17 November 2020
Board Strategy Away Day	-	-	1 – 2 July 2020	14 – 15 December 2020

DIRECTORS' ATTENDANCE AT MEETINGS OF THE BOARD, BOARD COMMITTEES, BOARD STRATEGY AWAY DAY AND ANNUAL GENERAL MEETING FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 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	7/7	-	-	-	✓
2.	Azrul Osman Rani	Executive Director	7/7	-	-	-	✓
3.	Lim Beng Choon	Senior Independent Director	7/7	4/4	3/3	-	✓
4.	Datuk Anuar Ahmad	Independent Non-Executive Director	7/7	4/4	-	4/5	✓
5.	Nuraini Ismail	Non-Independent Non-Executive Director	7/7	4/4	-	-	✓
6.	Ahmad Adly Alias*	Non-Independent Non-Executive Director	4/4	-	-	-	-
7.	Shafie Shamsuddin	Independent Non-Executive Director	7/7	-	3/3	4/5	✓
8.	Alvin Michael Hew Thai Kheam	Independent Non-Executive Director	7/7	-	-	5/5	✓
9.	Nirmala Doraisamy	Independent Non-Executive Director	7/7	-	-	5/5	✓
10.	Tang Saw Hua**	Independent Non-Executive Director	4/4	2/2	-	-	-
11.	Vimala V. R. Menon***	Independent Non-Executive Director	7/7	4/4	3/3	5/5	✓
12.	Dato' Sri Syed Zainal Abidin Syed Mohamed Tahir****	Non-Independent Non-Executive Director	1/3	-	-	-	✓

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

* Ahmad Adly Alias was appointed as Non-Independent Non-Executive Director with effect from 25 August 2020

** Tang Saw Hua was appointed as Independent Non-Executive Director with effect from 1 July 2020

*** Vimala V.R. Menon retired as Independent Non-Executive Director with effect from 17 November 2020

**** Dato' Sri Syed Zainal Abidin Syed Mohamed Tahir retired as Non-Independent Non-Executive Director upon conclusion of the Company's AGM held on 10 June 2020

2020 saw the Board and Board Committees spent a total of 122 hours in discharging its key fiduciary duties and oversight function and responsibilities.



CORPORATE GOVERNANCE OVERVIEW STATEMENT

Board Committees

As part of its efforts to ensure the effective discharge of its duties, the Board has delegated certain functions to certain Committees with their own Terms of Reference (TOR). The Chairman of the NRC, BAC and the BRC report to the Board on the deliberations, discussions and outcome of their respective Committee meetings.



The reports of these three Committees are set out on pages 166 to 180 of this <IR>

Board Strategy Away Day

The Board Strategy Away Day with the LT of PDB were held on 1 – 2 July 2020 and 14 – 15 December 2020 to provide the Board with updates and to deliberate on market outlook and external environment analysis that facilitated the Board's deliberation on the Group's strategies and future growth plans.

Supply and Access to Information

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

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

The Board papers were circulated to all Directors at least five 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.

Access to Board papers were carried out online through a collaborative software which allows the Directors to securely access, to read and review the Board documents and collaborate with other Directors and the Company Secretary electronically. This software eases the process of distribution of Board papers and minimises leakage of sensitive information.

The Directors have direct access to the Management and have unrestricted access to any information relating to the Group to enable them to discharge their duties. The Directors also have direct access to the advice and services of the Company Secretary and are regularly updated on the new statutory and regulatory requirements relating to the duties and responsibilities of the Directors. The Directors, whether collectively as a Board or in their individual capacity, may seek independent professional advice at PDB's expense in furtherance of their duties.

The Board's 2020 Key Focus Areas & Priorities

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

Key Focus Areas

Description

STRATEGY

Reviewed and approved Group strategic initiatives and plans

The Board deliberated on strategic initiatives and provide the relevant feedback and directions. The Board also oversaw the conduct of the Company's business and execution of the initiatives against the 2020 target.

Oversaw and evaluated progress of growth projects

The Company's strategic direction, achievements and challenges in pursuing growth strategy were periodically and as and when necessary, updated to the Board for guidance and directions on the way forward. During the year, the Company had successfully scale-up one of its venture (Setel®) to all stations nationwide and incubated 2 more ventures.

Reviewed and approved the Group's Business Plan

The Board deliberated and approved PDB's business plan which spans over five years. Projections presented to the Board were prepared against market forecasts. Future growth projects and financial forecasts was also presented to the Board for their deliberation. The Board also deliberated PDB's resource allocation plans and potential challenges towards achieving PDB's aspirations.

FINANCIAL PERFORMANCE

Reviewed and approved the Group's Budget

The Board deliberated, provided direction and approved the 2021 budget. As performed annually, the Board provided direction and endorsed the budget and resource allocation for the next five years. Budget is presented to the Board annually for progress updates and review, based on operational performance, strategic outcomes, and any changes to the operational or external environment.

Reviewed and approved the Group's performance on Quarterly basis

The business performance report is mandatory to be reported at quarterly board meeting. Performance is measured and tracked against the approved KPIs. The MD/CEO and Key Management's KPI and their performance were presented to the Board to oversee, measure and track against the approved KPI targets for the year in achieving the Company's aspiration and objective. On quarterly basis, the Board was updated on the performance against the business performance targets.

Reviewed and approved the quarterly interim dividend

The Board consider and approve the proposal of declaration of dividend on quarterly basis.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

RISK AND INTERNAL CONTROLS

Identified and managed principal risks

In pursuant of PDB Board Charter Item 3.1.1 (iii)(c), the Board deliberated and approved PDB critical risks that may significantly impact PDB’s business goals and targets through annual approval of PDB Corporate Risk Profile (“CRP”), i.e., 2020 PDB CRP. In developing PDB CRP, PDB reviewed its existing risks and identified new risks through scanning of external and internal factors such as emerging risks and operational risks which constitutes as critical risks for PDB.

The Board also monitors the Key risk indicators (“KRIs”) identified as part of the CRP which serves as early warning signals on the increasing likelihood or impact of the risks whereas mitigations were also identified to manage or reduce the impact for each critical risk. Status of both KRIs and mitigations were monitored by the Board through quarterly Business Risk Report (“BRR”).

In addition, to ensure risks undertaken in pursuit of business objectives are within Board acceptable level, the Board has also approved the PDB risk appetite which sets its key operational boundaries. PDB’s risk appetite reflects its stance, propensity, and acceptability to take risk in various areas towards achieving its strategic objectives. PDB monitors and reports the risk appetite on a regular basis and escalates any breach of the risk appetite to management and Board, if required, on a timely basis for deliberation of specific action or decision.

Quarterly PDB’s Litigation and Arbitration Cases

The status of PDB’s general litigation and arbitration cases were also updated to the Board on quarterly basis.

Adoption of PDB Financial Policy

PDB adopts the enhanced PETRONAS Financial Policy which provides strategic direction towards financial resiliency through efficient capital management practices for long term sustainability. The PETRONAS Financial Policy governs financial management and financial risk management through three inter-related policies namely PETRONAS Financial Policy, PETRONAS Tax Policy and PETRONAS Risk Policy.

CORPORATE GOVERNANCE AND COMPLIANCE

Implementation and monitoring of succession planning

As part of the role of the Board of PDB, the Board ensures that there is an appropriate succession plan for members of the Board. During the year under review, the Board has approved the revision to Board succession planning framework and Board Selection Criteria in order to:

1. include the requirement to undertake background check on the candidates for Directors;
2. include risk management in the skills and experience under the Board Selection Criteria; and
3. revise cooling-off period for the appointment of Independent Director and specific person including an existing or former officer, adviser or transacting party of the listed issuer or its related corporation.

The Board has approved the changes to the Board and Board Committees to strengthen its composition.

Amendment of Board Risk Committee Terms of Reference

During the year under review, the BRC TOR were enhanced to manage corruption risk within PDB Group addressing other improvements based on the latest corporate governance requirements and for clarity purposes.

Related Party Transactions and Recurrent Related Party Transaction

To ensure all transactions are at arm's length basis and were carried out on normal commercial terms and not to the detriment of the minority shareholders.

Revision to PDB Limits of Authority ("LOA") and Summary of Authority ("SOA")

The Board reviewed and approved the changes to the PDB LOA and SOA. The revision was made due to the New Areas of Decision Making, enhanced business requirement and LOA simplification.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

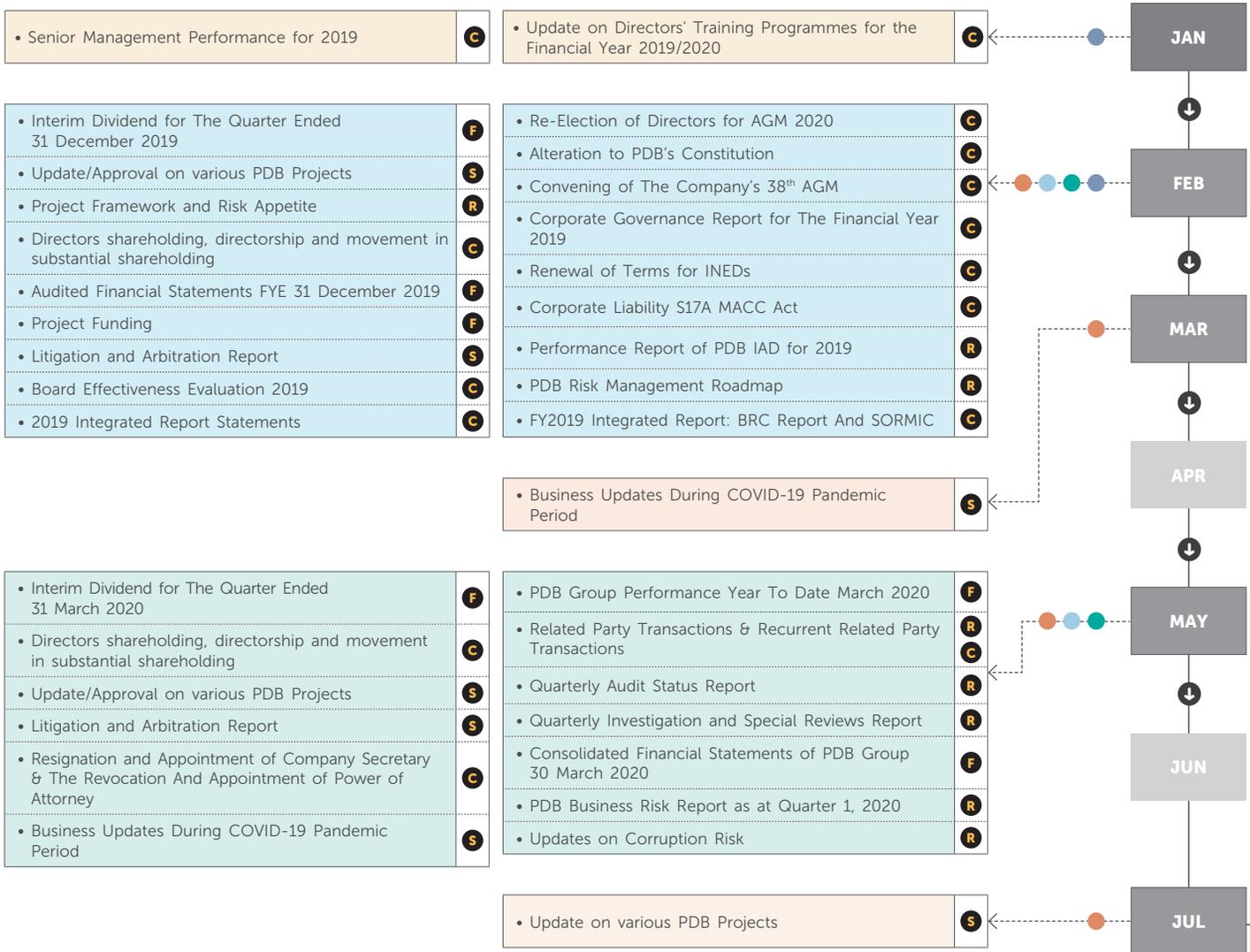
Highlights of Board Activities During 2020

F Financial

S Strategy

R Risk and Internal Control

C Corporate Governance and Compliance





Board



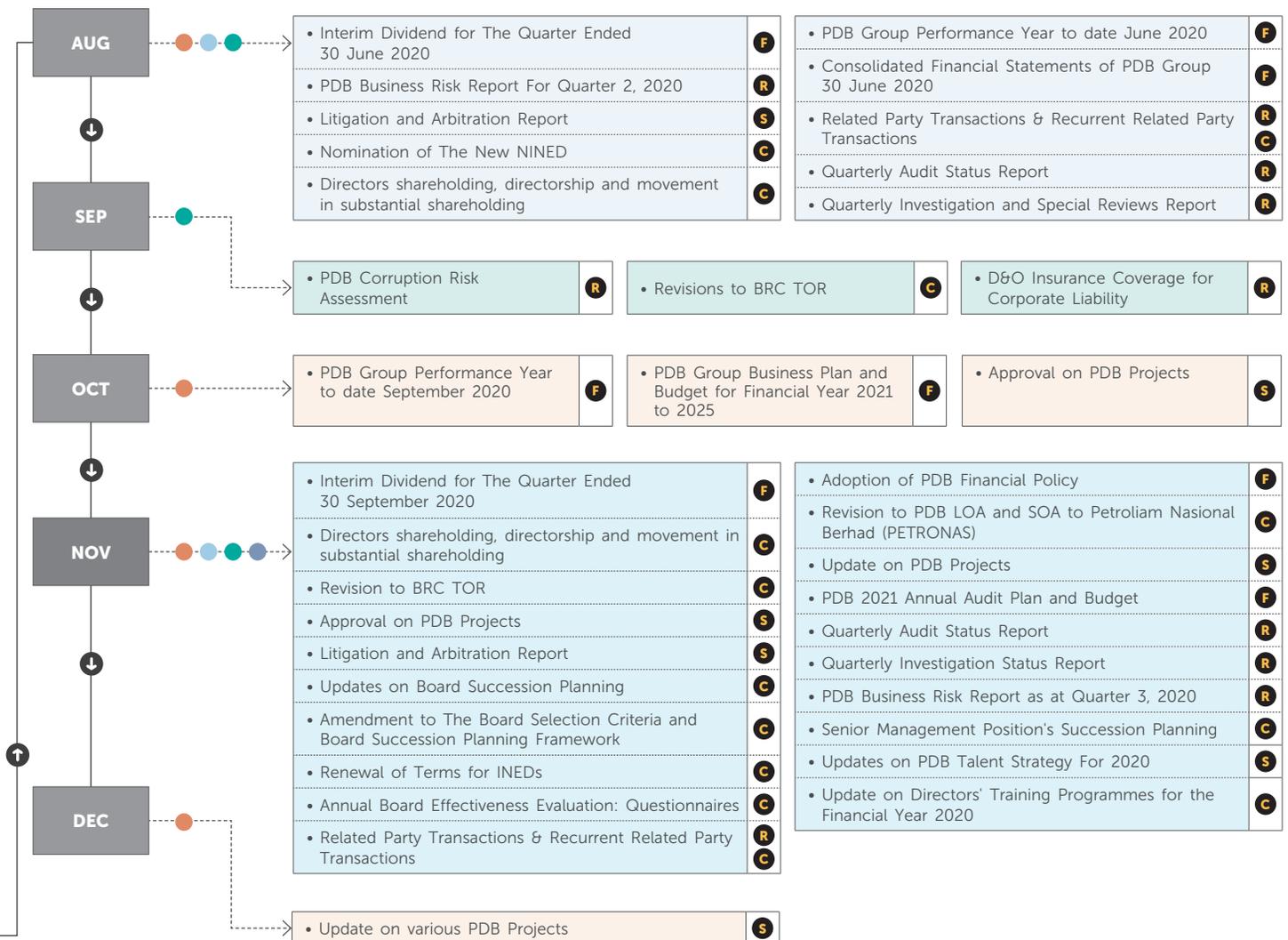
Board Audit Committee



Board Risk Committee



Nomination and Remuneration Committee



CORPORATE GOVERNANCE OVERVIEW STATEMENT

Directors' Indemnity

PDB continues to provide and maintain indemnification for its Directors throughout the year under review as allowed under the CA 2016. To the extent it is insurable under the Directors' and Officers' Liability Insurance (D&O) procured by the Company, Directors and Officers are indemnified against any liability incurred by them in discharging their duties while holding office as Directors and Officers of the Company.

All Directors may opt to obtain D&O insurance to provide insurance protection (to the extent it is insurable) against unindemnified liabilities by the Company or uninsured circumstances. The premium to be paid by all Directors is determined by the insurance company.

Succession Plan

The Board has a Board Succession Planning Framework in place, with the assistance of the NRC in ensuring the orderly identification and selection of new NEDs in the event of an opening on the Board, whether such opening exists by reason of an anticipated retirement, an unanticipated departure, the expansion of the size of the Board, or otherwise. Such structured succession plan addresses the composition and effectiveness of the Board. In addition to the succession plan for Directors, the NRC also reviews the succession planning for the Senior Management of the Company.

Onboarding and Continuing Development Programme for Directors

All new Directors appointed to the Board receive a comprehensive onboarding programme, conducted by members of the LT covering key areas of the business, including the Company's strategies, financial, business segments and operations, the corporate governance framework within the Group and key risks of the Company. In addition, the onboarding includes site visits to selected terminals and PETRONAS stations. Newly appointed Directors are also updated on ongoing and potential projects undertaken by the Group. As at the date of this report, PDB conducted numerous onboarding sessions for the newly appointed Directors, Tang Saw Hua and Ahmad Adly Alias to familiarise them with the Group's business. As required under the MMLR of Bursa Malaysia, Tang Saw Hua had attended Mandatory Accreditation Programme (MAP) in 2017, whilst Ahmad Adly Alias had attended the MAP on 19 – 21 October 2020.

In line with Paragraph 15.08 of the MMLR of Bursa Malaysia, the Directors recognise the importance and value of attending conferences, training programmes and seminars in order to keep themselves abreast of the development and changes in the industry, as well as updates on new statutory and regulatory requirements. In addition, all members of the BAC have also fulfilled the requirement of Practice 8.5 of the MCCG 2017 by attending the relevant seminars on accounting and auditing standards.

During the year under review, the Directors participated in conferences, seminars and training programmes that covered areas of corporate governance, finance, global business developments and relevant industry updates in various capacities, as delegates and/or speakers, details of which are set out below:

No	Director	Development Programmes Attended	Organiser	Date
1.	Datuk Md Arif Mahmood	• Raising Defenses – Section 17A, MACC Act	Asia School of Business (ASB)	9 - 10 June 2020
		• Top Leaders Dialogue	PETRONAS	2 - 3 July 2020
		• Invest Malaysia 2020 – Economic Recovery: Policies & Opportunities	Bursa Malaysia	7 July 2020
		• Maxis Business Spark 2020 Series #1 – Embracing Forced Disruption	Maxis Berhad	11 August 2020
		• CONSILIUM@BCG	Boston Consulting Group	16 October 2020
		• Advanced 1 Programme – Best Practices for Board Excellence	PETRONAS	19 - 20 October 2020
		• Bain Virtual Roundtable – Doing Agile Right, Kuala Lumpur	Bain & Company	21 October 2020
		• TED@BCG 2020	Boston Consulting Group	21 October 2020
		• Agile Enterprise	Bain & Company	15 December 2020
		• 5 Critical Law & Expert Control	PETRONAS	Online Training Course
		• Cyber Security – SWITCH, PETRONAS	PETRONAS	Online Training Course
2.	Azrul Osman Rani	• Downstream Leadership Digital Workshop	PETRONAS	20 - 21 January 2020
		• Executive Coaching	PETRONAS	February - November 2020
		• Spokesperson Media Training Workshop 2020	PDB	3 February 2020
		• Corporate Liability Program: PETRONAS' Preparedness for Corporate Liability under S17A MACC Act 2009 (Amendment 2018)	PETRONAS	10 February 2020
		• Future of payments – A workshop with Visa International	PDB	2 March 2020
		• Mandatory Accreditation Programme	ASB	30 - 31 March 2020 and 1 April 2020
		• Top Leaders Dialogue	PETRONAS	2 - 3 July 2020
		• Public Speaking Training	PDB	July - December 2020
		• PETRONAS Board Excellence Advance 1	PETRONAS	19 - 20 October 2020
		• Agile Enterprise	Bain & Company	15 December 2020

CORPORATE GOVERNANCE OVERVIEW STATEMENT

No	Director	Development Programmes Attended	Organiser	Date
3.	Lim Beng Choon	• Corporate Liability Program: PETRONAS' Preparedness for Corporate Liability under S17A MACC Act 2009 (Amendment 2018)	PETRONAS	10 February 2020
		• Future of payments – A workshop with Visa International	PDB	2 March 2020
		• INSEAD Webinar – Designing Remote Collaboration	INSEAD	14 April 2020
		• KPMG's Captains' Forum – Transformation Towards Recovery	KPMG PLT	9 October 2020
		• PETRONAS Board Excellence Advance 1	PETRONAS	19 - 20 October 2020
		• PETRONAS Board Excellence Series: MFRS Update by KPMG	PETRONAS	30 November 2020
		• Agile Enterprise	Bain & Company	15 December 2020
4.	Datuk Anuar Ahmad	• Corporate Liability Provision – MACC Act 2018	Boardroom	8 January 2020
		• Competition Law: ▶ Application and Compliance Total Rewards – Overview and Perspectives ▶ Total Rewards – Overview and Perspectives	Shook Lin & Bok Human Synergy Sdn Bhd	13 January 2020
		• Corporate Liability Program: PETRONAS' Preparedness for Corporate Liability under S17A MACC Act 2009 (Amendment 2018)	PETRONAS	10 February 2020
		• Future of payments – A workshop with Visa International	PDB	2 March 2020
		• Refresher Training on Chemicals and Polymers Business	Chemical Company of Malaysia (CCM)	15 July 2020
		• Section 17A of MACC Act	Raja Daryl & Loh	15 September 2020
		• Competition Law	CCM	15 September 2020
		• PNB Knowledge Sharing Forum – Malaysia and ASEAN: Navigating US-China Relationship in the 21 st Century	Permodalan Nasional Berhad (PNB)	26 November 2020
		• PETRONAS Board Excellence Series: MFRS Update by KPMG	PETRONAS	30 November 2020
		• PNB YTI Memorial Lecture by Professor Dr Robert Faff – How Safe are Safe Haven Assets in Malaysia	PNB	2 December 2020
		• Agile Enterprise	Bain & Company	15 December 2020

No	Director	Development Programmes Attended	Organiser	Date
5.	Nuraini Ismail	• Government Linked Investors (GLI) Roundtable	PETRONAS Group Treasury	23 January 2020
		• Corporate Liability Program: PETRONAS' Preparedness for Corporate Liability under S17A MACC Act 2009 (Amendment 2018)	PETRONAS	10 February 2020
		• Future of payments – A workshop with Visa International	PDB	2 March 2020
		• Dialogue with Finance Minister YB Tengku Dato' Sri Zafrul Tengku Abdul Aziz – Fiscal Priorities and Policy Response Under a COVID-19 Economic Landscape"	Maybank	9 June 2020
		• Moody's "Big Picture Session – Focus on Asia's credit & keynote interview"	Moody's Investor Service	2 September 2020
		• PETRONAS Board Excellence Series: MFRS Update by KPMG	PETRONAS	30 November 2020
		• Agile Enterprise	Bain & Company	15 December 2020
6.	Ahmad Adly Alias (Appointed on 25 August 2020)	• Third Party Risk Management	PETRONAS	15 - 24 July 2020
		• PETRONAS Anti-Bribery and Corruption Policy and Guidelines-ABC Manual	PETRONAS	15 - 24 July 2020
		• Engen Limited Director Induction Training	Engen Limited	7 September 2020
		• Mandatory Accreditation Programme	ASB	19, 20 & 21 October 2020
		• Agile Enterprise	Bain & Company	15 December 2020
7.	Shafie Shamsuddin	• Corporate Liability Program: PETRONAS' Preparedness for Corporate Liability under S17A MACC Act 2009 (Amendment 2018)	PETRONAS	10 February 2020
		• Future of payments – A workshop with Visa International	PDB	2 March 2020
		• Refresher – Understanding Fintech and Its Implications for Banks	ASB	1 September 2020
		• Agile Enterprise	Bain & Company	15 December 2020
8.	Alvin Michael Hew Thai Kheam	• Future of payments – A workshop with Visa International	PDB	2 March 2020
		• Digitalisation – Review Competitive Strategies using AI: A Board's Perspective	ICDM	7 April 2020
		• Authentic Leadership – Leadership Today: Authentic, Open & Transparent	ICDM	9 April 2020
		• INSEAD Webinar – The Economic Consequences of the Corona Pandemic	INSEAD	9 April 2020

CORPORATE GOVERNANCE OVERVIEW STATEMENT

No	Director	Development Programmes Attended	Organiser	Date
8.	Alvin Michael Hew Thai Kheam (continued)	• Digitalisation – Cyber Security Considerations Amid A Global Pandemic	ICDM	13 April 2020
		• INSEAD Webinar – Designing Remote Collaboration	INSEAD	14 April 2020
		• INSEAD Webinar – Tech Meets COVID-19: Lessons from Around the World	INSEAD	16 April 2020
		• INSEAD Webinar – Social Norms During the Pandemic	INSEAD	21 April 2020
		• INSEAD Webinar – Crisis Management in COVID-19 Times	INSEAD	28 April 2020
		• INSEAD Webinar – COVID Recovery Plan – and What Boards & Businesses Can Learn from It	INSEAD	14 May 2020
		• INSEAD Webinar – Leading Incubation in Disrupted Times	INSEAD	18 June 2020
		• IMD Webinar – Driving Growth in a Time of Crisis	IMD Business School	19 June 2020
		• IMD Webinar – Become a COVID-19 Innovator: How to Think and Act Differently to Exit The Crisis Stronger	IMD Business School	26 June 2020
		• Virtual Board Meetings – In an Era of Social Distancing Boards	ICDM	26 June 2020
		• IMD Webinar – The Future of Leadership	IMD Business School	3 July 2020
		• IMD Webinar – There will be no After - COVID-19	IMD Business School	2 October 2020
		• Smith School of Business Queen's University Webinar: "Why Normal Will Be Different: Preparing for 2021" by Professor Barry Cross	Smith School of Business Queen's University	29 October 2020
		• Agile Enterprise	Bain & Company	15 December 2020
9.	Nirmala Doraisamy	• Corporate Liability Program: PETRONAS' Preparedness for Corporate Liability under S17A MACC Act 2009 (Amendment 2018)	PETRONAS	10 February 2020
		• Future of payments – A workshop with Visa International	PDB	2 March 2020
		• Distinguished Board Leadership Series – "Challenging times: What role must the Board play?"	FIDE Forum	15 May 2020
		• Digital Banks – Why will they matter?	Asian Institute of Chartered Bankers (AICB)	20 May 2020
		• Digital Banking – Malaysian Banks at a crossroads	AICB	30 June 2020
		• Valuation in Practice – Demystifying Business Valuation	Malaysian Institute of Accountants (MIA)	14 - 15 July 2020
		• Directors' Virtual Climate Forum – Overview of the impact of climate change on financial institutions, organised by HSBC, UK in partnership with Chapter Zero.	HSBC UK and Chapter Zero	14 July 2020
		• MFRS9 and related standards – Grasping the key points in application	MIA	21 July 2020

No	Director	Development Programmes Attended	Organiser	Date
9.	Nirmala Doraisamy (continued)	• Open Enrolment Program – Staying Ahead with Data Analytics	ASB	18 August 2020
		• Onboarding Session with Business Heads (SDD, HSSE and HR)	PDB	6 October 2020
		• Onboarding Session with Business Heads (Venture Builder and Setel®)	PDB	9 October 2020
		• PETRONAS Board Excellence Advance 1	PETRONAS	19 - 20 October 2020
		• How to be an effective NED in a disruptive world	ICDM	27 October 2020
		• Integrated Reporting	MIA & International Integrated Reporting Council (IIRC)	2 November 2020
		• Agile Enterprise	Bain & Company	15 December 2020
10.	Tang Saw Hua (Appointed on 1 July 2020)	• Adequate Procedures – Directors Response to Individual Liability	ICDM	9 March 2020
		• Enterprise Risk Management	BCSD Malaysia	15 July 2020
		• Malaysia 202 Economic Stimulus Package – Mitigating Economic Risk from COVID-19 Outbreak	Ernst & Young Advisory Services	16 July 2020
		• Preparing the Board for A Post COVID World	ICDM	14 August 2020
		• Raising Defenses – Section 17A, MACC Act	ASB	22 - 23 July 2020
		• Open Enrolment Program – Staying Ahead with Data Analytics	ASB	18 August 2020
		• Onboarding Session with PDB Business Heads	PDB	6 - 9 October 2020
		• KPMG's Captains' Forum: Transformation Towards Recovery	KPMG PLT	9 October 2020
		• PETRONAS Board Excellence Advance 1	PETRONAS	19 - 20 October 2020
		• PETRONAS Board Excellence Series: MFRS Update by KPMG	PETRONAS	30 November 2020
		• Agile Enterprise	Bain & Company	15 December 2020

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Qualified and Competent Company Secretary

The Company Secretaries of PDB are qualified to act as company secretary under Section 235 of the CA 2016. One of them has a legal qualification and the other is a Fellow of the Malaysian Institute of Chartered Secretaries and Administrators. Both act as an advisor to the Board, particularly with regard to PDB’s Constitution and its compliance with regulatory requirements, codes, guidelines and legislations. All Directors have unrestricted access to the advice and services of the Company Secretaries to facilitate discharge of their duties.

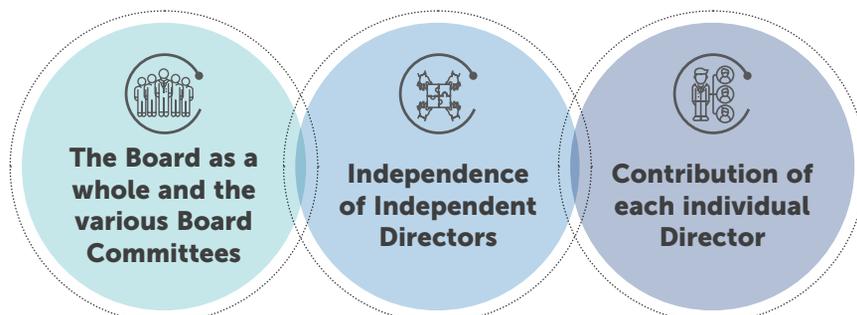
The Company Secretaries ensure that discussions and deliberations at the Board and Board Committee meetings are well documented, and subsequently communicated to the Management for appropriate actions. The Company Secretaries update the Board on the follow-up of its decisions and recommendations. The Board is satisfied with the performance and support rendered by the Company Secretaries to the Board in discharging their functions in the year under review.

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

No	Director	Development Programmes	Organiser	Date
1.	Suria Kamarul Baharin	• Financial Assistance & RPT	CKM Advisory	8 May 2020
		• Tightening the Screws on Corruption Risk Management	Asia Business School	18 - 19 June 2020
		• PDM Company Law and Corporate Secretarial	PETRONAS Leadership Centre	6 - 8 July 2020
		• Mandatory Accreditation Programme	Asia Business School	20 - 22 July 2020
		• SSM Company Secretaries Training Programme (CSTP) Significant 2.0	SSM-COMTRAC	20 - 22 October 2020
		• Technical Briefing for Co Sec of Listed Issuers	Bursa Malaysia	23 October 2020
		• MAICSA Conference 2020	MAICSA	2 - 3 December 2020
2.	Yeap Kok Leong	• Guideline for Reporting Framework for Beneficial Ownership of Legal Person	SSM-COMTRAC	6 August 2020
		• 15 th ADP Partner Executive Convention	ADP Global	1 - 3 December 2020

Board Effectiveness Evaluation

The Board Effectiveness Evaluation (BEE) is to evaluate the performance of Board/Board Committees/Members of the Board as well as identifying any gaps or areas of improvement, where required. Every year, under the purview of the NRC, a formal evaluation is undertaken to assess the effectiveness of the following:



The BEE 2020 was conducted via a digital platform in order to simplify the assessment process. The evaluation covered the Board, Board Committees, Peer and Self Evaluations of the Board members. The BEE allows the Directors to focus on assessing the effectiveness and performance of the Board and its Committees in the best interests of the Company. The Board will be engaging the services of an external consultant to facilitate the BEE for the Board every five years with the next external evaluation scheduled for 2022.

The BEE questionnaires 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.

The following areas were assessed:

AREAS OF BOARD EVALUATION ASSESSMENT

GROUP DYNAMICS AND EFFECTIVENESS

- Overall Board Effectiveness
- Organisation of the Board
- Composition of the Board
- Looking Forward (Succession Planning & Development)
- Communications with Shareholders
- Board Chairman Evaluation
- MD/CEO Evaluation

BOARD/COMMITTEE EFFECTIVENESS

- Board Audit Committee
- Nomination and Remuneration Committee
- Board Risk Committee

DIRECTOR SELF/PEER EVALUATION

KNOWLEDGE AND UNDERSTANDING ON

- Role that a Board plays in governance and as Company Director
- Vision and Mission
- Strategic needs and development
- Market
- Critical success factors
- Business risk
- Performance measures
- International businesses
- Financial discussions
- Legal and compliance duties
- Risk management
- Board effectiveness
- Differentiate strategy/policy issues and operational matters

SKILLS AND EXPERIENCE

- Analytical skills
- Relevant functional insights
- Relevant industry insights

PREPARATION FOR BOARD MEETINGS

- Time commitment
- Contribution
- Pre-reading of all board papers

INDEPENDENCE

- Ability to speak openly and honestly

BUILDING RELATIONSHIP

- Board colleagues
- Board and Management
- Display confidence in other Directors' abilities
- Listen attentively to ideas

PROFESSIONAL DEVELOPMENT

- On-going training and education

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Board and Board Committees Effectiveness Evaluation 2020

The Board, through the NRC, reviewed the outcome of BEE 2020 and noted that PDB continued to be led by an effective, committed and talented Board, helmed by a progressive Chairman. The results of the BEE 2020 were presented to the Board in February 2021 where the Board noted the findings and areas that necessitated further improvements.

One of the key areas for improvement highlighted in the BEE 2020 include the need for the Management to syndicate with the Directors especially on the critical papers prior to the Board and Board Committees Meetings to provide in-depth information on the risk analysis and risk mitigation to be included for all decision papers.

Director's Remuneration

The Directors' fees structure which embraces market practices and trends is designed to attract and retain high calibre Board members and to ensure they are appropriately paid for their time and effort.

The Board has established a formal and transparent Directors' Remuneration Framework which comprises retainer fees, meeting allowances and benefits in-kind. In compliance with Section 230(1) of the CA 2016, the resolution on the payment of the following Directors' fees from the 38th AGM until the forthcoming AGM was tabled for shareholders' approval:

	Monthly Fees	Meeting allowance per attendance				Board Strategy Away Day
		Board	Board Audit Committee	Nomination and Remuneration Committee	Board Risk Committee	
Chairman	RM24,000	RM3,500	RM3,500	RM3,500	RM3,500	RM3,500
Member	RM12,000	RM3,500	RM3,500	RM3,500	RM3,500	RM3,500

Note: Malaysian Resident INEDs are entitled to fuel allowance of RM6,000 per annum

The fees and allowances for NEDs are determined by the Board and are subject to the approval of the shareholders of PDB. The Company also reimburses all expenses incurred by the Directors, where relevant, in the course of carrying out their duties as Directors.

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' operations.

The breakdown of the detailed Directors' remuneration paid during the year under review is disclosed in the Corporate Governance Report 2020 which is accessible to the public at PDB's corporate website at www.mymesra.com.my.

Azrul Osman Rani, the MD/CEO and an Executive Director of PDB, is an employee of PETRONAS and is seconded to PDB. During the year, he was remunerated an amount of RM1,344,225.58 as MD/CEO of PDB.

Senior Management Remuneration

The remuneration philosophy reflects the Group's commitment to be compliant with best practices in the areas of remuneration, retention and reward to ensure that the Group attracts and retains exceptional 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 & retain talents to drive business needs

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

Employees of the Company are seconded from PETRONAS. Their remuneration has been benchmarked against the industry and is aligned with the market. In addition, their training, succession planning and performance appraisals are aligned to the PETRONAS Human Resources Policies and Strategies. The Board ensures that only suitable personnel with the relevant skills and experiences are appointed to management positions of PDB.

Their remuneration is based on the prevailing PETRONAS' Remuneration Philosophy and Guiding Principles, which can be found on PDB's corporate website at www.mymesra.com.my.

PDB noted on the departure from the Practice 7.2 of MCCG 2017 as the components of the remuneration of Senior Management, which include their salary, bonus, benefits in-kind and other emoluments are subject to the Personal Data Protection Act (PDPA) 2010 and PETRONAS Group including its listed companies opt not to disclose the personal data of their Senior Management personnel to the public at large. At the moment, the Company does not have an alternative plan to meet the intended outcome.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

Accountability and Audit

Financial Reporting

The Board is committed to providing a fair and objective assessment of the financial position and prospects of the Group in the quarterly financial results, annual financial statements, Integrated Report and all other reports or statements to shareholders, investors and relevant regulatory authorities.



The Statement of Responsibility by Directors in respect of preparation of the annual audited financial statements is set out on page 252 of this <IR>

Related Party Transactions and Conflict of Interest Situations

The Company has established its Policies and Procedures on RPT and Conflict of Interests Situations (COIs), including RRPTs, to ensure that they are undertaken on arm's length basis and normal commercial terms and are not to the detriment of the Company's minority shareholders.

The information relating to Policies and Procedures on RPTs and COIs, Risk Management processes and Internal Control procedures can be found in the BAC, and Statement on Risk Management and Internal Control (SORMIC) on pages 172 to 177 and pages 182 to 193 of this <IR>, respectively.

All RPTs including RRPTs entered into by the Company or its subsidiaries are reviewed by the BAC. The list of transactions entered into with related parties are incorporated at pages 316 to 318 of the Audited Financial Statements.

Risk Management and Internal Control

The Board continues to maintain and review its risk management processes and internal control procedures to ensure a sound system of risk management and internal control to safeguard shareholders' investments and the assets of the Company and the Group.

The SORMIC provides an overview of the risk management and internal control within the Group as set out on pages 182 to 193 of this <IR>.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Relationship with Shareholders

Communications between PDB and Investors

The dissemination of timely and accurate information is important for shareholders and investors to enable them to make informed investment decisions about PDB. The Board recognises the importance of effective communication with PDB's shareholders and other stakeholders including the general public. The two-way communication with our shareholders, investors and other stakeholders enables us to evaluate views and feedback that are incorporated into our decision-making process. The Board believes its practices in this area are consistent with both the MCCG 2017's provisions concerning dialogue with the shareholders, investors and other stakeholders and with good governance. Information on the Group's business activities and financial performance is disseminated through announcements to Bursa Malaysia, postings on PDB's website, press releases and issuance of the Integrated Report.

The MD/CEO together with the Chief Financial Officer (CFO) and the Company's Investor Relations Unit conduct regular engagements with institutional shareholders and analysts, and hold quarterly analyst briefings to further explain the Group's quarterly financial results. These engagements promote better understanding of the Group's financial performance and operations.

PDB actively updates its corporate website www.mymesra.com.my with the latest information on the corporate and business aspects of the Group. Press releases, announcements to Bursa Malaysia, analyst briefings and quarterly results of the Group are also made available on the website and this helps to promote accessibility of information to PDB's shareholders and other stakeholders.



For more information on Investor Relations, please refer to pages 81 to 85 of this <IR>

Annual General Meeting

The AGM is the principal forum of open dialogue with shareholders. The notice and agenda of our 38th AGM together with Forms of Proxy are given to shareholders not less than 28 days before the AGM, which gives shareholders sufficient time to prepare themselves to attend the AGM or to appoint proxies to attend and vote on their behalf. Each item of ordinary business included in the notice of the AGM will be accompanied by an explanatory statement on the effects of the proposed resolution.

In view of COVID-19 pandemic conditions, the AGM was convened fully virtually which is in line with the Securities Commission Guidance Note on the Conduct of General Meetings for Listed Issuers issued on 18 April 2020 to ensure companies can continue to fulfil their obligation under the law and to shareholders during this pandemic.

The Company had notified the shareholders on the change of the conduct of the AGM to a fully virtual meeting via the Remote Participation Voting (RPV) application, together with the instructions in the Administrative Details on 18 May 2020. The same was also published through the announcement to Bursa Malaysia and the Company's corporate website respectively.

During the fully virtual AGM, the MD/CEO presented a comprehensive review of the Group's performance initiatives and value created for shareholders. This review was supported by a visual and graphic presentation of the key points and financial figures. Before the commencement of the AGM, shareholders were encouraged and given sufficient opportunity as well as time by the Board to submit questions pertaining to the Integrated Report, resolutions being proposed and the business of the Company or the Group in general prior to seeking approval from members and proxies on the resolutions. The Board, Senior Management, external auditors and other advisors, were also present virtually at the last fully virtual AGM to provide answers and clarification to shareholders.

Answers to the queries by MSWG prior to the AGM were also shared with shareholders during the AGM and the same was uploaded on PDB's corporate website prior to the AGM day.

The Company received 31 live questions and 13 pre-submitted questions from shareholders. The responses for the remaining questions were published in the Company's website after the meeting.

Pursuant to Paragraph 8.29A of the MMLR, each resolution to be tabled at an AGM is to be voted by poll. At the 38th AGM, PDB has engaged Tricor Investor & Issuing House Services Sdn Bhd as the Poll Administrator and Boardroom Corporate Services Sdn Bhd as Independent Scrutineer for conduct of poll via e-Vote application. The Board also encouraged active participation by the shareholders and investors during the AGM. The shareholders who participated through RPV facilities were also able to cast their votes online. A total number of 259 shareholders and proxies logged in through the RPV, which represented a total of 268,004,904 shareholdings.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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



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

Integrity and Ethics

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



For more information on CoBE, WBP and ABC, please refer to pages 194 to 195 of this <IR>

Corporate Liability

Taking cognisance of the introduction of Corporate Liability under S17A Malaysian Anti-Corruption Commission Amendment Act, 2018 made effective on 1 June 2020, the Company has taken proactive actions to ensure Adequate Procedures are in place, in line with the Guidelines issued by the Prime Minister's Department on this matter. PETRONAS conducted a workshop on 10 February 2020 to equip the PDB Directors with the relevant understanding on their liability and penalties imposed for the offences, if any.

During the year under review, the BRC's TOR was revised, whereby the BRC's functions were enhanced to manage corruption risk within the PDB Group. Amendments were also made to fill any gaps or improve specific areas based on the latest corporate governance requirements.

During the year under review together with PETRONAS Group of Companies, PDB also rolled-out online training modules covering the five critical legal areas of Ethics & Integrity, Competition Law, Privacy & Data Protection, Sanctions and Export Control for PDB's Directors, officers and employees.

Trading on Insider Information

On a quarterly basis and to ensure conformance with the requirements under Chapter 14 of the MMLR of Bursa Malaysia, the Company Secretary issues a Notice of Closed Period to Directors and LT, highlighting the requirements with regard to dealing in the Company's shares during "Closed Period"/"Outside Closed Period" as they are in possession of price sensitive information relating to PDB.

During the year under review, there was no trading activity undertaken by the 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. Generally, the main selection criteria is based on technically acceptable and commercially attractive bid.

Tender Committees have been established to carry out independent assessment on bidders' proposals and to ensure tendering activities are carried out in a transparent manner. Only with the endorsement of the Tender Committee will the award recommendation be forwarded to the approving authority for consideration and approval.

The tendering processes are as follows:

- i. Tender Plan approval;
- ii. Technical Evaluation;
- iii. Commercial Evaluation; and
- iv. Award Recommendation.

Relationship with Auditors

External Auditors

Through the BAC, PDB maintains a professional and transparent relationship with its External Auditors, Messrs KPMG PLT. The BAC met the External Auditors once during the year under review without the presence of the Management, to review the scope and adequacy of the Group's audit process, the annual financial statements and their audit findings. There were no major matters that warranted BAC's attention.

The role of the BAC in relation to the external auditors is described in the BAC Report on pages 172 to 177 of this <IR>.

Directors' Responsibility Statement

The Directors have provided assurance that the financial statements prepared for each financial year give a true and fair view of the state of affairs of the Company and the Group as at the end of financial year and of the results and cash flow of the Group for the financial year as required by the CA 2016. The Statement of Responsibility by Directors for the audited financial statements of the Company and Group is as outlined on page 252. Details of the Company and the Group's financial statements for the financial year ended 31 December 2020 are set out on pages 250 to 344 of this <IR>.

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 176 to 177 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 – 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 2020.

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 2020 or entered into since the end of the previous period, except as disclosed in the audited financial statements.

This Statement is made in accordance with a resolution of the Board of Directors dated 19 February 2021.

Datuk Md Arif bin Mahmood

Chairman

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Nomination and Remuneration Committee Report



LIM BENG CHOON
Chairman

Dear Valued Shareholders,

I am pleased to present the Nomination and Remuneration Committee (NRC) Report for the Financial Year Ended 31 December 2020 in compliance with Paragraph 15.08A(3) of the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Malaysia).

OVERVIEW

This report provides shareholders with valuable insight into the activities of the NRC during the year under review and how the NRC plays a key oversight role for the Board. As at the date of this report, the NRC is made up of five Independent Non-Executive Directors (INEDs).

TERMS OF REFERENCE

The NRC is governed by its Terms of Reference (TOR), which is in line with the requirements of the MMLR of Bursa Malaysia and Malaysian Code on Corporate Governance 2017 (MCCG 2017). All the requirements under the TOR have been complied with.

The NRC is responsible for regularly reviewing and making recommendations to the Board on the structure, size and composition of the Board. The NRC furthermore ensures that an appropriate balance exists between Executive, Non-Executive and Independent Directors. The NRC also assists with the identification and nomination of new directors and appointment by the Board and/or shareholders and oversees the training of Directors.

The TOR of the NRC is accessible to the public on PDB's corporate website at www.mymesra.com.my

Composition

The NRC comprises exclusively INEDs, in compliance with the requirement of Paragraph 15.08A(1) of the MMLR of Bursa Malaysia, which provides that the NRC must comprise exclusively Non-Executive Directors (NEDs), majority of whom are independent directors. The composition also observes the recommendation of Practice 4.7 of MCCG 2017, where the NRC is chaired by a Senior Independent Director (SID) or an Independent Director. In the case of PDB, the NRC is chaired by a SID.

During the year under review, there were changes made in the composition of the NRC, whereby Vimala V.R. Menon who completed her 9-year tenure as a Director of the Company on 17 November 2020, ceased as a member of the NRC effective on the same date. Subsequently, Tang Saw Hua and Alvin Michael Hew Thai Kheam were appointed as the NRC members effective 17 November 2020 by virtue of their position as Chairman of the Board Audit Committee (BAC) and Chairman of the Board Risk Committee (BRC) respectively. In addition, Datuk Anuar Ahmad was appointed as a member of the NRC on 19 February 2021.

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

Members	Date of Appointment as NRC Member	Tenure on the NRC
Lim Beng Choon <i>Chairman, SID</i>	7 August 2014	6 years 6 months
Shafie Shamsuddin <i>INED</i>	6 February 2018	3 years
Tang Saw Hua <i>INED</i>	17 November 2020	Less than a year
Alvin Michael Hew Thai Kheam <i>INED</i>	17 November 2020	Less than a year
Datuk Anuar Ahmad <i>INED</i>	19 February 2021	Less than a year

Meetings and Attendance

The NRC meetings for the financial year 2020 were pre-scheduled in November 2019, to facilitate the members in planning ahead and incorporating the NRC meeting dates into their respective schedules. This also serves to provide the members with ample notice of the meetings. The attendance at all NRC meetings met the requisite quorum as stipulated in the NRC TOR. Aside from the said meetings, urgent decision was also approved via NRC Circular Resolution. The manner on how the NRC conducts its meetings has changed due to COVID-19 pandemic, whereby most of the meetings were held via digital platform.

The agenda and meeting papers encompassing qualitative and quantitative information relevant to the business of each meeting were distributed to the NRC members via a secure collaborative software no less than five days from the date of each meeting. The online accessibility enables the NRC members to read and review documents or communicate with other NRC members at any time. One NRC's circular resolution was also circulated to the members of NRC. 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.

During the year under review, the NRC met three times to discharge its duties and functions as a committee of the Board. The record of attendance of the NRC members are as follows:

Members	Number of Meetings Attended
Lim Beng Choon <i>Chairman, SID</i>	3/3
Shafie Shamsuddin <i>INED</i>	3/3
Tang Saw Hua <i>INED</i> <i>(appointed as a member of NRC on 17 November 2020)</i>	N/A
Alvin Michael Hew Thai Kheam <i>INED</i> <i>(appointed as a member of NRC on 17 November 2020)</i>	N/A
Datuk Anuar Ahmad <i>INED</i> <i>(appointed as a member of NRC on 19 February 2021)</i>	N/A
Vimala V.R. Menon <i>(ceased as a Member of NRC on 17 November 2020)</i>	3/3

At each meeting, the Managing Director/Chief Executive Officer (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 acted as Secretary to the NRC.

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

All proceedings of the NRC meetings and deliberations including comments made by the Directors were duly recorded in the minutes of each meeting and the signed minutes of each NRC meeting are properly kept by the Secretary. Minutes of the NRC meeting and circular resolution were tabled for confirmation and notation at the following NRC meeting, after which the minutes were presented to the Board for notation.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Nomination and Remuneration Committee Report

Functions of the NRC and Related Activities in 2020

Succession Plan

Board and Senior Management Succession Plan

The Board has established a Succession Planning Framework to ensure the orderly identification and selection of new NEDs in the event of an opening on the Board, whether such opening exists by reason of an anticipated retirement, unanticipated departure, the expansion of the size of the Board, or otherwise. The NRC has the responsibility in ensuring appropriate succession planning of Directors and reviewing the Board's required mix of skills and experience as well as reviewing the tenure of INEDs on the Board.

In addition to the Succession Planning for the Directors, the NRC is tasked to oversee the development of a succession plan for the MD/CEO and Leadership Team (LT). During the year under review, NRC continued to focus on conducting all relevant reviews and assessments of the LT positions. The NRC is satisfied that there is a sufficient talent pool of potential successors for PDB LT and that for critical positions, external talents will be recruited if there are no suitable internal talents available. The NRC also highlighted to the Board the importance of an effective human capital planning and management which are vital in delivering the best available talent for sustainable future success.

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

During the year under review, Dato' Sri Syed Zainal Abidin Syed Mohamed Tahir, who did not seek for re-election at the 38th AGM held on 10 June 2020, retired as Director upon the conclusion of the meeting. While Vimala V.R. Menon who had completed her nine years' tenure, retired as a Director on 17 November 2020 and ceased to be a member of the Board Committees on the same date.

Following thereto, having conducted all relevant reviews and assessments, the NRC recommended and endorsed the appointment of Tang Saw Hua and Ahmad Adly Alias as INED and Non-Independent Non-Executive Director (NINED) of the Company and the Board has approved the recommendation made by the NRC effective 1 July 2020 and 25 August 2020 respectively. Tang Saw Hua was subsequently appointed as the Chairman of BAC and Member of BRC to replace Vimala V.R. Menon in November 2020.

During the year under review, the NRC and the Board has endorsed and approved the renewal of terms for Datuk Anuar Ahmad, Shafie Shamsuddin and Alvin Michael Hew Thai Kheam as INEDs for another three years based on their performance and contributions for the year 2019.

Directors' Re-Election and Re-Appointment

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

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

Article 107 of the Company's Constitution provides that one third (1/3) of the Directors of the Company for the time being shall retire by rotation at an AGM at least once in three years and shall be eligible for re-election at the AGM.

The Directors' rotation list was presented to the NRC for endorsement prior to recommendation to the Board and thereafter to the shareholders for approval. The affected Directors are required to give their consent on their re-election prior to PDB's Board Meeting and these Directors have given their consent for re-election at the forthcoming AGM.

In assessing the candidates' eligibility, the NRC considers their competencies, commitment, contribution, performance based on the Board Effectiveness Evaluation (BEE) and their ability to act in the best interest of PDB.

In line with Article 107 of the Constitution, Datuk Md Arif Mahmood, Datuk Anuar Ahmad and Nuraini Ismail are the Directors representing one-third and have been longest in office since their last election. They shall retire at the forthcoming AGM and shall be eligible for re-election.

There were two new appointments during the year under review namely Tang Saw Hua and Ahmad Adly Alias, both of whom shall retire and shall be considered for re-election pursuant to Article 100 of the Company's Constitution, at the forthcoming AGM.

The NRC and the Board at its meeting held on 8 February 2021 and 19 February 2021 respectively gave their endorsement and approval for the abovementioned Directors to be considered

for re-election pursuant to Article 100 and 107 of PDB's Constitution at the PDB's 39th AGM scheduled to be held on 28 April 2021.

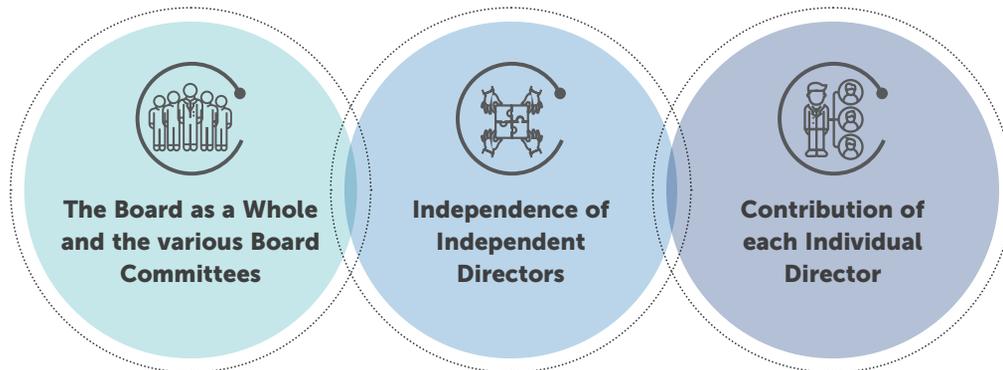
In line with the exemplary practice as recommended by the MCCG 2017, the Board has also adopted a tenure policy whereby the INEDs total tenure is now capped at nine years. As at the date of this report, none of the INEDs has served the Board more than nine years.

MD/CEO and Senior Management Performance Appraisal

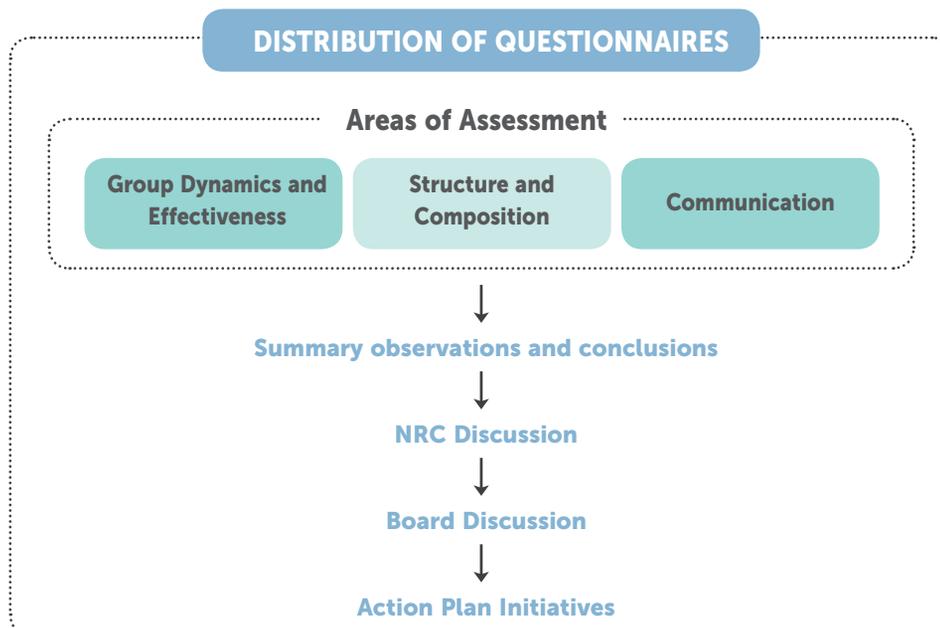
During the year under review, the NRC deliberated on the MD/CEO and Senior Management's 2019 performance against the set targets.

Board Effectiveness Evaluation

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



During the year under review, the BEE was conducted via a digital platform in order to simplify the assessment process. The evaluation covered the Board, Board Committees, Peer and Self Evaluations of the Board members. The BEE allows the Directors to focus on assessing the effectiveness and performance of the Board and its Committees in the best interest of the Company. The BEE results were compiled internally by PDB Corporate Secretariat.



CORPORATE GOVERNANCE OVERVIEW STATEMENT

Nomination and Remuneration Committee Report

The BEE questionnaires 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 were used for the Board to provide their ratings.

The Board will be engaging the services of an external consultant to perform the BEE exercise every five years with the next external evaluation scheduled for 2022. This would provide more objectivity that could at times be lacking when carrying out the process internally.

AREAS OF BOARD EVALUATION ASSESSMENT

GROUP DYNAMICS AND EFFECTIVENESS

- Overall Board Effectiveness
- Organisation of the Board
- Composition of the Board
- Looking Forward (Succession Planning & Development)
- Communications with Shareholders
- Board Chairman Evaluation
- MD/CEO Evaluation

BOARD/COMMITTEE EFFECTIVENESS

- Board Audit Committee
- Nomination and Remuneration Committee
- Board Risk Committee

DIRECTOR SELF/PEER EVALUATION

KNOWLEDGE AND UNDERSTANDING ON

- Role that a Board plays in governance and as Company Director
- Vision and Mission
- Strategic needs and development
- Market
- Critical success factors
- Business risk
- Performance measures
- International businesses
- Financial discussions
- Legal and compliance duties
- Risk management
- Board effectiveness
- Differentiate strategy/policy issues and operational matters

SKILLS AND EXPERIENCE

- Analytical skills
- Relevant functional insights
- Relevant industry insights

PREPARATION FOR BOARD MEETINGS

- Time commitment
- Contribution
- Pre-reading of all board papers

INDEPENDENCE

- Ability to speak openly and honestly

BUILDING RELATIONSHIP

- Board colleagues
- Board and Management
- Display confidence in other Directors' abilities
- Listen attentively to ideas

PROFESSIONAL DEVELOPMENT

- On-going training and education

Board Effectiveness Evaluation 2020

The NRC reviewed the outcome of the BEE 2020 and 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 LT. Key take-aways included the need to focus more on growth strategies implemented by the Group.

The BEE 2020 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.

Annual Reporting

Reviewed and endorsed the disclosures in the NRC Report for the financial year ended 31 December 2020 to ensure that it was prepared in compliance with the relevant regulatory requirements and guidelines.

NRC's Effectiveness Review and Performance

Based on the BEE 2020 findings, the Board believes that the NRC has played an effective role in managing board transitions during the year, thus providing valuable contribution to the Board. The Board is satisfied with the performance and effectiveness of the NRC in providing sound advice and recommendations to the Board, particularly on managing competencies and succession planning for the Directors and Senior Management.

Activities of the NRC during the Financial Year 2020

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

- i. Board Membership and Succession Plan
 - Renewal of terms of INEDs;
 - Reviewed the appointment of the new NINED;
 - Reviewed and nominated additional NRC Members;
 - Reviewed updates on Board Succession Planning;
 - Reviewed the amendment to the Board Selection Criteria and Board Succession Planning Framework;
 - Recommended the Directors standing for re-election at the Annual General Meeting; and
- ii. Senior Management's Appointment, Remuneration and Performance
 - 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.
 - Reviewed the change of Chief Financial Officer; and
 - Reviewed the Succession Planning and Talent Strategy for Senior Management.
- iii. Performance Management
 - Reviewed and evaluated the Senior Management performance for financial year 2019; and
 - Reviewed the PDB Leadership Team Succession Planning.
- iv. Board Effectiveness Evaluation
 - Assessed the findings for financial year 2019; and
 - Reviewed the follow up actions on 2019 BEE recommendations.

Lim Beng Choon

Chairman

Nomination and Remuneration Committee

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Board Audit Committee Report



TANG SAW HUA
Chairman

Dear Valued Shareholders,

On behalf of the Board Audit Committee (BAC), I am pleased to present the BAC Report for the Financial Year Ended 31 December 2020 in compliance with paragraph 15.15 of the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Malaysia).

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 five Non-Executive Directors (NEDs).

TERMS OF REFERENCE

The Terms of Reference (TOR) of the BAC sets out the authority, duties and responsibilities of the BAC are consistent with the requirements of the MMLR of Bursa Malaysia and the Malaysian Code of Corporate Governance (MCCG 2017). All the requirements under the TOR have been complied with.

The BAC is responsible to assist the Board in fulfilling its oversight responsibilities for the financial reporting process, internal and external audit functions, internal control system and review of audit results.

The TOR of the BAC is accessible to the public on the Company's official website at www.mymesra.com.my

Composition

The BAC composition is in compliance with Paragraph 15.09(1)(b) of the MMLR of Bursa Malaysia where all five BAC members including its Chairman are Non-Executive Directors whereby four are Independent Directors, who fulfil the criteria of independence as defined in the MMLR. None of the Independent Directors has appointed alternate directors.

During the year under review, there was a change in the composition of the BAC whereby Vimala V.R. Menon who had completed her 9-year tenure as a Director of the Company on 17 November 2020, ceased as a Chairman and member of the BAC effective on the same date. Following thereto, Tang Saw Hua, who was appointed as BAC member upon her appointment as Director on 1 July 2020, was re-designated as the new Chairman of BAC in replacement of Vimala V.R. Menon on 17 November 2020.

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

Members	Date of Appointment as BAC Member	Tenure on the BAC
Tang Saw Hua <i>Chairman, Independent Non-Executive Director (INED)</i>	1 July 2020 and re-designated as a Chairman on 17 November 2020	Less than a year
Lim Beng Choon <i>Senior Independent Director (SID)</i>	13 August 2012	8 years 6 months
Nuraini Ismail <i>Non-Independent Non-Executive Director (NINED)</i>	1 October 2013	7 years 4 months
Datuk Anuar Ahmad <i>INED</i>	15 April 2016	4 years 10 months
Nirmala Doraisamy <i>INED</i>	19 February 2021	Less than a year

The Chairman of the BAC, Tang Saw Hua and Nuraini Ismail are both qualified accountants. Tang Saw Hua, who was appointed to the Board on 1 July 2020, is a member of the Malaysian Institute of Accountants (MIA) and Malaysian Institute of Certified Public Accountants (MICPA), whilst Nuraini Ismail is a Fellow of the Association of Chartered Certified Accountants, United Kingdom. Nirmala Doraisamy, a new member of BAC is also a member of the MIA and a member of the Auditing and Assurance Standard Board of MIA.

In this regard, the Company is in compliance with Paragraph 15.09(c)(i) of the MMLR of Bursa Malaysia which requires at least one member of the BAC to be a qualified accountant.

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.

Meetings and Attendance

The BAC meetings for the year under review were pre-scheduled in November 2019 to facilitate the members in planning ahead and incorporate the BAC meetings into their respective schedules. This also serves to provide the members ample notice of the meetings.

The BAC meets at least quarterly with additional meetings convened as and when necessary. During the year under review, the BAC met four times in discharging its duties and functions as a committee of the Board. The record of attendance of the BAC members are as follows:

Members	Number of Meetings Attended
Tang Saw Hua <i>Chairman, INED (appointed as a Member and Chairman of BAC on 1 July 2020 and 17 November 2020 respectively)</i>	2/2
Lim Beng Choon <i>SID</i>	4/4
Nuraini Ismail <i>NINED</i>	4/4
Datuk Anuar Ahmad <i>INED</i>	4/4
Nirmala Doraisamy <i>INED (appointed on 19 February 2021)</i>	N/A
Vimala V.R. Menon <i>(ceased as a Member of BAC on 17 November 2020)</i>	4/4

The record of attendance of the BAC members met the requisite quorum as stipulated in the BAC TOR. Aside from the said meetings, urgent decision was also approved via one BAC circular resolution. The manner on how the BAC conducts its meetings has also changed due to COVID-19 pandemic, whereby most of the meetings were held via digital platform.

As the Board is ultimately responsible for the oversight of the Company, it is consistently kept informed by the BAC of its activities. In this connection, the BAC meeting is always held before a Board meeting to ensure that all critical issues, significant findings and irregularities are communicated to the Board on a timely basis.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Board Audit Committee Report

To facilitate deliberation of audit issues, the Managing Director/Chief Executive Officer (MD/CEO), Chief Financial Officer (CFO), Head of Internal Audit Department (IAD) and External Auditors and any other persons deemed necessary by the BAC were invited to attend the BAC meetings and provided the BAC with their inputs advice and furnish the BAC with necessary information and clarification to relevant items on the agenda. The Company Secretary acted as a secretary to the BAC.

The Head of IAD presented the internal audit reports to the BAC. As and when required, relevant members of the Leadership Team (LT) were invited to apprise the BAC on specific issues arising from the audit findings or other areas impacting the financial results of the Company. The External Auditors also attended the BAC meetings to present the external audit plan for the year and the outcome of the statutory audits conducted on the Company and its subsidiaries. Both internal and external auditors provide integral support to the BAC by acting as a sounding board. During the year under review, the BAC had one private session on 18 February 2020 with the External Auditors without the presence of the Management. There were no major matters that warranted BAC's attention.

The agenda and meeting papers encompassing qualitative and quantitative information relevant to the business of the meetings were distributed to the BAC members via a secure collaborative software, not less than five 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.

Deliberations include the review of the Company's proposed annual and interim financial reporting to Bursa Malaysia, assessment on related party transactions (RPTs) and recurrent related party transactions (RRPTs) proposed to be entered into by PDB Group and its subsidiaries, external and internal audit reports, status of open audit findings together with the agreed corrective actions as well as matters on internal control.

All proceedings of the BAC meetings and deliberations including comments made by the Directors were duly recorded in the minutes of each meeting and the signed minutes of each BAC meeting are properly kept by the Secretary. Minutes of the BAC meeting and circular resolutions were tabled for confirmation and notation at the following BAC meeting, after which the Minutes were presented to the Board for notation. In addition to communicating to the Board on matters deliberated during the BAC meeting, the BAC also recommends to the Board the approval of annual financial statements and quarterly financial results.

Activities of the BAC during the Financial Year 2020

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

1. Financial Reporting

- a. Reviewed the quarterly financial results prior to the approval by the Board, to ensure compliance with the MMLR of Bursa Malaysia, the applicable financial reporting standards as well as other relevant legal and regulatory requirements. The reviews and discussions were conducted with the MD/CEO and the CFO of PDB.
- b. Reviewed the audited financial statements for the year under review prior to the approval by the Board, to ensure that they were prepared in accordance with the provisions of the Companies Act 2016 (CA 2016) and the applicable financial reporting standards. The reviews and discussions were conducted with the MD/CEO and the CFO of PDB.
- c. Reviewed and deliberated specific key areas affecting the Group's financial results, and endorsed recommendations made by Management. The key areas deliberated include assessments on impairment of trade receivables and inventory.

2. External Audit

- a. Reviewed and recommended the terms of engagement of the External Auditors for the Board's approval.
- b. Reviewed the external audit report for half year financial statements in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".
- c. Reviewed and approved the External Auditor's annual audit plan for the Group, outlining their scope of work.
- d. Reviewed the proposed fees for the statutory audit as well as for the non-audit services. The BAC endorsed the proposed audit fees and the said fees were duly approved by the Board.

- e. Total audit and non-audit fees paid to the External Auditors are as follows:

Particulars	2020		2019	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Statutory Audit Fees	744	541	684	541
Non-Audit Fees	109	106	347	317
Percentage of Non-Audit Fees over Statutory Audit Fees	15%	20%	51%	59%

3. Internal Audit

- 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.
- 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.
- 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.
- Assessed the performance of the Head of IAD and his staff with regard to their ability to provide independent and objective assurance in conformance with recognised international standards.

4. Internal Control and Compliance

- Reviewed the effectiveness of the system of internal controls, taking into account the findings from internal and external audit reports.
- PDB adopts the enhanced PETRONAS Financial Policy which provides strategic direction towards financial resiliency through efficient capital management practices for long term sustainability. The PETRONAS Financial Policy governs financial management and financial risk management through three inter-related policies namely PETRONAS Financial Policy, PETRONAS Tax Policy and PETRONAS Risk Policy.

5. Corporate Governance

- Reviewed RPTs and RRPTs in accordance with PDB Guideline and Procedures on RPT and Conflict of Interest Situations to ensure the transactions are at all times carried out on arm's length basis and normal commercial terms, and not to the detriment of the minority shareholders. The BAC also reviewed the status update of the RPTs and RRPTs on quarterly basis.
- Conducted external auditors' assessment in accordance with the Framework on External Auditor.

External Audit

In ensuring that the external auditors' independence is not impaired, the Audit Engagement Partner in charge of the Company will be rotated every seven years and is required to observe a cooling-off period of five years before being re-appointed (in line with the MIA's requirements). Internally, the external auditors conduct an Independent Partner Review in order to preserve their independence.

The external auditors had also provided their written assurance to the BAC that in accordance with the terms of all relevant professional and regulatory requirements, they had been independent throughout the audit engagement.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Board Audit Committee Report

The BAC had also carried out an assessment on the performance, sustainability and independence of the external auditors based on the following four key areas, and will continue to do so on an annual basis:

- Quality of engagement team and services
- Adequacy of resources
- Quality of communication and interaction
- Independence, objectivity and professional scepticism

Annual Reporting

The BAC reviewed its report and Statement on Risk Management and Internal Control (SORMIC) for the financial year ended 31 December 2020 to ensure that they were prepared in compliance with the relevant regulatory requirements and guidelines.

These statements are as set out on pages 172 to 177 and 182 to 193 of this <IR> respectively.

Internal Audit Function

The BAC is supported by an in-house internal audit function, the IAD, in discharging its governance responsibilities stated in the BAC's TOR. The internal audit function of the Company is premised on the requirements of an 'independent and objective function'. The mission of PDB IAD is to enhance and protect the organisation's value by providing risk-based and objective assurance, advice and insights.

IAD assists the organisation to accomplish its goal by bringing a systematic and disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes within the Group.

The Head of IAD reports directly to the BAC and administratively to MD/CEO to ensure impartiality and independence in executing its role. It is currently headed by Baba-A Rahman Tiriman who holds a Bachelor Degree in Business Administration (1st Class Hons) from International Islamic University, Malaysia. He helmed the position since April 2018 and prior to that he has spent more than four years in Internal Audit function at PETRONAS Group specifically overseeing the downstream business. He had nine years' experience specialising in retail and commercial businesses within the PDB Group.

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

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

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

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 Leadership Team

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 Management and Implementation of OE R2
- Audit on National Accounts and Specialty Products Business
- Review on Procurement Strategy in PDB
- Audit on Non-Fuel Operations and Revenue Recognition
- Audit on Overall Governance and Implementation of Mesra Loyalty Program
- Audit on Management and Implementation of Customer Touch points and Resolutions
- Audit on Overall Governance and Execution of Investment Projects (Setel® & SENTINEL)
- Audit on Management and Implementation of PETRONAS Stations Maintenance
- Audit on PETRONAS Cyber Security

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.

The Quality Assurance and Improvement Programme (QAIP) continues to be used to assess the quality of audit processes. It is an ongoing and periodic assessment that covers the entire spectrum of Internal Audit activities. The QAIP assesses the efficiency and effectiveness of the audit processes and opportunities for improvement are identified through the internal and external assessments. The results of the QAIP are reported to the Risk Management and Governance Committee and the BAC.

The Group continues its commitment to equip the internal auditors with adequate knowledge to discharge their duties and responsibilities. IAD resources are adequate, appropriate, sufficient and effective to implement the approved plan including some collaborative effort with external line experts and resources from PETRONAS Group specifically on IT related areas. There are total of 14 internal auditors in PDB with diverse backgrounds and disciplines such as accounting, finance, business management, marketing, engineering, energy management, commerce and information technology. The internal auditors have sufficient mix of knowledge, skills and competencies to execute the audit plan.

Annually, internal auditors are assessed via individual online Superior Managed Assessment (SMA) to determine the learning and development needs to further enhance their competencies. The functional competencies are continuously developed guided with the established Internal Audit Competency Framework issued by The Institute of Internal Auditors.

The BAC reviews the IAD performance annually and responsible on the appointment and removal of Head of IAD.

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, PDB support education programme to enable them to pursue their careers in relevant internal auditor certifications such as Certified Internal Auditors (CIA), Certified Integrated COSO framework and Certified Fraud Examiner. Additionally, three staff had undergone the exchange programme initiative within PETRONAS 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 RM3.98 million.

Related Party Transactions and Conflict of Interest Situation

The BAC ensured that there are adequate Policies and Procedures in place to identify and monitor RPTs/RRPTs such that they were conducted at arm's length basis and normal commercial terms, and not detrimental to the interests of the minority shareholders.

The BAC performed a quarterly review of all RRPTs entered by the Group during the year under review to ensure compliance with PDB's policies and procedures.

The BAC is satisfied that during the year under review, all the RPTs/RRPTs were fairly concluded on prevailing market rate/prices, had been carried out at arm's length basis and normal commercial terms/conditions, applicable industry norms and not detrimental to the interests of PDB and its minority shareholders. The RPTs/RRPTs were reported to the BAC on a quarterly basis.

BAC Effectiveness Review and Performance

During the year under review, the Board assessed the performance of the BAC through an annual Board Effectiveness Evaluation. The Board is satisfied that the BAC has discharged its functions, duties and responsibilities in accordance with its TOR. In addition, the Board also agreed that BAC continued to support the Board in reviewing financial and audit matters, contributing to the overall effectiveness of the decision-making process by the Board for the Company and the Group and has played an effective role in ensuring governance, compliance and safeguarding of company assets.

Reporting to the Exchange

In 2020, the BAC was of the view that PDB was in compliance with the MMLR of Bursa Malaysia and as such, the reporting to Bursa Malaysia under Paragraph 15.16 of the MMLR is not required.

Tang Saw Hua

Chairman

Board Audit Committee

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Board Risk Committee Report



ALVIN MICHAEL HEW THAI KHEAM
Chairman

Dear Valued Shareholders,

On behalf of the Board Risk Committee (BRC), I am pleased to present the BRC Report for the Financial Year Ended 31 December 2020.

OVERVIEW

This report provides an insight into the activities of the BRC during the year under review. As at the date of this report, the BRC is made up of five Non-Executive Directors (NEDs).

The BRC was established on 26 February 2019 in line with the Step-Up Practice 9.3 of the Malaysian Code on Corporate Governance 2017 (MCCG 2017).

TERMS OF REFERENCE

The Terms of Reference (TOR) of the BRC sets out the authority, duties and responsibilities of the BRC to discharge its primary responsibilities of reviewing the process of identifying, managing, evaluating and monitoring principal risks as well as overseeing the implementation of appropriate systems and risk assessment processes, to manage such risks for PDB and its subsidiaries. All the requirements under the TOR have been complied with.

The BRC is to assist the Board in ensuring the Company has in place sound and robust risk management framework and such framework has been effectively implemented to enhance the Company's ability to achieve its strategic objectives especially in pursuing its growth agenda.

In carrying out its oversight responsibilities, each BRC member 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.

During the year under review, the TOR was revised to enhance the BRC's functions and to fill any gaps or areas for improvement based on the latest corporate governance requirements and for clarity purposes.

The TOR of the BRC is accessible to the public on PDB's corporate website at www.mymesra.com.my

Composition

The BRC consists of five members including its Chairman. All five BRC members are Independent Non-Executive Directors (INEDs) and each possesses sound judgment, objectivity, independent attitude, management experience, professionalism, integrity and knowledge on the industry. None of the BRC members has appointed alternate directors.

During the year under review, there was change in the composition of the BRC whereby Tang Saw Hua was appointed as the BRC member effective 17 November 2020, in place of Vimala V.R. Menon who completed her 9-year tenure as a Director of the Company and ceased as a member of the BRC on the same date.

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

Members	Date of Appointment as BRC Member	Tenure on the BRC
Alvin Michael Hew Thai Kheam <i>Chairman, INED</i>	26 February 2019	2 years
Datuk Anuar Ahmad <i>INED</i>	26 February 2019	2 years
Shafie Shamsuddin <i>INED</i>	26 February 2019	2 years
Nirmala Doraisamy <i>INED</i>	15 October 2019	1 year 4 months
Tang Saw Hua <i>INED</i>	17 November 2020	Less than a year

Meetings and Attendance

The BRC meetings for the year under review were pre-scheduled in November 2019 to allow the members to plan ahead and incorporate the BRC meetings into their respective schedules. This also serves to provide the members ample notice of the meetings.

The BRC meetings were scheduled once every quarter with additional meetings convened as and when necessary. During the year under review, the BRC met five times in discharging its duties and functions as a committee of the Board. The record of attendance of the BRC members are as follows:

Members	Number of Meetings Attended
Alvin Michael Hew Thai Kheam <i>Chairman, INED</i>	5/5
Datuk Anuar Ahmad <i>INED</i>	4/5
Shafie Shamsuddin <i>INED</i>	4/5
Nirmala Doraisamy <i>INED</i>	5/5
Tang Saw Hua <i>INED</i> <i>(appointed as a Member of BRC on 17 November 2020)</i>	N/A
Vimala V.R. Menon <i>(ceased as a Member of BRC on 17 November 2020)</i>	5/5

The record of attendance of the BRC met the requisite quorum as stipulated in the BRC TOR. The manner on how the BRC conducts its meetings has also changed due to COVID-19 pandemic, whereby most of the meetings were held via digital platform.

To facilitate deliberation of risk issues, the Managing Director/ Chief Executive Officer, Chief Financial Officer and Head of Risk Management Department (RMD) attended the BRC meetings and provided the BRC with their inputs, advice, appropriate relevant information and clarification on relevant items on the agenda. The Company Secretary acted as Secretary to the BRC.

The Head of RMD presented the risk management reports including updates on risk monitoring and also the corporate risk profile to the BRC. As and when required, relevant members of the Leadership Team were invited to apprise the BRC on specific issues arising from the strategic or high business impact proposals.

The agenda and meeting papers encompassing qualitative and quantitative information relevant to the business of the meetings were distributed to the BRC members via a secure collaborative software, not less than five 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.

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 and circular resolution were tabled for confirmation and notation at the following BRC meeting, after which the minutes were presented to the Board for notation.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Board Risk Committee Report

Activities of the BRC during the Financial Year 2020

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

Risk Policy

Reviewed and endorsed PDB Enhanced Risk Policy.

Risk Appetite

Monitored the risk appetite and level of tolerance that the Group is willing to accept in pursuing its strategic objectives.

Risk Monitoring

- Reviewed and endorsed the refinement of PDB's critical risks as registered in the Corporate Risk Profile, for Board's approval.
- Reviewed and endorsed the adequacy and effectiveness of the risk management practices through monitoring of the Key Risk Indicators (KRIs) and mitigations implementation as updated in the quarterly Business Risk Reports (BRR).
- Reviewed and endorsed the amendment to the BRC TOR, to specifically manage corruption risk within PDB Group, for the Board's approval.

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
- Corruption Risk Assessment as defence mechanism based on the 5 principles of Adequate Procedures in complying with Section 17A, Malaysian Anti-Corruption Commission Amendment Act, 2018

Risk Culture

Reviewed and endorsed PDB Risk Management 5-year Roadmap Journey Towards Embracing Risk.

Governance

Reviewed and endorsed its TOR particularly in managing corruption risk within PDB Group and enhancement in some other areas for clarity purposes.

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.

Annual Reporting

The BRC reviewed its report and Statement on Risk Management and Internal Control for the financial year ended 31 December 2020 to ensure that they were prepared in compliance with the relevant regulatory requirements and guidelines.

BRC Effectiveness Review and Performance

During the year under review, the Board assessed the performance of the BRC through an annual Board Effectiveness Evaluation. 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. The two-way communication with our shareholders, investors and other stakeholders enables us to evaluate views and feedback that are incorporated into our decision-making process. The Board believes its practices in this area are consistent with both the MCCG 2017's provisions concerning dialogue with the shareholders, investors and other stakeholders and with good governance. Information on the Group's business activities and financial performance is disseminated through announcements to Bursa Malaysia Securities Berhad (Bursa Malaysia), postings on PDB's website, press releases, issuance of the Integrated Report and where required, press conferences. Immediately after the conclusion of the Annual General Meeting (AGM), PDB will hold a press conference with the media and any materials distributed during the press conference are published in PDB's corporate website.

The Managing Director and Chief Executive Officer (MD/CEO) together with the Chief Financial Officer (CFO) and the Company's Investor Relations Unit conduct regular engagements with institutional shareholders and analysts, and hold quarterly analyst briefings to further explain the Group's quarterly financial results. These engagements promote better understanding of the Group's financial performance and operations.

PDB actively updates its corporate website www.mymesra.com.my with the latest information on the corporate and business aspects of the Group. Press releases, announcements to Bursa Malaysia, analyst briefings and quarterly results of the Group are also made available on the website and this helps to promote accessibility of information to PDB's shareholders and other stakeholders.



For more information on Investor Relations, please refer to pages 81 to 85 of this <IR>

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management and Internal Control at PDB

This Statement on Risk Management and Internal Control (SORMIC) is made in accordance with paragraph 15.26(B) of Bursa Malaysia’s Main Market Listing Requirements (MMLR) which requires the Board of Directors of public listed companies to publish a statement about the state of risk management and internal control of the listed issuer as a Group.

PDB and its subsidiaries (collectively known as the Group) has adopted and embedded risk management frameworks and internal control systems in place to safeguard our assets and protect our investments.

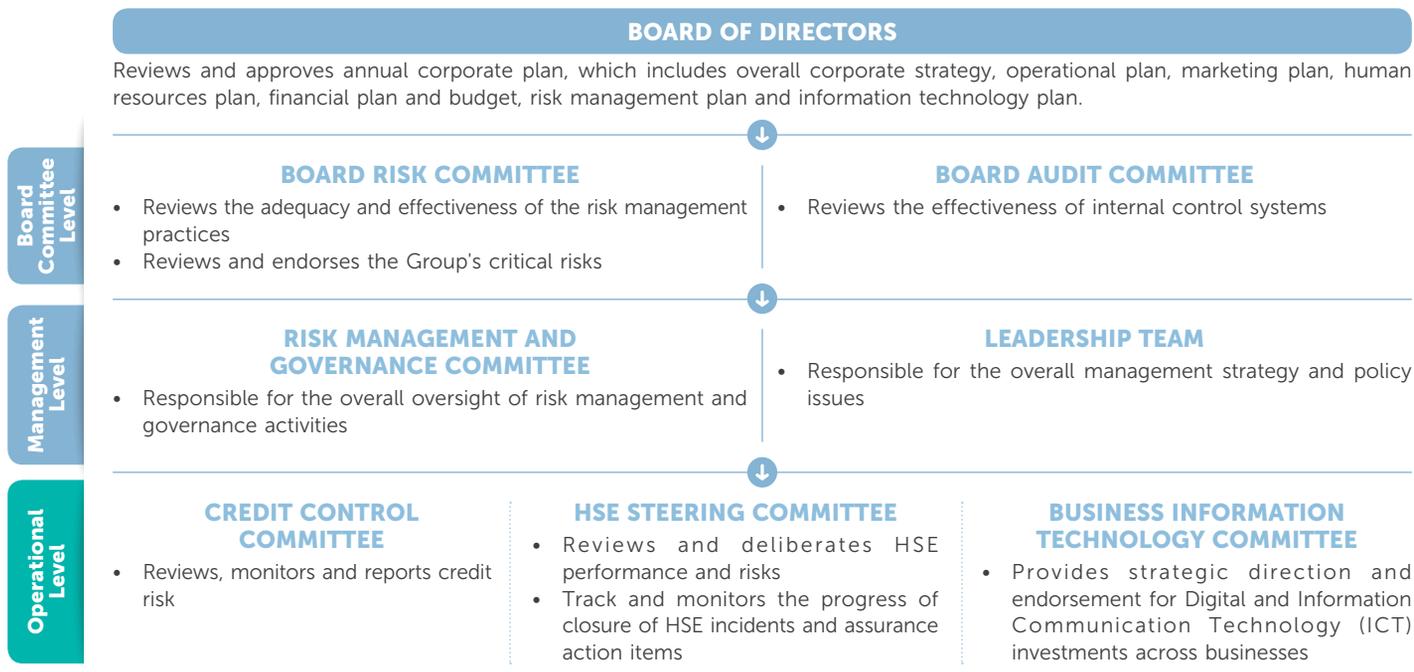
We aim to manage our business and financial risks effectively to be able to maximise business opportunities.

Responsibility and Accountability

The Board is committed to maintaining and continuously improving the Group’s system of risk management and internal control. The Board acknowledges the importance of having in place a sound risk management system and internal control practices for good corporate governance with the objective of safeguarding the shareholders’ interest and the Group’s assets. It is cognisant of the fact that implementation of a sound risk management framework helps the Group to achieve its performance and profitability targets by incorporating risk information for better decision-making, whilst firm internal controls enable appropriate preventive measures to manage risks. The Group’s system of risk management and internal control aims to manage and control risks appropriately. In view of the limitations that are inherent in any system of internal control, this system is designed to manage, rather than eliminate the risks that hinder the Group from achieving its objectives. Hence, it can only provide reasonable, but not absolute assurance against material misstatements or losses or the occurrence of unforeseeable circumstances.

Risk Oversight Structure

The Group’s risk oversight structure allows for risk information flow which yields effective monitoring of risk management implementation at all levels. Risks are reviewed at Risk Management and Governance Committee (RMGC) before it is deliberated at the Board Risk Committee (BRC) and 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.



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 and Credit Management Department is entrusted with the responsibility of ensuring effective risk governance and implementation in the Group as well as strengthening risk culture, among others, communicating the importance of risk in decision making.

Risk Management is an integral part of the Group's activities and processes to address risks that may impact the achievement of its business objectives. The Group has established risk management practices where review and monitoring of critical risks remain a key focus of the Board. The risk management process is in place to identify, evaluate, manage and monitor the risks. This process continues for the year under review and up to the date of approval of this statement.

PDB Risk Policy

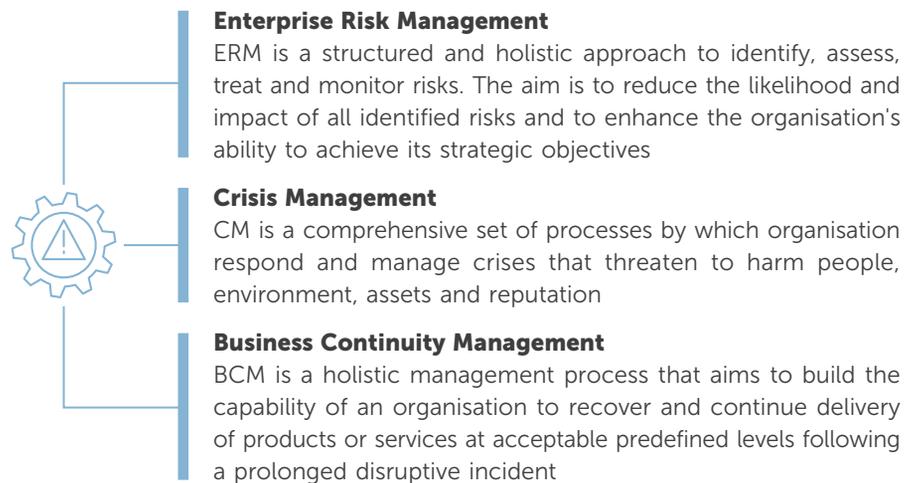
The Group's risk policy provides a clear and consistent approach to govern risk management practices. The risk policy is continuously reviewed to ensure its relevancy in line with the Group's future aspiration and changing environment.

- ▶ **PDB is committed to become a risk resilient organisation**
- ▶ **PDB shall continuously strive to implement:**
 - Risk management best practices to protect and create value within the set boundaries
 - Risk based decision making by providing a balanced and holistic view of exposures to achieve business objectives
- ▶ **Managing risk is everyone's responsibility**

Risk Strategy

The Group 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.

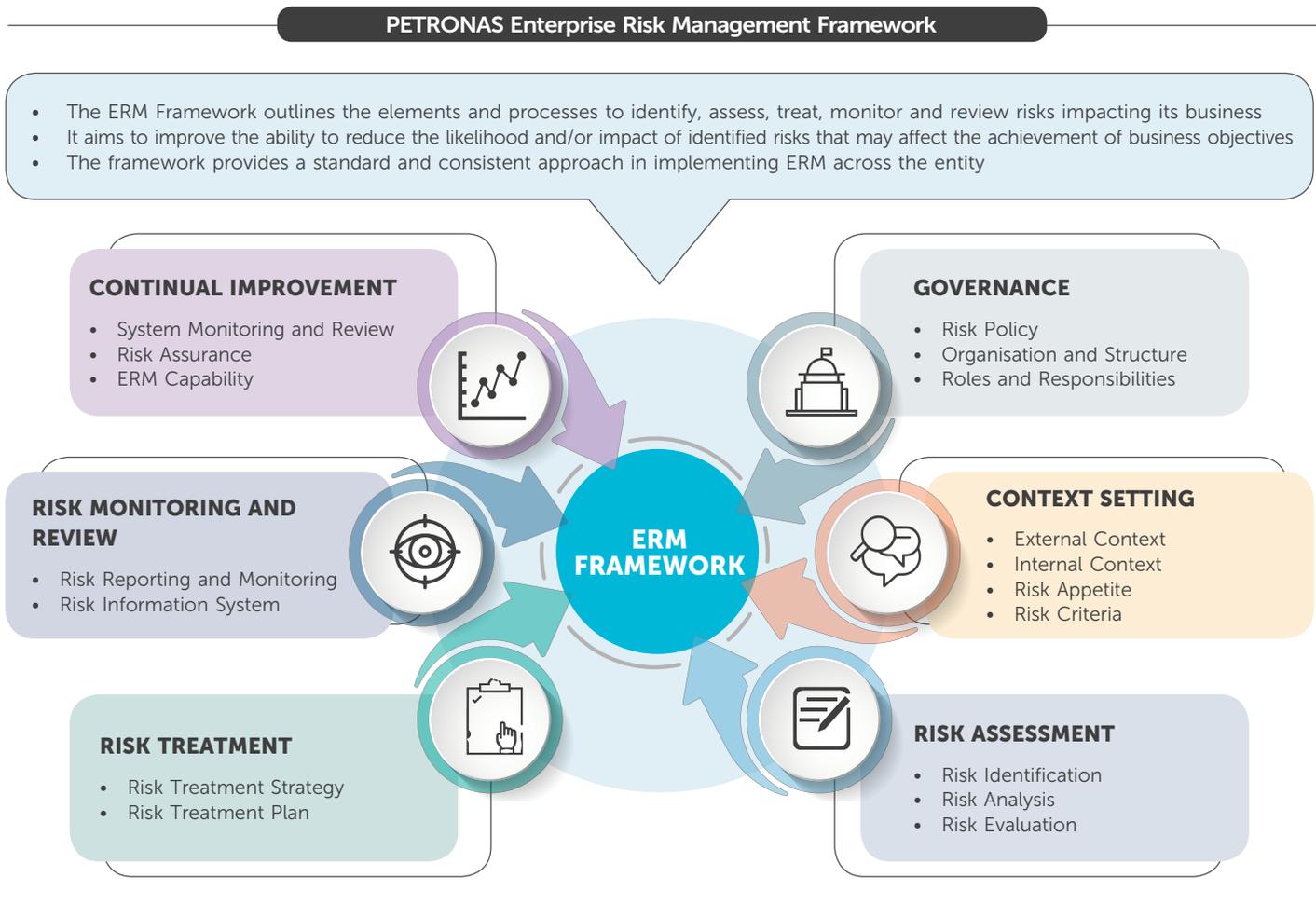
PETRONAS Resiliency Model



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Enterprise Risk Management (ERM) Framework

The Group adheres to PETRONAS ERM Framework as depicted in the diagram below:



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).

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 tolerate in pursuing its objectives*)

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

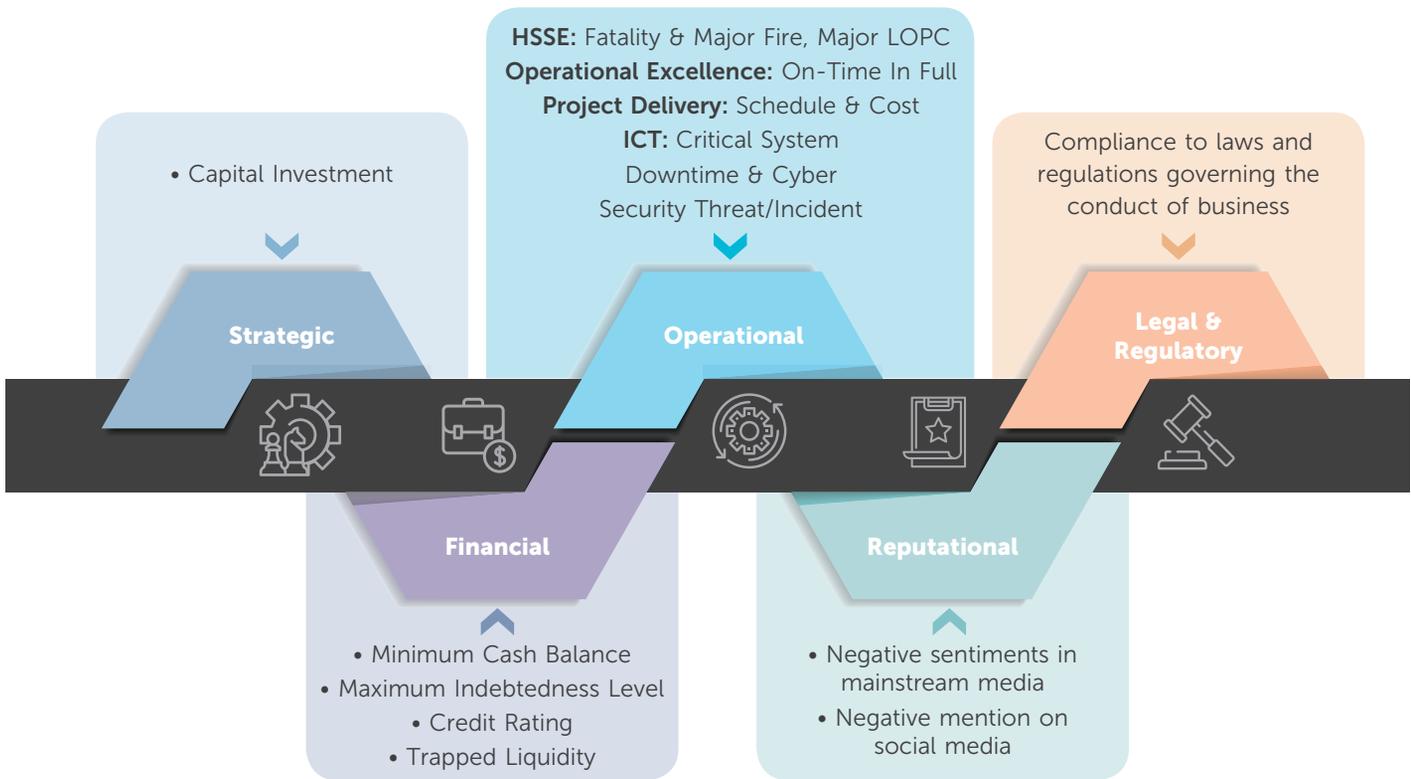
- Identify Key Risk Indicators (i.e. leading and lagging) as triggering mechanism
- Monitor risk updates through Integrated Enterprise Risk Information System (INTERISK) and ensure Corporate Digital Assurance sign off
- Quarterly report risk status to RMGC, BRC and Board

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Risk Appetite

The Group’s risk appetite reflects its stance, propensity, and acceptability to take risk in various areas towards achieving the strategic objectives. The Group’s risk appetite is reflected in Risk Appetite Statement which articulates the Group’s risk strategy which is further supported by Risk Appetite Statement, Risk Tolerance and its corresponding Risk Threshold.

PDB Risk Appetite was developed by aligning to PDB’s business strategies with five Risk Appetite Areas to ensure risks undertaken in pursuit of strategic and business objectives are consistently within acceptable levels.



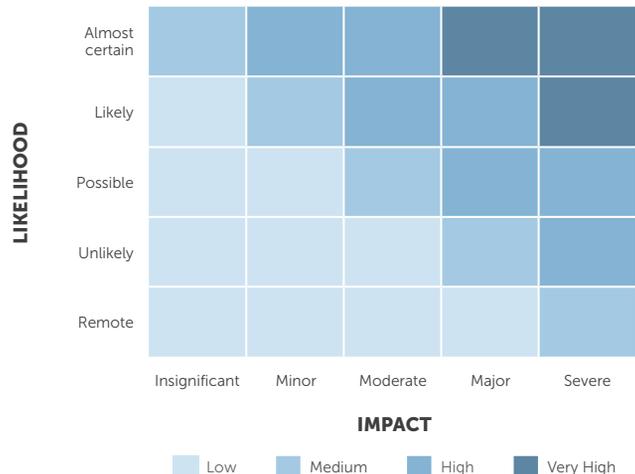
The Group monitors and reports the risk appetite on quarterly basis and escalate any breach of risk tolerance to management and Board, if required, for deliberation of specific action or decision.

Our 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.

AS PER PDB IR 2020



Crisis Management

The Group is prepared to manage emergencies and crisis in its business operation to minimise impact to People, Environment, Assets and Reputation (PEAR).

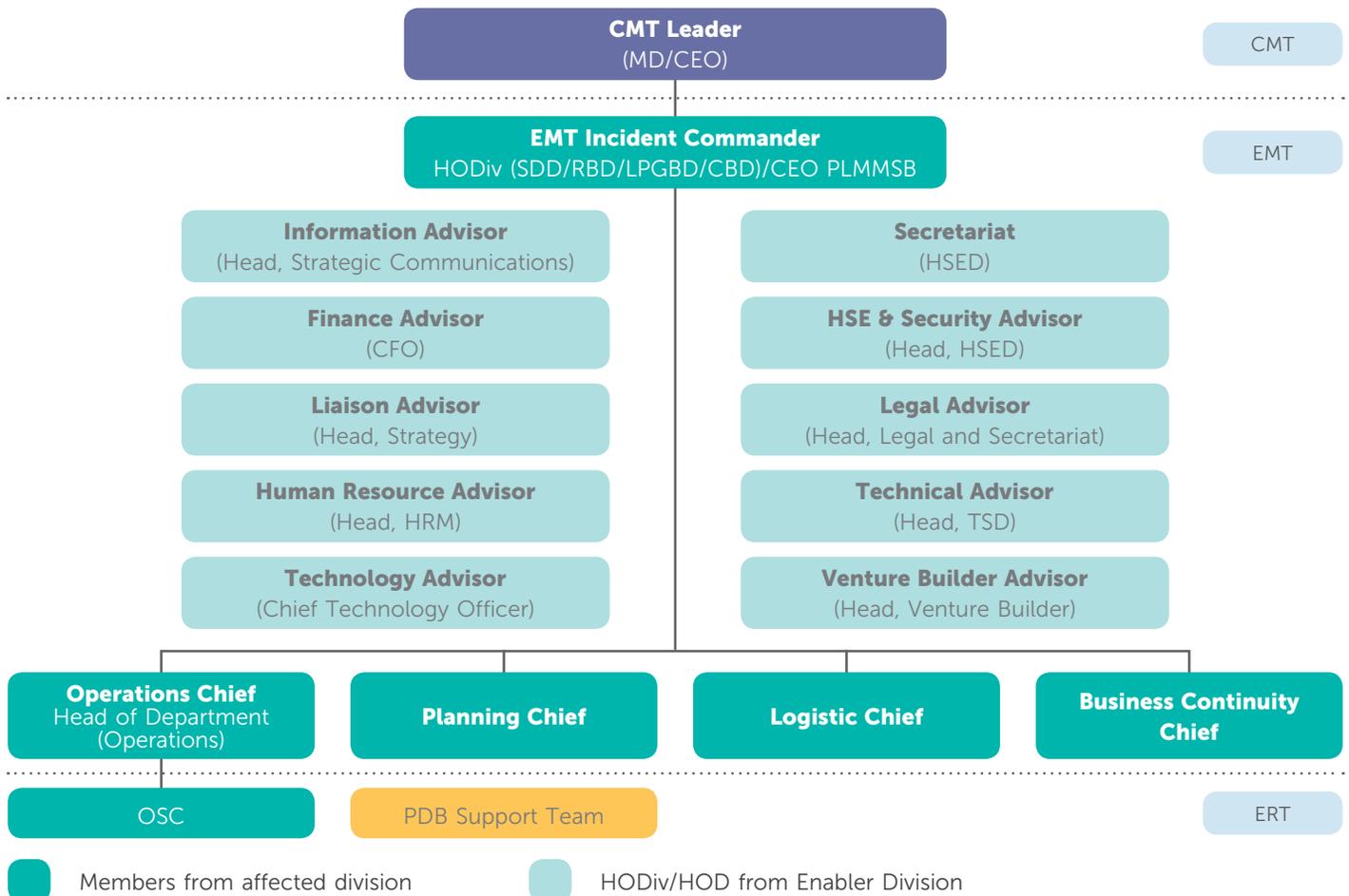
PDB Emergency and Crisis Management Procedure has been developed to ensure that the Group is capable of dealing and managing crisis and emergency situations for all type of operations in PDB.

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. Depending on
3. PDB Emergency and Crisis Organisation, Roles and Responsibilities across the Group in managing crisis and issues.
4. Contingency support and plan 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.

the severity, the authorities will take over command and control of response operations, either for reasons of public safety, national interest or if it is determined by the authorities that the Group is unable to manage the situation. This is achieved by involving government emergency protocols where the Unified Command (UC) shall be established and a handing over process is executed.

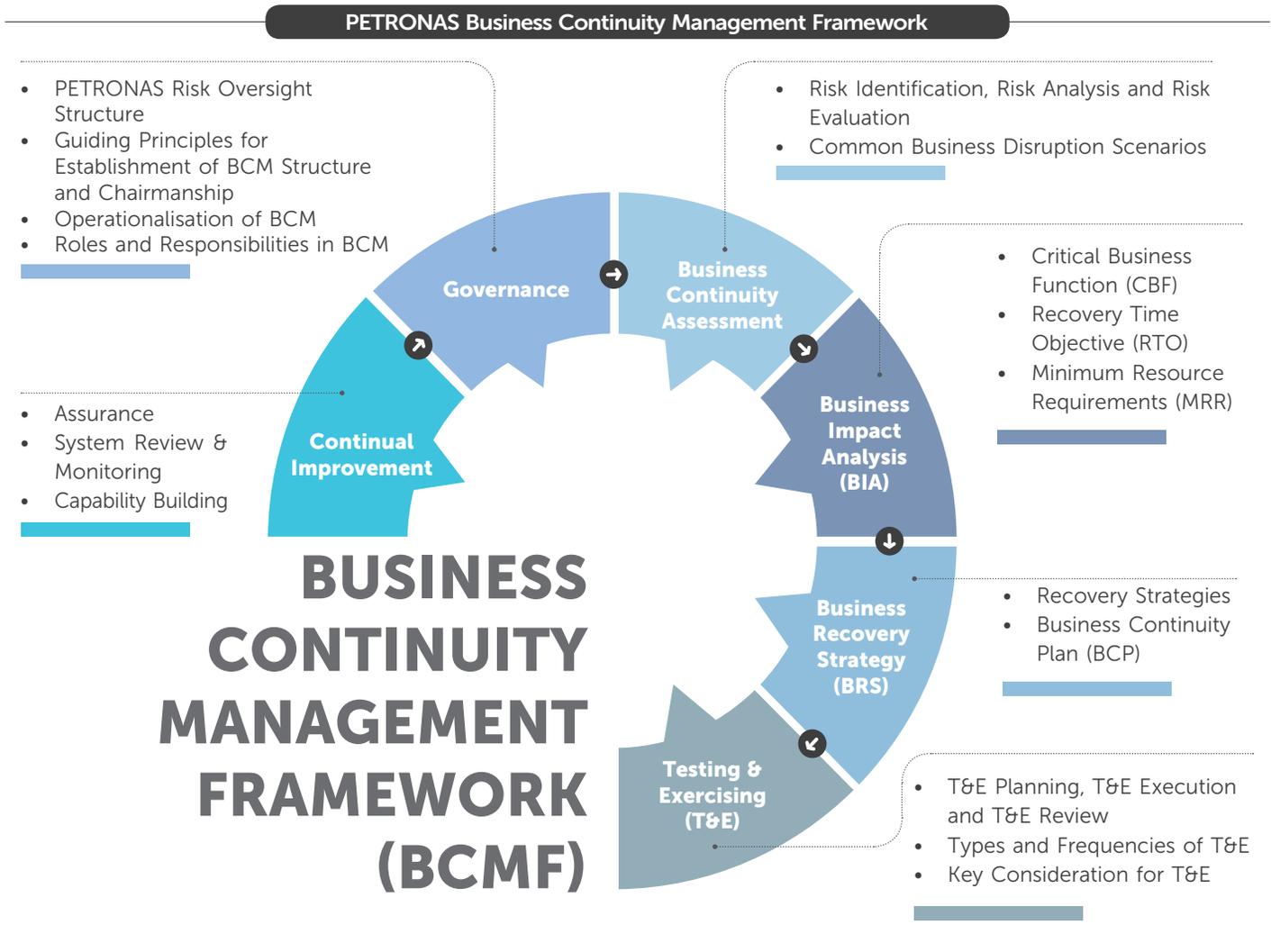
Overall Crisis and Emergency Management Structure in PDB



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Business Continuity Management (BCM)

The Group implements the PETRONAS Business Continuity Management Framework (BCMF) as a systematic approach for consistent BCM practices to ensure effective recovery and continuation of business operation during prolonged disruption or crisis.



The BCMF consists of six key elements that makes up the basic requirements to implement and operate BCM for an entity. This framework aims to provide a standard and consistent approach across the organisation in achieving key attributes in business continuity.

During the year under review, the Group continues to review the Business Impact Analysis (BIA) and Business Recovery Strategy (BRS) of relevant departments or divisions to ensure validity of the current Business Continuity Plan (BCP).

During the year, BCP testing & exercise for the Group was conducted mainly focusing on connectivity of critical systems and applications for resumption of work via Virtual Office (VO).

The Group also conducted Emergency Notification System (ENS) testing to ensure system readiness to effectively and immediately notify all critical staff 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.

Internal Audit

The Internal Audit Department (IAD) of PDB provides an independent, objective assurance and consulting function that helps PDB to achieve its objectives. IAD performs a systematic and disciplined approach in evaluating and improving the design and effectiveness of the PDB's Governance, Risk Management and Internal Control processes (GRC).

The IAD function includes undertaking reviews of PDB's system of internal controls, operations, selected key activities and related party transactions based on risk assessment and in accordance with the annual internal audit plan which is presented and approved by the Board Audit Committee (BAC).

IAD conducts a risk-based approach of the Group's system of internal controls, its operations and key activities as per the annual audit plan approved by the BAC. IAD as the third line of defence also ensures the effectiveness of the respective roles executed by the first and the second line of defence.

IAD maintains its impartiality, objectivity, proficiency and due professional care by having its plans and reports directly under the purview of the BAC.

The IAD 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 BAC reviews IAD audit reports which include opinions on the adequacy and effectiveness of PDB's GRC, root causes and the recommended corrective actions to be undertaken by the Management. The status of the closures of Agreed Corrective Actions (ACAs) are closed satisfactorily within the agreed time frame and reported to the BAC on a quarterly basis.

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.

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 comprehensive and standardised guidance on all aspects of HSE management as a common framework for all stakeholders to be collaboratively managing the overall HSE implementation.

Through the most important HSEMS Element of Hazard & Effects Management Process (HEMP), PDB ensures the hazards and the associated risks inherent in business operations are systematically identified and assessed. Adequate controls and mitigations are put in place to ensure risk exposures to a wide range of health, safety and environmental risks such as incidents associated with operating facilities, flammable products and transportation hazards may be reduced and prevented altogether.

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. Annual HSEMS Management Review is conducted to gauge effectiveness of the system where identification of gaps is monitored for continual improvement.

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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

PETRONAS Financial Policy

PDB adopts the enhanced PETRONAS Financial Policy which provides strategic direction towards financial resiliency through efficient capital management practices for long term sustainability. The PFP governs financial management and financial risk management through three inter-related policies namely PETRONAS Financial Policy, PETRONAS Tax Policy and PETRONAS Risk Policy.

Code of Conduct and Business Ethics

The Group adopts and practices 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.

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' Whistleblowing Committee.

Related Party Transactions and Conflict of Interest

Policies and Procedures on Related Party Transactions (RPTs) and Conflict of Interest (COI) Situations (collectively, P&P) have been established within the Group to promote continuous awareness and provide consistent approach to all RPTs and Recurrent Related Party Transactions (RRPTs) or COI situations.

The said P&P requires the use of various processes to ensure that RPTs/RRPTs are conducted on normal commercial terms and on arm's length basis, which are consistent with the Group's normal business practices and policies, and will not be to the detriment of the Group's minority shareholders. It aims to provide guidelines under which certain transactions and situations must be reviewed and endorsed by the various governing parties of the Group and/or disclosed to the regulators and governing bodies.

It also prescribes the processes required to identify, evaluate, approve, monitor and report RPTs/RRPTs as well as manage COI. Such processes include identification and screening of transactions, negotiation of transaction and approval/mandate mechanism, monitoring and reporting principles, and renewal or changes in the terms or termination of such dealings. In principle, the said P&P sets forth the following:

- All sourcing and sales of the Group's products, general merchandise and/or shared facilities/services shall be based on market, industry or negotiated pricing formulas and the terms are not more favourable to the related party than those generally applied to a third party, in order to ensure that the transactions are on an arm's length basis;
- Database is maintained to capture the list of related parties and RPTs/RRPTs which have been entered into;
- If a Director or a related party has an interest in a transaction, he or she will abstain from any deliberation and decision making at the Board or subsidiary company's Board (as the case may be) in respect of such transaction;
- The BAC is responsible for ensuring that the policies and procedures relating to RPTs/RRPTs and COI situations are sufficient to ensure that RPTs/RRPTs are carried out on normal commercial terms, on arm's length basis and not to the detriment of the Group's minority shareholders;
- The Board has the overall responsibility to ensure compliance with the established guidelines and procedures to approve and monitor RPTs/RRPTs and COI situations. The Board and/or BAC may also appoint individuals and committees to examine the RPTs/RRPTs, as deemed appropriate;

- On an annual basis, all Directors and any related party of the Group will declare in a written form, designed to elicit information about current/potential relationships and/or COI situations, involving their interest, either directly or indirectly. All Directors and any related party of the Group shall also notify in writing of any interest in RPT or COI situation when it becomes immediately known to them;
- The Directors have completed their declaration of interest forms for the financial year under review in line with the P&P; and
- Bursa Malaysia has granted PDB exemption from having to seek shareholders' mandate for RRPT with 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) with the principal objective of providing assurance on the quality of financial reporting through a structured process of ensuring the adequacy and effectiveness of key internal controls operating at various levels within the PETRONAS Group at all times.

The FCF requires among others, documentation of key controls, testing of internal control design effectiveness, remediation of control gaps as well as a periodic testing of control operating effectiveness. On a semi-annual basis, each key process owner at various management levels is required to complete and submit a letter of assurance which provides assurance on the effectiveness of the key controls for the areas that they are accountable for.

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.

Credit Risk Framework and Guidelines

PDB adopts PETRONAS Credit Risk Framework and Guidelines to facilitate management of credit risk exposures from customers which 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. Similar assurances have also been obtained from Leadership Team members confirming the adequacy and effectiveness of risk management practice and internal control system within their respective areas.

Integrated Assurance

PDB has implemented Integrated Assurance, 1st line assurance driven by PETRONAS Group with the objective to provide new ways in conducting assurance at all levels through structured and consistent approach in which internal controls are documented and periodically evaluated for effectiveness.

This new assurance process provides more ownership and accountabilities at PDB level to drive self-assurance programs using a structured approach for a better line of sight and oversight for effective informed decisions.

PDB has given reasonable assurance to the Corporate in ensuring the enterprise risks mitigation are adequately and effectively controlled and mitigated for risk areas of Financial, Tax, Reputation, HSE, Plant & Facilities, and Legal.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Anti-Money Laundering and Counter Financing of Terrorism

The Group is committed to enforce an effective internal control system for Anti-Money Laundering (AML) in compliance with all related laws, regulations, guidelines and industry leading practices. Thus, the Group has in place an Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) policy and framework to comply with both the specific provisions and the spirit of all relevant laws and regulations. As an approved issuer of designated payment instrument i.e. Smartpay, PDB has implemented AML/CFT Framework to comply with requirements set forth by Bank Negara Malaysia and to combat any ML/TF risks arising from Smartpay.

Third Party Risk Management

PDB adopts PETRONAS Third Party Risk Management controls under the legal compliance framework and established a due diligence tool being the "Know Your Counterparty (KYC)" process. The KYC process which comes into effect allows PDB to assess and safeguard itself against reputational and legal risks posed by parties outside the organisation in relation to 5 critical legal areas namely, Ethics & Integrity, Data Privacy, Competition & Trade, Sanctions and Export Controls.

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 Privacy & Protection Compliance

PDB has put in place the Corporate Privacy Policy (CPP) to adequately safeguard the privacy and personal data of its employees as well as third parties. This robust CPP and its related implementation framework enables PDB to meet and comply

with applicable privacy and personal data protection laws in relevant countries in which PDB operates. PDB also implements Data Secrecy Manual to ensure that the confidentiality of customers' personal data is protected and managed effectively. The manual framework consists of the following key elements which include the roles and responsibilities, data management, access controls, managing breaches and training requirements for both employees and third-party service providers.

Training for Critical Legal Areas

PDB has implemented on-line training modules covering the five critical legal areas of Ethics & Integrity, Competition Law, Privacy & Data Protection, Sanctions and Export Control to PDB's Directors, officers and employees in the year 2020.

Procurement Guideline

PETRONAS' 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 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 cyber security, data governance and framework which are in line with PETRONAS Group's policies.

The ever-changing environments and evolution of information technology call for continuous reviews, updates, enhancements and implementation of security measures to protect the Group's stakeholders as well as the businesses from the emerging threats of cyber security risks. Moving forward, the deployment and operationalisation of PETRONAS Enterprise Cyber Security Governance 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.

Standard Operating Procedures

The Group has developed and maintained Standard Operating Procedures (SOP) covering PDB's business and operations, including but not limited to financial operations, marketing and sales, supply chain management, human resource management, information systems and health, safety and environment. The SOPs guide and govern day-to-day operations and ensure the right controls are in place. The SOPs are also reviewed as and when required to ensure 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 2020. 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 19 February 2021.

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 TOGETHER WITH THE INTRODUCTION OF T.R.U.S.T. AS PART OF CORPORATE LIABILITY, 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, subcontractors, 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 2020, we collaborated with PETRONAS Group Integrity Division and Human Capital Expertise 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 Programmes were conducted in 2020:

Events	No. of Sessions	No. of participants
Kursus ASAS for <i>Rakan Niaga</i>	3	52
PDB Onboarding Program	4	45
CoBE Refresher session with NFSO	1	50
Case Sharing via ASPIRE	4	N/A
Briefing on Section 17a of MACC Act and Corruption Risk to <i>Rakan Niaga</i>	4	746
Briefing on Section 17a of MACC Act and Corruption Risk to LPG Dealers	3	349



For more information on CoBE, please refer to PDB corporate website at www.mymesra.com.my

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 while conducting business for and on behalf of PDB. The ABC policy is also applicable to all directors, contractors, subcontractors, 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 corporate website at 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 corporate website at www.mymesra.com.my

CORPORATE LIABILITY (T.R.U.S.T.)

On 1 June 2020, the Malaysian Government has enforced the Corporate Liability Provision under the new Section 17A of the Malaysian Anti-Corruption Commission (Amendment) Act 2018 to fight against corruption. The Corporate Liability Provision expands the coverage of the MACC Act 2009 to include acts by individuals, commercial organisations and their associated persons.

Following the above, MACC issued Guidelines on Adequate Procedures (Guidelines) which sets out procedures for the need of any commercial organisation to put in place a defense to a corporate liability charge under the MACC Act. The Guidelines set out five key principles with an apt acronym called "T.R.U.S.T.":

- i. **Top-level Commitment** – Board and top-level management direct involvement and commitment on compliance to anti-bribery laws
- ii. **Risk Assessment** – Periodic risk assessment to identify evolving corruption risks with documented findings and regular review
- iii. **Undertake Control Measures** – having appropriate contingency measures to mitigate corruption risks
- iv. **Systematic Review, Monitoring and Enforcement** – undertake periodic review and assessment of policies, procedures and compliance programme effectiveness
- v. **Training and Communication** – dissemination of anti-corruption policies internally and externally with trainings provided

To this end, PDB has embarked on numerous initiatives throughout the year to complement the implementation of CoBE and ABC Manual. This includes undertaking and completing its corruption risk assessment to identify any gaps and mitigations to reduce exposure to corruption risk. In addition, PDB has also implemented online learning module on ABC for all its directors and employees. This mandatory training module aims to create greater awareness on anti-corruption measures as well as on the new corporate liability provisions. Similar trainings were also conducted virtually for PDB's key associated persons such as *Rakan Niaga* and LPG dealers who represent PDB's brand name.

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 on **ENVIRONMENTAL, ECONOMIC** and social impacts of our **SUSTAINABILITY** initiatives have served as the **FOUNDATION** of inclusive **GROWTH** for the nation.

DRIVING SUSTAINABILITY



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**. We do this **by being an agile and resilient company, standing ahead of the curve and thinking out-of-the-box**, hence creating value for our stakeholders, without compromising the needs of future generations.

As we progress along our sustainability journey, we invest in our sustainability framework to **future-proof our business**, ensuring sustainable business continuity.

Our long-term sustainability vision aims to manage 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 sustainability initiatives.



PDB's Sustainability Framework - Enriching Lives For A Sustainable Future



At PDB, our focus is on the eight SDG's which are directly related to our Sustainability Framework. Throughout 2020, we continued to focus on the long-term goal of nation-building. We provided structured internships to students. We entered into a Memorandum of Understanding with Majlis Amanah Rakyat to jointly develop and promote local SME businesses to enhance their capabilities and competitiveness.

We are constantly seeking innovative solutions to reduce our carbon emissions across our value chain, in line with our nation's efforts as well as helping our communities and customers transition towards a low-carbon economy in the future.

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 efforts are implemented 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 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 in place not only for today, but also for the long-term sustainability vision. The oversight of sustainability matters and initiatives have been fully-integrated into the Board of Directors' mandate. The Board of Directors is updated on the Company's Sustainability initiatives and performance on a quarterly basis and these form part of our discussions.



Scope

This Sustainability Statement addresses aspects that are material to our business and presents significant impact to our stakeholders from an EES perspective. Relevant sustainability initiatives carried out by PDB throughout 2020 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.

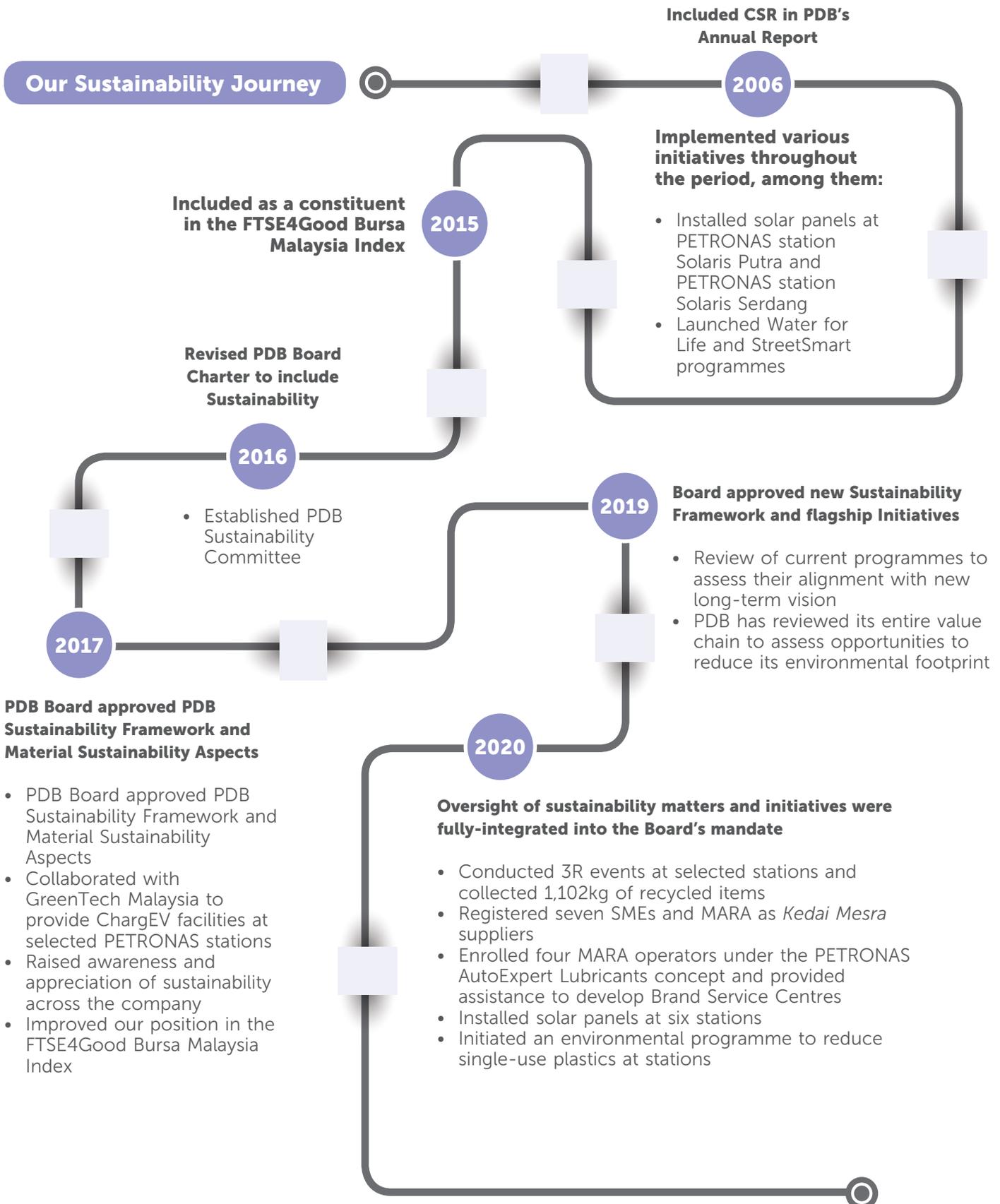


Approach

In presenting this Sustainability Statement, we have adhered to the MMLR of Bursa Malaysia under the Amended Listing Requirements for Sustainability Statement. It has also been prepared in reference to GRI Standards.



DRIVING SUSTAINABILITY





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.

As part of our commitment to shape a sustainable economy for the nation, PDB constantly seeks innovative solutions for the mutual benefit of all parties within the ecosystem, including the development of local economies by engaging with local suppliers as well as vendors through our Retail, Commercial, LPG and Lubricant businesses. By doing so, we will be able to contribute towards creating more employment opportunities, as well as support 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 PETRONAS AutoExpert partners for lubricant.

Material Matters



Strategic Sustainability Directives

- Financial Returns to Stakeholders
- Economic Opportunities to Dealers



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 towards climate change mitigation in the long-term and we have implemented various initiatives to reduce our carbon footprint. We are 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. In addition, we have a set of environmental and social criteria which our partners must comply with in order to produce Certified Sustainable Palm Oil.

Material Matters



Strategic Sustainability Directives

- Climate Change
- Managing Environmental Impact
- Resource Management



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 programmes to achieve high-performance workforce, nurturing a competent and talented workforce 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 can 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. This is reflected in the PDB HSE Policy which sets out the Company's guiding principle in managing risks and hazards relevant to the business operations.

Material Matters



Strategic Sustainability Directives

- 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



As Malaysia’s leading retailer and marketer of downstream petroleum products, PDB strives to contribute towards the Nation’s economic growth. We believe that by being an agile, resilient company with an **EXCITING BUSINESS**, coupled with game-changing new revenue streams to future-proof our business, we will be able to ensure sustainable financial performance. This translates into stable returns to shareholders as well as stimulating enriching **SOCIOECONOMIC OPPORTUNITIES** for the local communities in areas where we operate.

ECONOMIC



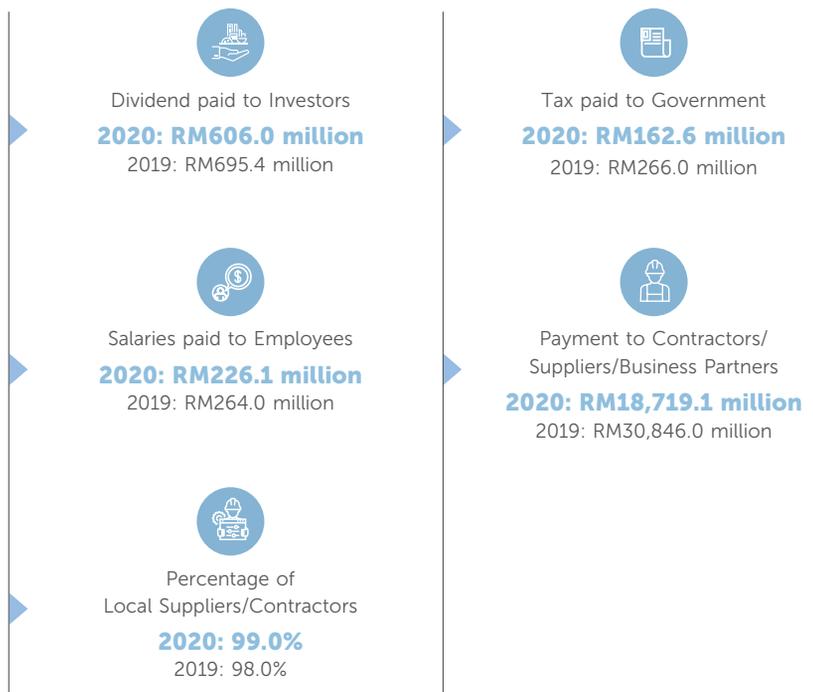
FINANCIAL PERFORMANCE

We aim to deliver attractive financial returns to our shareholders. In addition, we 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.

In 2020, PDB engaged in initiatives under the “Buy Local” government campaign. We also entered into an MoU with MARA to support local entrepreneurs and SMEs, thus underscoring our commitment to unlock their potential and augment local economic growth. These initiatives will be presented throughout this section.



For more information on the Company’s Financial Performance, please refer to pages 72 to 85 of this <IR>



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
536 sub-dealers at all regions,
nationwide



**Continuous development and
upgrading** of sub-dealers to become
dealers or premier dealers, improving
their capabilities and income



Lubricant's Initiative Reach



> **30 MEPs**
nationwide



Provided **entrepreneurial
development and skills
enhancement** of the MEPs



Franchised the **PETRONAS brand** to
60 local automotive SME workshops
to drive customer footfall

ECONOMIC

LOCAL EMPLOYMENT OPPORTUNITIES

PDB contributes to economic growth by creating new job opportunities and supporting local businesses. All our dealers are encouraged to give back to local communities through job creation nationwide.

Malaysians employed through

Rakan Niaga & Krew PETRONAS (KP) >8000

LPG Channel Members ~1000

Commercial Dealers >2000

Lubricant Distributors ~80

Retail



LPG



Commercial



Lubricant

Our LPG Business supports local economic growth by providing jobs and business opportunities to locals through our LPG dealers. Our Channel Members 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 536 sub-dealers.

We also continued our "delayering" initiatives from last year where eligible sub-dealers were 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, the LPG Business hired four disabled persons under our dealership chain.

As part of our commitment to drive the Nation's economy, 300 nationwide dealers within our Commercial Business focused on generating local business opportunities. Taking it a step further, these dealers then went on to introduce new jobs to more than 2,000 Malaysians throughout the distribution network to support local economic growth.

Our petrol stations are managed by *Rakan Niaga* via a stringent selection criteria. Our *Krew PETRONAS (KP)* are also an integral member and the vital ingredient to our great customer service. Across the nation, more than 1,000 stations provided opportunities to more than 8,000 *Krew PETRONAS*.

Our Lubricants Business supports local economic growth by providing jobs and business opportunities to local communities via the PETRONAS AutoExpert programme. Since the establishment of this programme in April 2019, we currently have nine operational PETRONAS AutoExpert outlets. During the year under review, the PETRONAS AutoExpert programme was supported by an agreement between PDB and MARA to elevate the status of Bumiputera automotive workshops under the latter's wing.

DRIVING ENTREPRENEURIAL SPIRIT TO SUPPORT INCLUSIVE ECONOMIC GROWTH

For more than 25 years, PDB has been actively supporting local entrepreneurs and SMEs to fuel domestic economic growth. In accelerating economic empowerment, PDB continues to provide local communities with not only new job opportunities, but also upskilling programmes to help them increase their knowledge, penetrate new markets and enhance their customer reach, leveraging on the various *Kedai Mesra* and PETRONAS AutoExpert outlets nationwide. To date, we have helped numerous entrepreneurs market their products in both the food and lubricant sectors.

MEMORANDUM OF UNDERSTANDING WITH MARA



In June 2020, PDB entered into an MoU with MARA to jointly develop and promote the capabilities as well as competitiveness of local SMEs. Under this MoU, local entrepreneurs will gain the ability to supply their products and reach out to more customers through PDB's >800 *Kedai Mesra* nationwide via a structured programme.

Additionally, this collaboration is expected to open up more growth opportunities for local businesses in terms of funding, upskilling and expanded marketing platforms. Registered entrepreneurs will be upskilled through MARA's SME Development Training programme to facilitate their venture into a wider and more competitive market. Additionally, eligible MARA SMEs will also enjoy special *Kedai Mesra* registration package under this structured programme.

Meanwhile, the partnership between PDB and MARA also benefitted local workshop owners as they will be able to participate in the PETRONAS AutoExpert programme. Upon registration, they can leverage on PETRONAS AutoExpert's network, gain access to systems and tools that will help facilitate more efficient services as well as usage of a comprehensive solutions scheme which includes training, marketing support, effective trade programmes and counselling for future business development, leveraging on PETRONAS as a leading global brand. Current MARA automotive students under the GIATMARA programme will also benefit as these students now have the option to train at PETRONAS AutoExpert outlets once they have completed their studies.

ECONOMIC

BUY LOCAL CAMPAIGN

At PDB, we are focused on supporting the growth of the domestic economy by engaging with local entrepreneurs, guided by our sustainability framework. Nevertheless, we recognise that the onset of COVID-19 has not only impacted local businesses and economic growth, but also, Malaysia’s consumer consumption trends.

Echoing the Ministry of Domestic Trade and Consumer Affairs’ call to encourage consumers to buy Malaysian goods, PDB rolled out its “Love Local Campaign” in September 2020 to help stimulate domestic consumption. The Campaign also aimed at creating greater awareness on the many local brands with quality offerings that are at par with global brands as well as enhance patriotism among Malaysians for these goods.

Vendors who participated in this Campaign were also provided with guidance covering several areas such as pricing strategy, product presentation, merchandising rules, logistics and distribution as well as planogram implementation, to name a few. Some of the local entrepreneurs who have joined this Campaign include Doluvo (Pops Malaya), Far Cekap (Sambal Rindu), Mama G (cheese bombs), Bistari Food (local snacks) and Perniagaan Hadeen (local snacks).



KEDAI MESRA ENRICHING LIVES OF ENTREPRENEURS

We are committed towards ensuring long-term value creation for all our stakeholders. As we advance in enriching the lives of our partners, we continue to bring to our *Kedai Mesra* customers numerous selections of their favourite meals, snacks, drinks, desserts, 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 100% owned and run by women and youth entrepreneurs.

Under our SME programme, we have helped many local vendors 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. We are constantly looking for opportunities to enhance and improve the offerings by combining our strengths to elevate the local business scene while at the same time, ensure a sustainable future for all our stakeholders.

Our environmental stewardship is guided by PDB's Sustainability Framework - ENRICHING LIVES for a Sustainable Future. We are COMMITTED to reduce our environmental impact by transitioning to lower carbon energy solutions while at the same time, DEPLOYING INNOVATIVE operations and technologies, thus contributing to a sustainable future.

ENVIRONMENT



Our environmental drivers are also guided by the Company's HSE Policy, which entails a commitment to managing our environmental impact, improving our energy efficiency across our operations, thereby also reducing our GHG emissions that could contribute to climate change and managing our resources responsibly and sustainably to reduce impact.

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. Appropriate actions are then taken by adapting our operations and innovating with technology to manage the impacts associated to our operations and products, cooperating to become an even more agile and resilient company.



Aspects that are material to us and our stakeholders include climate change, emissions, accidental spills and waste. We monitor our environmental performance as this enables us to make informed business decisions around protection of the environment. We analyse our environmental data to understand our performance and identify potential areas of improvement.

We are pleased that during the year under review, we have not been subjected to any regulatory enforcement action that resulted in fines or penalties.



For more information on our Management Approach for the Environment discussed holistically under HSE, please refer from pages 218 to 224 of this <IR>



Climate change is affecting a wide range of businesses and industries across the globe. With shifting energy demand landscape accelerating in recent years, this presents both risks and opportunities for PDB in the short and long-term.

CLIMATE CHANGE

The dual challenge of meeting the world's rising demand for energy and addressing climate change are two powerful influences shaping the energy systems today.

We acknowledge the role we play in advancing the transition to cleaner energy. While the shift towards alternative fuels in the transportation sector such as biodiesel B5 started since 2012, progress has been made towards B20 in early 2020 in certain states. This will be expanded to the rest of Malaysia over the next couple of years. The emergence of other alternatives and low carbon fuels, such as compressed natural gas, liquified natural gas, hydrogen, sustainable aviation fuel, as well as EV, which are gaining wider application in certain countries, also presents potential opportunities for PDB in the medium to longer term, especially through our market-leading network of retail stations and distribution chain.

ENVIRONMENT

OUR APPROACH

Our climate actions are driven by the PETRONAS Climate Change Position, PETRONAS Carbon Commitments and the recently-declared PETRONAS Net-Zero Carbon Emissions aspiration by 2050*. The PCC and the NZCE aspirations drive our climate actions in reducing GHG emissions across our operations and projects, investing in renewable energy, while creating value and strengthening our businesses. Environment and climate-related risks that could impact our business operations have been integrated into the PETRONAS Enterprise Risk Management. These risks are identified, assessed and prioritised to manage potential market risk and financial exposures arising from the changing energy landscape and emerging climate-related legislation. The potential future impact to the fuel market growth, business strategy and our five-year financial planning is deliberated at PDB Board level.

PETRONAS also supports the development of the wider Oil and Gas sector. We continue to enhance our relationships with stakeholders globally through discussions and participation in initiatives on climate change. These include membership in the International Petroleum Industry Environmental Conservation Association through close collaborations in the Climate Change Working Group and the International Gas Union. Closer to home, PETRONAS has also engaged with various Malaysian regulatory bodies such as the Ministry of Environment and Water and the Ministry of Energy and Natural Resources where we are actively contributing data to the National Communication and Biennial Update Report for submission to United Nations Framework Convention on Climate Change, further shaping country's move towards realising its pledge under the Paris Agreement.



*For more information on PETRONAS Climate Change Position Statement and PETRONAS Carbon Commitments, please refer to PETRONAS Annual/ Sustainability Reports and PETRONAS' aspiration to achieve Net Zero Carbon Emissions by 2050 at <https://www.petronas.com/sustainability>

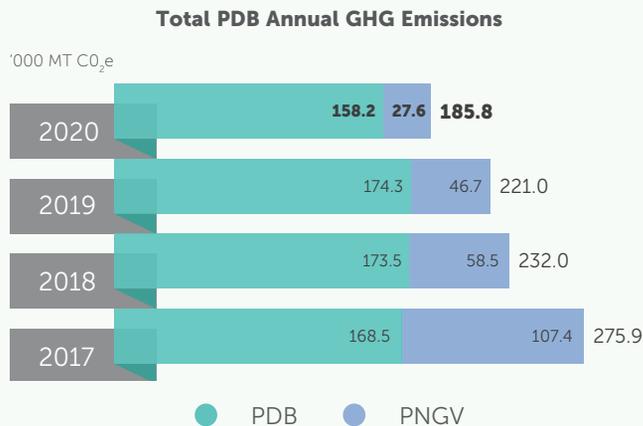


This year, we continued our work in embedding and strengthening our climate change strategy and management to accurately quantify and reduce our carbon footprint while delivering long-term sustainable growth

PERFORMANCE

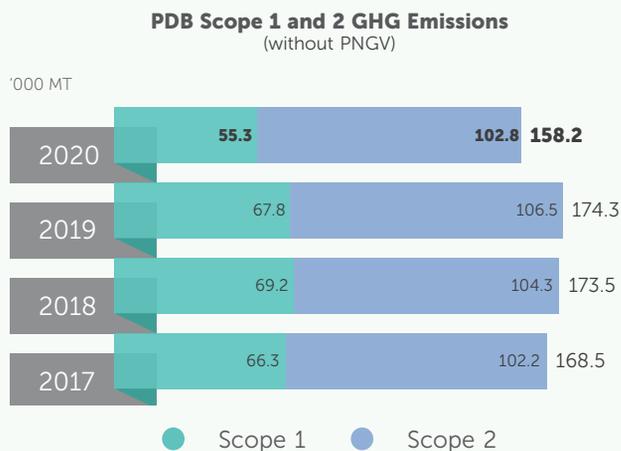
Our GHG emissions cover direct (Scope 1) and indirect (Scope 2) emissions. Direct GHG emissions are defined as those from assets that are owned or controlled by a company. For PDB, Scope 1 emissions primarily include company-owned vehicles, vehicles which are contractually dedicated for our exclusive use to transport our fuels (e.g. road tankers, bowsers and ROVR trucks) and emissions during equipment maintenance of PNGV stations (PETRONAS NGV). Indirect GHG emissions are those generated via the consumption of electricity at our terminals, retail stations, regional office buildings and training centres.

In 2020, our total GHG emissions measured approximately 185.8 kilo tonnes of carbon dioxide equivalent (ktCO₂e). The reduction in GHG emissions in 2020 was due to the implementation of MCO during the COVID-19 pandemic. An independent verification of our environmental performance data was

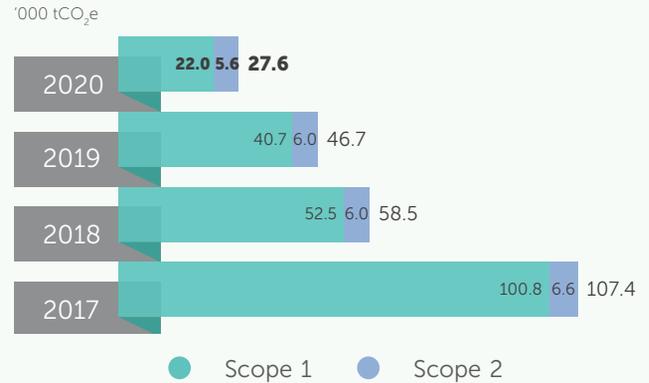


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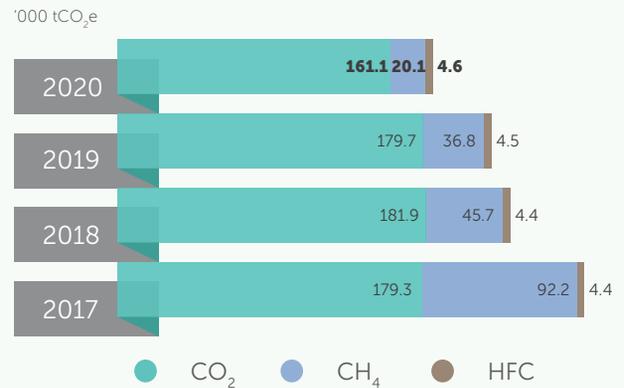
- During the year in review, we have also captured and accounted for Scope 1 and 2 emissions from the NGV operations in which PDB operates and maintains on behalf of PETRONAS NGV. There has been a reduction in emissions since 2017 due to PNGV business rationalisation.
- The GHG emissions values have been restated to include adjustments made to include Scope 1 fugitive emissions and Scope 2 purchased electricity from our retail operations.



PNGV Scope 1 and 2 GHG Emissions



Total PDB Annual GHG Emissions - By GHG Type



CO₂: Carbon Dioxide
CH₄: methane, HFC: hydrofluorocarbons

PDB Energy Use



NOTES:

- During the year in review, we captured and accounted for energy use from the NGV operations in which PDB operates and maintains on behalf of PETRONAS NGV.
- The energy consumption values have been restated to include adjustments made to include imported energy (purchased electricity) for stations and energy used at PNGV stations

ENVIRONMENT

conducted in 2018 by PETRONAS' Downstream Business, measured against the requirements of PETRONAS Technical Standards which are aligned with ISO 14064 (Part 3). This exercise provided gap identifications which will guide us in meeting international requirements in the future. We are on track to engage an external expert to conduct an independent verification in 2021.

ENERGY TRANSITION

Low Carbon Solution

As PDB continues to prioritise our sustainability agenda in support of the transition towards a low-carbon future, we expanded our capabilities to deliver LNG as a cleaner alternative low-carbon fuel. Following the launch of the Virtual Pipeline System solution via the Regasification Terminal in Johor, PDB has emerged as the first LNG solution provider to deliver LNG using trucks fitted with cryogenic tanks, serving industries within Peninsular Malaysia that are not connected to the natural gas infrastructure.



We completed our first delivery of LNG in September 2020 and we look forward to expanding our customer base to ensure that their cleaner energy needs are met.

During the year under review, we also marketed LNG as bunker fuel for vessels. With more customers converting from diesel or marine gas to LNG as a cleaner fuel option, this circumvented approximately 1 ktCO₂e in GHG emissions, which is the equivalent to CO₂ sequestered by 200,000 mangrove trees in one year.

Renewable Energy – Rooftop Solar

Since the installation of our first rooftop solar panels at two of our stations in 2012, we have continued scaling up the installation of solar panels at another six PETRONAS stations up to 2020, bringing the total installed capacity to 400 kWp, which is currently equivalent to powering 100 households for a year.

During the year under review, approximately 197 MWh of electricity was generated, with an estimated reduction of 134.8 tonnes CO₂e of Scope 2 GHG emissions achieved.

PS JKAL

PS Rasah



PS Sri Hartamas

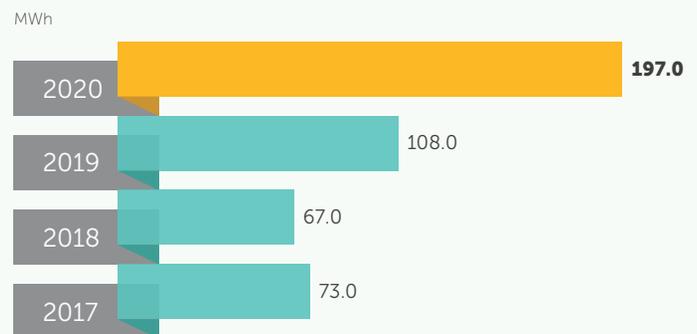


PS Rawang RSA

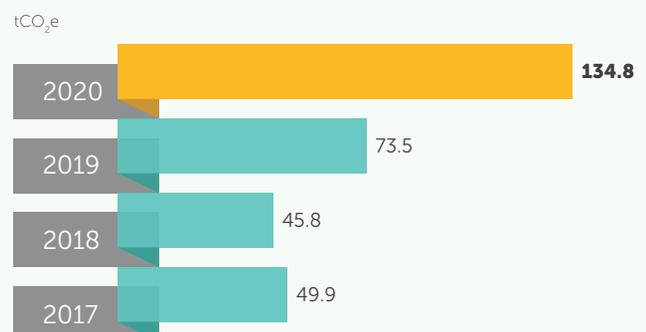


PS Sg Buloh Layby

Solar Power Generated



GHG Emissions Avoided from Use of Solar Energy



ENVIRONMENT

Biodiesel B10 to B20

In support of the Government’s plan to increase biodiesel blend from 10.0% to 20.0%, biodiesel B20 was introduced and made available at PETRONAS Stations in Langkawi, Labuan and Sarawak during the year under review. PDB is working closely with the relevant agencies to expand B20 implementation across the country, including the potential increase of biodiesel blend in the future. The adoption of biodiesel by our hauliers has cut down our Scope 1 emissions by up to 3.7 ktCO₂e since 2017.

As a result of our biodiesel sales, PDB has helped reduce as much as 278.9 ktCO₂e from the transportation sector’s GHG emission in 2020, thereby positively contributing to the Malaysian Government’s commitment to the Paris Agreement.

Vulnerability and Adaptation



PETRONAS has established strategies, supported by capability building initiatives to strengthen the resilience of its assets against climate change. During the year under review, PDB participated in assessments conducted in Kerteh and Labuan to assess the vulnerability of our assets and operations in these areas. Moving forward, as we continue with specific maintenance programmes, for example those involving our terminal drainage upgrades, we have also begun to take steps to incorporate climate adaptation assessments where relevant, as well as to protect our terminals against potential climate impact such as rising sea levels in the next 15 to 20 years.

MANAGING ENVIRONMENTAL IMPACT

Spills

We have control systems in place to prevent operational spills, on both water and land, with emphasis on risk management, operations integrity and containment capabilities.

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. To enhance the integrity of our assets, aging components are regularly maintained and replaced through our asset refresh and rejuvenation programmes.

During the year under review, there were two hydrocarbon spill incidents. These were immediately rectified, investigated and all recommended corrective actions were monitored for closure.

Spills to Environment (>1 bbl)



NOTE:
1 barrel is equivalent to 159 litres

Emergency oil spill response exercises are continuously 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 and pollution.



For more information on spills reduction initiative, please refer to 'Process Safety' on page 222 of this <IR>

For more information on oils spills response initiatives, please refer to 'Emergency Preparedness' on page 223 of this <IR>

Waste

We recognise the need to manage our waste responsibly to meet regulatory requirements. We are also committed to contributing towards UN SDG 12 - Responsible Consumption and Production, as we step up our efforts to reduce the amount of waste generated and to recycle or recover waste as much as possible.

Hazardous Waste

To promote and instil self-regulation in managing hazardous waste, in alignment with the Department of Environment's directive on mainstreaming self-regulation, we have upskilled as many as 35 members of staff to be Certified Environmental Professionals in Scheduled Waste Management across our facilities.

During the year under review, we sent close to 256.4 tonnes of hazardous waste for reuse-recycling-recovery (3R), an increase of 4.4% compared to the previous year. This means there was a corresponding decrease in hazardous waste disposed in 2020 compared to the previous year.

By diverting hazardous waste from disposal and thereby increasing 3R rate, we have achieved around RM550,000 in cost avoidance for 2020.

Hazardous Waste Generated (MT)



Hazardous Waste Disposed (MT)



Hazardous Waste 3R (MT) and 3R%



NOTE:

The 2018-2019 values have been restated to include adjustments from internal verification exercises.



"Smart Tray" with pneumatic control system



Oil residue from the coupling of road tanker is collected in "Smart Tray"



Oil residue from the coupling of road tanker is collected in "Smart Tray"

Our Prai Fuel Terminal had designed the "Smart Tray" as part of process improvements at its Tanker Truck Loading Bay. The Smart Tray has helped the terminal reduce waste oil generation by decreasing the accumulation of oil in its internal drainage systems, increased waste oil recovery and diversion from disposal. These efficient process improvements have contributed to an estimated cost savings of about RM40,000 per year. This simple yet innovative effort has won GOLD and GOLD 5 Stars from the Malaysia Productivity Council, at both regional and national levels respectively.

ENVIRONMENT

Non-Hazardous Waste

In the area of non-hazardous waste, we are working towards recycling used papers, glass and plastics which enable us to use natural resources sustainably per our HSE Policy.

For 2020, all our terminals in Sarawak, selected terminals in Sabah and Peninsular have implemented 3R efforts for general waste. Looking forward, we will step up these 3R efforts across all our terminals and will begin incorporating them as part of our performance metrics.

In support of Malaysia's Single-Use Plastic Roadmap 2018-2030, we redesigned our Mesra Water Bottles to ensure they were made from 100% recyclable materials, including the cap and bottle sleeves. Further to this, from December 2020 onwards, we have also discontinued the supply of single-use straws at all our retail stations. These actions further demonstrate our commitment to better manage our impact on the environment as well as contribute towards the development to circular economy.

Other initiatives in 2020 included the development and issuance of PDB Green Office Handbook and PDB Single-Use Plastics Handbook to inculcate green practices across our operations.





3R ON WHEELS

PDB collaborated with Alam Flora Sdn. Bhd. in December 2020 in a drive-through recycling concept at four PETRONAS stations in Klang Valley. Our customers and the local community were encouraged through social media platform to drop off their household recyclable items ranging from electrical items, paper, boxes and used cooking oil. In turn, customers were rewarded with Mesra Loyalty Points or cash, in exchange for the recycled items.

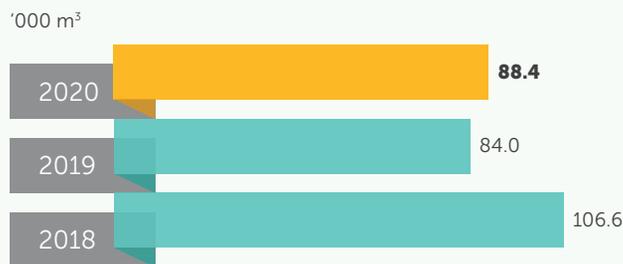
RESOURCE MANAGEMENT

Water

Conserving Water Use

We are committed to use water efficiently and minimise impact on water resources, as reflected in our HSE Policy. This is particularly important given the increasing water supply disruptions in certain parts of the country, especially in the Klang Valley. For our terminal operations, water is essential for cylinder washing, tank cleaning, maintenance, and conveyor chain lubrication as well as for general purpose.

**Municipal Water Withdrawal
(Terminals)**



A water risk screening conducted by PETRONAS has identified regions in Malaysia which are projected to experience water stress by 2040, and we have identified six of our terminals are in these areas. Water consumption at these terminals in 2020 was recorded to be 16,462 m³. We will continue to monitor closely water usage at the terminals and retail stations in these regions and strive to reduce our water footprint.

Actions taken to reduce water consumption throughout our operations include:

- Reuse water for LPG cylinder washing, where appropriate;
- Implement efforts to identify and reduce water leakage in our operations;
- Incorporate water saving taps in our retail station toilet design; and
- Install rainwater harvesting systems.

ENVIRONMENT

RAINWATER HARVESTING

As part of our commitment towards conserving and minimising water wastage, we have installed rainwater harvesting systems at all four terminals in the Sabah region and we intend to expand this to other terminals in coming years. To this end, we also ensured that rainwater collected from roof gutters is channelled into harvest tanks and then, used for general cleaning and gardening. During the year, we recorded 54,603 litres of water withdrawal from harvested rainwater, equivalent to the quantity of water used for 364 commercial vehicle washes. We have also installed rainwater harvesting tanks at our retail stations, and incorporated this feature into our new station design.

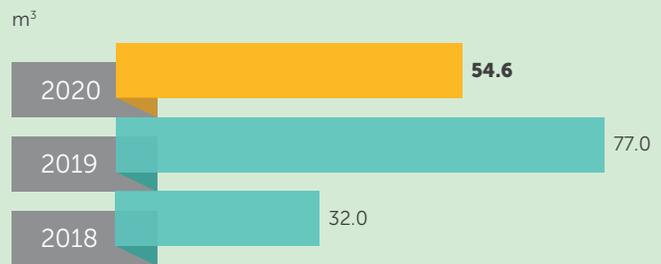
Labuan Fuel Terminal

Sapangar Bay Fuel Terminal

Sandakan Fuel Terminal



Water Withdrawal from Harvested Rainwater



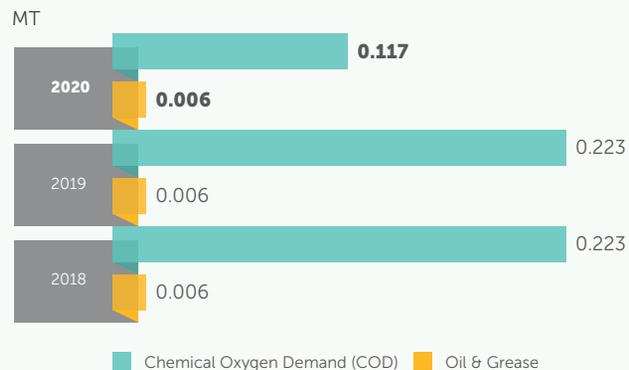
Using rainwater for general cleaning and gardening at our terminals.

Discharges

All our facilities are equipped with an oil interceptor system to prevent any unplanned or uncontrolled discharges from directly entering public drains. In line with the best environmental practices beyond regulatory requirement to safeguard surface water resources, we conduct monthly monitoring of stormwater discharges of our oil interceptors at our terminals and stations.

Wastewater from our LPG terminals are treated prior to discharge, which are monitored regularly to ensure compliance. Key parameters analysed are Oil and Grease as well as Chemical Oxygen Demand. There was no penalty or incidence of non-compliance to water quality standards received from the enforcement authorities for the year under review.

Treated Waste Water Discharge (MT)



Treated wastewater is discharged into drains and eventually directed into the nearby sea. Discharge quality are all in compliance with the Malaysian effluent discharge quality standards



Environment Management in Supply Chain

As a member of the PETRONAS Group, our sustainable development aspirations and commitment are underpinned by PETRONAS' CoBE. We also hold our partners, contractors and suppliers to similar standards of conduct to ensure sustainable development across our value chain. Environmental requirements are spelt out and communicated in contract documentation and the respective contractual agreements/arrangements with contractors, suppliers, dealers and business partners. In addition, suppliers and contractors are made aware of the importance of HSE standards upheld by PETRONAS and must comply with Minimum Technical Requirements set by PETRONAS Licensing and Registration Requirement in Malaysia, which is communicated via the PETRONAS website. Risk assessments are carried out on all suppliers and contractors to ensure all risks toward people, environment, asset and reputation are identified, controlled and mitigated.

For example, we have implemented the policy of responsible sourcing of Palm Methyl Ester, one of the components of our biodiesel fuel, whereby PME can only be acquired from sources that have been certified by the Roundtable on Sustainable Palm Oil. RSPO has developed a set of environmental and social criteria which companies must comply with in order to produce CSPO. RSPO certification provides assurance to consumers that the palm oil is

produced to a sustainable standard, conducted legally, economically viable, environmentally appropriate and socially beneficial management and operations.

Environmental requirements are also embedded in PDB's HSE Management System, in which we require suppliers and contractors to establish and implement their own HSE plans that detail the practices, procedures and control measures for effective HSE management when performing work for PDB.

During the year, we conducted 10 Contractor HSE Assurance activities on our contractors and suppliers to ensure their compliance with regulatory and PETRONAS requirements. The assurance methodology included document reviews, physical inspections and interviews with relevant personnel. Results from the assurance process were communicated to contractors and mitigation actions to address non-compliances and reduction of HSE impacts were monitored by PDB. Appropriate actions will be undertaken on any major non-compliances by suppliers/contractors. We also conducted HSE induction and refresher training courses for all contractors and suppliers to ensure understanding of our HSE requirements.

Moving forward, we will continue to seek new ways to further strengthen sustainable or green procurement in PDB.

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, FUTURE-PROOF THE BUSINESS and generate positive societal impact 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 business norms and industry benchmarks.

SOCIAL



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



Safety And Health

HSE Oversight in PDB

PDB places the highest priority on the health and safety of our workforce and the protection of our assets, communities, environment and all stakeholders, as reflected in the PDB HSE Policy which sets out the Company's guiding principle in managing risks and hazards relevant to the business operations.

PDB oversees the governance of HSE through implementation of the HSE Management System. In future proofing the effectiveness of HSE implementation on emerging risks coming from new business models from venture businesses and pacing it with vast digital enhancements in work processes, a major revision of HSE MS was completed in 2020. The revision also enables standardised and sustainable implementation across PDB operations through a common framework, working together with all stakeholders.

The LT, demonstrates their commitment in HSE MS 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. The LT upholds and drives safety excellence through their leadership values, competencies and generative HSE culture behaviours.



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 deliberated at LT meetings on a monthly basis. Meanwhile, strategic conversations and discussions are conducted during HSE Steering Committee meetings chaired by the MD/CEO and subsequently reported to the Board of Directors. In addition, the HSE Management Review is conducted annually as part of benchmarking against the previous year's performance for continuous improvements on HSE MS Implementation in order to stay ahead of the curve during any adversity.

In consciously embracing PETRONAS Generative HSE Culture behaviours, employees' involvement in work-site HSE Committee meetings take place through deliberation of site-specific HSE issues, programmes and performance on a monthly basis. Any escalation of strategic HSE matters are to be communicated back to the LT level for future improvements. These periodic meetings include participation of both employees and management representatives.

HSE Assurance in PDB

PDB has adopted the PETRONAS Assurance Framework to assess compliance across all HSE requirements. It is a structured approach based on three lines of assurance. All lines of assurance are managed through an online platform known as myAssurance. All assurance processes, starting from assurance planning to post-assurance and monitoring are conducted online. To date, PDB had completed this assurance programme, utilising this online platform at all terminals and PETRONAS stations across Malaysia.

In effort to ensure our operations are in compliance with emerging regulatory requirements, PDB collaborated with *Jabatan Keselamatan dan Kesihatan Pekerjaan* to implement Self-Assessments based on the Petroleum Safety Measure Act and PDB HSE requirements at all our stations. This collaborative effort is to ensure our stations are operating in safe manner whilst complying to both regulatory and PDB HSE requirements at all times.

We also emphasise on HSE compliance by our contractors. To date, we conducted compliance assurance assessments for identified high-risk contractors. In addition to compliance checks, we have also introduced Contractor HSE Capability assessments to evaluate the capabilities of our contractors in upholding our stringent HSE requirements. This is one of our efforts to ensure that all our contractors are well-equipped to adhere to our HSE requirements while at the same time, helping them achieve sustainable HSE management over the longer term.

The annual HSE MS review is carried out as part of a continuous improvement cycle. Findings from all assurance assessments are analysed and reported on a quarterly basis at HSE Steering Committee meetings. Annual reviews on improvement on assurance programmes are part of the annual Management Review for strategic improvement on future assurance. These are done to ensure a sustainable and holistic HSE management system is achieved.

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Safety Performance

This year, we sustained zero fatality cases and one LTI case. However, rest assured that permanent measures were taken to address the root cause to prevent any similar incident. This is a testament of our deep commitment to safeguard our valuable workforce and assets by conducting vigorous efforts in strengthening HSE compliance, managing HSE risks and improving HSE monitoring at sites, despite restrictions on movement during the COVID-19 pandemic.

	2018	2019	2020
No. of Fatalities			
Employees	0	0	0
Contractors	1	0	0
Fatality Accident Rate (FAR)			
Employees	0	0	0
Contractors	21.73	0	0
No. of Lost Time Injury (LTI)			
Employees	2	0	1
Contractors	1	0	0
Lost Time Injury Frequency			
Employees	0.69	0	0.33
Contractors	0.43	0	0
No. of Total Reportable Case			
Employees	3	3	1
Contractors	1	0	1
Total Reportable Case Frequency (TRCF)			
Employees	0.69	0.98	0.33
Contractors	0.43	0	0.32

Total Manhours = 6,234,503 man-hours for PDB employee and contractors, excluding Krew PETRONAS and PIMTCL employee.



For more information on PDB's Environmental aspects, please refer to page 207 of this <IR>

There were two Total Reportable Cases involving our staff and contractors. All incidents were investigated and corrective actions were recommended, monitored and tracked for closure. Improvement in HSE controls and sharing of lessons learnt across the Company, contractors and business partners were also implemented as an effort to prevent recurrence.

We will continue to make sure safety is priority across all our business activities. Thus, we continue enhancing our HSE risk management by leveraging on digitalised tools, development of Generative HSE Culture capability at all working levels as well as regular syndications with employee on HSE best practices and lessons learnt.

Generative HSSE Culture

Recognising the integral role of our workforce in creating the right experiences to achieve and sustain Generative HSE Culture, the focus for year 2020 was to develop capabilities at all levels. Our goal was to build an ecosystem where everyone throughout the organisation embodied the five Generative HSE Culture Behaviours namely, Role Model HSE, Feedback Truthfully, Empower Through Capability, Act Interdependently and Engage Authentically.

The HSE Leadership Conversation for LT and Generative HSE Culture for Middle Management programmes were designed to encourage peer learning as well as active discourse among leaders on how they can shape experiences and actions in their respective functions. The *Rakan HSE* programme empowers the front-liners to be Change Accelerators to rally their peers by equipping them with communication and supervisory skills in the context of Generative HSE Culture. *Rakan HSE* who have attended the programme are then given three months to complete their individual projects in order to graduate successfully. Some of the notable *Rakan HSE* projects include the NGV Guideline Pocket Book for *Krew PETRONAS* and *Krew PETRONAS* Identification Card project, introduction of brake-test area for into-plane vehicles, enhancement of pipeline corrosion management activities, and more.

Ultimately, these programmes aim to foster an environment where everyone takes ownership of HSE, looks out for each other, and arm them with the courage to intervene when we see unsafe behaviours or conditions.

Risk Management

While the year 2020 has been challenging, it has also been a year of great learning that forced us to look at things from different perspectives, with even greater emphasis placed on effective risk management. As an agile organisation, we have showcased our resilience as we relentlessly adapted and successfully manoeuvred around each obstacle such as the pandemic and oil price rout that came with new norms. Greater angle on risk mitigation were incorporated to unlock synergies within the organisation to cater to the need of supporting new business opportunities.

Of utmost importance was our ability to manage the risk levels across our operations to as low as reasonably practicable. By evaluating HSE risks as well as the impact towards our people, environment, asset and reputation, various control measures have been implemented via a thorough and comprehensive risk management process.

Fostering growth is part of our DNA, and with this, is also our ability to move in parallel with market dynamics. To uphold the integrity of our relationship with stakeholders, the risk appetite of several PDB's stakeholders were scrutinised. As a result, this led to the need for innovation across our HSE Risk Profiling to aid decision-making by management on each potential risk, with the appropriate tools for risk mitigation. Apart from that, a number of risk-based approaches were applied across our value chain, encompassing new projects and existing operations, such as Hazard Identification, Chemical Health Risk Assessment and Environment Impact Assessment.

By leveraging and developing successful ways to venture into new area of business such as ROVR, LNG, LPG Bulk Installation, structured methodology for the identification of HSE hazards, assessment of associated risks together with the identification of feasible control measures were developed for the respective Hazard and Effect Management Process in 2020. Apart from that, another noteworthy initiative that we introduced this year was the revision of Retail HEMP, where we assimilated all new technologies such as Setel®, Electronic Leak Detector and Mechanical Leak Detector in PDB. Effective risk mitigation was also put in place to safeguard the safety and health of people and environment.

Transport Safety

PDB operations include transportation processes which involve PDB's personnel, assets as well as products.

In 2020, PDB started the delivery of a new product, which is Liquefied Natural Gas. The transportation of LNG via land transport is the first for PETRONAS and great effort was invested to ensure its delivery was carried out in safe and timely manner. All necessary safety precautions and features were embedded from the design stage for all our road tankers. Procedures and guidelines such as operating procedures, pre-departure checks, training programmes and journey management were customised for LNG delivery to ensure safe delivery to our customers.

Another of our latest assets is the ROVR trucks which serve products to customers in a non-conventional method. With the progress achieved in our ROVR Operations, we developed a standardised ROVR Safety Guideline that embedded a sustainable HSE system to meet the industrial standards and further enhance the safety system. In addition, continuous upskilling for drivers, assessments on route and delivery site safety were conducted to ensure ROVR operations were being carried out safely.



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PDB also appointed hauliers to transport our products from terminals to customer sites. Hauliers are governed by PDB's internal Road Transport Operations Guideline. RTOG laid out 14 modules which cover the whole spectrum of safe transportation process, including continuous upskilling for drivers and performance reviews. The hauliers were also subjected to yearly RTOG audits by the Fleet Management team and yearly Contractor HSE Assurance audits conducted by the HSE team. The Fatigue Remedy and Sleep Hygiene campaign that PDB had launched for our hauliers in 2019 was extended in 2020 to benefit the drivers of NGV trucks as well as ROVR trucks. FReSH aims to coach and educate drivers on fatigue management to reduce and eventually eliminate all fatigue-related incidents on the road involving the delivery of our products. This campaign involved a total of 50 drivers from NGV and ROVR.

PDB also places emphasis on our personnel's safety while on-the-move. Recently, we made improvements to the Defensive Driving Training programme to meet the needs of employees who are always on-the-move. Three new syllabuses were added to the existing Defensive Driving modules, namely FReSH for Light Vehicle Drivers, Ergonomic On-the-Go and Psychometric Assessment for all at-risk drivers. These new modules were developed to resolve issues identified during situational assessments and interview sessions with the drivers themselves. These modules will be used as the standard Defensive Driving Module in the future. Furthermore, various communications to raise awareness on Transport Safety were circulated to all staff, including motorcycle usage for business travels and safe driving during monsoon season.

Process Safety

In preventing Process Safety Incidents with serious impact, PDB has established a Risk-based and Customised Process Safety Solution framework for the overall business and functions, taking into consideration future emerging risks.

For 2020, in preparation of our business growth and expansion into new, more exciting and agile areas, we intensified the capability of our people with equipping them with Process Safety skills. We also ventured into digital platforms for Hazard Identification and Risk Assessment, online Engineering Management of Change and Process Safety Performance Monitoring to enhance and sustain process safety implementation in PDB.

In 2021, we will continue to focus on creating a strong process safety culture across PDB.

Contractor and Supplier HSE Management

At PDB, it is important that our contractors perform their work safely at our facilities. To demonstrate our commitment to a safe and sustainable Contractor Management system, we introduced the Contractor HSE Capability Assessment in 2020. This allowed us to identify the strengths and weakness of our contractors as well as develop the appropriate intervention plan. Following this, the HSE Induction programme was implemented for newly-appointed contractors to ensure our contractors demonstrated adequate HSE capabilities. Over the long-term, this initiative aims to ensure PDB's contractors demonstrate effective and sustainable HSE Capabilities.

In addition, we continued to conduct contractor assurance through our annual contractor assurance plan. We also communicated with our contractors through various platforms including induction, trainings and engagement. These engagements provided contractors with the opportunity to upskill their capabilities and remain in compliance with our standards. The HSE performance of our contractors and suppliers were also evaluated upon the completion of contracts. Any gaps were recorded for future improvements and consequence management is applied for serious non-compliances. We improved our operational efficiency through various process simplification initiatives and leveraged on digital solutions in Permit To Work implementation to maintain our cost competitiveness.

PDB continues to implement Contractor Mentorship Programme with selected contractors. We also continuously share technical expertise, HSE expectations as well as conduct joint assessments and periodic reviews to enhance the HSE capabilities of selected contractors.



COVID-19 Management

PDB is committed to ensure its readiness to minimise the impact of COVID-19 on our people and operations, without jeopardising the safety aspect of our activities. Numerous guidelines and procedures have been developed for all operations, specifying the control and precaution measures along with clear case management process. The PDB Pandemic Preparedness and Response Plan acted as the main guideline for PDB to address all reasonable steps in preventing, containing and reducing the risk of spreading COVID-19, as well as to provide access to treatment where required for the employees and their families.

Limited supply of PPE such as face masks, hand sanitisers, safety goggles, hand gloves and temperature guns were reported to be a nationwide issue in the early days of the COVID-19 pandemic. Despite the challenges, we successfully purchased the N95 face mask which was distributed to our employees prior to the implementation of the first MCO announced by the Government in March 2020. The distribution of hand sanitisers, safety goggles, safety gloves and temperature guns was then continued to our facilities in the region.

One of the key strategies used to curb transmission within PDB was our ability to strengthen - communications and issue alerts on COVID-19 constantly to our employees and contractors. We also communicated continuously via Aspire email, PDB HSE Byte email, WhatsApp, MyStation, daily tool box and conducted engagement sessions to highlight the importance of compliance to COVID-19 SOP at all times, as well as on case alerts.

We also developed a clear and detailed case management process for our people. This case management process consists of the testing process, quarantine process, business disruption management, close contact tracing, sanitisation process and Return to Work assessment.

Periodic case spikes from subsequent clusters within local communities, foreign workers and working facilities continued to be reported as year to date. With the emergence of countless clusters in Malaysia, we developed cluster management where we identified the Risk Level for our facility and action plans based on COVID-19 cases/cluster reported within the facility area. The respective facility owners were kept well-informed and updated on COVID-19/cluster cases. Apart from this, we also issued circulars and reminders to our business partners on the requirement for the foreign workers to be tested and compliance to Akta Standard Minimum Perumahan, Penginapan dan Kemudahan Pekerja 1990 (Akta 446).

A critical part in this pandemic was to ensure the continuity of our operations through split team arrangements with minimum manning, including Business Recovery Plan strategies for each facility where special working arrangements were activated based on the scenario identified in the Business Recovery Plan. We remain committed towards ensuring an uninterrupted end-to-end supply chain to deliver products to our customers in a safe, timely and reliable manner, regardless the zone status of the delivery areas.

Emergency Preparedness

Apart from COVID-19 Management, PDB places importance on implementing strategies and plans to remain prepared in the event of any unexpected emergency situations. The PDB Emergency and Crisis Management Procedure specifies the emergency response structure and process along with clear roles and responsibilities. We develop scenario planning for possible high-risk emergency situations in site specific Emergency Response Plan. Periodically, we conduct drills to ensure adequacy and effectiveness of controls to manage emergency scenarios. As the COVID-19 cases were increasing on a daily basis, drills were conducted internally with the involvement of the facility team only.

Highlights of 2020

- Developed an Emergency Response Plan for 11 Aviation Fuel Terminals, one Fuel Terminal, six Major Hazard Installations, PDB Training Centre and PDB LNG Operations to serve as a guideline to the emergency responders
- Ensured the continuity of the development of the Fire Safety Adequacy Review Study at Fuel Terminals to identify critical fire safety hazards, assess the adequacy and effectiveness of provided safeguards against fire safety hazards and confirm compliance to applicable standards and design basis
- Developed the Fire Safety Building Assessment for PDB Training Centre and two Regional Offices to identify areas for improvement where fire prevention at building is absent or ineffective, leading to failed mitigation and recovery barriers
- Conducted Emergency Response Plan Training to non-terminal Emergency Response Team members at NGV Mother Stations, PDB Training Centre and regional offices to enhance the capability of Emergency Response Team and non-ERT members
- Continued the development of the Oil Spill Response Capability Assessment and Oil Spill Response Plan for Aviation and Fuel Terminals to assess the facility's overall oil spill response preparedness and capability and strengthening of oil spill management



For more information on our Crisis Management, please refer to SORMIC on pages 182 to 193 of this <IR>

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Health and Well-Being

The year 2020 has brought forth an unprecedented work environment with the enforcement of the MCO as well as the Work from Home arrangement, driving us to take unique measures to ensure our employees maintain a healthy lifestyle while being away from office. The LT shared useful and impactful WFH advice to all staff, such as tips to create an ergonomic workstation at home, staying mentally healthy as well as keeping fit by incorporating regular exercises and stretch breaks in our daily routine.

Moreover, in line with PETRONAS' MESTIfit4health campaign, we launched the PDB Virtual Run, in collaboration with SAC Smart Coaching, featuring Coach Edan Syah. The programme saw the participation of over 120 runners from across PDB. Runners were categorised as either beginner or intermediate, and had the goal of running 5km or 10km respectively on the Virtual Run Day. They were provided with a customised training plan as well as weekly follow-up sessions to ensure they trained safely and efficiently. Close to 60 runners successfully completed the challenge and in total, the runners covered a whopping distance of nearly 450km during this challenge period.

Apart from physical health, we also view mental health as a vital component in the overall well-being of our employees. Thus, we held several virtual talks on various topics promoting mental health awareness amongst our employees and provided them with actionable insights on how best to tackle the issues they are facing daily. The talks were organised in collaboration with Naluri Hidup Sdn. Bhd., an organisation that specialises in digital therapeutics for mental health support and digital health coaching. In addition, our employees were also provided a platform called the Digital Healthy Lifestyle Coaching, also by Naluri, where a dedicated online coach guided them on planning their health journey throughout the programme, including their physical exercise, nutritional intake as well as mental well-being.

Further to that, a photography competition called "#StayAtHome #StayWell Challenge" was held to promote physical health, nutritional health and mental health especially during the MCO period. Winners were chosen based on the pictures submitted, which depicted their healthy lifestyles, even while at home.





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 the 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, namely Right Leader, Right Talent and Right Environment, while leveraging on the organisation's Employment Value Proposition - Trust, Grow and Reward.

PDB celebrates a diverse and inclusive workforce, as we believe this 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 46.7% 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 rationale is to shift on how the organisation does things through maximising the potential of current businesses and reinventing/upscaling of new business model in order to create future-proof and sustainable revenue streams, as well as having a sharp focus on results and executions in achieving PDB's Agenda.

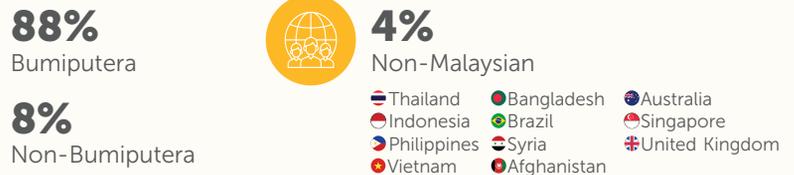
We believe that our people are the driving force for a strong and sustainable business. However, the significant impact of the COVID-19 pandemic is being felt as we braced ourselves to rethink the way we work. Changes to work conditions include increased health and safety protocols, social distancing measures and new ways of collaborating when working remotely have been implemented to adapt to the new landscape.

WORKFORCE PROFILE

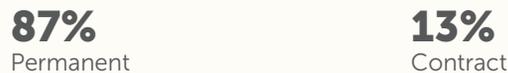
Gender



Ethnicity



Workforce



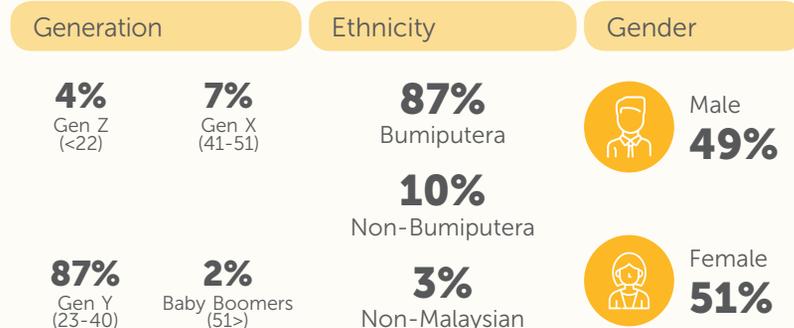
Generation



Attrition



Recruitment



SOCIAL

Talent Acquisition

In line with our Talent Sourcing policies and procedures, talents are sourced through a wide range of recruitment channels and 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 seven months pregnant or more may leave for home an hour earlier. Fully-paid maternity leave for 90 consecutive calendar days is provided for up to five deliveries throughout a female employee’s service with the Company. 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 as well as 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 Programmes

Leadership Learning Series/Leadership Excellence

Designed for Leaders who are transitioning into managerial and senior management roles

Leadership Sharing by Industry Leaders

Virtual leadership sharing by PDB MD/CEO, En Azrul Osman Rani, to PDB Potential Leaders, in conjunction with his first 100-days in the office.



A Day with a Leader

*Leadership engagement with PDB LTs

Experiential learning between PDB Potential Leaders and En Aadrin Azly, then Head Venture Builder, to instil entrepreneurial mindset. 49 Potential Leaders were challenged to organise various fundraising activities with the intent to give back to the community.

Chapter 1: Fund raising activities based on RM500 seed capital

Chapter 2: Pledge for fund from PDB LTs

Chapter 3: Give back to Community

RM15,000 was raised and subsequently donated to Discover Muay Thai and Rumah Kanak-Kanak Tengku Budriah.

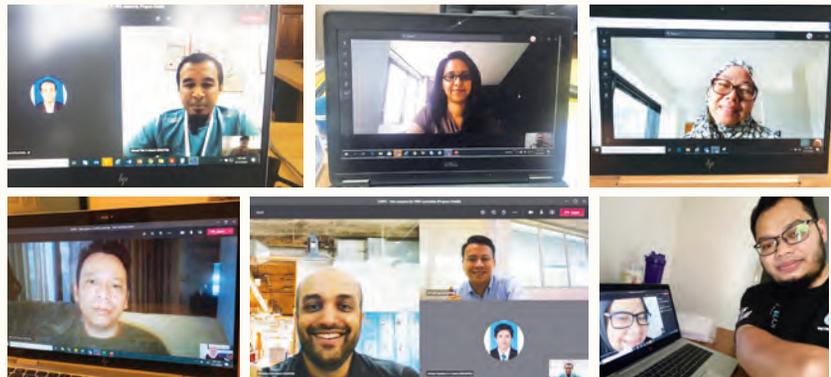
**All events in the picture were held before the MCO implementation by the Government*



IGNITE

Coaching program for Potential Leaders

To close their leadership competency gaps, 50 driven Potential Leaders underwent a six-month coaching programme under the tutelage of 19 dedicated PDB Leaders.



EX-TRACT Knowledge

Program to retain tacit knowledge from outgoing Leaders

Knowledge Management programme was conducted to retain tacit knowledge of retired Head of Supply and Distribution, Encik Mohd Shobri bin A. Bakar.

Learn how **PDB Terminals** are designed

Learn the trade on how to be an effective **Terminal Manager**

Discuss lessons learnt in managing **Major Incidence**

PDB Learning Pathway

A customised digital platform (e.g. HMM/HMM Spark) that promotes continuous learning on leadership development through three approaches was introduced. The three approaches used are:

- Self-Learning
- Peer Learning
- Facilitated Learning



Peer Learning 2020 - What it Takes to Give Great Presentation

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Training and Development Programmes for Employees

Internship Programme

Designed for undergraduates to undertake internship programmes for a duration stipulated by their respective academic institutions. In terms of career development, this platform enhances the students' employability through real work experience, giving them the opportunity to explore their interests as well as develop professional skills and competencies. During the year under review, we placed 115 students across PDB.

Onboarding Programme

Familiarisation programme to integrate new or recently transferred in employees into the organisation.



**Neuro Linguistic Programming*



**Adobe Creative Cloud Awareness Training*

Functional and Behavioural Programmes

Development opportunities provided to all employees to ensure they are competent and capable in performing their job functions.

**All events in the picture were held before the MCO implementation by the Government*

PETRONAS Competency-based Assessment System

Structured skill assessment system for non-executive technical employees that covers elements of knowledge, skills and attitude.

HSE Competency and Training

Mandatory training for employees and contractors to carry out their duties safely.

Superior Managed Assessment

Superior Managed Assessment is a process that empowers superior to manage, review, track, and analyse talent's competency development through "Anytime, Anyway, Anywhere" approach. This newly introduced process inculcates the self-accountability culture within individual talents; whereby they are responsible to close competency gaps as per Fit-For-Purpose, guided by feedback from Competency Conversation, Personal Development Plan and Coaching.

Territory Managers Development Programme

A structured programme specifically designed for our Retail Territory Managers with the aim of enhancing their capabilities through on-the-job coaching and panel assessments to develop Competent, Credible and Customer Focused Territory Managers for PDB.

Training and Development Programmes for Dealers and Other Partners

Quarterly Dealers Engagement

Along with providing business opportunities to our *Rakan Niaga*, we keep them up-to-date on the PDB's strategic direction, retail performance and marketing plans. This engagement also serves as a platform for dealers to express views, opinions and issues relating to stations.

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 Retail Dealers' Capability programmes are specially catered to ensure that they consistently deliver quality customer experience at our stations. In 2020, 74 sessions comprising three types of programmes, were held for dealers across the country.

Similarly, Our LPG Business held 15 Capability sessions comprising five types of programmes with our dealers nationwide to ensure that we keep the LPG Business ahead of the game.



Dealers Capability Programmes held online during 2020

Succession Management

We undertake a rigorous talent identification and review exercises to build our talent pipeline. Each talent identified is reviewed under a holistic approach to determine his or her strengths as well as areas of development to help chart their individual career plans, all of which are 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

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. As part of the strategy to motivate and sustain a High-Performance Culture, performance results are based on differentiated performance standards that are linked to rewards and consequence management.

To assist employees with performance deficiencies and provide opportunities to succeed, a structured process through the Performance Improvement Plan is undertaken through continuous coaching by superiors for constructive review of their performance.

During the year under review, in support of 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.



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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



*PETRONITA Crèche Opening

By end 2020, 181 PDB employees 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.

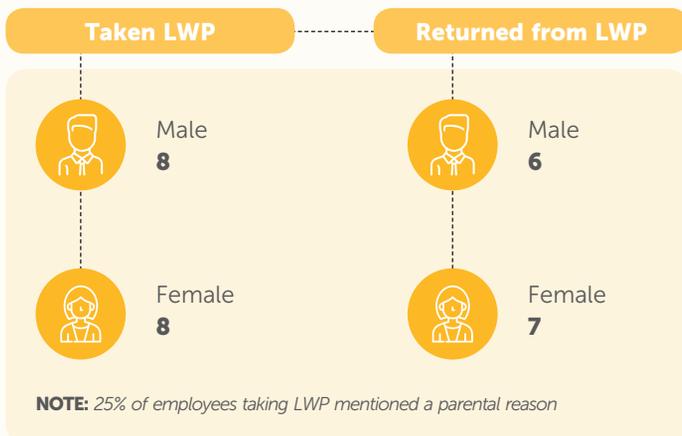
*Event and picture taken before the MCO implementation by the Government

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.



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 provided Hajj leave to our employees.
- Pilgrimage Leave for Other Religions - Allows employees to take pilgrimage leave for up to a maximum of 10 consecutive calendar days.

In 2020, none of the employees took pilgrimage leave due to the COVID-19 pandemic.

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.

163 employees utilised the Preventive Health Screening in 2020.

Flexible Work Options

We believe in assisting our employees to strike a good work-life balance. To facilitate this, the FWO has been put in place for all non-shift employees across the Group. The FWO comprises:



Compressed Work Week

Allowing employees to end their working hours at noon on the fifth 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 for Pregnant Employees: Allowing female pregnant employees who are in their 28-week (seven months) onwards of pregnancy to leave work, one 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 working days per occasion in the event that their dependent(s) were affected by contagious disease such as Hand, Foot and Mouth Disease, Influenza A and more. 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 936 employees have benefited from Flexible Working Arrangement during the year.

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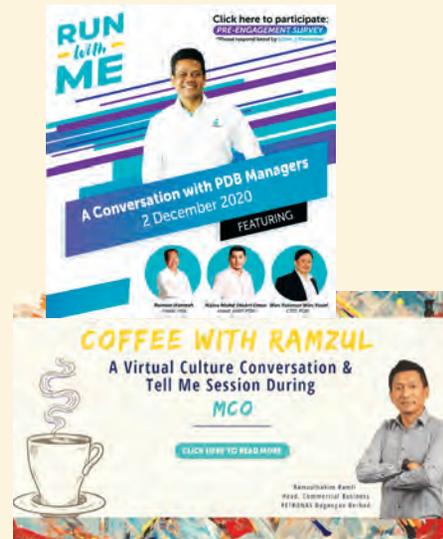
Employee Relations

Amidst COVID-19 pandemic as well as the global oil crisis, our commitment in creating the Right Environment to develop agile and enabling talent ecosystem continues through innovative and refreshed approach in promoting diversity and inclusivity, whilst adapting to the new way of working and towards future-proofing our workforce.

ENGAGEMENT SESSIONS

Virtual Leaders Engagement

A series of virtual engagement sessions were carried out throughout the year, including key events such as the VP Marketing Townhall as well as MD/CEO engagements, namely MD/CEO Tanya: Apa Khabar and Run with Azrul: Engagement with Managers and Executives. These engagements were primarily used as a communication platform to ensure employees remained safe, healthy and engaged. They were also used to inform and update employees on company strategies, plans and initiatives for the year. It also served as a platform to reaffirm Company culture and ensure alignment among employees across at all levels.



EMPLOYEE APPRECIATION

Long Service Award

An annual event held to recognise and appreciate employees' commitment, dedication and contribution to the Company. Due to the COVID-19 pandemic in 2020, the programme was conducted via the digital platform. In PDB, 86 employees received their 15, 20, 25, 30, 35, 40 years anniversary and service awards with PETRONAS.

You're Special Programme

An appreciation programme to elevate the role of all employees in PDB, regardless of their race, religion and background. Through this programme, they were encouraged to share their stories of resilience, nimbleness and adaptability, especially working during the COVID-19 crisis. The events that took place are as follows:

- Series of appreciation videos and leadership messages on employees' special day e.g. Labor Day, Mother's Day, etc.
- Ramadan Appreciation for our front-line employees – the Ramadhan Appreciation Pack was successfully distributed as a token of appreciation to 1,386 employees who worked at 31 Terminals across Malaysia during the first phase of the MCO.



EMPLOYEE ACTIVITIES

HRCafeTalk

During these unprecedented times, the change in global landscape has affected financial and social environments which may cause anxiety and depression amongst the employees. In view of this, PDB has launched and implemented six sessions of HRCafeTalk webinars in collaboration with Group HSSE and *Agensi Kaunseling & Pengurusan Kredit (AKPK)* that focuses on mental health and personal finances with the following objectives:

- To educate and upskill the employees in managing their personal finances prudently and mental stress caused by the pandemic; and
- To encourage employees to reach out to the right parties for support if they experienced financial issues and/or mental stress

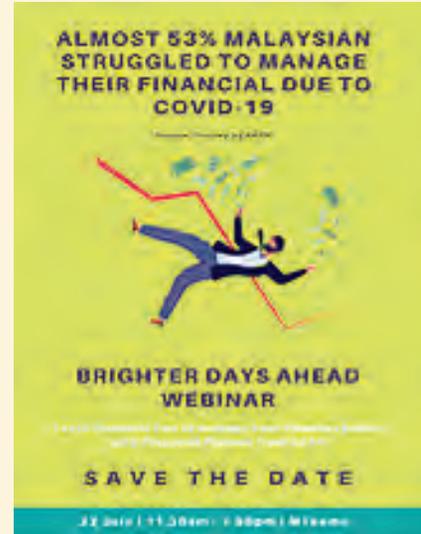
GoWomen

This initiative aims to inspire and motivate female employees to act on their strengths and embrace barriers that undermine their efforts in building a rewarding and sustainable career in PDB. With the theme *Empowering Women Together*, the initiative creates awareness among the employees through sharing of Aspirational Quotes by female leaders whilst gamifying awareness through quizzes.

Integrity Starts with Me Campaign

PDB continues its efforts to create and promote integrity in the workplace through various programmes:

- Sharing past Cases on Conflict of Interest, Integrity, etc. on a monthly basis via ASPIRE;
- Five sessions on Introduction to PETRONAS CoBE and Integrity to newcomers were conducted during the Onboarding Programme;
- Four sessions of Introduction to Integrity and Conflict of Interest during ASAS Training were conducted for all dealers and Territory Managers; and
- A session on CoBE Refresher Training that was attended by 50 employees from the Non-Fuel Sales Operations team



SOCIAL

EMPLOYEE ACTIVITIES

COVID-19 Support

The lockdown period due to the COVID-19 pandemic was indeed a trying phase for many. With the best interest of our employees safety and well-being, PDB facilitated employee' movement to the office during MCO by issuing Released Letters, provided meal assistance at selected sites for those who were affected by the MCO, facilitated medical assistance for employees under quarantine or infected with COVID-19, provided access to mental well-being and social support services. Spiritual Sessions were also organised to help employees during this period.

Kelab Sukan dan Rekreasi PETRONAS

PDB employees are given the opportunity to join this club to foster close camaraderie among members as well as enhance physical fitness and mental well-being through the sports, recreational, social and cultural activities organised. During the year under review, approximately 830 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 not only disrupts our working environment, but also 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 will be taken.

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.

PETRONAS CULTURAL BELIEFS (PCB)

CUSTOMER FOCUSED

I deliver solutions from customer lens

INNOVATE NOW

I challenge norms and push boundaries

BE ENTERPRISING

I seek opportunities and make them happen

SPEAK UP

I express my views openly

COURAGE TO ACT

I take action to progress with pace

Despite the unprecedented challenges, we continued to adopt the refreshed PCB to strengthen the culture of personal accountability as well as shape the way we think and act in delivering results. We believe that an invigorating company culture will transform the organisation to stand ahead of the curve amidst adversity

and challenges moving forward. The focus is for everyone to internalise and embrace these beliefs in their work culture.

During the year, several programmes were implemented to ensure our people internalised PCB across the organisation. Throughout the year, 201 culture communication contents were published through various platforms namely via PDB Culture email blast, Ceritera Channel, Aspire and Switch, all of which were mostly promoting Generative Culture and PCB. We also took the opportunity to also reward employees with Focused Recognitions to acknowledge the good efforts and initiatives by employees by having a Focused Recognition session at the start of each LT meeting.

To create awareness and instil a Generative Culture throughout the organisation, we further strengthened the accountability of our people through implementation of Balance of Consequence (BoC). BoC shapes behaviours through positive and negative reinforcements, leveraging on the Dot platform in which positive consequences are given through Rewards and Recognition. Throughout the implementation, majority of the receivers 45.0% were rewarded for Seeking/Providing Feedback followed by Comply and Follow work procedures 30.0%. 1,600 Focused Recognitions were issued across PDB and the numerous feedback were exchanged physically and virtually via the Dot platform throughout the year. In addition, quarterly profiling of leaders, providing them with appreciative and constructive feedback were done to ensure the leaders demonstrated the right PCB behaviour and created positive experiences in the organisation.

SOCIAL



Human Rights

Respecting human rights is entrenched in our DNA at PDB. As the company continues to make progress and meet its business objectives, we recognise that respect for human rights is fundamental for sustainable operations and that positive social impact begins with proper management of human rights risks across our business and value chain. PDB ensures human rights considerations are deliberated and integrated into its key business processes and is implemented in its projects and operations.

We are guided by PETRONAS Human Rights Commitment in respecting internationally recognised human rights within areas we operate, in line with the United Nations Guiding Principles on Business and Human Rights. In compliance with PETRONAS Human Rights Commitment, PDB seeks to work with third parties who share our values of integrity, committed to fighting bribery and corruption as well as contribute to sustainable development. PDB requires our suppliers, contractors and dealers to adhere to Contractors Code of Conduct on Human Rights.

During the year, we developed a Business Human Rights Framework, including a medium-term plan in managing our salient human rights risk. This framework presents a structured approach, providing guidance in conducting our business as a socially responsible corporate company in which PDB is able to strategise resources to address human rights impacts across our operations and supply chain. In PDB, our focused human right areas are:

- Social Supply Chain;
- Labour and Working Conditions;
- Community Well-Being; and
- Customer Health and Safety

To make sure we respect human rights throughout our value chain, we need to be sure the conduct of our business achieves the desired social impact. During the year, we intensified our Social Risk Assessment to understand more on human rights issues across our value chain involving our suppliers, contractors and dealers. Through this exercise, the Company proactively identified controls of human rights risks. The Company also established a solid social risk management methodology for all PDB projects to assess and mitigate social and environmental risks during project cycle. Apart from this, we successfully integrated social elements into our existing systems and processes. These include PDB Decommission Procedure, PDB Fatigue Management Procedure as well as Retail Hazard and Effect Register. This mechanism supports us in managing and minimising impacts to the surrounding communities as well as reduces human rights risks of stakeholders when we are doing our businesses.

Grievance Mechanism plays a critical role in opening channels for dialogue, problem-solving, investigation and when required, providing remedy. It enables our stakeholders to raise grievance freely and obtain effective and transparent resolutions. Moreover, they help identify company-specific solutions and pre-emptive action needed to avoid recurrence. Our Mesralink contact centre was established as a robust platform to assist customers, communities and contractors with any difficulties relating to PDB's services. It also serves as an avenue to report grievances from the HSE, product quality and human rights aspects. In addition to the Mesralink contact centre, we also monitored, gathered and responded to customers' feedback from various social media platforms. To serve our stakeholders better, our systems addressed their queries, concerns and grievances promptly through an established work process, where we recorded all their feedback and identified effective solutions for improvement. We set a service level standard as an indicator to track customer feedback and our resolution promptness.

Leading the implementation of our efforts is a dedicated Social Performance practitioner, supported by multi-disciplinary teams within our business to manage human rights risks and opportunities for the benefit of our people in areas where we operate nationwide. PDB will continue to make progress in meeting its business objectives and push for human rights to be respected across all aspects of our work.

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.

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 not only disrupt our working environment, but also upsets 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.

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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 and 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. Meanwhile, 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 the 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 develop improvements to the current schedule so as to comply with fatigue management requirements.

SOCIAL

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. 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, that is 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 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.

CORPORATE SOCIAL RESPONSIBILITY

In 2020, the Company made a conscious decision to put on hold its annual on-ground Corporate Social Responsibility initiatives, namely Water for Life and PETRONAS StreetSmart due to pandemic-related restrictions, taking heed of the Government's advice to curb the spread. Nevertheless, PDB remained committed in giving back to the community that fuelled its growth and reddiverted its resources to contribute to medical frontliners and less fortunate.

PETRONAS Coffee Break Campaign

PDB began the year continuing its annual tradition of distributing complimentary coffee and snacks via PETRONAS Coffee Break Campaign to help motorists stay safe and alert when travelling during the Chinese New Year holidays at 160 PETRONAS stations. During the Campaign, PDB also offered motorcycle inspection as well as health screening by St. John Ambulance Malaysia at selected PETRONAS stations. The Company also worked with the Road Safety Department to carry out road safety-related advocacy programme during the four-day Campaign scheduled during pre and post Chinese New Year to strategically reach out to travellers.

Additionally, PDB also sponsored fuel for 50 of SJAM's ambulances, stationed along highways to provide emergency assistance to motorists traveling during the festive period.

The Campaign then took a twist leading into the Hari Raya celebration, following the implementation of the MCO. During the festive season, PDB carried out a nationwide contribution to the frontliners from 18 organisations to help ease their burdens during these challenging COVID-19 times, supplying coffee, snacks and shopping vouchers to the Royal Malaysian Police, 15 hospitals, the Ministry of Health and the National Disaster Management Agency.



Partners

Nestlé Product Sdn. Bhd. (Nestlé), Delfi Marketing Sdn. Bhd., Podirect Trading (M) Sdn. Bhd., iNova Pharmaceuticals (Singapore) Pte Ltd (Malaysia Branch), Barkath Stores (Kuala Lumpur) Sdn. Bhd., Julie's Marketing Sdn. Bhd., Shopee Mobile Malaysia Sdn. Bhd. and Adabi Consumer Industries Sdn. Bhd.

Beneficiaries

730,000 motorists, 15 Hospitals, Royal Malaysian Police, Ministry of Health and the National Disaster Management Agency (NADMA).



- Hospital Tuanku Fauziah, Kangar
- Hospital Sultanah Bahiyah, Alor Setar
- Hospital Pulau Pinang
- Hospital Raja Permaisuri Bainun, Ipoh
- Hospital Sungai Buloh
- Hospital Kuala Lumpur
- Hospital Tuanku Jaafar, Seremban
- Hospital Melaka
- Hospital Sultanah Aminah, Johor Bahru
- Hospital Tengku Ampuan Afzan, Kuantan
- Hospital Sultanah Nur Zahirah, Kuala Terengganu
- Hospital Raja Perempuan Zainab II, Kota Bharu
- Hospital Queen Elizabeth I, Kota Kinabalu
- Hospital Umum Sarawak, Kuching
- Pusat Perubatan Universiti Malaya

SOCIAL



Hanya yang terbaik untuk kereta anda, keselamatan anda.

Pertukaran minyak enjin PETRONAS Syntium percuma bagi pelanggan kesihatan barisan hadapan di bengkel servis bergerak di hospital dan bengkel PETRONAS AutoExpert terpilih*.



Hanya yang terbaik untuk kereta anda, keselamatan anda.

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Complimentary Engine Oil Change for Medical Frontliners

Via its subsidiary, PLMM, PDB set up mobile car service workshops at three hospitals namely Hospital Sungai Buloh, University of Malaya Medical Centre and Hospital Kuala Lumpur between 20 and 28 April 2020 to provide convenient auto services to healthcare frontliners during the MCO period. This is a new initiative established to ease the burden of frontliners battling the COVID-19 pandemic, and to help them stay safe on the road.

During this period, we offered free PETRONAS Syntium lubricant change for car engines, carried out by its appointed service provider. PDB also extended the same service to three of its PETRONAS AutoExpert outlets located in Sri Kembangan, Petaling Jaya and Shah Alam to cater to healthcare frontliners who were within 10km of the vicinity.

Partners	RessoQ60Min and PETRONAS AutoExperts
Beneficiaries	Close to 400 medical frontliners

PETRONAS Sentuhan Kasih Programme

In collaboration with Yayasan PETRONAS, PDB via the Group's Sentuhan Kasih Programme, spread festive cheer to underprivileged Malaysian families by giving them basic necessities in conjunction with Hari Raya Aidilfitri, Kaamatan and Gawai between 4 May and 5 June 2020. The items included staple and basic necessities as well as PETRONAS Gift Cards.

During Deepavali, PDB together with Yayasan PETRONAS contributed personal hygiene care packages to various charities and homes between 6 and 12 November 2020. These care packages included food supplies, plush toys, tumblers, masks and hand sanitisers.

Similarly, PDB and Yayasan PETRONAS collaborated once again for the Christmas celebration, distributing festive gifts, essentials as well as personal hygiene care packages to various charities and homes nationwide. The items included food supplies, masks and hand sanitisers as well as Christmas tree and Santa hats to liven up the festive mood.



Partners	Yayasan PETRONAS, State Agencies, Jabatan Kebajikan Masyarakat, PDB Dealers
Beneficiaries	7,400 underprivileged adults and children from various charities and homes nationwide

Continuous Support to Communities in Need

At PDB, we remain passionate about giving back to the people and communities despite operating in a challenging environment. In this spirit, we adapted our initiatives, enabling our continuous contribution and support to the communities to help them get through tough times.

For this purpose, PDB supplied a total of 725 cartons of Mesra Mineral water to various hospitals which are key COVID-19 centres including Hospital Sungai Buloh, Pusat Perubatan Universiti Malaya, Hospital Kuala Lumpur, Hospital Universiti Kebangsaan Malaysia, Quarantine Centre at AKEPT, Nilai as well as to the Royal Malaysian Police force. Additionally, PDB also contributed 4,500 Mesra Bites buns to Hospital Sungai Buloh and the Rejimen 515 Askar Wataniah to fuel their energy in battling the fight against COVID-19.



Ramadan Community Service

Even in unprecedented times, the LPG Business continued to give back to communities. They do this by carrying out various community service projects especially during the month of Ramadan where it is a yearly tradition for LPG Business to sponsor the preparation of *bubur lambuk* at local mosques.

However, with nationwide restrictions, LPG Business took a different approach and organised CSR programmes for 10 charity homes nationwide, reaching out to more than 500 occupants in total.

Working in partnership with Strategic Communications, 81 units of 14kg cylinders, 13 units of 50kg cylinders and other staple items were contributed to the charity homes such as *Rumah Kanak-Kanak Taman Bakti*, *Yayasan Kebajikan Anak Yatim Kelantan*, *Pusat Jagaan dan Rawatan Orang Tua Al-Ikhlâs*, and *Rumah Warga Tua Air Panas*, Tawau.

Emulating LPG Business' spirit of giving back to communities, our nationwide LPG premier dealers and dealers also carried out their respective community programmes through various channels, sponsorships, and donations including *bubur lambuk* distribution as a homage to annual tradition of LPG Business

Partners PDB Strategic Communications, PDB LPG dealers

Beneficiaries More than 500 occupants in 10 charity homes

SOCIAL



Deployment of ROVR at Amanjaya, Sungai Petani

Amid the pandemic, ROVR solidified its position as an innovative solution when it came through for the communities in Amanjaya during their time of need.

Recognising the possibility of fuel shortage during the implementation of the Targeted Movement Control Order, the Kedah State Government, Ministry of Domestic Trade and Consumer Affairs and National Security Council in collaboration with PDB, initiated the deployment of ROVR to Amanjaya on 7-13 September 2020 and 21-27 September 2020 to ease customer refueling needs at restricted areas.

As a result of this deployment, 1,167 vehicles were served and 17,605 litres of fuel were dispensed to the residents staying at the affected areas, namely Mawar, Melur and Kenanga, which housed a total of 22,360 residents and 256 families.

Partners	Kedah State Government, Ministry of Domestic Trade and Consumer Affairs and National Security Council
Beneficiaries	1,167 vehicles

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).

The PETRONAS' Graduate Employability Enhancement Scheme (GEES) programme was also 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. The 20 trainees who were placed in PDB have not only completed their classroom training in 2019, but also completed their on-the-job training between January and June 2020. In addition, another 38 trainees were placed within PDB at the end of the year to undergo their on-job-training from 21 December 2020 until 20 August 2021 final period.

Commercial Business organised Chinese New Year and Yee Sang celebration with 42 key customers in Intercontinental Hotel

Objectives	Engagement with customers to build rapport and to create better customer experience, strengthened relationships with customers
Mechanism	Organised a Yee Sang session with its key customers
Impact	This engagement will showcase the importance of the Yee Sang and the Chinese New Year celebration between Commercial Business Division (CBD) and its key stakeholders demonstrating the importance of NURTURING TRUST and SHARED SUCCESS in our business
Partner	PDB organised the event



Seamless and Frictionless Customer Experience

SUPERIOR CUSTOMER EXPERIENCE

We are obsessed about Customer Centricity in PDB. We are relentless in our pursuit to have a customer-first mindset that will **create a seamless and frictionless customer experience** and offer our customers the best experience possible at our stations. To become an integral part of our customers' everyday life, we have started creating **new services and products**, both at our **stations** and in the **digital** environment, to provide the best experience possible 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 have also continuously upgraded our *Kedai Mesra* and expanded its offerings which include Ready-To-Eat and Ready-To-Cook selection to ensure that our customers are never short of options. 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 continually ensure that the **quality** and **food safety** levels are never compromised, as 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 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, Makan@Mesra; and
- Omni-channel communications to enable customers who use our digital payment modes:
 - Migration of Mesra points redemption platform into Setel® app for the better overall seamless customer experience.

SOCIAL

RETAIL BUSINESS (CONT'D)

Station Audit

We conducted monthly station audits at all our stations to ensure they were 100% in compliance with PDB's standards and regulations. This is part of the initiatives done to ensure the stations are clean, bright and saved.

Station Upgrades

When it comes to safety aspects, we ensure that our stations remain at 'tip top' levels. Every year, we have allocated investments for asset refresh and conduct house projects at stations, which include soil settlement, toilet and surau upgrades as well as pipe replacements.

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.



Health and safety knowledge sessions with customers - Southern Waste Management



Product Knowledge and Equipment Training Handling with IOI Plantation

Engagement Sessions with Dealers to keep them abreast on industry best practices.



LNG Product Offloading conducted at a customer's venue – Alor Setar (Pilot delivery)

Organising engagement between dealers/customers with Authorities for better regulatory understanding concerning industry requirements.

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.
- **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 & Area Managers for Bulk Customers/Dealers on proper usage/handling of cylinders and LPG Bulk Facilities respectively through safety talks and inspections.

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 further protected our digital assets by implementing the necessary compensating controls at PETRONAS stations. We are strictly governed by the enhanced PETRONAS Enterprise Cyber Security Framework and the establishment of Security Operation Centre that has the visibility in monitoring threats.

Through the engagement of PCI DSS Qualified Security Assessor, we have assessed our base line and remain committed towards continual improvements to ensure our environment is safe and in compliance with the relevant operational standards, especially in the card data environment.

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, ranging from investigation to resolution, in the event that customers' privacy is compromised via Cyber Defence Security Incident Management.

We have also adopted best practices on data management by adhering to protocols and guidelines provisioned under Personal Data Protection Act 2010, and the Bank Negara Secrecy Provisions Act 2013.

SOCIAL

Customer Support and Engagement

We value all our customers and we are focused on strengthening our relationships with them. In this regard, we continuously strive to ensure that the voice of the customer is analysed, by extending customers' feedback to relevant units within the company, and ensure these are 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[®], an innovative platform that provides every motorist a seamless experience for retail on-the-go.

We believe that every feedback counts as we provide other channels including emails, web chats and social media, namely 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. For 2020, we managed to maintain an NPS of more than 50.0%.



Setel[®], an innovative platform that provides every motorist a seamless experience for retail on-the-go

SUSTAINABILITY PERFORMANCE AT A GLANCE

Material Matters Indicators	Unit	2018	2019	2020	
Environment and Climate Change	Greenhouse Gas (GHG) Emissions	'000 tCO ₂ e	232.0	221.0	185.8
	Total Energy Generated from Solar Photovoltaic Installations	MWh	67.0	108.0	197.0
	Spill to Environment above 1 barrel (159 litre)	Number	2	2	2
	Hazardous Waste Reuse-Recycle-Recover (3R) Rate	%	45.6	47.0	51.4
Safety and Health	Fatalities	Number			
	• Employees		0	0	0
	• Contractors		1	0	0
	Fatality Accident Rate	Recordable fatalities per 100 million man-hours			
	• Employees		0	0	0
	• Contractors		21.73	0	0
Lost Time Injury Frequency	• Employees	No. of LTI per one million man-hours	0.69	0	0.33
	• Contractors		0.43	0	0
	Total Reportable Case Frequency	No. of Total Reportable Case per one million man-hours	0.69	0.98	0.33
• Employees		0.43	0	0.32	
• Contractors					
Human Capital	Total employees*	Number	1,380	1,354	1,417
	Female Employee Composition	%			
	• Total Workforce		31	32	31
	• Leadership Team		27	27	47
	• Board Composition		25	33	30
	Contract Workforce	%	6	11	13
	Employee Turnover	%	6	6	6.2
	Manpower Investment* (salaries and benefits excluding training)	RM million	237	264	275
Training Investment*	RM million	5.3	5.3	1.45	
Average Training Man-days per employee*	Days	2.7	2.14	2.8	
Talent Ratio per Critical Positions*	Ratio	2.5:1	2.8:1	2.0:1	
Human Rights	Employees under Collective Bargaining Agreements	Number	490	488	426
Corporate Social Responsibility	Water for Life Output	No. of receivers reached	900	800	N/A
	StreetSmart Output	No. of receivers reached	1,227	600	N/A
	Coffee Break Output	No. of receivers reached	1,700,000	1,520,000	760,000
	PROTÉGÉ (Previously Skim Latihan 1Malaysia)	No. of receivers reached	15	20	38

NOTES:

The GHG emissions values have been restated to include adjustments made to include Scope 1 fugitive emissions and Scope 2 purchased electricity from our retail operations. We have also captured and accounted for Scope 1 and 2 emissions from the NGV operations in which PDB operates and maintains on behalf of PETRONAS NGV.

* Numbers include PDB Company only.



FINANCIAL STATEMENTS

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APPROACHING THE FINANCIAL STATEMENTS

— for the year ended 31 December 2020

The purpose of financial statements is to communicate the Group’s financial information to its stakeholders, especially shareholders, investors and lenders. In this section we try to help readers who are not familiar with accounting rules and financial expressions to understand our financial information, by explaining the functions and relationships between the essential financial statements: the statement of profit or loss and other comprehensive income, the statement of financial position and the statement of cash flows. For comprehensive and authoritative definitions and explanations, readers should turn to the relevant accounting standards, but we hope this section offers useful guidance.



STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

“Financial performance measured by recording the flow of resources over a period of time”

The objective of this statement is to present all income and expenses (transactions with non-owners) in a performance statement.



STATEMENT OF FINANCIAL POSITION

“A snapshot, taken at a point in time, of all the assets the company owns and all the claims against those assets”

This statement sums up the Group’s economic resources (non-current assets and working capital) and owners’ equity at a particular point of time, in this case, our year end at 31 December 2020. It also shows how the economic resources contributed by lenders and shareholders are used in the business.



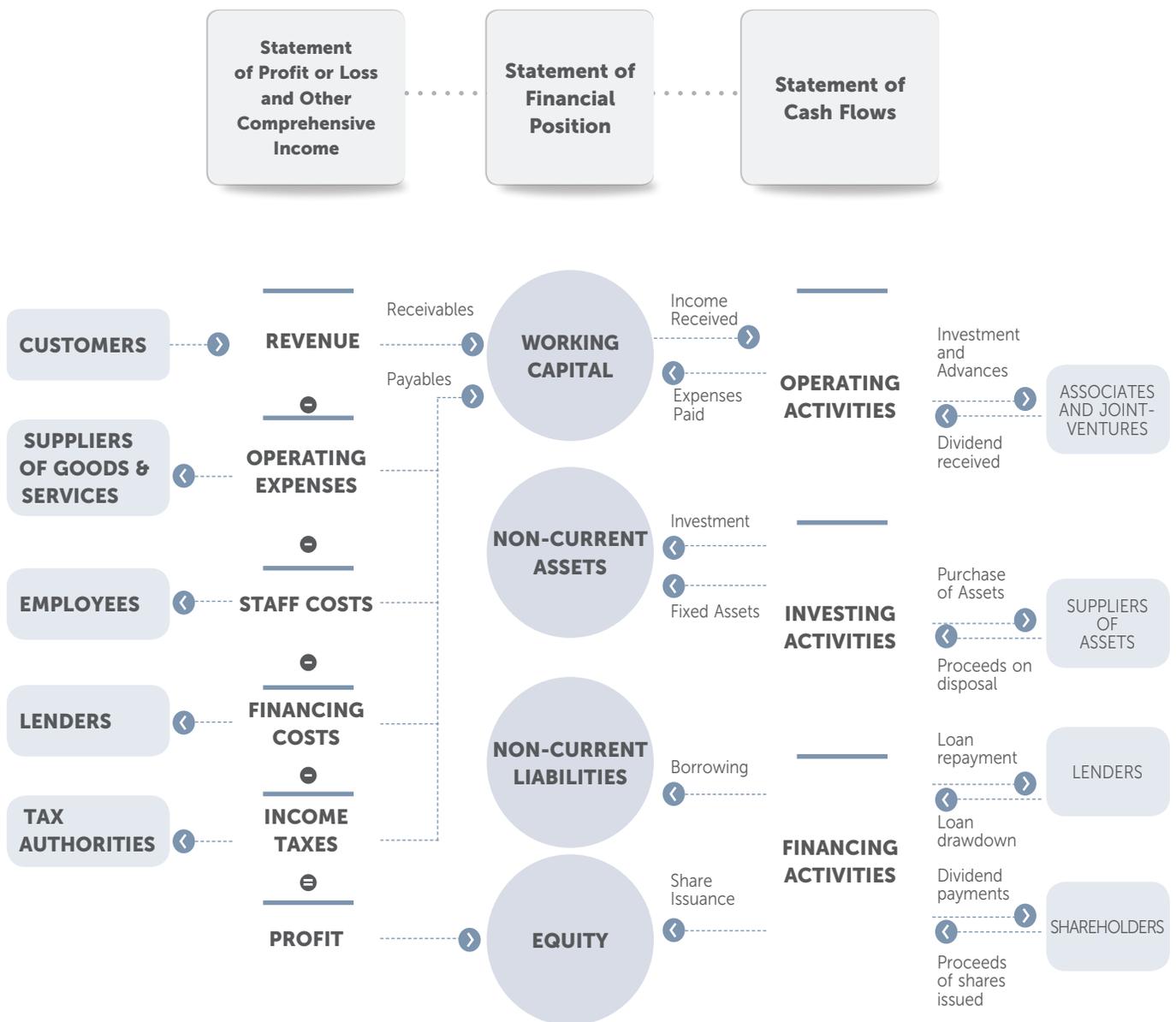
STATEMENT OF CASH FLOWS

“A report on sources and uses of cash”

This statement divides the cash flows into operating, investing and financing. While the operating profit reflects the operating cash flows, certain non-cash charges or credits, such as depreciation, amortisation and impairment losses, mean the operating cash flows and the operating profit are different. Investing cash flows are the cash flows arising from the purchase or disposal of non-current assets. Financing cash flows represent the cash flows between the Group, its shareholders and lenders.

The diagram below illustrates the relationships between the statement of profit or loss and other comprehensive income, the statement of financial position and the statement of cash flows, as well as their links with the Group's stakeholders.

The Group earns revenue from customers through the deployment of non-current assets and working capital. It also pays operating expenses to suppliers of goods and services, incurs staff costs and also invests in additional non-current assets. The net balance of revenue, operating expenses and staff and interest costs is the operating profit. After deducting income taxes charged by tax authorities, this profit is available for payment for distribution to shareholders as dividends in return for their contribution of funds to the Group. The Group also invests in subsidiaries and other entities and receives dividend income from them in return.



STATEMENT OF DIRECTORS' RESPONSIBILITY

— in relation to the Financial Statements

The financial statements of the Group and of the Company as set out on pages 250 to 344, are properly drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2020 and of the results of their operations and cash flows for the financial year ended on that date.

The Directors consider the following in preparing the financial statements of the Group and of the Company:

- appropriate accounting policies have been used and are consistently applied;
- reasonable and prudent judgements and estimates were made;
- all Malaysian Financial Reporting Standards and the Companies Act, 2016 in Malaysia have been adhered to; and
- prepared on a going concern basis.

The Directors are also responsible for ensuring that the accounting and other records and registers required by the Companies Act, 2016 to be retained by the Group and the Company have been properly kept in accordance with the provisions of the said Act.

The Directors also have general responsibilities for taking such steps that are reasonably available to them to safeguard the assets of the Group and of the Company, and to prevent and detect fraud and other irregularities.

DIRECTORS' REPORT

— for the year ended 31 December 2020

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 2020.

PRINCIPAL ACTIVITIES

The principal activities 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 31, Note 32 and Note 33 to the financial statements respectively.

ULTIMATE HOLDING COMPANY

The holding and ultimate holding company is Petroliam Nasional Berhad ("PETRONAS"), a company incorporated in Malaysia. The Company is wholly-owned by the Government of Malaysia.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 31 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Profit for the year	272,414	393,001
Attributable to:		
Shareholders of the Company	275,964	393,001
Non-controlling interests	(3,550)	–
	272,414	393,001

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 2019 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 and a special dividend of 15.0 sen per ordinary share amounting to RM149,018,100 declared on 25 February 2020 and paid on 26 March 2020; and

DIRECTORS' REPORT

for the year ended 31 December 2020

DIVIDENDS (CONTINUED)

- b. In respect of the financial year ended 31 December 2020 as reported in the Directors' Report of that year:
- i. an interim dividend of 5.0 sen per ordinary share amounting to RM49,672,700 declared on 18 May 2020 and paid on 17 June 2020;
 - ii. an interim dividend of 5.0 sen per ordinary share amounting to RM49,672,700 declared on 25 August 2020 and paid on 24 September 2020; and
 - iii. an interim dividend of 11.0 sen per ordinary share amounting to RM109,279,940 declared on 17 November 2020 and paid on 16 December 2020.

The Directors have on 19 February 2021 declared an interim dividend of 17.0 sen per ordinary share amounting to RM168,887,180 in respect of the financial year ended 31 December 2020.

The financial statements for the current financial year do not reflect this declared interim dividend. The dividend will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2021.

Further details on dividends are disclosed in Note 23.

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 (Chairman)
Azrul bin Osman Rani (appointed on 1 January 2020)
Lim Beng Choon
Datuk Anuar bin Ahmad
Nuraini binti Ismail
Shafie bin Shamsuddin
Alvin Michael Hew Thai Kheam
Nirmala a/p Doraisamy
Tang Saw Hua (appointed on 1 July 2020)
Ahmad Adly bin Alias (appointed on 25 August 2020)
Vimala a/p V.R. Menon (retired on 17 November 2020)
Dato' Sri Syed Zainal Abidin bin Syed Mohamed Tahir (retired on 10 June 2020)

In accordance with Article 107 of the Company's Constitution, Datuk Md Arif bin Mahmood, Datuk Anuar bin Ahmad and Nuraini binti Ismail are due for retirement by rotation at the forthcoming Annual General Meeting (AGM) of the Company. Datuk Md Arif bin Mahmood, Datuk Anuar bin Ahmad and Nuraini binti Ismail, being eligible for re-election have given their consent for re-election at the forthcoming AGM.

In accordance with Article 100 of the Company's Constitution, Tang Saw Hua and Ahmad Adly bin Alias, who were appointed as Directors during the year shall hold office until the conclusion of the forthcoming AGM, and being eligible, offer themselves for re-election.

DIRECTORS (CONTINUED)

The Company has been granted a relief order pursuant to Section 255(1) of the Companies Act, 2016 relieving the Company's Directors from full compliance to the requirements under Section 253(2) of the Companies Act, 2016.

The names of Directors of subsidiaries are available on the Company's corporate website and the Board deems such information is included in the Company's Directors' Report by such reference and shall form part of the Company's Directors' Report.

DIRECTORS' INTERESTS

The Directors in office at the end of the year who have interests and deemed interests in the shares of the Company and of its related corporations other than wholly-owned subsidiaries (including the interests of the spouses and/or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

Name	Number of ordinary shares in PETRONAS Chemicals Group Berhad			
	Balance at 1.1.2020/ Date of appointment	Bought	Sold	Balance at 31.12.2020
Datuk Md Arif bin Mahmood - own	20,000	-	-	20,000
- child	-	300	(300)	-
Azrul bin Osman Rani - spouse	1,000	-	-	1,000
Nuraini binti Ismail	10,000	-	-	10,000
Ahmad Adly bin Alias	6,000	-	-	6,000

Name	Number of ordinary shares in PETRONAS Gas Berhad			
	Balance at 1.1.2020	Bought	Sold	Balance at 31.12.2020
Nuraini binti Ismail	5,000	-	-	5,000

None of the other Directors holding office at 31 December 2020 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than the benefit included in the aggregate amount of remuneration received or due and receivable by Directors as shown in Note 24 to the financial statements or the fixed salary of a full time employee of the Company or of related corporations), by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' REPORT

for the year ended 31 December 2020

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.

INDEMNITY AND INSURANCE COSTS

During the financial year, Petroliam Nasional Berhad ("PETRONAS") and its subsidiaries (hereinafter referred to as "PETRONAS Group"), including the Company, maintained a Directors' and Officers' Liability Insurance in accordance with Section 289 of the Companies Act, 2016. The total insured limit for the Directors and Officers Liability Insurance effected for the Directors and Officers of PETRONAS Group was RM1,290 million (2019: RM1,290 million) per occurrence and in the aggregate. The insurance premium for the Group and the Company is RM112,300 (2019: RM112,300) and RM108,300 (2019: RM108,300) respectively.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain:

- i. that necessary actions had been taken in relation to the writing off of bad debts and the provisioning of doubtful debts and satisfied themselves that all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii. that any current assets which were unlikely to be realised in the ordinary course of business, their values as shown in the accounting records of the Group and of the Company, had been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- i. that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or
- ii. that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- iii. which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv. not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

- i. any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii. any material contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

OTHER STATUTORY INFORMATION (CONTINUED)

No material contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2020 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

In respect of the Directors or past Directors of the Company:

- i. the amount of fees and other benefits paid to or receivable by them from the Company or its subsidiary companies as remuneration for their services to the Company or its subsidiary companies; and
- ii. the estimated money value of any other benefits received or receivable by them otherwise than in cash from the Company or from any of its subsidiaries.

are disclosed in Note 24 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.

AUDITORS

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 19 to the financial statements.

Signed on behalf of the Board of Directors
in accordance with a resolution of the Directors:



DATUK MD ARIF BIN MAHMOOD
Chairman



AZRUL BIN OSMAN RANI
Director

Kuala Lumpur,
Date: 19 February 2021

STATEMENT BY DIRECTORS

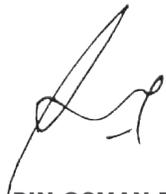
In the opinion of the Directors, the financial statements set out on pages 250 to 344, are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2020 and of their financial performance and cash flows for the financial year then ended on that date.

Signed on behalf of the Board of Directors
in accordance with a resolution of the Directors:



DATUK MD ARIF BIN MAHMOOD

Chairman



AZRUL BIN OSMAN RANI

Director

Kuala Lumpur,

Date: 19 February 2021

STATUTORY DECLARATION

I, **FARZLINA BINTI AHMAD MURAD**, the officer primarily responsible for the financial management of **PETRONAS Dagangan Berhad**, do solemnly and sincerely declare that the financial statements set out on pages 250 to 344 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed **FARZLINA BINTI AHMAD MURAD**,
at Kuala Lumpur in Wilayah Persekutuan
on 19 February 2021



BEFORE ME:



No. 10-1, Jalan Bangsar Utama 1,
Bangsar Utama,
59000 Kuala Lumpur.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

— as at 31 December 2020

	Note	2020 RM'000	2019 RM'000
ASSETS			
Property, plant and equipment	3	4,067,023	4,134,901
Investments in associates	5	1,665	1,456
Investments in joint ventures	6	19,449	21,561
TOTAL NON-CURRENT ASSETS		4,088,137	4,157,918
Trade and other inventories	7	410,229	796,819
Trade and other receivables	8	1,169,444	1,565,011
Fund investment	9	—	51,004
Cash and cash equivalents	10	2,691,820	3,425,500
TOTAL CURRENT ASSETS		4,271,493	5,838,334
TOTAL ASSETS		8,359,630	9,996,252
EQUITY			
Share capital	11	993,454	993,454
Reserves	12	4,650,291	4,982,490
Total equity attributable to shareholders of the Company		5,643,745	5,975,944
Non-controlling interests	13	31,901	35,451
TOTAL EQUITY		5,675,646	6,011,395
LIABILITIES			
Borrowings	14	96,778	168,653
Deferred tax liabilities	15	104,609	100,318
Other long term liabilities and provisions	16	30,328	28,473
TOTAL NON-CURRENT LIABILITIES		231,715	297,444
Trade and other payables	17	2,342,061	3,440,211
Borrowings	14	81,392	165,502
Taxation		28,816	81,700
TOTAL CURRENT LIABILITIES		2,452,269	3,687,413
TOTAL LIABILITIES		2,683,984	3,984,857
TOTAL EQUITY AND LIABILITIES		8,359,630	9,996,252

The notes set out on pages 271 to 340 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

— for the year ended 31 December 2020

	Note	2020 RM'000	2019 RM'000
Revenue	18	18,710,947	30,293,571
Cost of revenue		(16,439,243)	(27,079,646)
Gross profit		2,271,704	3,213,925
Selling and distribution expenses		(1,066,348)	(1,330,145)
Administration expenses		(1,166,613)	(1,176,512)
Other income		363,791	439,527
Operating profit	19	402,534	1,146,795
Financing costs	20	(16,035)	(21,812)
Share of (loss)/profit after tax of equity accounted associates and joint ventures		(78)	3,889
Profit before taxation		386,421	1,128,872
Tax expense	21	(114,007)	(291,237)
Profit for the year		272,414	837,635
Other comprehensive loss			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising from translation of financial statements of foreign operations		(2,156)	(731)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		270,258	836,904
Profit/(loss) attributable to:			
Shareholders of the Company		275,964	829,535
Non-controlling interests		(3,550)	8,100
PROFIT FOR THE YEAR		272,414	837,635
Total comprehensive income/(loss) attributable to:			
Shareholders of the Company		273,808	828,804
Non-controlling interests		(3,550)	8,100
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		270,258	836,904
Basic earnings per ordinary share	22	27.8 sen	83.5 sen

The notes set out on pages 271 to 340 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

— for the year ended 31 December 2020

	← Attributable to shareholders of the Company →							
	← Non-distributable			→ Distributable				
Note	Share Capital RM'000	Foreign Currency Translation Reserve RM'000	Capital Reserves RM'000	Retained Profits RM'000	Total RM'000	Non- controlling Interests RM'000	Total Equity RM'000	
BALANCE AT 1 JANUARY 2020	993,454	(18,935)	(18,732)	5,020,157	5,975,944	35,451	6,011,395	
Exchange difference arising from translation of financial statements of foreign operations	—	(2,156)	—	—	(2,156)	—	(2,156)	
Total other comprehensive loss for the year	—	(2,156)	—	—	(2,156)	—	(2,156)	
Profit for the year	—	—	—	275,964	275,964	(3,550)	272,414	
Total comprehensive (loss)/income for the year	—	(2,156)	—	275,964	273,808	(3,550)	270,258	
<i>Distribution to shareholders of the Company</i>								
Dividends to shareholders of the Company	23	—	—	—	(606,007)	(606,007)	—	(606,007)
Total transactions with owners of the Company	—	—	—	(606,007)	(606,007)	—	(606,007)	
BALANCE AT 31 DECEMBER 2020	993,454	(21,091)	(18,732)	4,690,114	5,643,745	31,901	5,675,646	
	Note 11	Note 12	Note 12			Note 13		

The notes set out on pages 271 to 340 are an integral part of these financial statements.

	Note	← Attributable to shareholders of the Company →				← Non-distributable → Distributable		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	
BALANCE AT 1 JANUARY 2019		993,454	(18,204)	(18,732)	4,886,040	5,842,558	31,026	5,873,584
Exchange difference arising from translation of financial statements of foreign operations		–	(731)	–	–	(731)	–	(731)
Total other comprehensive loss for the year		–	(731)	–	–	(731)	–	(731)
Profit for the year		–	–	–	829,535	829,535	8,100	837,635
Total comprehensive (loss)/income for the year		–	(731)	–	829,535	828,804	8,100	836,904
<i>Distribution to shareholders of the Company</i>								
Dividends to shareholders of the Company	23	–	–	–	(695,418)	(695,418)	–	(695,418)
Dividends to non-controlling interests		–	–	–	–	–	(3,675)	(3,675)
Total transactions with owners of the Company		–	–	–	(695,418)	(695,418)	(3,675)	(699,093)
BALANCE AT 31 DECEMBER 2019		993,454	(18,935)	(18,732)	5,020,157	5,975,944	35,451	6,011,395
		Note 11	Note 12	Note 12			Note 13	

The notes set out on pages 271 to 340 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

— for the year ended 31 December 2020

	Note	2020 RM'000	2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		386,421	1,128,872
Adjustments for:			
Depreciation and amortisation		497,839	471,457
Net impairment losses/(write-back) on receivables		5,530	(478)
Share of loss/(profit) after tax of equity accounted associates and joint ventures		78	(3,889)
Net loss/(gain) on disposal of property, plant and equipment		4,199	(18,727)
Interest income		(71,270)	(121,997)
Financing costs		16,035	21,812
Inventories written off		37	471
Net inventories (written-back)/written down to net realisable value		(302)	1,880
Property, plant and equipment written off		1,393	9,778
Property, plant and equipment expensed off		7,119	625
Net unrealised foreign exchange gain		(2,255)	(399)
Operating profit before changes in working capital		844,824	1,489,405
Changes in working capital:			
Trade and other receivables		392,040	695,558
Inventories		386,553	28,999
Trade and other payables		(1,097,988)	463,300
Cash generated from operations		525,429	2,677,262
Taxation paid		(162,600)	(266,037)
Net cash generated from operating activities		362,829	2,411,225
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income		71,270	121,997
Net withdrawal/(placement) of fund investment		51,004	(1,004)
Purchase of property, plant and equipment		(443,231)	(460,142)
Proceeds from disposal of property, plant and equipment		1,565	31,271
Net cash used in investing activities		(319,392)	(307,878)

(Continue to next page)

	Note	2020 RM'000	2019 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(606,007)	(695,418)
Dividends paid to non-controlling interests		–	(3,675)
Net drawdown/(repayment) of revolving credits		4,114	(957)
Repayment of Islamic financing facilities		(19,876)	(19,214)
Repayment of lease liabilities		(141,163)	(124,426)
Interest paid on revolving credits		(40)	(107)
Profit margin paid for Islamic financing facilities		(788)	(1,841)
Interest paid on lease liabilities		(14,047)	(18,930)
Net cash used in financing activities	14	(777,807)	(864,568)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(734,370)	1,238,779
NET FOREIGN EXCHANGE DIFFERENCES		690	(1,170)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		3,425,500	2,187,891
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		2,691,820	3,425,500
CASH AND CASH EQUIVALENTS			
Cash with PETRONAS Integrated Financial Shared Services Centre		2,467,302	3,221,696
Cash and bank balances		135,264	50,279
Deposits placed with licensed banks		68,485	153,525
Restricted cash		20,769	–
	10	2,691,820	3,425,500

(Continued from previous page)

Total cash outflows for leases amounts to RM401,885,000 (2019: RM446,251,000) which comprise repayment and interest paid in relation to lease liabilities, short-term lease, low-value assets and variable lease payments.

STATEMENT OF FINANCIAL POSITION

— as at 31 December 2020

	Note	2020 RM'000	2019 RM'000
ASSETS			
Property, plant and equipment	3	3,781,623	3,836,914
Investments in subsidiaries	4	173,010	60,010
Investments in associates	5	530	530
Investments in joint ventures	6	25	25
TOTAL NON-CURRENT ASSETS		3,955,188	3,897,479
Inventories	7	402,411	789,694
Trade and other receivables	8	1,052,969	1,376,002
Cash and cash equivalents	10	2,311,097	3,146,732
TOTAL CURRENT ASSETS		3,766,477	5,312,428
TOTAL ASSETS		7,721,665	9,209,907
EQUITY			
Share capital	11	993,454	993,454
Reserves	12	4,358,551	4,571,557
TOTAL EQUITY		5,352,005	5,565,011
LIABILITIES			
Borrowings	14	21,717	82,291
Deferred tax liabilities	15	81,761	76,350
Other long term liabilities and provisions	16	29,495	27,680
TOTAL NON-CURRENT LIABILITIES		132,973	186,321
Trade and other payables	17	2,152,887	3,245,170
Borrowings	14	60,302	138,406
Taxation		23,498	74,999
TOTAL CURRENT LIABILITIES		2,236,687	3,458,575
TOTAL LIABILITIES		2,369,660	3,644,896
TOTAL EQUITY AND LIABILITIES		7,721,665	9,209,907

The notes set out on pages 271 to 340 are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

— for the year ended 31 December 2020

	Note	2020 RM'000	2019 RM'000
Revenue	18	18,254,411	29,726,075
Cost of revenue		(16,088,620)	(26,666,919)
Gross profit		2,165,791	3,059,156
Selling and distribution expenses		(1,042,173)	(1,303,382)
Administration expenses		(1,098,125)	(1,097,656)
Other income		479,534	440,307
Operating profit	19	505,027	1,098,425
Financing costs	20	(8,698)	(13,430)
Profit before taxation		496,329	1,084,995
Tax expense	21	(103,328)	(272,280)
PROFIT FOR THE YEAR REPRESENTING TOTAL COMPREHENSIVE INCOME FOR THE YEAR		393,001	812,715

The notes set out on pages 271 to 340 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

— for the year ended 31 December 2020

		Attributable to shareholders of the Company		
		Non-distributable	Distributable	
		Share Capital RM'000	Retained Profits RM'000	Total Equity RM'000
	Note			
BALANCE AT 1 JANUARY 2020		993,454	4,571,557	5,565,011
Profit for the year representing total comprehensive income for the year		—	393,001	393,001
Dividends paid	23	—	(606,007)	(606,007)
BALANCE AT 31 DECEMBER 2020		993,454	4,358,551	5,352,005
BALANCE AT 1 JANUARY 2019		993,454	4,454,260	5,447,714
Profit for the year representing total comprehensive income for the year		—	812,715	812,715
Dividends paid	23	—	(695,418)	(695,418)
BALANCE AT 31 DECEMBER 2019		993,454	4,571,557	5,565,011

Note 11

STATEMENT OF CASH FLOWS

— for the year ended 31 December 2020

	Note	2020 RM'000	2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		496,329	1,084,995
Adjustments for:			
Depreciation and amortisation		454,581	434,629
Net impairment losses/(write-back) on receivables		2,532	(355)
Net loss/(gain) on disposal of property, plant and equipment		4,175	(18,727)
Interest income		(66,009)	(113,133)
Dividend income		(121,770)	(9,455)
Property, plant and equipment written off		1,299	9,778
Property, plant and equipment expensed off		7,075	439
Net unrealised foreign exchange gain		(2,272)	(411)
Inventories written off		—	390
Inventories written down to net realisable value		4,088	—
Financing costs		8,698	13,430
Operating profit before changes in working capital		788,726	1,401,580
Changes in working capital:			
Trade and other receivables		322,690	685,660
Inventories		387,283	21,203
Trade and other payables		(1,095,632)	387,159
Cash generated from operations		403,067	2,495,602
Taxation paid		(149,418)	(248,496)
Net cash generated from operating activities		253,649	2,247,106
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received		121,770	9,455
Interest income		66,009	113,133
Investment in subsidiary		(113,000)	(31,000)
Purchase of property, plant and equipment		(411,561)	(360,858)
Proceeds from disposal of property, plant and equipment		599	31,111
Net cash used in investing activities		(336,183)	(238,159)

(Continue to next page)

The notes set out on pages 271 to 340 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS (CONTINUED)

— for the year ended 31 December 2020

	Note	2020 RM'000	2019 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	23	(606,007)	(695,418)
Repayment of lease liabilities		(139,556)	(123,367)
Interest paid on lease liabilities		(7,538)	(12,496)
Net cash used in financing activities		(753,101)	(831,281)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(835,635)	1,177,666
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		3,146,732	1,969,066
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	10	2,311,097	3,146,732
CASH AND CASH EQUIVALENTS			
Cash with PETRONAS Integrated Financial Shared Services Centre		2,273,559	3,111,722
Cash and bank balances		37,538	35,010
	10	2,311,097	3,146,732

(Continued from previous page)

Total cash outflows for leases amounts to RM393,228,000 (2019: RM438,662,000) which comprise repayment and interest paid in relation to lease liabilities, short-term lease, low-value assets and variable lease payments.

NOTES TO THE FINANCIAL STATEMENTS

— 31 December 2020

1. BASIS OF PREPARATION

1.1 Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad.

As of 1 January 2020, the Group and the Company had adopted amendments to MFRSs ("pronouncements") that have been issued by the Malaysian Accounting Standards Board ("MASB") as described fully in Note 34.

MASB has also issued revised pronouncements which are not yet effective for the Group and the Company and therefore, have not been adopted in these financial statements. These pronouncements are set out in Note 35. New and revised pronouncements that are not relevant to the operations of the Group and of the Company are set out in Note 36.

These financial statements were approved and authorised for issue by the Board of Directors on 19 February 2021.

1.2 Basis of measurement

The financial statements of the Group and of the Company have been prepared on historical cost basis except for certain items are measured at fair value, as disclosed in the accounting policies below.

1.3 Functional and presentation currency

The individual financial statements of each entity in the Group are prepared using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Group's and the Company's financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency.

All financial information is presented in Ringgit Malaysia and has been rounded to the nearest thousands, unless otherwise stated.

1.4 Use of estimates and 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 estimate is revised and in any future periods affected.

NOTES TO THE FINANCIAL STATEMENTS

— 31 December 2020

1. BASIS OF PREPARATION (CONTINUED)

1.4 Use of estimates and judgements (continued)

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 14 : Borrowings;
- iii. Note 15 : Deferred tax;
- iv. Note 21 : Tax expense; and
- v. Note 28 : Financial instruments.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been applied consistently by the Group and the Company, unless otherwise stated.

2.1 Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date that control commences until the date that control ceases.

All inter-company transactions are eliminated on consolidation and revenue and profits relate to external transactions only. Unrealised losses resulting from inter-company transactions are also eliminated unless cost cannot be recovered.

Business combinations

A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses. Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group. The identifiable assets acquired and liabilities assumed are measured at their fair values at the acquisition date. The cost of an acquisition is measured as the aggregate of the fair value of the consideration transferred and the amount of any non-controlling interests in the acquiree. Non-controlling interests are stated either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

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 values of any previously held interest in the acquiree over the fair value of the identifiable assets acquired and liabilities assumed at the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Transaction costs, other than those associated with the issuance of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Non-controlling interests

Non-controlling interests at the end of the reporting period, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the shareholders of the Company. Non-controlling interests in the results of the Group are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and total comprehensive income for the year between the non-controlling interests and shareholders of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost, it is accounted for as an equity-accounted investee or as a fair value through other comprehensive income financial asset depending on the level of influence retained.

NOTES TO THE FINANCIAL STATEMENTS

— 31 December 2020

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 measured at fair value and this amount is regarded as the initial carrying amount of a financial asset.

When the Group's interest in an associate decreases but does not result in loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets and liabilities.

Unrealised profits arising from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses on such transactions are also eliminated partially, unless cost cannot be recovered.

2.3 Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

Joint arrangements are classified as either joint operation or joint venture. A joint arrangement is classified as joint operation when the Group or the Company has rights to the assets and obligations for the liabilities relating to an arrangement. The Group and the Company account for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation. A joint arrangement is classified as joint venture when the Group has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method as described in Note 2.2.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Property, plant and equipment and depreciation

Recognition and measurement

Freehold land and projects-in-progress are stated at cost less accumulated impairment losses and are not depreciated. Other property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the assets to working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of material and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company and its cost can be measured reliably. The carrying amount of the replaced item of property, plant and equipment is derecognised with any corresponding gain or loss recognised in the profit or loss accordingly. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

Depreciation

Depreciation for property, plant and equipment other than freehold land and projects-in-progress, is recognised in the profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Property, plant and equipment are not depreciated until the assets are ready for their intended use.

Buildings are depreciated over 20 to 30 years or over the remaining land lease year, whichever is shorter.

The estimated useful lives of the other property, plant and equipment are as follows:

Plant, machinery, tankage and pipeline	6 - 20 years
Office equipment, furniture and fittings	3 - 7 years
Computer software and hardware	5 years
Motor vehicles	4 - 10 years

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

NOTES TO THE FINANCIAL STATEMENTS

— 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Property, plant and equipment and depreciation (continued)

Depreciation (continued)

The depreciable amount is determined after deducting residual value. The residual value, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, period and method of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in the profit or loss.

2.5 Leases

i. Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for a consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group and the Company assess whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. The customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

At inception or on reassessment of a contract that contains a lease component, the Group and the Company allocate the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

ii. Recognition and initial measurement

As a lessee

The Group and the Company recognise a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Leases (continued)

ii. Recognition and initial measurement (continued)

As a lessee (continued)

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.

iii. Subsequent measurement

As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Depreciation of certain right-of-use assets are subsequently capitalised into carrying amount of other assets whenever they meet the criteria for capitalisation. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

NOTES TO THE FINANCIAL STATEMENTS

— 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Leases (continued)

iii. Subsequent measurement (continued)

As a lessee (continued)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. The Group will reassess whether it is reasonably certain to exercise the extension option if there is a significant change in circumstances within its control.

When the lease liability is remeasured as described in the above paragraph, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

When there is lease modification due to increase in the scope of lease by adding the right-to-use one or more underlying assets, the Group and the Company assess whether the lease modification shall be accounted for as a separate lease or similar to reassessment of lease liability. The Group and the Company account for lease modification as a separate lease when the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments.

When there is lease modification due to decrease in scope, the Group and the Company decrease the carrying amount of the right-of-use asset and remeasure the lease liability to reflect the partial or full termination of the lease. The corresponding gain or loss shall be recognised in profit or loss. Lease liabilities are remeasured for all other lease modifications with corresponding adjustments to the right-of-use asset.

2.6 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(i)).

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial instruments (continued)

Recognition and initial measurement (continued)

A financial asset (unless it is a receivable without a significant financing component) and a financial liability is measured at fair value plus or minus, in the case of a financial instrument not at fair value through profit or loss, any directly attributable transaction cost incurred at the acquisition or issuance of the financial instrument. A trade receivable that does not contain a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

i. *Financial assets*

Financial assets are classified as measured at amortised cost.

The Group and the Company determine the classification of financial assets at initial recognition and are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss.

Subsequent measurement

Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method (Note 2.7 (iv)). Interest income and foreign exchange gains and losses are recognised in profit or loss.

ii. *Financial liabilities*

The categories of financial liabilities at initial recognition are as follows:

Amortised cost

Subsequent to initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest method (Note 2.7 (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 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial instruments (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 and losses arising from changes in fair value on derivatives during the year are recognised in the profit or loss.

In general, contracts to sell or purchase non-financial items to meet expected own use requirements are not accounted for as financial instruments. However, contracts to sell or purchase commodities that can be net settled or which contain written options are required to be recognised at fair value, with gains and losses recognised in the profit or loss.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

iv. *Effective interest method*

Amortised cost was computed using the effective interest method. This method used effective interest rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument to the net carrying amount of the financial instrument. Amortised cost takes into account any transaction costs and any discount or premium on settlement.

v. *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

vi. *Amortised cost of financial instruments*

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2.8 (i)) where effective interest rate is applied to the amortised cost.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial instruments (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 available.

The Group and the Company assume that the credit risk on a financial asset has increased significantly if it is past due.

The Group and the Company consider a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group and the Company in full, without recourse by the Group and the Company to actions such as realising security.

NOTES TO THE FINANCIAL STATEMENTS

— 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment (continued)

i. *Financial assets (continued)*

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

ii. *Other assets*

The carrying amounts of other assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the profit or loss.

A cash-generating unit is the smallest identifiable asset group that generates cash flows from continuing use that are largely independent from other assets and groups. An impairment loss recognised in respect of a cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount is the greater of the asset's fair value less cost to sell and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses are reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Reversals of impairment losses are credited to the profit or loss in the year in which the reversals are recognised.

2.9 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Cash and cash equivalents (continued)

Restricted cash in relation to a subsidiary, consist of deposit held by licensed banks and deposits held in trust by licensed banks, which have an insignificant risk of changes in fair value.

Deposit held in trust by licensed banks are funds collected from users which are deposited and managed separately in a trust account. The subsidiary is required to maintain an additional 2% of the Company's e-Money liabilities in the trust account at all times in compliance with the Guideline on Electronic money issued by Bank Negara Malaysia ("BNM").

2.10 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 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.

NOTES TO THE FINANCIAL STATEMENTS

— 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Provisions (continued)

In particular, information about provisions that have the most significant effect on the amount recognised in the financial statements is described in Note 16.

2.13 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Taxation (continued)

ii. *Deferred tax (continued)*

Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill and the initial recognition of an asset or liability in a transaction which is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities where they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax asset is reviewed at each reporting date and is reduced to the extent that it is no longer probable that the future taxable profit will be available against which the related tax benefit can be realised.

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 dates of the transactions or an average rate that approximates those rates. Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve within equity.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to the Group's foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of the net investment in a foreign operation and are reclassified to other comprehensive income and accumulated under foreign currency translation reserve in equity. Upon disposal of the investment, the cumulative exchange differences previously recorded in equity are reclassified to the consolidated profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

— 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 assets is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs ceases when all activities necessary to prepare the qualifying asset for its intended use or sale are completed.

Exchange differences arising from foreign currency borrowings, although regarded as an adjustment to borrowing costs, are not capitalised but instead recognised in the profit or loss in the period in which they arise.

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is the weighted average of borrowings that are outstanding during the year, other than borrowings made specifically for the purpose of financing a specific qualifying asset, in which the actual borrowing cost incurred on that borrowing less any investment income on the temporary investment of that borrowings, will be capitalised. Borrowing costs incurred subsequently to the completion of a specific qualifying asset are included in the determination of the capitalisation rate.

2.17 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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Financing costs

Financing costs comprise interest payable on borrowings and profit share margin on Islamic Financing Facilities as well as accretion in provision of dismantling, removal and restoration costs due to the passage of time.

All interest and other costs incurred in connection with borrowings are expensed as incurred, other than that capitalised in accordance with the accounting policy stated in Note 2.16. The interest component of finance lease payments is accounted for in accordance with the policy set out in Note 2.5. The financing costs on borrowings are recognised using the effective profit/interest method.

2.19 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares.

Basic EPS is calculated by dividing the profit and loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit and loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilute potential ordinary shares.

2.20 Operating segments

An operating segment is a component of the Group and of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's and the Company's other components, and for which discrete financial information is available. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Board of Directors of the Company, to make decisions about resources to be allocated to the segment and to assess the Group's performance.

2.21 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.

NOTES TO THE FINANCIAL STATEMENTS

— 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Fair value measurement (continued)

ii. *Non-financial assets*

For non-financial assets, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identifiable assets or liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable input).

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

The Group recognise transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3. PROPERTY, PLANT AND EQUIPMENT

Group 2020	At 1.1.2020 RM'000	Additions RM'000	Disposals/ write-offs RM'000	Transfers RM'000	Translation exchange difference RM'000	At 31.12.2020 RM'000
At cost:						
<u>Own use</u>						
Freehold land	1,027,567	–	–	13,441	–	1,041,008
Buildings	2,163,062	–	(23,536)	54,408	–	2,193,934
Plant, machinery, tankage and pipeline	2,613,165	12,282	(84,113)	114,366	–	2,655,700
Office equipment, furniture and fittings	556,901	8,006	(12,192)	20,956	(18)	573,653
Computer hardware and software	724,882	15,093	(168,752)	108,261	(54)	679,430
Motor vehicles	106,894	1,938	(5,210)	8,893	(29)	112,486
Projects-in-progress	191,898	403,962	(9,374)	(353,157)	–	233,329
	7,384,369	441,281	(303,177)	(32,832)	(101)	7,489,540
<u>Right-of-use</u>						
Leasehold land	1,189,426	2,988	(2,748)	32,832	–	1,222,498
Buildings	6,616	–	(94)	–	–	6,522
Other plant and equipment	3,360	–	–	–	–	3,360
Vessels	279,148	–	–	–	–	279,148
Motor vehicles	4,675	–	–	–	–	4,675
	1,483,225	2,988	(2,842)	32,832	–	1,516,203
	8,867,594	444,269	(306,019)	–	(101)	9,005,743

NOTES TO THE FINANCIAL STATEMENTS

— 31 December 2020

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group 2020	At 1.1.2020 RM'000	Charge for the year RM'000	Disposals/ write-offs RM'000	Translation exchange difference RM'000	At 31.12.2020 RM'000
Accumulated depreciation and impairment losses:					
<u>Own use</u>					
Freehold land	809	—	—	—	809
Buildings	1,537,484	92,795	(23,218)	—	1,607,061
Plant, machinery, tankage and pipeline	1,827,108	154,585	(81,228)	—	1,900,465
Office equipment, furniture and fittings	423,678	37,501	(12,077)	(10)	449,092
Computer hardware and software	612,987	47,676	(167,731)	(23)	492,909
Motor vehicles	85,206	4,793	(5,210)	(36)	84,753
Projects-in-progress	—	—	—	—	—
	4,487,272	337,350	(289,464)	(69)	4,535,089
<u>Right-of-use</u>					
Leasehold land	139,076	39,274	(2,279)	—	176,071
Buildings	1,261	1,776	—	—	3,037
Other plant and equipment	1,034	1,034	—	—	2,068
Vessels	102,297	116,652	—	—	218,949
Motor vehicles	1,753	1,753	—	—	3,506
	245,421	160,489	(2,279)	—	403,631
	4,732,693	497,839	(291,743)	(69)	4,938,720

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group 2019	At 1.1.2019 RM'000	Additions RM'000	Disposals/ write-offs RM'000	Transfer RM'000	Translation exchange difference RM'000	At 31.12.2019 RM'000
At cost:						
<u>Own use</u>						
Freehold land	1,008,337	40	(3,397)	22,587	–	1,027,567
Buildings	2,121,545	–	(24,610)	66,127	–	2,163,062
Plant, machinery, tankage and pipeline	2,440,889	16,440	(49,149)	204,985	–	2,613,165
Office equipment, furniture and fittings	516,057	4,693	(12,208)	48,263	96	556,901
Computer hardware and software	636,911	84,413	(9,460)	12,880	138	724,882
Motor vehicles	94,038	407	(455)	12,656	248	106,894
Projects-in-progress	255,038	352,287	(8,718)	(406,709)	–	191,898
	7,072,815	458,280	(107,997)	(39,211)	482	7,384,369
<u>Right-of-use</u>						
Leasehold land	1,165,742	1,862	(17,389)	39,211	–	1,189,426
Buildings	5,479	1,137	–	–	–	6,616
Other plant and equipment	3,360	–	–	–	–	3,360
Vessels	166,430	112,718	–	–	–	279,148
Motor vehicles	4,675	–	–	–	–	4,675
	1,345,686	115,717	(17,389)	39,211	–	1,483,225
	8,418,501	573,997	(125,386)	–	482	8,867,594

NOTES TO THE FINANCIAL STATEMENTS

— 31 December 2020

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group 2019	At 1.1.2019 RM'000	Charge for the year RM'000	Disposals/ write-offs RM'000	Translation exchange difference RM'000	At 31.12.2019 RM'000
Accumulated depreciation and impairment losses:					
<u>Own use</u>					
Freehold land	809	–	–	–	809
Buildings	1,471,613	87,919	(22,048)	–	1,537,484
Plant, machinery, tankage and pipeline	1,718,230	154,530	(45,652)	–	1,827,108
Office equipment, furniture and fittings	403,406	32,120	(11,896)	48	423,678
Computer hardware and software	576,508	45,704	(9,310)	85	612,987
Motor vehicles	80,370	5,128	(455)	163	85,206
Projects-in-progress	–	–	–	–	–
	4,250,936	325,401	(89,361)	296	4,487,272
<u>Right-of-use</u>					
Leasehold land	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
	113,068	146,056	(13,703)	–	245,421
	4,364,004	471,457	(103,064)	296	4,732,693

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company 2020	At 1.1.2020 RM'000	Additions RM'000	Disposals/ write-offs RM'000	Transfer RM'000	At 31.12.2020 RM'000
At cost:					
<u>Own use</u>					
Freehold land	1,027,567	–	–	13,441	1,041,008
Buildings	2,135,763	–	(23,536)	54,408	2,166,635
Plant, machinery, tankage and pipeline	2,215,990	12,182	(84,007)	108,017	2,252,182
Office equipment, furniture and fittings	551,492	5,783	(12,192)	20,956	566,039
Computer hardware and software	622,252	212	(168,752)	100,516	554,228
Motor vehicles	98,474	1,550	(4,970)	8,893	103,947
Projects-in-progress	178,984	389,884	(8,374)	(339,063)	221,431
	6,830,522	409,611	(301,831)	(32,832)	6,905,470
<u>Right-of-use</u>					
Leasehold land	1,149,218	2,407	(2,748)	32,832	1,181,709
Buildings	311	420	–	–	731
Other plant and equipment	3,360	–	–	–	3,360
Vessels	279,148	–	–	–	279,148
Motor vehicles	4,675	–	–	–	4,675
	1,436,712	2,827	(2,748)	32,832	1,469,623
	8,267,234	412,438	(304,579)	–	8,375,093

NOTES TO THE FINANCIAL STATEMENTS

— 31 December 2020

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company 2020	At 1.1.2020 RM'000	Charge for the year RM'000	Disposals/ write-offs RM'000	At 31.12.2020 RM'000
Accumulated depreciation and impairment losses:				
<u>Own use</u>				
Freehold land	809	–	–	809
Buildings	1,510,589	92,688	(23,218)	1,580,059
Plant, machinery, tankage and pipeline	1,595,287	138,602	(81,156)	1,652,733
Office equipment, furniture and fittings	420,377	36,008	(12,077)	444,308
Computer hardware and software	582,187	24,938	(167,731)	439,394
Motor vehicles	78,355	4,743	(4,970)	78,128
Projects-in-progress	–	–	–	–
	4,187,604	296,979	(289,152)	4,195,431
<u>Right-of-use</u>				
Leasehold land	137,425	37,954	(2,279)	173,100
Buildings	207	209	–	416
Other plant and equipment	1,034	1,034	–	2,068
Vessels	102,297	116,652	–	218,949
Motor vehicles	1,753	1,753	–	3,506
	242,716	157,602	(2,279)	398,039
	4,430,320	454,581	(291,431)	4,593,470

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company 2019	At 1.1.2019 RM'000	Additions RM'000	Disposals/ write-offs RM'000	Transfers RM'000	At 31.12.2019 RM'000
At cost:					
<u>Own use</u>					
Freehold land	1,008,337	40	(3,397)	22,587	1,027,567
Buildings	2,094,470	–	(24,610)	65,903	2,135,763
Plant, machinery, tankage and pipeline	2,043,111	15,210	(44,507)	202,176	2,215,990
Office equipment, furniture and fittings	511,338	4,462	(12,055)	47,747	551,492
Computer hardware and software	619,019	886	(9,449)	11,796	622,252
Motor vehicles	86,273	–	(455)	12,656	98,474
Projects-in-progress	251,380	338,398	(8,718)	(402,076)	178,984
	6,613,928	358,996	(103,191)	(39,211)	6,830,522
<u>Right-of-use</u>					
Leasehold land	1,125,531	1,862	(17,386)	39,211	1,149,218
Buildings	311	–	–	–	311
Other plant and equipment	3,360	–	–	–	3,360
Vessels	166,430	112,718	–	–	279,148
Motor vehicles	4,675	–	–	–	4,675
	1,300,307	114,580	(17,386)	39,211	1,436,712
	7,914,235	473,576	(120,577)	–	8,267,234

NOTES TO THE FINANCIAL STATEMENTS

— 31 December 2020

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company 2019	At 1.1.2019 RM'000	Charge for the year RM'000	Disposals/ write-offs RM'000	At 31.12.2019 RM'000
Accumulated depreciation and impairment losses:				
<u>Own use</u>				
Freehold land	809	–	–	809
Buildings	1,444,848	87,789	(22,048)	1,510,589
Plant, machinery, tankage and pipeline	1,497,645	138,778	(41,136)	1,595,287
Office equipment, furniture and fittings	400,707	31,440	(11,770)	420,377
Computer hardware and software	563,602	27,888	(9,303)	582,187
Motor vehicles	73,713	5,097	(455)	78,355
Projects-in-progress	–	–	–	–
	3,981,324	290,992	(84,712)	4,187,604
<u>Right-of-use</u>				
Leasehold land	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	143,637	(13,703)	242,716
	4,094,106	434,629	(98,415)	4,430,320

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Carrying amount				
<u>Own use</u>				
Freehold land	1,040,199	1,026,758	1,040,199	1,026,758
Buildings	586,873	625,578	586,576	625,174
Plant, machinery, tankage and pipeline	755,235	786,057	599,449	620,703
Office equipment, furniture and fittings	124,561	133,223	121,731	131,115
Computer hardware and software	186,521	111,895	114,834	40,065
Motor vehicles	27,733	21,688	25,819	20,119
Projects-in-progress	233,329	191,898	221,431	178,984
	2,954,451	2,897,097	2,710,039	2,642,918
<u>Right-of-use</u>				
Leasehold land	1,046,427	1,050,350	1,008,609	1,011,793
Buildings	3,485	5,355	315	104
Other plant and equipment	1,292	2,326	1,292	2,326
Vessels	60,199	176,851	60,199	176,851
Motor vehicles	1,169	2,922	1,169	2,922
	1,112,572	1,237,804	1,071,584	1,193,996
	4,067,023	4,134,901	3,781,623	3,836,914

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 and the Company 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 and the Company also applied judgement and assumptions in determining the incremental borrowing rate of the respective leases. The Group and Company first determine the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

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4. INVESTMENTS IN SUBSIDIARIES

	Company	
	2020 RM'000	2019 RM'000
Unquoted shares at cost	173,010	60,010

Details of key subsidiaries are stated in Note 31 to the financial statements.

5. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Unquoted shares at cost	530	530	530	530
Share of post-acquisition profits and reserves	1,135	926	—	—
	1,665	1,456	530	530
Dividend received	—	380	—	380

Summary of financial information on associates:

	2020 Total RM'000	2019 Total RM'000
As at 31 December		
Total assets	10,574	10,524
Total liabilities	(2,246)	(3,243)
Net assets	8,328	7,281
Year ended 31 December		
Revenue	17,992	17,970
Total comprehensive income	1,047	1,404

Details of the associates are stated in Note 32 to the financial statements.

6. INVESTMENTS IN JOINT VENTURES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Unquoted shares at cost	4,121	4,121	25	25
Share of post-acquisition profits and reserves	15,328	17,440	–	–
	19,449	21,561	25	25
Dividend received	1,827	2,250	500	2,250

Summary of financial information on joint ventures:

	2020 Total RM'000	2019 Total RM'000
As at 31 December		
Total assets	79,243	124,651
Total liabilities	(28,235)	(69,924)
Net assets	51,008	54,727
Year ended 31 December		
Revenue	225,131	523,303
Total comprehensive (loss)/income	(566)	8,459

Details of the joint ventures are stated in Note 33 to the financial statements.

7. INVENTORIES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Petroleum products	408,861	795,288	402,411	789,694
Stores and spares	1,368	1,531	–	–
	410,229	796,819	402,411	789,694
Recognised in profit or loss:				
Inventories recognised as cost of sales	16,414,630	27,056,978	16,084,532	26,666,906
Write-down to net realisable value	4,223	3,060	4,088	–
Reversal of write-down to net realisable value	–	(1,180)	–	–
Inventories written off	37	471	–	390
Reversal of inventories written off	(4,525)	–	–	–

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8. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Trade	918,385	1,262,929	812,858	1,091,095
Trade receivables				
Amounts due from:				
• Holding company	94	23	94	23
• Subsidiaries	—	—	101	101
• Associates and joint ventures	3	5	3	5
• Related companies	48,642	98,402	42,303	89,222
Less: Impairment losses	(12,236)	(10,469)	(6,428)	(3,321)
	954,888	1,350,890	848,931	1,177,125
Non-trade				
Other receivables, deposits and prepayments	86,033	103,483	69,433	88,199
Advances and loans to:				
• Associates and joint ventures	1,016	851	1,016	851
Amounts due from:				
• Holding company	5,016	7,110	4,270	6,546
• Subsidiaries	—	—	7,060	635
• Related companies	3,678	1,365	3,446	1,334
Subsidy receivables	253,806	237,223	253,806	237,223
Less: Impairment losses	(134,993)	(135,911)	(134,993)	(135,911)
	214,556	214,121	204,038	198,877
Trade and other receivables	1,169,444	1,565,011	1,052,969	1,376,002

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.

9. FUND INVESTMENT

	Group	
	2020 RM'000	2019 RM'000
Deposits placed with licensed banks	—	51,004

Fund investment consists of deposits placed with licensed banks which typically have a maturity period of more than 3 months.

10. CASH AND CASH EQUIVALENTS

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash with PETRONAS Integrated Financial Shared Services Centre	2,467,302	3,221,696	2,273,559	3,111,722
Cash and bank balances	135,264	50,279	37,538	35,010
Deposits placed with licensed banks	68,485	153,525	–	–
Restricted cash	20,769	–	–	–
	2,691,820	3,425,500	2,311,097	3,146,732

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 RM2,678,720,000 (2019:RM3,409,338,000) and RM2,297,997,000 (2019: RM3,130,339,000) respectively.

Included in cash and cash equivalents of the Group are RM20,769,000 (2019: Nil) held by a trustee. The amount represents the unutilised value of e-wallet monies and amount due to service providers for value utilised.

11. SHARE CAPITAL

	2020		2019	
	No. of shares '000	Amount RM'000	No. of shares '000	Amount RM'000
Group and Company				
Issued and fully paid shares with no par value classified as equity instruments:				
Ordinary shares	993,454	993,454	993,454	993,454

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

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12. RESERVES

Capital reserves

Capital reserve arose as a result of business combination of entities under the common control of PETRONAS and comprises merger deficit.

Merger deficit represents the excess of cost of acquisition over the Group's interest in the net carrying value of identifiable net assets, liabilities and contingent liabilities of the acquiree. Merger deficit is classified as part of non-distributable reserves.

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of subsidiaries whose functional currencies are different from that of the Company's functional currency as well as foreign currency differences arising from the translation of monetary items that are considered to form part of a net investment in a foreign operation.

13. NON-CONTROLLING INTERESTS

This consists of the non-controlling interests' proportion of share capital and reserves of partly-owned subsidiary.

14. BORROWINGS

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Non-current Secured				
Lease liabilities	96,778	158,694	21,717	82,291
Unsecured				
Islamic financing facilities	—	9,959	—	—
Total non-current borrowings	96,778	168,653	21,717	82,291
Current Secured				
Lease liabilities	62,012	140,239	60,302	138,406
Unsecured				
Islamic financing facilities	9,880	19,797	—	—
Revolving credits	9,500	5,466	—	—
Total current borrowings	81,392	165,502	60,302	138,406
Total borrowings	178,170	334,155	82,019	220,697

14. BORROWINGS (CONTINUED)

Terms and debt repayment schedule

Group 2020	Total RM'000	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000	Over 5 years RM'000
Secured					
Lease liabilities	158,790	62,012	10,318	4,190	82,270
Unsecured					
Islamic financing facilities	9,880	9,880	–	–	–
Revolving credits	9,500	9,500	–	–	–
	178,170	81,392	10,318	4,190	82,270

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
Secured					
Lease liabilities	298,933	140,239	63,252	13,086	82,356
Unsecured					
Islamic financing facilities	29,756	19,797	9,959	–	–
Revolving credit	5,466	5,466	–	–	–
	334,155	165,502	73,211	13,086	82,356

Company 2020	Total RM'000	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000	Over 5 years RM'000
Secured					
Lease liabilities	82,019	60,302	9,106	2,030	10,581

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
Secured					
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 2.78% to 4.32% (2019: 4.27% to 4.68%) per annum with principal repayment by quarterly instalments until September 2021.

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14. BORROWINGS (CONTINUED)

Unsecured revolving credits

The unsecured revolving credits bears an interest rate ranging from 2.80% to 2.89% (2019: 2.90%) per annum.

Secured lease liabilities

The lease liabilities of the Group and the Company bear interest at rates ranging from 3.68% to 8.43% (2019: 4.19% to 8.43%) and 3.68% to 7.80% (2019: 4.19% to 7.80%) per annum respectively.

Reconciliation of movement of liabilities to cash flows arising from financing activities

Group	Borrowings RM'000	Dividends RM'000
Balance at 1 January 2020	334,155	–
Changes from financing cash flows		
Drawdown/(Repayment) of:		
• Islamic financing facilities	(19,876)	–
• Revolving credits	4,114	–
• Lease liabilities	(141,163)	–
Interest expenses:		
• Revolving credits	(40)	–
• Lease liabilities	(14,047)	–
Profit margin paid for Islamic financing facilities	(788)	–
Dividends paid	–	(606,007)
Dividends paid to non-controlling interests	–	–
Total changes from financing cash flows	(171,800)	(606,007)
<i>The effect of changes in foreign exchange rates</i>	(80)	–
<i>Other changes</i>		
• Dividends declared	–	606,007
• Finance costs	14,875	–
• Addition of new leases	1,235	–
• Termination of leases	(215)	–
Balance at 31 December 2020	178,170	–

14. BORROWINGS (CONTINUED)

Reconciliation of movement of liabilities to cash flows arising from financing activities (continued)

Group	Borrowings RM'000	Dividends RM'000
Balance at 1 January 2019	365,395	–
Changes from financing cash flows		
Drawdown/(Repayment) of:		
• Islamic financing facilities	(19,214)	–
• Revolving credit	(957)	–
• Lease liabilities	(124,426)	–
Interest expenses:		
• Revolving credit	(107)	–
• Lease liabilities	(18,930)	–
Profit margin paid for Islamic financing facilities	(1,841)	–
Dividends paid	–	(695,418)
Dividends paid to non-controlling interests	–	(3,675)
Total changes from financing cash flows	(165,475)	(699,093)
<i>The effect of changes in foreign exchange rates</i>	433	–
<i>Other changes</i>		
• Dividends declared	–	699,093
• Finance costs	20,878	–
• Addition of new leases	113,855	–
• Termination of leases	(931)	–
Balance at 31 December 2019	334,155	–

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14. BORROWINGS (CONTINUED)

Reconciliation of movement of liabilities to cash flows arising from financing activities (continued)

Company	Borrowings RM'000	Dividends RM'000
Balance at 1 January 2020	220,697	–
Changes from financing cash flows		
Repayment of lease liabilities	(139,556)	–
Interest expense on lease liabilities	(7,538)	–
Dividends paid	–	(606,007)
Total changes from financing cash flows	(147,094)	(606,007)
<i>Other changes</i>		
• Dividends declared	–	606,007
• Finance costs	7,538	–
• Addition of new leases	878	–
Balance at 31 December 2020	82,019	–

Company	Borrowings RM'000	Dividends RM'000
Balance at 1 January 2019	232,277	–
Changes from financing cash flows		
Repayment of lease liabilities	(123,367)	–
Interest expense on lease liabilities	(12,496)	–
Dividends paid	–	(695,418)
Total changes from financing cash flows	(135,863)	(695,418)
<i>Other changes</i>		
• Dividends declared	–	695,418
• Finance costs	12,496	–
• Addition of new leases	112,718	–
• Termination of leases	(931)	–
Balance at 31 December 2019	220,697	–

15. DEFERRED TAX

The components and movements of deferred tax liabilities and assets during the year are as follows:

Group	At 1.1.2020 RM'000	Credited/(charged) to profit or loss RM'000	At 31.12.2020 RM'000
Deferred tax liabilities			
Property, plant and equipment	(138,767)	(2,724)	(141,491)
Contract liability - Loyalty Programme	21,651	87	21,738
Lease liabilities	16,208	(2,189)	14,019
Expected Credit Loss ("ECL")	590	535	1,125
	(100,318)	(4,291)	(104,609)

Group	At 1.1.2019 RM'000	Credited/(charged) to profit or loss RM'000	At 31.12.2019 RM'000
Deferred tax liabilities			
Property, plant and equipment	(143,021)	4,254	(138,767)
Contract liability - Loyalty Programme	17,817	3,834	21,651
Lease liabilities	20,099	(3,891)	16,208
Expected Credit Loss ("ECL")	686	(96)	590
	(104,419)	4,101	(100,318)

Company	At 1.1.2020 RM'000	Credited/(charged) to profit or loss RM'000	At 31.12.2020 RM'000
Deferred tax liabilities			
Property, plant and equipment	(106,048)	(1,560)	(107,608)
Contract liability - Loyalty Programme	21,650	87	21,737
Lease liabilities	7,689	(4,577)	3,112
Expected Credit Loss ("ECL")	359	639	998
	(76,350)	(5,411)	(81,761)

Company	At 1.1.2019 RM'000	Credited/(charged) to profit or loss RM'000	At 31.12.2019 RM'000
Deferred tax liabilities			
Property, plant and equipment	(114,047)	7,999	(106,048)
Contract liability - Loyalty Programme	17,817	3,833	21,650
Lease liabilities	11,832	(4,143)	7,689
Expected Credit Loss ("ECL")	503	(144)	359
	(83,895)	7,545	(76,350)

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16. OTHER LONG-TERM LIABILITIES AND PROVISIONS

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Dismantling, removal and restoration costs	29,495	27,680	29,495	27,680
Other long term liabilities	833	793	—	—
	30,328	28,473	29,495	27,680

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	2020 RM'000	2019 RM'000
Balance at 1 January	27,680	28,777
Net changes in provision	655	(2,031)
Unwinding of discount	1,160	934
Balance at 31 December	29,495	27,680

Under provisions of certain land lease agreements, the Company has an obligation to dismantle and remove structures on certain sites and restore those sites at the end of the lease term to an acceptable condition consistent with the lease agreement.

For these affected sites, the liabilities for dismantling, removal and restoration costs are recognised at present value of the compounded future expenditure estimated using existing technology, at current prices and discounted using a real discount rate.

The present value of the estimated costs is capitalised as part of the asset and the related provisions raised on the date when the obligation arises. The capitalised cost is depreciated over the expected life of the asset. The increase in the net present value of the provision for the expected cost is included as finance costs in the profit or loss.

Any change in the present value of the estimated expenditure is reflected as an adjustment to the provision.

While the provision is based on the best estimate of future costs and the economic lives of the affected assets, there is uncertainty regarding both the amount and timing of incurring these costs. All the estimates are reviewed on an annual basis or more frequently, where there is indication of a material change.

17. TRADE AND OTHER PAYABLES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Trade				
Trade payables	31,699	94,314	13,455	72,549
Contract liability	90,572	90,211	90,572	90,211
Amounts due from:				
• Related companies	1,160,424	2,308,558	1,126,689	2,269,620
• Subsidiaries	–	–	893	4,268
• Associates and joint ventures	21	10	21	10
	1,282,716	2,493,093	1,231,630	2,436,658
Non-trade				
Other payables	633,566	739,871	583,037	676,572
Amounts due to:				
• Holding company	164,359	197,920	83,910	120,261
• Subsidiaries	–	–	12,614	5,477
• Associates and joint ventures	7,964	2,674	7,925	2,674
• Related companies	48,512	6,653	45,677	3,528
E-Money liabilities	16,850	–	–	–
Duties payable	188,094	–	188,094	–
	1,059,345	947,118	921,257	808,512
Trade and other payables	2,342,061	3,440,211	2,152,887	3,245,170

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.

E-Money liabilities are in relations to users' balances in their e-wallets which are refundable to users upon request.

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18. REVENUE

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue from contracts with customers				
Sales of petroleum products	18,699,386	30,266,957	18,254,411	29,726,075
Rendering of services	11,561	26,614	–	–
	18,710,947	30,293,571	18,254,411	29,726,075

Disaggregation of revenue from contracts with customers

In the following table, revenue is disaggregated by major products/services lines.

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Major products/services lines				
• Retail	11,178,291	15,369,819	11,031,030	15,181,299
• Commercial	7,521,095	14,897,138	7,223,381	14,544,776
• Others	11,561	26,614	–	–
	18,710,947	30,293,571	18,254,411	29,726,075

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 26). The timing and recognition of revenue derived from petroleum products is recognised at a point in time.

Nature of goods and services

Nature of goods and services	Timing of recognition or method used to recognise revenue	Significant payment terms
Retail	Revenue is recognised when petroleum products are delivered and accepted by the customers at their premises/sites or ex-depot.	Payment for the products supplied shall be made before delivery, on delivery or within stipulated credit period.
Commercial	Revenue is recognised when petroleum products are delivered and accepted by the customers at their premises/sites or ex-depot.	Payment for the products supplied shall be made on delivery or within stipulated credit period.
Others	Revenue is recognised over time when services are rendered to customer.	Payment for the services rendered shall be made within stipulated credit period.

There are no variable elements in consideration, obligation for returns or refunds nor warranty in the provision of goods and services by the Group and the Company.

19. OPERATING PROFIT

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Included in operating profit are the following charges:					
Audit fees:					
• KPMG Malaysia		744	684	541	541
• other auditors		117	116	–	–
Non Audit fees:					
• KPMG Malaysia		109	347	106	317
Depreciation of property, plant and equipment	3	497,839	471,457	454,581	434,629
Expenses relating to short-term leases (Note a)		124,150	104,814	124,150	104,805
Expenses relating to leases of low-value assets (Note b)		123	121	29	25
Expenses relating to variable lease payments not included in the measurement of lease liabilities		122,407	197,974	121,955	197,970
Impairment losses on:					
• trade receivables		10,532	1,038	7,077	822
• other receivables		33	562	33	562
Inventories written down to net realisable value	7	4,223	3,060	4,088	–
Net loss on disposal of property, plant and equipment		4,199	–	4,175	–
Property, plant and equipment written off		1,393	9,778	1,299	9,778
Property, plant and equipment expensed off		7,119	625	7,075	439
Facility charges:					
• plant and equipment		907	701	900	691
• land and buildings		28,887	30,462	28,887	30,031
Staff costs:					
• wages, salaries and others		220,766	271,749	193,196	238,327
• contributions to EPF		37,231	33,665	32,995	30,207
Inventories written off	7	37	471	–	390
Net realised loss on foreign exchange		1,028	–	954	–

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19. OPERATING PROFIT (CONTINUED)

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
and credits:					
Dividend income:					
• subsidiary		—	—	121,270	6,825
• associates	5	—	—	—	380
• joint ventures	6	—	—	500	2,250
Net gain on disposal of property, plant and equipment		—	18,727	—	18,727
Net unrealised gain on foreign exchange		2,255	399	2,272	411
Net realised gain on foreign exchange		—	2,593	—	2,658
Interest income		71,270	121,997	66,009	113,133
Income from rental of premises		991	864	198	—
Reversal of:					
• write down of inventory to net realisable value	7	—	1,180	—	—
• inventories written off	7	4,525	—	—	—
Write back of impairment losses:					
• trade receivables		4,384	1,082	3,927	743
• other receivables		651	996	651	996
COVID-19 related rent concessions		139	—	—	—

- The Group leases vessels with contract terms of less than 1 years. 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.
- The Group leases various office equipment with contract terms of 1 to 5 years. These leases are low-value in nature and the Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

20. FINANCING COSTS

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Recognised in profit or loss:				
Unwinding of discount				
• Provision for dismantling, removal and restoration costs	1,160	934	1,160	934
Profit margin on Islamic financing facilities	788	1,841	–	–
Interest on revolving credits	40	107	–	–
Interest on lease liabilities	14,047	18,930	7,538	12,496
	16,035	21,812	8,698	13,430

21. TAX EXPENSE

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Current tax expense				
Current year	116,103	310,000	104,021	289,270
Prior year	(6,387)	(14,662)	(6,104)	(9,445)
	109,716	295,338	97,917	279,825
Deferred tax expense				
Origination/(Reversal) of temporary differences	7,853	(7,292)	8,937	(9,091)
(Over)/Under provision in prior years	(3,562)	3,191	(3,526)	1,546
Total deferred tax expense	4,291	(4,101)	5,411	(7,545)
Total tax expense	114,007	291,237	103,328	272,280

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21. TAX EXPENSE (CONTINUED)

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	%	2020 RM'000	%	2019 RM'000
Profit before taxation		386,421		1,128,872
Taxation at Malaysian statutory tax rate	24	92,741	24	270,929
Effect of different tax rates in foreign jurisdictions	–	65	–	(31)
Non-deductible expenses, net of non-assessable income	6	22,919	2	25,031
Effect of net deferred tax benefits not recognised	2	8,231	1	6,779
	32	123,956	27	302,708
(Over)/Under provision in prior years				
• current tax expense	(2)	(6,387)	(1)	(14,662)
• deferred tax expense	(1)	(3,562)	–	3,191
Tax expense	29	114,007	26	291,237

Company	%	2020 RM'000	%	2019 RM'000
Profit before taxation		496,329		1,084,995
Taxation at Malaysian statutory tax rate	24	119,119	24	260,399
(Non-assessable income, net of non-deductible expenditure)/Non-deductible expenses, net of non-assessable income	(1)	(6,161)	2	19,780
	23	112,958	26	280,179
(Over)/Under provision in prior years				
• current tax expense	(1)	(6,104)	(1)	(9,445)
• deferred tax expense	(1)	(3,526)	–	1,546
Tax expense	21	103,328	25	272,280

21. TAX EXPENSE (CONTINUED)

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 shown:

	Group	
	2020 RM'000	2019 RM'000
Unutilised tax losses	28,181	11,704
Unabsorbed capital allowance	52,961	35,142
	81,142	46,846

The unutilised tax losses and unabsorbed capital allowance above in relation to a subsidiary have not been recognised as the Group is uncertain if future taxable profits of sufficient quantum will be available against which the Group can utilise the benefits therefrom. The unutilised tax loss carry-forward will be limited to 7 years of assessment starting from the year of assessment 2019.

22. EARNINGS PER SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

	Group	
	2020 RM'000	2019 RM'000
Profit for the year attributable to shareholders	275,964	829,535
Number of ordinary shares ('000)	993,454	993,454
Basic earnings per ordinary share (in sen)	27.8	83.5

Diluted earnings per share

No diluted earnings per share is disclosed in these financial statements as there is no potential dilutive ordinary share.

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23. DIVIDENDS

	Company	
	2020 RM'000	2019 RM'000
In respect of financial year ended 31 December 2019:		
Quarter 4:		
• Interim dividend of 25.0 sen per ordinary share (2018: 25.0 sen)	248,363	248,363
• Special dividend of 15.0 sen per ordinary share (2018: nil)	149,018	–
In respect of financial year ended 31 December 2020:		
Quarter 1: interim dividend of 5.0 sen per ordinary share (2019: 15.0 sen)	49,673	149,018
Quarter 2: interim dividend of 5.0 sen per ordinary share (2019: 14.0 sen)	49,673	139,084
Quarter 3: interim dividend of 11.0 sen per ordinary share (2019: 16.0 sen)	109,280	158,953
	606,007	695,418

The Directors had on, 19 February 2021, declared an interim dividend of 17.0 sen per ordinary share amounting to RM168,887,180 in respect of the financial year ended 31 December 2020 which has not been accounted for in the financial statements for the year ended 31 December 2020.

24. 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 the Government of Malaysia and its related entities as the holding company is wholly-owned by the Government of Malaysia.

24. RELATED PARTIES DISCLOSURES (CONTINUED)

Key management personnel compensation

	Group and Company	
	2020 RM'000	2019 RM'000
Directors		
• Fees	1,314	1,010
• Other short-term employee benefits	32	31
	1,346	1,041

The Company reimbursed the holding company for payroll related costs and benefits of certain key management personnel as well as fees for Directors who are appointees of the holding company as disclosed in the related parties disclosures.

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	
	2020 RM'000	2019 RM'000
Federal and State Government of Malaysia:		
Sales of petroleum products	228,355	306,648
Government of Malaysia's related entities:		
Sales of petroleum products	1,721,959	5,043,219
Holding company:		
Sales of petroleum products	406	698
Facility charges	(22,365)	(21,313)
Reimbursement of key management personnel costs and benefits	(1,352)	(1,520)
Interest income from PETRONAS IFSSC	69,498	121,977
Fees for representation in the Board of Directors*	(659)	(502)
Information, communication and technology charges	(48,425)	(40,659)
Related companies:		
Sales of petroleum products	742,899	1,299,305
Purchases of petroleum products	(14,349,787)	(26,950,776)
Information, communication and technology charges	(75,083)	(19,375)
Lease expenses	(91,514)	(110,818)

* Fees paid directly to holding company in respect of directors who are appointees of the holding company.

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24. RELATED PARTIES DISCLOSURES (CONTINUED)

	Company	
	2020 RM'000	2019 RM'000
Federal and State Government of Malaysia:		
Sales of petroleum products	228,355	306,428
Government of Malaysia's related entities:		
Sales of petroleum products	1,713,095	5,043,219
Holding company:		
Sales of petroleum products	406	698
Facility charges	(22,365)	(21,313)
Reimbursement of key management personnel costs and benefits	(1,352)	(1,520)
Interest income from PETRONAS IFSSC	65,596	113,133
Fees for representation in the Board of Directors*	(659)	(502)
Information, communication and technology charges	(47,598)	(39,939)
Related companies:		
Sales of petroleum products	716,344	1,269,794
Purchases of petroleum products	(14,075,161)	(26,637,025)
Information, communication and technology charges	(75,083)	(19,375)
Lease expenses	(91,514)	(110,818)

* 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 2020 are disclosed in Note 8 and Note 17. 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.

25. 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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Property, plant and equipment				
Approved and contracted for	81,140	34,209	80,407	34,209
Approved but not contracted for	207,648	215,258	186,923	178,450
	288,788	249,467	267,330	212,659

26. OPERATING SEGMENTS

The Group's reportable segments comprise of Retail, Commercial and Others. Each reportable segment offers different products and services and require different marketing strategies. The following summary describes the operations in each of the Group's reportable segment:

- Retail - consist of sales and purchases of petroleum products to the retail sector
- Commercial - consist of sales and purchases of petroleum products to the commercial sector
- Others - comprise mainly of aviation fuelling services, technical services and business activities other than retail and commercial segments.

For each of the reportable segment, the Group chief operating decision maker, which is the Board of Directors of the Company, reviews internal management reports at least on a quarterly basis.

Performance is measured based on segment profit or loss before tax as included in the internal management reports that are reviewed by the Company's Board of Directors. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Revenues derived from petroleum products are predominantly sold to the retail and commercial sectors in Malaysia which have been disclosed in the operating segment. In this respect, no further disaggregation of revenue is presented.

Group Business Segments	2020			
	Retail RM'000	Commercial RM'000	Others RM'000	Total RM'000
Revenue	11,178,291	7,521,095	11,561	18,710,947
Depreciation and amortisation	374,049	88,040	35,750	497,839
Other income	308,742	51,568	3,481	363,791
Operating profit/(loss)	229,451	225,046	(51,963)	402,534
Financing costs	(6,852)	(2,106)	(7,077)	(16,035)
Share of loss after tax of associates and joint ventures				(78)
Profit before taxation				386,421

Group Business Segments	2019			
	Retail RM'000	Commercial RM'000	Others RM'000	Total RM'000
Revenue	15,369,819	14,897,138	26,614	30,293,571
Depreciation and amortisation	347,529	94,659	29,269	471,457
Other income	387,638	47,386	4,503	439,527
Operating profit	581,894	556,419	8,482	1,146,795
Financing costs	(9,354)	(4,490)	(7,968)	(21,812)
Share of profit after tax of associates and joint ventures				3,889
Profit before taxation				1,128,872

NOTES TO THE FINANCIAL STATEMENTS

— 31 December 2020

26. OPERATING SEGMENTS (CONTINUED)

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 2020, there are no major customers with revenue that contribute to more than 10 percent of the Group's revenue.

27. CONTINGENCIES

	Group	
	2020 RM'000	2019 RM'000
Contingent assets		
An award in favour of a subsidiary was issued by the arbitrator in 2018 following an arbitration proceeding, which allowed additional costs and expenses for restructuring works at one of the subsidiary's major facility. The quantum to be paid following the award as of the financial period date is pending settlement negotiation between the parties.	26,662	26,662

There were no material contingent liabilities since the last consolidated statement of financial position as at 31 December 2019.

28. FINANCIAL INSTRUMENTS

Categories of financial instruments

The table below provides an analysis of financial instruments categorised as Amortised Cost ("AC").

Group 2020	Note	Amortised cost RM'000	Total carrying amount RM'000
Financial assets			
Trade and other receivables*	8	1,148,153	1,148,153
Cash and cash equivalents	10	2,691,820	2,691,820
		3,839,973	3,839,973
Financial liabilities			
Borrowings	14	(19,380)	(19,380)
Trade and other payables*	17	(2,251,453)	(2,251,453)
		(2,270,833)	(2,270,833)

Group 2019	Note	Amortised cost RM'000	Total carrying amount RM'000
Financial assets			
Trade and other receivables*	8	1,507,863	1,507,863
Fund investment	9	51,004	51,004
Cash and cash equivalents	10	3,425,500	3,425,500
		4,984,367	4,984,367
Financial liabilities			
Borrowings	14	(35,222)	(35,222)
Trade and other payables*	17	(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 2020

28. FINANCIAL INSTRUMENTS (CONTINUED)

Categories of financial instruments (continued)

Company 2020	Note	Amortised cost RM'000	Total carrying amount RM'000
Financial assets			
Trade and other receivables*	8	1,040,758	1,040,758
Cash and cash equivalents	10	2,311,097	2,311,097
		3,351,855	3,351,855
Financial liability			
Trade and other payables*	17	(2,062,308)	(2,062,308)

Company 2019	Note	Amortised cost RM'000	Total carrying amount RM'000
Financial assets			
Trade and other receivables*	8	1,325,917	1,325,917
Cash and cash equivalents	10	3,146,732	3,146,732
		4,472,649	4,472,649
Financial liability			
Trade and other payables*	17	(3,154,959)	(3,154,959)

* These balances exclude non-financial instruments balances.

Financial risk management

The Group and the Company are exposed to various risks that are particular to its core business which consists of domestic marketing of petroleum products. These risks, which arise in the normal course of the Group's and the Company's business, comprise credit risk, liquidity risk and market risk relating to interest rates and foreign currency exchange rates.

The Group has policies and guidelines in place that sets the foundation for a consistent approach towards establishing an effective financial risk management across the Group.

Risk taking activities are undertaken within acceptable level of risk or risk appetite, whereby the risk appetite level reflects business considerations and capacity to assume such risks. The risk appetite is established at Board level, where relevant, based on defined methodology and translated into operational thresholds.

The Group's and the Company's goal in risk management are to ensure that the management understands, measures and monitors the various risks that arise in connection with their operations. Policies and guidelines have been developed to identify, analyse, appraise and monitor the dynamic risks facing the Group and the Company. Based on this assessment, the Group and the Company adopt appropriate measures to mitigate these risks in accordance with their view of the balance between risk and reward.

28. FINANCIAL INSTRUMENTS (CONTINUED)

Categories of financial instruments (continued)

Credit risk

Credit risk is the risk of potential exposure of the Group and of the Company to losses in the event of non-performance by counterparties. The Group's and the Company's exposures to credit risk arise principally from customers and placement in financial institutions. Credit risks are controlled by individual companies in line with PETRONAS' policies and guidelines.

Trade and other receivables

Risk management objectives, policies and processes for managing the risk

The Group and the Company minimise credit risk by ensuring that all potential third party counterparties are assessed prior to registration and entering into new contracts. Existing third party counterparties are also subject to regular reviews, including re-appraisal and approval of granted limits. The creditworthiness of counterparties is assessed based on an analysis of all available quantitative and qualitative data regarding business risks and financial standing, together with the review of any relevant third party and market information. Reports are prepared and presented to the management that cover the Group's overall credit exposure against limits and securities, exposure by segment and overall quality of the portfolio.

Depending on the types of transactions and counterparty creditworthiness, the Group and the Company further mitigate and limit risks related to credit by requiring collateral or other credit enhancements such as cash deposits, letter of credit, Amanah Saham Bumiputera ("ASB"), Amanah Saham Bumiputera 2 ("ASB 2"), Amanah Saham Malaysia 2 Wawasan ("ASM 2 Wawasan") and bank guarantees.

The Group uses ageing analysis to monitor the credit quality of the receivables. As at the year end, 94% (2019: 94%) of gross trade receivables of the Group are within the credit terms.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group and the Company.

At each reporting date, the Group and the Company assess whether any of the trade receivables are credit impaired.

The gross carrying amounts of credit impaired trade receivables and contract assets are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables and contract assets that are written off could still be subject to enforcement activities.

NOTES TO THE FINANCIAL STATEMENTS

— 31 December 2020

28. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (continued)

Trade and other receivables (continued)

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables are represented by the carrying amounts in the statement of financial position.

At each reporting date, the Group and the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the customer;
- a breach of contract such as a default; or
- it is probable that the customer will enter bankruptcy or other financial reorganisation.

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 11% (2019: 13%) of the total trade receivables of the Group.

In addition, there is a significant concentration of credit risk of the Group being an amount owing from the Government constituting 75% (2019: 70%) of the total other receivables of the Group relating to subsidies arising from the Automatic Pricing Mechanism governing the sales of petroleum products.

Recognition and measurement of impairment loss

In managing credit risk of trade receivables, the Group monitors its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances.

The Group and the Company perform credit rating assessment of all its counterparties in order to measure Expected Credit Loss ("ECL") of trade receivables for all segments using the PETRONAS Credit Risk Rating system. This credit rating assessment considers quantitative assessment using the counterparties' financial statements or a qualitative assessment of the counterparties which includes but is not limited to their reputation, competitive position, industry and geopolitical outlook.

In determining the ECL, the probability of default assigned to each counterparty is based on their individual credit rating. This probability of default is derived by benchmarking against available third party and market information, which also incorporates forward looking information.

Loss given default is the assumption of the proportion of financial asset that cannot be recovered by conversion of collateral to cash or by legal process, and is assessed based on the Group's and the Company's historical experience.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2020 which are grouped together as they are expected to have similar risk nature.

28. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (continued)

Trade and other receivables (continued)

Recognition and measurement of impairment loss (continued)

Group 2020	Note	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
Credit Risk Rating				
Sovereign rating		12,811	–	12,811
Excellent rating		231,099	(46)	231,053
Good rating		448,513	(541)	447,972
Fair rating		267,293	(4,241)	263,052
		959,716	(4,828)	954,888
Credit impaired:				
Individually impaired		7,408	(7,408)	–
		967,124	(12,236)	954,888
Representing:				
Trade receivables	8	967,124	(12,236)	954,888

Group 2019	Note	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
Credit Risk Rating				
Sovereign rating		44,654	–	44,654
Excellent rating		508,070	(295)	507,775
Good rating		541,572	(679)	540,893
Fair rating		256,274	(1,056)	255,218
		1,350,570	(2,030)	1,348,540
Credit impaired:				
Individually impaired		10,789	(8,439)	2,350
		1,361,359	(10,469)	1,350,890
Representing:				
Trade receivables	8	1,361,359	(10,469)	1,350,890

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28. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (continued)

Trade and other receivables (continued)

Recognition and measurement of impairment loss (continued)

Company 2020	Note	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
Credit Risk Rating				
Sovereign rating		12,811	–	12,811
Excellent rating		150,128	(41)	150,087
Good rating		423,321	(340)	422,981
Fair rating		267,293	(4,241)	263,052
		853,553	(4,622)	848,931
Credit impaired:				
Individually impaired		1,806	(1,806)	–
		855,359	(6,428)	848,931
Representing:				
Trade receivables	8	855,359	(6,428)	848,931

Company 2019	Note	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
Credit Risk Rating				
Sovereign rating		44,652	–	44,652
Excellent rating		417,142	(165)	416,977
Good rating		458,641	(367)	458,274
Fair rating		256,244	(1,055)	255,189
		1,176,679	(1,587)	1,175,092
Credit impaired:				
Individually impaired		3,767	(1,734)	2,033
		1,180,446	(3,321)	1,177,125
Representing:				
Trade receivables	8	1,180,446	(3,321)	1,177,125

28. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (continued)

Trade and other receivables (continued)

Recognition and measurement of impairment loss (continued)

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is equal to the carrying amount. The ageing of trade receivables net of impairment amount as at the end of the reporting period is analysed below:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At net				
Current	912,436	1,281,254	823,974	1,162,690
Past due 1 to 30 days	20,963	26,831	16,531	6,765
Past due 31 to 60 days	5,181	12,389	2,277	4,359
Past due 61 to 90 days	1,683	10,840	519	1,278
Past due more than 90 days	14,625	19,576	5,630	2,033
	954,888	1,350,890	848,931	1,177,125
Representing:				
Trade receivables (Note 8)	967,124	1,361,359	855,359	1,180,446
Less: Impairment losses (Note 8)	(12,236)	(10,469)	(6,428)	(3,321)
	954,888	1,350,890	848,931	1,177,125

There are trade receivables where the Group has not recognised any loss allowance as the trade receivables are secured by collateral and/or other credit enhancements such as cash deposits, letter of credit, ASB, ASB 2, ASM 2 Wawasan and bank guarantees.

Trade receivables which are credit impaired amounting to RM12,236,000 (2019: 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 RM163,024,000 (2019: RM159,355,000).

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28. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (continued)

Trade and other receivables (continued)

Recognition and measurement of impairment loss (continued)

The movements in the allowance for impairment losses of trade receivables during the year are as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Opening balance	10,469	10,645	3,321	3,292
Impairment loss recognised	10,532	1,038	7,077	822
Impairment loss reversed	(4,384)	(1,082)	(3,927)	(743)
Impairment loss written off	(4,381)	(132)	(43)	(50)
Closing balance	12,236	10,469	6,428	3,321

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 a counterparty credit risk management framework.

The maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position.

As at the reporting date, the Group and the Company have only invested in short term domestic money market instrument. In view of the sound credit rating of counterparties, the Group and the Company do not expect any counterparties to fail to meet its obligation and hence, loss allowance is not provided for.

Liquidity risk

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

28. 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 2020	Carrying amount RM'000	Effective profit margin/ interest rates/ per annum/ discount rate %	Contractual cash flows RM'000	Within 1 year RM'000	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000
Financial liabilities							
Unsecured Islamic financing facilities floating rate	9,880	2.78 - 4.32	9,988	9,988	–	–	–
Unsecured revolving credits fixed rate	9,500	2.80 - 2.89	9,775	9,775	–	–	–
Lease liabilities	158,790	3.68 - 8.43	301,602	82,757	18,682	33,131	167,032
Trade and other payables	2,251,453	–	2,251,453	2,251,453	–	–	–
	2,429,623		2,572,818	2,353,973	18,682	33,131	167,032

Group 2019	Carrying amount RM'000	Effective profit margin/ interest rates/ per annum/ discount rate %	Contractual cash flows RM'000	Within 1 year RM'000	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000
Financial liabilities							
Unsecured Islamic financing facilities floating rate	29,756	4.27 - 4.68	30,888	20,762	10,126	–	–
Unsecured revolving credit 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	–	–	–
	3,683,925		3,832,362	3,531,397	82,329	43,394	175,242

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28. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk (continued)

Maturity analysis (continued)

Company 2020	Carrying amount RM'000	Discount rate %	Contractual cash flows RM'000	Within 1 year RM'000	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000
Financial liabilities							
Lease liabilities	82,019	3.68 - 7.80	108,249	74,514	11,126	5,973	16,636
Trade and other payables	2,062,308	—	2,062,308	2,062,308	—	—	—
	2,144,327		2,170,557	2,136,822	11,126	5,973	16,636

Company 2019	Carrying amount RM'000	Discount rate %	Contractual cash flows RM'000	Within 1 year RM'000	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000
Financial liabilities							
Lease liabilities	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	—	—	—
	3,375,656		3,399,313	3,301,974	63,909	15,254	18,176

28. FINANCIAL INSTRUMENTS (CONTINUED)

Market risk

Market risk is the risk or uncertainty arising from change in market prices and their impact on the performance of the business. The market price changes that the Group and the Company are exposed to include interest rates, foreign currency exchange rates that could affect the value of the Group's and the Company's financial assets, liabilities or expected future cash flows.

Profit margin or Interest rate risk

Profit margin or interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market rates.

The Group's exposure to the risk of changes in cash flow 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 2020, 6% (2019: 9%) of the interest-bearing financial liabilities of the Group are floating rate instruments.

Profit margin risk sensitivity analysis

As at 31 December 2020, 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 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.

NOTES TO THE FINANCIAL STATEMENTS

— 31 December 2020

28. FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (continued)

Foreign exchange risk (continued)

The Group's and the Company's significant exposure to foreign currency risk, based on carrying amounts as at the reporting date is as follows:

Group	2020 RM'000	2019 RM'000
Denominated in USD		
Financial assets		
Cash and cash equivalents	680	—
Trade and other receivables	34,703	147,372
Financial liabilities		
Trade and other payables	(13,370)	(13,425)
Lease liabilities	(54,366)	(101,672)
Net exposure	(32,353)	32,275
Company	2020 RM'000	2019 RM'000
Denominated in USD		
Financial asset		
Trade and other receivables	34,468	147,315
Financial liabilities		
Trade and other payables	(12,583)	(13,425)
Lease liabilities	(54,366)	(101,672)
Net exposure	(32,481)	32,218

Sensitivity analysis for a given market variable provided in this note, discloses the effect on profit or loss and equity as at 31 December 2020 assuming that a reasonably possible change in the relevant market variable had occurred at 31 December 2020 and been applied to the risk exposures in existence at that date to show the effects of reasonably possible changes in price on profit or loss and equity to the next annual reporting date. Reasonably possible changes in market variables used in the sensitivity analysis are based on implied volatilities, where available, or historical data for equity and commodity prices and foreign exchange rates. Reasonably possible changes in interest rates are based on management 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, commodity, debt and foreign currency contracts. Changes in fair values or cash flows based on a variation in a market variable cannot be extrapolated because the relationship between the change in market variable and the change in fair value or cash flows may not be linear. In addition, the effect of a change in a given market variable is calculated independently of any change in another assumption and mitigating actions that would be taken by the Group. In reality, changes in one factor may contribute to changes in another, which may magnify or counteract the sensitivities.

28. FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (continued)

Foreign exchange risk (continued)

The following table demonstrates the indicative pre-tax effects on the profit or loss and equity of applying reasonably foreseeable market movements in the following currency exchange rates:

		Group	Company
	Appreciation in foreign currency rate %	Effect on Profit or loss RM'000	Effect on Profit or loss RM'000
2020			
USD	10	(3,235)	(3,248)
2019			
USD	10	3,227	3,222

A depreciation in USD would have had equal but opposite effect, on the basis that all other variables remain constant.

Fair value information

The Group's financial instruments consist of borrowings, cash and cash equivalents, 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.

NOTES TO THE FINANCIAL STATEMENTS

— 31 December 2020

28. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value information (continued)

The following table analyses financial instruments not carried at fair value for which fair value is disclosed, together with the carrying amounts shown in the statement of financial position.

Group 2020	Fair value of financial instruments not carried at fair value		Carrying amount RM'000
	Level 3 RM'000	Total RM'000	
Financial liabilities			
Islamic financing facilities	9,713	9,713	9,880
Revolving credits	9,500	9,500	9,500
	19,213	19,213	19,380

Group 2019	Fair value of financial instruments not carried at fair value		Carrying amount RM'000
	Level 3 RM'000	Total RM'000	
Financial liabilities			
Islamic financing facilities	29,208	29,208	29,756
Revolving credit	5,466	5,466	5,466
	34,674	34,674	35,222

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.

28. FINANCIAL INSTRUMENTS (CONTINUED)

Gains and losses arising from financial instruments

Group 2020	Interest income RM'000	Interest expense RM'000	(Impairment loss)/reversal RM'000	Others RM'000	Total RM'000
Financial assets at amortised cost	71,270	–	(5,530)	4,635	70,375
Financial liabilities at amortised cost	–	(14,875)	–	(3,408)	(18,283)
Total	71,270	(14,875)	(5,530)	1,227	52,092

Group 2019	Interest income RM'000	Interest expense RM'000	Reversal/ (Impairment loss) RM'000	Others RM'000	Total RM'000
Financial assets at amortised cost	121,997	–	478	3,777	126,252
Financial liabilities at amortised cost	–	(20,878)	–	(785)	(21,663)
Total	121,997	(20,878)	478	2,992	104,589

Company 2020	Interest income RM'000	Interest expense RM'000	(Impairment loss)/reversal RM'000	Others RM'000	Total RM'000
Financial assets at amortised cost	66,009	–	(2,532)	4,726	68,203
Financial liabilities at amortised cost	–	(7,538)	–	(3,408)	(10,946)
Total	66,009	(7,538)	(2,532)	1,318	57,257

Company 2019	Interest income RM'000	Interest expense RM'000	Reversal/ (Impairment loss) RM'000	Others RM'000	Total RM'000
Financial assets at amortised cost	113,133	–	355	3,776	117,264
Financial liabilities at amortised cost	–	(12,496)	–	(707)	(13,203)
Total	113,133	(12,496)	355	3,069	104,061

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 2020

29. CAPITAL MANAGEMENT

The Group defines capital as total equity and debt. The objective of the Group's capital management is to maintain an optimal capital structure and ensure availability of funds to support its business and maximise shareholders' value. As a subsidiary of PETRONAS, the Group's approach in managing capital is set out in the PETRONAS Financial Policy (formerly known as 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 to equity ratio of the Group as at 31 December 2020 is 3.1:100 (2019: 5.6:100).

There were no changes in the Group's approach to capital management during the year.

Under the requirement of Bursa Malaysia Practice Note No.17/2005, the Company is required to maintain consolidated shareholders' equity equal to or not less than 25% of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Group has complied with this requirement.

30. HOLDING AND ULTIMATE HOLDING COMPANY

The holding company as well as ultimate holding company is Petroliam Nasional Berhad ("PETRONAS"), a company incorporated in Malaysia.

31. SUBSIDIARIES AND ACTIVITIES

	Effective ownership interest and voting interest		Principal Activities
	2020	2019	
Company incorporated in Malaysia			
Kuala Lumpur Aviation Fuelling System Sdn. Bhd.	65%	65%	To develop, operate, maintain and manage an aviation fuelling 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%	100%	To provide a seamless payment solution.
Company incorporated in Netherlands			
**PDB (Netherlands) B.V.	100%	100%	Investment holding company.
Company incorporated in Thailand			
*PETRONAS International Marketing (Thailand) Co., Ltd. ¹	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.

¹ Directly owned by PDB (Netherlands) B.V.

32. ASSOCIATES AND ACTIVITIES

	Effective ownership interest and voting interest		Principal Activities
	2020	2019	
Company incorporated in Malaysia			
*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.

* Audited by firm of auditors other than KPMG PLT.

NOTES TO THE FINANCIAL STATEMENTS

— 31 December 2020

33. JOINT VENTURES AND ACTIVITIES

	Effective ownership interest and voting interest		Principal Activities
	2020	2019	
Company incorporated in Malaysia			
P S Pipeline Sendirian Berhad	50%	50%	To maintain and operate the Multi-Product Pipeline and Klang Valley Distribution Terminal (MPP-KVDT) and the associated facilities for the transportation of the petroleum products on behalf of the MPP-KVDT users.
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.
Company incorporated in Kingdom of Saudi Arabia			
*United Fuel Company Limited (Limited Liability Company) ²	40%	40%	To provide support, maintenance and operation services for airport facilities and gas fuel, 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.

² Interest owned by PETRONAS Aviation Sdn. Bhd.

34. ADOPTION OF NEW AND REVISED PRONOUNCEMENTS

As of 1 January 2020 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 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*

Amendment to MFRS 16 *Leases (COVID-19 Related Rent Concessions)*

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)*

The Group and the Company have early adopted the Amendment to MFRS 16 *Leases (COVID-19 Related Rent Concessions)* issued by MASB in June 2020, in response to the COVID-19 pandemic. The amendment is effective for annual periods beginning on or after 1 June 2020.

The initial application of the above-mentioned pronouncements did not have any material impact to the financial statements of the Group and the Company.

35. 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 2021

Amendments to MFRS 9 *Financial Instruments*

Amendments to MFRS 139 *Financial Instruments: Recognition and Measurement*

Amendments to MFRS 7 *Financial Instruments: Disclosures*

Amendments to MFRS 16 *Leases (Interest Rate Benchmark Reform – Phase 2)*

Effective for annual periods beginning on or after 1 January 2022

Amendments to MFRS 9 *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*

Amendments to Illustrative Examples accompanying MFRS 16 *Leases (Annual Improvements to MFRS Standards 2018–2020)*

Amendments to MFRS 3 *Business Combinations (Reference to the Conceptual Framework)*

Amendments to MFRS 116 *Property, Plant and Equipment (Property, Plant and Equipment–Proceeds before Intended Use)*

Amendments to MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets (Onerous Contracts–Cost of Fulfilling a Contract)*

Effective for annual periods beginning on or after 1 January 2023

Amendments to MFRS 101 *Presentation of Financial Statements (Classification of Liabilities as Current or Non-current)*

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*

NOTES TO THE FINANCIAL STATEMENTS

— 31 December 2020

35. PRONOUNCEMENTS YET IN EFFECT (CONTINUED)

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.

36. NEW PRONOUNCEMENTS NOT APPLICABLE TO THE GROUP AND THE COMPANY

The MASB has issued pronouncements which is not relevant to the Group and the Company and hence, no further disclosure is warranted.

Effective for annual periods beginning on or after 1 January 2022

Amendments to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*

Amendments to MFRS 141 *Agriculture (Annual Improvements to MFRS Standards 2018–2020)*

Effective for annual periods beginning on or after 1 January 2023

MFRS 17 *Insurance Contracts*

Amendments to MFRS 17 *Insurance Contracts*

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 2020 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 260 to 340.

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 2020, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition

Refer to page 286 (Note 2.17 Significant Accounting Policies) and page 310 (Note 18) to the financial statements.

INDEPENDENT AUDITORS' REPORT

— TO THE MEMBERS OF PETRONAS DAGANGAN BERHAD
(Company No. 198201008499 (88222-D))
(Incorporated in Malaysia)

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.

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 Director's Report and Statement on Risk Management and Internal Control (but does not include the financial statements of the Group and of the Company and our auditors' report thereon), which we obtained prior to the date of this auditor's report, and the remaining parts of the annual report, which are expected to be made available to us after that date.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining parts of the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors of the Company and take appropriate actions in accordance with approved standards on auditing in Malaysia and International Standards on Auditing.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

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)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Notes 31 to the financial statements.

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

VENGADESH A/L JOGARAJAH
Approval Number: 03337/12/2021 J
Chartered Accountant

Petaling Jaya

Date: 19 February 2021

ANALYSIS OF SHAREHOLDINGS

as at 19 February 2021

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	923	11.40	4,514	0.00
100 – 1,000	2,337	28.86	1,381,506	0.14
1,001 – 10,000	4,157	51.33	11,088,515	1.12
10,001 – 100,000	464	5.73	15,117,615	1.52
100,001 to less than 5% of issued shares	215	2.66	231,855,250	23.34
5% and above of issued shares	2	0.02	734,006,600	73.88
TOTAL	8,098	100.0	993,454,000	100.00

CLASSIFICATION OF SHAREHOLDERS

Category	No. of Shareholders		No. of Shares		% of Total Shareholdings	
	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
• Individuals	6,488	69	14,934,489	252,541	1.50	0.03
• Body Corporate						
a. Banks/Finance Companies	28	0	111,625,900	0	11.24	-
b. Investment Trusts/Foundation/Charities	1	0	1,400	0	0.00	0.00
c. Other types of companies	177	4	2,704,302	44,000	0.27	0.00
• Government Agencies/Institutions	8	0	7,524,500	0	0.76	0.00
• Nominees	735	588	772,976,639	83,390,229	77.81	8.39
• Others	0	0	0	0	0.00	0.00
TOTAL	7,437	661	909,767,230	83,686,770	91.58	8.42

ANALYSIS OF SHAREHOLDINGS

as at 19 February 2021

LIST OF SUBSTANTIAL SHAREHOLDERS

Substantial Shareholders	Direct		Indirect	
	No. of Shares	% of Total Shareholding	No. of Shares	% of Total Shareholding
CIMB Group Nominees (Tempatan) Sdn Bhd (Exempt AN for Petroliam Nasional Berhad)	635,000,400	63.92	Nil	Nil
(Exempt AN for Petroliam Nasional Berhad (PRF))	200,900	0.02	Nil	Nil
TOTAL	635,201.300	63.94	Nil	Nil
Citigroup Nominees (Tempatan) Sdn Bhd (Exempt AN for Employees Provident Fund Board)	108,404,400	10.91	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.	Datuk Anuar Ahmad	Nil	Nil	Nil	Nil
5.	Shafie Shamsuddin	Nil	Nil	Nil	Nil
6.	Alvin Michael Hew Thai Kheam	Nil	Nil	Nil	Nil
7.	Nirmala Doraisamy	Nil	Nil	Nil	Nil
8.	Tang Saw Hua	Nil	Nil	Nil	Nil
9.	Nuraini Ismail	Nil	Nil	Nil	Nil
10.	Ahmad Adly Alias	Nil	Nil	Nil	Nil

LIST OF LEADERSHIP TEAM'S SHAREHOLDINGS

None of the Leadership Team members hold any direct or indirect shares in PDB.

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>	99,006,200	9.97
3.	AMANAHRAYA TRUSTEES BERHAD <i>AMANA SAHAM BUMIPUTERA</i>	47,105,600	4.74
4.	AMANAHRAYA TRUSTEES BERHAD <i>AMANA SAHAM MALAYSIA</i>	15,535,900	1.56
5.	CARTABAN NOMINEES (ASING) SDN BHD <i>EXEMPT AN FOR STATE STREET BANK & TRUST COMPANY (WEST CLT OD67)</i>	10,756,900	1.08
6.	AMANAHRAYA TRUSTEES BERHAD <i>AMANA SAHAM MALAYSIA 2 – WAWASAN</i>	9,266,700	0.93
7.	PERMODALAN NASIONAL BERHAD	7,080,700	0.71
8.	PERTUBUHAN KESELAMATAN SOSIAL	6,726,800	0.68
9.	LEMBAGA TABUNG HAJI	6,018,500	0.61
10.	AMANAHRAYA TRUSTEES BERHAD <i>AMANA 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>	5,033,500	0.51
12.	HSBC NOMINEES (ASING) SDN BHD <i>JPMCB NA FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND</i>	4,892,907	0.49
13.	DB (MALAYSIA) NOMINEE (ASING) SDN BHD <i>BNYM SA/NV FOR PEOPLE'S BANK OF CHINA (SICL ASIA EM)</i>	4,862,900	0.49
14.	AMANAHRAYA TRUSTEES BERHAD <i>AMANA SAHAM MALAYSIA 3</i>	4,344,000	0.44
15.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>EMPLOYEES PROVIDENT FUND BOARD (AFFIN-HWG)</i>	4,207,000	0.42
16.	HSBC NOMINEES (ASING) SDN BHD <i>JPMCB NA FOR VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND</i>	3,526,840	0.36

ANALYSIS OF SHAREHOLDINGS

as at 19 February 2021

Name	No. of Shares	% of Total Shares
17. CARTABAN NOMINEES (TEMPATAN) SDN BHD <i>PAMB FOR PRULINK EQUITY FUND</i>	3,483,700	0.35
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>AMANAH SAHAM BUMIPUTERA 3 – DIDIK</i>	2,635,100	0.27
20. CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>EMPLOYEES PROVIDENT FUND BOARD (CIMB PRIN)</i>	2,500,000	0.25
21. MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>MAYBANK TRUSTEES BERHAD FOR PUBLIC REGULAR SAVINGS FUND (N14011940100)</i>	2,432,000	0.24
22. AMANAHRAYA TRUSTEES BERHAD <i>PUBLIC ISLAMIC DIVIDEND FUND</i>	2,104,400	0.21
23. AMANAHRAYA TRUSTEES BERHAD <i>PUBLIC ISLAMIC EQUITY FUND</i>	2,057,100	0.21
24. MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>SETIAUSAHA KERAJAAN PULAU PINANG</i>	2,000,000	0.20
25. STATE FINANCIAL SECRETARY SARAWAK	2,000,000	0.20
26. HSBC NOMINEES (ASING) SDN BHD <i>JPMCB NA FOR BLACKROCK INSTITUTIONAL TRUST COMPANY, N.A. INVESTMENT FUNDS FOR EMPLOYEE BENEFIT TRUSTS</i>	1,905,500	0.19
27. MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>MTRUSTEE BERHAD FOR PRINCIPAL DALI EQUITY GROWTH FUND (UT-CIMB-DALI) (419455)</i>	1,807,900	0.18
28. STATE SECRETARY KEDAH INCORPORATED	1,800,000	0.18
29. HSBC NOMINEES (ASING) SDN BHD <i>J.P. MORGAN SECURITIES PLC</i>	1,728,500	0.17
30. CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 3)</i>	1,726,600	0.17

NET BOOK VALUE OF LAND AND BUILDINGS OF THE COMPANY

as at 31 December 2020

REGION	Freehold			Leasehold			Total Land			Building
	Net Book Value of Land (RM'000)	No. of Lots	Area (sq.ft.)	Net Book Value of Land (RM'000)	No. of Lots	Area (sq.ft.)	Net Book Value of Land (RM'000)	No. of Lots	Area (sq.ft.)	Net Book Value of Buildings (RM'000)
CENTRAL	407,234	115	4,258,600	288,470	93	19,678,893	695,704	208	23,937,493	212,213
NORTHERN	195,893	87	3,784,632	50,036	41	5,689,004	245,929	128	9,473,636	111,667
SOUTHERN	356,785	140	5,532,252	80,146	45	1,664,964	436,931	185	7,197,216	113,208
EAST COAST	68,351	37	1,593,158	37,867	55	1,955,778	106,218	92	3,548,936	75,718
SARAWAK	11,721	4	183,095	25,216	36	1,441,917	36,937	40	1,625,012	41,482
SABAH	215	1	49,223	32,646	37	2,534,198	32,861	38	2,583,421	32,288
Grand Total	1,040,199	384	15,400,960	514,381	307	32,964,754	1,554,580	691	48,365,714	586,576

USAGE OF LAND*

REGION	Bulk Depot	Klang Valley Distribution Terminal	LPG Storage & Bottling Plant	Multi Product Pipeline	Service Station	Training Centre & Service Station	Vacant Land	Grand Total
CENTRAL	–	2	–	1	196	1	8	208
NORTHERN	3	–	–	–	117	–	8	128
SOUTHERN	–	–	–	–	177	–	8	185
EAST COAST	–	–	1	–	86	–	5	92
SARAWAK	3	–	–	–	37	–	0	40
SABAH	3	–	–	–	33	–	2	38
Grand Total	9	2	1	1	646	1	31	691

* This represents usage of freehold and leasehold land belonging to the Company.

LIST OF TOP 10 LANDED PROPERTIES

as at 31 December 2020

Name of facilities and location	Net Book Value (RM)
LUMUT FUEL TERMINAL Lumut Port Industrial Park, Kg Acheh, 32000 Sitiawan, Perak	10,283,520
PSS JLN KOLAM AYER AMPANG Lot 36904, Jalan Kolam Air Lama, 68000 Ampang, Kuala Lumpur	8,457,450
PASIR GUDANG LPG BOTTLING PLANT Lot 108, Lorong Sawit 2, Kawasan Pelabuhan Johor, 81700 Pasir Gudang, Johor	8,182,051
PSS LEBUHRAYA SILK DENGKIL Lot 44116, KM 26.8 Lebuhraya Silk (Arah Kajang), 43300 Seri Kembangan, Selangor	5,881,620
PRAI LPG BOTTLING PLANT Lot 93, Prai Industrial Area, 13600 Prai, Penang	5,681,146
PSS PLUS/BESRAYA HIGHWAY KM 305, PLUS Arah Selatan, Lot 896, GRN 46223, Mukim Kajang, 43650 Hulu Langat, Selangor	5,137,196
PSS JURU LAYBY NORTH BOUND Lot 4290, MK.6, Lebuhraya Utara Selatan, Perhentian Juru, 14000 Bukit Mertajam, Penang	4,531,223
PSS KM0.7 BESRAYA KM 0.7, Lebuhraya Sg. Besi, 43300 Seri Kembangan, Selangor	4,166,707
PSS PASIR PENAMBANG Lot 11699 Jalan Pasir Penambang, Seksyen 3, Pekan Pasir Penambang, 45000 Kuala Selangor, Selangor	3,627,114
MELAKA LPG TERMINAL Lot 1396-1399 Mukim Sungai Udang, Tangga Batu 76300 Melaka	3,615,402

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

Datuk Anuar Ahmad

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

Tang Saw Hua

Independent Non-Executive Director

Nuraini Ismail

Non-Independent Non-Executive Director

Ahmad Adly Alias

Non-Independent Non-Executive Director

NOMINATION AND REMUNERATION COMMITTEE

Lim Beng Choon (*Chairman*)

Tang Saw Hua

Shafie Shamsuddin

Alvin Michael Hew Thai Kheam

Datuk Anuar Ahmad

BOARD AUDIT COMMITTEE

Tang Saw Hua (*Chairman*)

Lim Beng Choon

Datuk Anuar Ahmad

Nuraini Ismail

Nirmala Doraisamy

BOARD RISK COMMITTEE

Alvin Michael Hew Thai Kheam (*Chairman*)

Tang Saw Hua

Datuk Anuar Ahmad

Shafie Shamsuddin

Nirmala Doraisamy

SENIOR INDEPENDENT DIRECTOR

Lim Beng Choon

Email: bengchoon.lim@petronas.com.my

COMPANY SECRETARIES

Suria Kamarul Baharin

(SSM Practising Certificate No. 201908003389) (LS0010448)

Yeap Kok Leong

(SSM Practising Certificate No. 202008001750) (MAICSA 0862549)

REGISTERED ADDRESS

Tower 1, PETRONAS Twin Towers

Kuala Lumpur City Centre

50088 Kuala Lumpur

Malaysia

Tel : (+603) 2051 5000

BUSINESS ADDRESS

Level 28, Tower 1
PETRONAS Twin Towers
Kuala Lumpur City Centre
50088 Kuala Lumpur
Malaysia
Tel : (+603) 2051 5000

INVESTOR RELATIONS ADDRESS

Level 31, Tower 1
PETRONAS Twin Towers
Kuala Lumpur City Centre
50088 Kuala Lumpur
Malaysia
Tel : (+603) 2331 1909
Email : nurasyirin@petronas.com.my

SHARE REGISTRARS

Boardroom Share Registrars Sdn Bhd
(Registration No.: 199601006647 (378993-D))
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor
Malaysia
Tel : (+603) 7890 4700 (Helpdesk)
Fax : (+603) 7890 4670
Email : BSR.Helpdesk@boardroomlimited.com

AUDITORS

KPMG PLT (LLP0010081-LCA & AF 0758)
Chartered Accountants
10th Floor, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel : (+603) 7721 3388
Fax : (+603) 7721 3399

BANKING SERVICES PROVIDER

PETRONAS Integrated Financial Shared Services Centre (IFSSC)*

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_{JS}/AAA_{JS}

WEBSITE

www.mymesra.com.my

**CUSTOMER SERVICE CENTRE
(Mesralink)**

Tel : 1-300-88-8181
E-mail : mesralink@petronas.com.my

* Banking requirements are substantially managed centrally by PETRONAS IFSSC to enable more efficient banking management for the Group and the Company

CORPORATE DIRECTORY



HEAD OFFICE

- 1 Level 27-32, Tower 1
PETRONAS Twin Towers
Kuala Lumpur City Centre
50088 Kuala Lumpur
Tel : (+603)-2051 5000

REGIONAL OFFICES

- 2 **Northern Region**
Lot No. 93
Prai Industrial Estate
13600, Prai, Pulau Pinang
Tel : (+604)-390 7291/7201
Fax : (+604)-399 0211
- 3 **Southern Region**
2nd Floor
Bangunan PETRONAS
Lot 12106, Bandar Baru UDA
KM 7, Jalan Skudai
81200, Johor Bahru, Johor
Tel : (+607)-233 6000
Fax : (+607)-233 6001

- 4 **Eastern Region**
A-39 and A-43, 2nd Floor
Jalan Haji Abdul Aziz
25000, Kuantan, Pahang
Tel : (+609)-513 7022/7099
Fax : (+609)-514 4040

- 5 **Sarawak Region**
4th Floor
Wisma Naim
Lot 2679, Jalan Rock
93200, Kuching, Sarawak
Tel : (+6082)-255 200
Fax : (+6082)-412 712

- 6 **Sabah Region**
Lot 7AF08-7AF13
Block A, Level 7
Karamuning Complex
88300, Kota Kinabalu, Sabah
Tel : (+6088)-525 777

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GLOSSARY

<IR>	Integrated Report
ABC	Anti-Bribery and Corruption
AGM	Annual General Meeting
AIDS	Acquired Immune Deficiency Syndrome
AMG	Aufrecht, Melcher and Großspach
ASB	Asian Supply Base Sdn Bhd
ASEAN	Association of Southeast Asian Nations
B2B	Business to Business
B2C	Business to Consumer
BAC	Board Audit Committee
bbl	Barrel
BCM	Business Continuity Management
BCMF	Business Continuity Management Framework
BCP	Business Continuity Plans
BEE	Board Effectiveness Evaluation
Bil	Billion
BNM	Bank Negara Malaysia
Board	The Board of Directors of PDB
BRC	Board Risk Committee
BRR	Business Risk Reports
Bursa Malaysia	Bursa Malaysia Securities Berhad
CA	Companies Act
CFO	Chief Financial Officer
CG	Corporate Governance
CMT	Crisis Management Team
CO ₂	Carbon Dioxide
CO ₂ e	Carbon Dioxide Equivalent
CoBE	Code of Conduct and Business Ethics
COI	Conflict of Interest
COSO	Committee of Sponsoring Organisations of the Treadway Commission
COVID	Coronavirus Disease
CSR	Corporate Social Responsibility
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
FIA	Federation of Internationale de l'Automobile

FTSE	Financial Times Stock Exchange
FWO	Flexible Work Options
GDP	Gross Domestic Product
GHG	Greenhouse Gas
GJ	GigaJoule
GRI	Global Reporting Initiative
Group	PETRONAS Dagangan Berhad and its subsidiaries
HEMP	Hazards and Effects Management Process
HIV	Human Immunodeficiency Virus
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
INSEAD	Institut Européen d'Administration des Affaires
IR	Investor Relations
JV	Joint Venture
KAPENAS	Kesatuan Kakitangan Petroliaam Nasional Berhad
KLIA	Kuala Lumpur International Airport
KPI	Key Performance Indicator
KRIs	Key Risk Indicators
KVDT	Klang Valley Distribution Terminal
LNG	Liquefied Natural Gas
LOA	Limits of Authority
LOPC	Loss of Primary Containment
LPG	Liquefied Petroleum Gas
LT	Leadership Team
LWP	Leave Without Pay
MACC	Malaysian Anti-Corporation Commission
MASB	Malaysian Accounting Standards Board
MCCG 2017	Malaysian Code on Corporate Governance 2017
MCO	Movement Control Order
MD/CEO	Managing Director/Chief Executive Officer
MEPs	Market Execution Partners
MFRS	Malaysian Financial Reporting Standard
Mil	Million
MMLR	Main Market Listing Requirements
MOPS	Marketing Operating Prices
MPP-KVDT	Multi-Product Pipeline and Klang Valley Distribution Terminal
MSWG	Minority Shareholders Watch Group
MT	Metric Tonnes

MWh	Megawatt-hour
NEDs	Non-Executive Directors
NGV	Natural Gas Vehicle
NINED	Non-Independent Non-Executive Director
NPS	Net Promoter Score
NRC	Nomination and Remuneration Committee
PAT	Profit After Tax
PBT	Profit Before Tax
PCB	PETRONAS Cultural Beliefs
PDB	PETRONAS Dagangan Berhad
PENJANA	Pelan Jana Semula Ekonomi Negara
PETRONAS	Petroleum Nasional Berhad (PETRONAS)
PIMTCL	PETRONAS International Marketing (Thailand) Co. Ltd.
PLMMSB	PETRONAS Lubricants Marketing (Malaysia) Sdn Bhd
PRIHATIN	Pakej Ransangan Ekonomi Prihatin
PS	PETRONAS Stations
PST	PETRONAS Shell Terminal

QAIP	Quarterly Assurance and Improvement Programme
R&D	Research and Development
RM	Ringgit Malaysia
RMD	Risk Management Department
RMGC	Risk Management and Governance Committee
RPTs	Related Party Transactions
RRPTs	Recurrent Related Party Transactions
SDG	Sustainable Development Goals
SKU	Stock Keeping Unit
SME	Small and Medium Enterprise
SOPs	Standard Operating Procedures
SORMIC	Statement on Risk Management and Internal Control
TOR	Terms of Reference
USD	United States Dollar
VPS	Virtual Pipeline System
WBP	Whistleblowing Policy
WFH	Work From Home

NOTICE OF 39TH ANNUAL GENERAL MEETING

PETRONAS DAGANGAN BERHAD

Registration No.: 198201008499 (88222-D)

(Incorporated in Malaysia)

NOTICE IS HEREBY GIVEN THAT the 39th Annual General Meeting (AGM) of PETRONAS Dagangan Berhad will be held fully virtual through live streaming via a remote participation and voting facilities at the Broadcast Venue, Virtual Studio 2, Level 4, Kuala Lumpur Convention Centre, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia on Wednesday, 28 April 2021 at 10.00 a.m. to transact the following business:

Ordinary Business

- To receive the Audited Financial Statements for the financial year ended 31 December 2020 together with the Reports of the Directors and Auditors thereon.

Please refer to Explanatory Note A

- To re-elect the following Directors who retire in accordance with Article 100 of the Company's Constitution and being eligible, offer themselves for re-election:
 - Tang Saw Hua
 - Ahmad Adly Alias

(Resolution 1)

(Resolution 2)

Please refer to Explanatory Note B

- To re-elect the following Directors who retire by rotation in accordance with Article 107 of the Company's Constitution and being eligible, offer themselves for re-election:
 - Datuk Md Arif Mahmood
 - Datuk Anuar Ahmad
 - Nuraini Ismail

(Resolution 3)

(Resolution 4)

(Resolution 5)

Please refer to Explanatory Note B

- To approve the Directors' fees and allowances payable to the Non-Executive Directors of up to an amount of RM2,500,000 with effect from 29 April 2021 until the next annual general meeting of the Company.

(Resolution 6)

Please refer to Explanatory Note C

- To approve the re-appointment of KPMG PLT, as Auditors of the Company for the financial year ending 31 December 2021 and to authorise the Directors to fix their remuneration.

(Resolution 7)

Please refer to Explanatory Note D

Special Business

To consider and, if thought fit, to pass the following Special Resolution pursuant to Article 174 of the Company's Constitution:

- Proposed Amendments to the Company's Constitution**

(Special Resolution)

"**THAT** the existing Article 3 (Object Clause) of the Constitution of the Company be amended by deleting in its entirety and substituting in lieu thereof with the following new Article 3 (Legal capacity and powers of the Company)

- The Company shall be capable of exercising all the functions of a body corporate and have full capacity to carry on or undertake any business or activity that is in the best interest of the Company with full rights, powers and privileges for such purpose in accordance with Section 21 of the Companies Act 2016, subject always to the requirements of any applicable laws and regulations.

AND THAT the Directors of the Company be and are hereby authorised to do all such acts and things and to take such steps that are necessary to give effect to the amendments of the Constitution of the Company."

Please refer to Explanatory Note E

7. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016 and Company's Constitution.

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend and vote at the forthcoming 39th AGM, the Company shall be requesting the Record of Depositors as at 21 April 2021. Only a depositor whose name appears on the Record of Depositors as at 21 April 2021 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

SURIA KAMARUL BAHARIN (SSM Practising Certificate No. 201908003389) (LS0010448)

YEAP KOK LEONG (SSM Practising Certificate No. 202008001750) (MAICSA 0862549)

Company Secretaries

Kuala Lumpur
29 March 2021

NOTES:

1. IMPORTANT NOTICE

The Broadcast Venue is **strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 (CA 2016)** which requires the Chairman of the meeting to be present at the main venue of the meeting.

Shareholders **will not be allowed** to attend this AGM in person at the Broadcast Venue on the day of the meeting.

Shareholders are to attend, participate, speak (by posing questions to the Board via real time submission of typed texts) and vote (collectively referred as "participate") remotely at this AGM via the Remote Participation and Voting (RPV) facilities provided by Tricor Investor & Issuing House Services Sdn. Bhd. (Tricor) via its TIH Online website at <https://tiah.online>.

Please read these notes carefully and follow the procedures in the Administrative Guide for the AGM in order to participate remotely via RPV.

2. PROXY AND/OR AUTHORISED REPRESENTATIVE

- a. A member who is entitled to participate in this AGM via Remote Participation and Voting (RPV) facilities is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to participate in his/her place. A proxy may but need not be a member of the Company.
- b. A member of the Company who is entitled to participate at the meeting may appoint not more than two proxies to participate on his/her behalf provided that the member specifies the proportion of the member's shareholdings to be represented by each proxy. There shall be no restriction as to the qualification of the proxy.
- c. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one proxy in respect of each Securities account it holds with ordinary shares of the Company standing to the credit of the said Securities accounts.
- d. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for the multiple beneficial owners in one Securities Account (omnibus account), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.

NOTICE OF 39TH ANNUAL GENERAL MEETING

PETRONAS DAGANGAN BERHAD

Registration No.: 198201008499 (88222-D)

(Incorporated in Malaysia)

- e. Where a member or the authorised nominee appoints two proxies, or where an Exempt Authorised Nominee appoints two or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
- f. A member who has appointed a proxy or attorney or authorised representative to participate at AGM via RPV **must request his/her proxy or attorney or authorised representative to register himself/herself for RPV** via TIIH Online website at <https://tiih.online>. Procedures for RPV can be found in the Administrative Guide for the AGM.
- g. The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than 48 hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote:

- i. In hard copy form

In the case of an appointment made in hard copy form, the proxy form must be deposited with:

- a. Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia; or

- b. By fax at 03-2783 9222 or email to is.enquiry@my.tricorglobal.com

- ii. By electronic means

The proxy form can be electronically lodged with Tricor via TIIH Online at <https://tiih.online>. Kindly refer to the Administrative Guide for the AGM on the procedures for electronic lodgement of proxy form via TIIH Online.

- h. Please ensure **ALL** the particulars as required in the proxy form are completed, signed and dated accordingly.
- i. Last date and time for lodging the proxy form is on Monday, 26 April 2021 at 10.00 a.m.
- j. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with Tricor or alternatively, the Customer Service Centre at the address stated under item g(i)(a) above, not less than 48 hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
- k. For a corporate member who has appointed an authorised representative, please deposit the **ORIGINAL** certificate of appointment of authorised representative with Tricor or alternatively, the Customer Service Centre at the address stated under item g(i)(a) above. The certificate of appointment of authorised representative should be executed in the following manner:
 - i. If the corporate member has a common seal, the certificate of appointment of authorised representative should be executed under seal in accordance with the constitution of the corporate member.
 - ii. If the corporate member does not have a common seal, the certificate of appointment of authorised representative should be affixed with the rubber stamp of the corporate member (if any) and executed by at least two authorised officers, of whom one shall be a director or any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.

3. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Malaysia), all resolutions set out in the Notice of 39th AGM will be put to vote as a poll.

4. EXPLANATORY NOTES

NOTE A

Audited Financial Statements for the financial year ended 31 December 2020

The Audited Financial Statements are laid before the shareholders pursuant to the provision of Section 244(2)(a) of the CA 2016 for discussion only. The Audited Financial Statements do not require shareholders' approval and hence, will not be put forward for voting.

NOTE B

Re-election of Directors who retire in accordance with Article 100 and Article 107 of the Company's Constitution

i. Re-election of Directors who retire in accordance with Article 100 of the Company's Constitution

Article 100 of the Company's Constitution provides, amongst others, that the Board shall have 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.

In view that Tang Saw Hua and Ahmad Adly Alias were appointed after the last AGM held on 10 June 2020, they will be retiring under Article 100 of the Company's Constitution. They, being eligible for re-election, have also given their consent for re-election.

ii. Re-election of Directors who retire in accordance with Article 107 of the Company's Constitution

Article 107 of the Company's Constitution provides that one-third of the Directors of the Company for the time being shall retire by rotation at an AGM of the Company provided always that all Directors, shall retire from office once at least in each three years but shall be eligible for re-election at the AGM. A Director retiring at a meeting shall retain office until the close of the meeting whether adjourned or not.

At the forthcoming 39th AGM, three directors will be retiring in accordance with Article 107 of the Company's Constitution. They are Datuk Md Arif Mahmood, Datuk Anuar Ahmad and Nuraini Ismail, whom being eligible for re-election have given their consent for re-election at the AGM.

The Board 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 114 to 119 (inclusive) of the Integrated Report 2020.

NOTICE OF 39TH ANNUAL GENERAL MEETING

PETRONAS DAGANGAN BERHAD

Registration No.: 198201008499 (88222-D)

(Incorporated in Malaysia)

NOTE C

Non-Executive Directors' Fees and Allowances

Pursuant to Section 230(1) of the CA 2016, the fees of the directors, and any benefits payable to the directors including any compensation for loss of employment of a director or former director of a public company or a listed company and its subsidiaries, shall be approved at a general meeting.

The fees and allowances structure of the Non-Executive Directors (NEDs) of the Company are as follows:

- Monthly fixed fees for duties as Director/Chairman;
- Meeting allowance for each Board/Board Committee 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.

The shareholders at the last AGM held on 10 June 2020 approved the Directors' fees and allowances of up to an amount of RM2,300,000 for the period from 11 June 2020 until the next AGM of the Company. The actual Directors' fees and other benefits paid to the NEDs for the said period was RM1,795,505.91.

The Directors' fees and allowances for the NEDs for the period from 29 April 2021 until the conclusion of the next AGM of the Company (Mandate Period) are estimated not to exceed RM2,500,000. The calculation is based on the estimated number of scheduled Board and Board Committees' meetings and on assumption that all the NEDs will remain in office until the next AGM. This resolution is to facilitate payment of the Directors' fees and allowances for the Mandate Period.

The Board will seek shareholders' approval at the next AGM in the event the Directors' fees and allowances proposed are insufficient.

Details of the Directors' fees and allowances paid to the NEDs for the financial year ended 31 December 2020 are published in the Corporate Governance Report 2020 on PDB's corporate website at www.mymesra.com.my.

NOTE D

Re-appointment of Auditors

The BAC had also carried out an assessment on the performance, sustainability and independence of the external auditors based on the following four key areas, and will continue to do so on an annual basis:

- a. quality of the audit engagement team and services;
- b. adequacy of resources;
- c. quality of communication and interaction; and
- d. independence, objectivity and professional skepticism.

The annual assessment on the Company's External Auditor, KPMG PLT, was conducted in January 2021 whereby the BAC was satisfied with the performance and independence of the external auditors.

Based on the assessment conducted, KPMG PLT has also met the criteria prescribed by Paragraph 15.21 of the MMLR of Bursa Malaysia.

The Board at its meeting held on 19 February 2021 recommended the re-appointment of KPMG PLT as External Auditors of the Company for the financial year ending 31 December 2021 for approval of the shareholders under Resolution 7.

NOTE E**Proposed Amendments to the Company's Constitution**

A number of far-reaching trends are disrupting the traditional fuel retailing industry. In order to face the disruptions head on and to create a more balanced portfolio, PDB since 2017 has taken steps to transform its portfolio by embracing innovation, new technologies and customer centricity.

PDB has accelerated the growth of its non-fuel offerings at station and created digital ventures such as Setel® (an innovative platform that provides every motorist a seamless experience for retail on-the-go) and ROVR (Malaysia's First Mobile Refuelling Partner) to deliver a seamless and frictionless customer experience. The company is also retiring its hydrocarbon centric mission and vision of 'Value Driven Fuel Marketing with Market Leadership in Malaysia and Brand of 1st Choice' to adopt a more fitting promise centered around the customer of Making Everyday Life Simpler and Better.

Market changes are creating significant opportunities for the most agile and forward looking companies. PDB aims to launch and scale new ventures by expanding into growth verticals that leverage on PDB's assets and existing ecosystem, anchored on data and customer insights. Whilst existing businesses will remain an integral part of PDB's portfolio, focus on growth verticals is crucial to future-proof the business.

To enable more flexibility and agility for PDB to future-proof its business, it is timely for PDB to amend its Constitution by removing existing object clauses and for PDB to carry on or undertake any business or activity that is in the best interest of PDB, in accordance with Section 21 of the Companies Act 2016. The Special Resolution, if passed, will enable PDB to expand into ventures that are in the best interest of the company.

Please click the following link to view the details of the existing Article 3 (Object Clause) of the Constitution of the Company:

https://www.mymesra.com.my/clients/asset_E09476E5-9A3F-437E-995E-88B99F82B020/contentms/img/pdf/New_Constitution_act_2016_clean_version.pdf

OTHER INFORMATION

The Company has engaged independent scrutineers to count, audit and validate the votes for each proposal presented to shareholders.

ADMINISTRATIVE GUIDE

FOR THE 39TH ANNUAL GENERAL MEETING (AGM) OF PETRONAS DAGANGAN BERHAD (THE COMPANY)

Date : Wednesday, 28 April 2021
Time : 10.00 a.m.
Broadcast Venue : Virtual Studio 2, Level 4,
Kuala Lumpur Convention Centre,
Kuala Lumpur City Centre,
50088 Kuala Lumpur, Malaysia

PRECAUTIONARY MEASURES AGAINST THE CORONAVIRUS DISEASE (COVID-19)

- The Securities Commission Malaysia (SC) had, on 13 January 2021, announced that capital market entities supervised, licensed or registered by the SC shall operate in accordance with the applicable Standard Operating Procedures (SOPs) issued by the authorities during the Emergency Ordinance and various forms of Movement Control Order (MCO). The SC had, on 5 March 2021, issued a revised Guidance Note on the Conduct of General Meetings for Listed Issuers (SC Guidance Note) stating various mode of conducting general meetings for areas with movement restriction subject to the requirements under the prevailing and applicable SOPs (Revised Guidance Note). The Revised Guidance Note further states that listed issuers are encouraged to continue leveraging technology to conduct their general meetings beyond the MCO in accordance with the recommendation stated under Practice 12.3 of the Malaysian Code on Corporate Governance 2017.
- In line with the Government's directive, SC Guidance Note and Revised Guidance Note, the Company will conduct the 39th AGM on a **virtual basis through live streaming and online remote voting** via Remote Participation and Voting (RPV) facilities which are available on Tricor Investor & Issuing House Services Sdn Bhd's (Tricor) TIIH Online website at <https://tiih.online>.
- The Broadcast Venue of the 39th AGM is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the Meeting to be present at the main venue of the meeting. No shareholders/proxy(ies) from the public will be physically present at the Broadcast Venue on the day of the meeting.
- Shareholders are to attend, participate, speak (by posing questions to the Board via real time submission of typed texts) and vote (collectively referred as "participate") remotely at this 39th AGM via the RPV facilities provided by Tricor via its TIIH Online website at <https://tiih.online>. You may also consider appointing the Chairman of the Meeting as your proxy to attend and vote on your behalf at the 39th AGM.
- Due to the constant evolving COVID-19 situation in Malaysia, we may be required to change the arrangements of our 39th AGM at short notice. Kindly check the Company's website or announcements for the latest updates on the status of the 39th AGM.
- The Company will continue to observe the guidelines issued by the Ministry of Health and will take all relevant precautionary measures as advised.

REMOTE PARTICIPATION AND VOTING

- The RPV facilities are available on Tricor's **TIIH Online** website at <https://tiih.online>.
- Shareholders are to participate remotely at the 39th AGM using RPV facilities from Tricor.
- Kindly refer to Procedures for RPV as set out below for the requirements and procedures.

PROCEDURES TO REMOTE PARTICIPATION AND VOTING VIA RPV FACILITIES

- Please read and follow the procedures below to engage in remote participation through live streaming and online remote voting at the 39th AGM using the RPV facilities:

	Procedure	Action
BEFORE THE 39TH AGM DAY		
i.	Register as a user with TIIH Online	<ul style="list-style-type: none"> Using your computer, access to website at https://tiih.online. Register as a user under the "e-Services" select "Create Account by Individual Holder". Refer to the tutorial guide posted on the homepage for assistance. Registration as a user will be approved within one working day and you will be notified via e-mail. If you are already a user with TIIH Online, you are not required to register again. You will receive an e-mail to notify you that the remote participation is available for registration at TIIH Online.
ii.	Submit your request to attend 39 th AGM remotely	<ul style="list-style-type: none"> Registration is open from 10.00 a.m. on Monday, 29 March 2021 until the day of 39th AGM on Wednesday, 28 April 2021. Shareholder(s) or proxy(ies) or corporate representative(s) or attorney(s) are required to register their attendance for the 39th AGM to ascertain their eligibility to participate the 39th AGM using the RPV. Login with your user ID (i.e. e-mail address) and password and select the corporate event: "(REGISTRATION) PETRONAS DAGANGAN BERHAD 39TH AGM" Read and agree to the Terms & Conditions and confirm the Declaration. Select "Register for Remote Participation and Voting". Review your registration and proceed to register. System will send an e-mail to notify that your registration for remote participation is received and will be verified. After verification of your registration against the Record of Depositors as at 21 April 2021, the system will send you an e-mail after 26 April 2021 to approve or reject your registration for remote participation. <p><i>(Note: Please allow sufficient time for approval of new user of TIIH Online and registration for the RPV)</i></p>
ON THE 39TH AGM DAY		
i.	Login to TIIH Online	<ul style="list-style-type: none"> Login with your user ID and password for remote participation at the 39th AGM at any time from 9.30 a.m. i.e. 30 minutes before the commencement of meeting at 10.00 a.m. on Wednesday, 28 April 2021.
ii.	Participate through Live Streaming	<ul style="list-style-type: none"> Select the corporate event: (Live Stream Meeting) PETRONAS DAGANGAN BERHAD 39TH AGM to engage in the proceedings of the 39th AGM remotely. If you have any question for the Chairman/Board, you may use the query box to transmit your question. The Chairman/Board will try to respond to questions submitted by remote participants during the 39th AGM. If there is time constraint, the responses will be published within three working days in the Company's corporate website at www.mymesra.com.my under Investor Relation's page, after the meeting.

ADMINISTRATIVE GUIDE

PETRONAS DAGANGAN BERHAD 39TH ANNUAL GENERAL MEETING

	Procedure	Action
iii.	Online Remote Voting	<ul style="list-style-type: none"> Voting session commences from 10.00 a.m. on Wednesday, 28 April 2021 until a time when the Chairman announces the end of the session. Select the corporate event: (Remote Voting) PETRONAS DAGANGAN BERHAD 39TH AGM or if you are on the live stream meeting page, you can select "GO TO REMOTE VOTING PAGE" button below the Query Box. Read and agree to the Terms & Conditions and confirm the Declaration. Select the CDS account that represents your shareholdings. Indicate your votes for the resolutions that are tabled for voting. Confirm and submit your votes.
iv.	End of remote participation	<ul style="list-style-type: none"> Upon the announcement by the Chairman on the conclusion of the 39th AGM, the Live Streaming will end.

Note to users of the RPV facilities:

- Should your registration for RPV be approved, we will make available to you the rights to join the live stream meeting and to vote remotely. Your login to TIH Online on the day of meeting will indicate your presence at the virtual meeting.
- The quality of your connection to the live broadcast is dependent on the bandwidth and stability of the internet at your location and the device you use.
- In the event you encounter any issues with logging-in, connection to the live stream meeting or online voting on the meeting day, kindly call Tricor Help Line at 011-4080 5616/011-4080 3168/011-4080 3169/011-4080 3170 for assistance or e-mail to tiih.online@my.tricorglobal.com for assistance.

ENTITLEMENT TO PARTICIPATE AND APPOINTMENT OF PROXY

- Only members whose names appear on the Record of Depositors as at 21 April 2021 shall be eligible to participate at the 39th AGM or appoint a proxy(ies) and/or the Chairman of the Meeting to participate on his/her behalf.
- In view that the 39th AGM will be conducted on a virtual basis, a member can appoint the Chairman of the Meeting as his/her proxy and indicate the voting instruction in the Form of Proxy.
- If you wish to participate in the 39th AGM yourself, please do not submit any Form of Proxy for the 39th AGM. You will not be allowed to participate in the 39th AGM together with a proxy appointed by you.
- Accordingly, proxy forms and/or documents relating to the appointment of proxy/corporate representative/attorney for the 39th AGM whether in hard copy or by electronic means shall be deposited or submitted in the following manner not later than **Monday, 26 April 2021 at 10.00 a.m.**:
 - In hard copy form:

In the case of an appointment made in hard copy form, the proxy form must be deposited with:

- Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia; or
- By fax at 03-2783 9222 or e-mail to is.enquiry@my.tricorglobal.com

ii. By electronic form:

All shareholders can have the option to submit proxy forms electronically via TIIH Online and the steps to submit are summarised below:

Procedure	Action
STEPS FOR INDIVIDUAL SHAREHOLDERS	
Register as a user with TIIH Online	<ul style="list-style-type: none"> Using your computer, please access the website at https://tiih.online. Register as a user under the "e-Services". Please refer to the tutorial guide posted on the homepage for assistance. If you are already a user with TIIH Online, you are not required to register again.
Proceed with submission of form of proxy	<ul style="list-style-type: none"> After the release of the Notice of Meeting by the Company, login with your user name (i.e. email address) and password. Select the corporate event: PETRONAS DAGANGAN BERHAD 39TH AGM - "SUBMISSION OF PROXY FORM". Read and agree to the Terms and Conditions and confirm the Declaration. Insert your CDS account number and indicate the number of shares for your proxy(ies) to vote on your behalf. Indicate your voting instructions – FOR or AGAINST, otherwise your proxy will decide on your votes. Review and confirm your proxy(ies) appointment. Print the form of proxy for your record.
STEPS FOR CORPORATION OR INSTITUTIONAL SHAREHOLDERS	
Register as a User with TIIH Online	<ul style="list-style-type: none"> Access TIIH Online at https://tiih.online Under e-Services, the authorised or nominated representative of the corporation or institutional shareholder selects "Create Account by Representative of Corporate Holder". Complete the registration form and upload the required documents. Registration will be verified, and you will be notified by email within one to two working days. Proceed to activate your account with the temporary password given in the email and re-set your own password. <p>Note: The representative of a corporation or institutional shareholder must register as a user in accordance with the above steps before he/she can subscribe to this corporate holder electronic proxy submission. Please contact Tricor if you need clarifications on the user registration.</p>
Proceed with submission of form of proxy	<ul style="list-style-type: none"> Login to TIIH Online at https://tiih.online Select the corporate exercise name: "PETRONAS DAGANGAN BERHAD 39TH AGM: SUBMISSION OF PROXY FORM" Agree to the Terms & Conditions and Declaration. Proceed to download the file format for "Submission of Proxy Form" in accordance with the Guidance Note set therein. Prepare the file for the appointment of proxies by inserting the required data. Submit the proxy appointment file. Login to TIIH Online, select corporate exercise name: "PETRONAS DAGANGAN BERHAD 39TH AGM: SUBMISSION OF PROXY FORM" Proceed to upload the duly completed proxy appointment file. Select "Submit" to complete your submission. Print the confirmation report of your submission for your record.

ADMINISTRATIVE GUIDE

PETRONAS DAGANGAN BERHAD 39TH ANNUAL GENERAL MEETING

VOTING AT MEETING

- The voting at the 39th AGM will be conducted on a poll pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Malaysia). The Company has appointed Tricor to conduct the poll voting electronically (e-voting) via Tricor e-Vote application (Tricor e-Vote App) and Boardroom Corporate Services Sdn Bhd as Independent Scrutineers to verify the poll results.
- Shareholders can proceed to vote on the resolutions before the end of the voting session which will be announced by the Chairman of the Meeting and submit your votes at any time from the commencement of the 39th AGM at 10.00 a.m. Kindly refer to “Procedures to Remote Participation and Voting via RPV Facilities” provided above for guidance on how to vote remotely via TIIH Online.

RESULTS OF THE VOTING

- The resolutions proposed at the 39th AGM and the results of the voting will be announced at the 39th AGM and subsequently via an announcement made by the Company through Bursa Malaysia at www.bursamalaysia.com.

PRE-MEETING SUBMISSION OF QUESTIONS TO THE BOARD OF DIRECTORS

- The Board recognises that the 39th AGM is a valuable opportunity for the Board to engage with shareholders. In order to enhance the efficiency of the proceedings of the 39th AGM, shareholders may in advance, before the 39th AGM, submit questions to the Board of Directors via Tricor’s TIIH Online website at <https://tiih.online>, by selecting “e-Services” to login, post your questions and submit it electronically no later than **Monday, 26 April 2021 at 10.00 a.m.** The Board of Directors will endeavour to address the questions received at the 39th AGM.
- Alternatively, you may also send your questions for the 39th AGM to the following email address:

Investor Relations: nurasyirin@petronas.com.my

INTEGRATED REPORT 2020

- The Integrated Report 2020 is available on the Company’s website at www.mymesra.com.my and Bursa Malaysia’s website at www.bursamalaysia.com under Company’s announcements.
- You may request for a printed copy of the Integrated Report 2020 at <https://tiih.online> by selecting “Request for Annual Report” under the “Investor Services”.
- Kindly consider the environment before you decide to request for the printed copy of the Integrated Report 2020. The environmental concerns like global warming, deforestation, climate change and many more affect every human, animal and nation on this planet.

ENQUIRY

- If you have any enquiry prior to the meeting, please call Tricor at +603-2783 9299 during office hours i.e. from 8.30 a.m. to 5.30 p.m. (Monday to Friday).

PETRONAS Dagangan Berhad

Registration No.: 198201008499 (88222-D)

PROXY FORMFOR THE 39TH ANNUAL GENERAL MEETING**PETRONAS**

Number of Ordinary Shares Held	
CDS Account Number	

I/We _____ NRIC/Passport No./Company No.: _____
Full Name In Block Lettersof _____ Telephone No.: _____
Full Address

Email Address.: _____ being a member of PETRONAS

Dagangan Berhad ("the Company") hereby appoint:

Full Name (in Block Letters)	Proportion of Shareholdings	
	No. of Shares	%
NRIC/Passport No.		
Address		

and/or (delete as appropriate)

Full Name (in Block Letters)	Proportion of Shareholdings	
	No. of Shares	%
NRIC/Passport No.		
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 39th Annual General Meeting (AGM) of the Company which will be held virtual through live streaming via a remote participation and voting facilities at the Broadcast Venue, Virtual Studio 2, Level 4, Kuala Lumpur Convention Centre, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia on **Wednesday, 28 April 2021 at 10.00 a.m.** and at any adjournment thereof. My/our proxy is to vote as indicated below.

Resolution*	Ordinary Business	For	Against
1	Re-election of Tang Saw Hua as a Director		
2	Re-election of Ahmad Adly Alias as a Director		
3	Re-election of Datuk Md Arif Mahmood as a Director		
4	Re-election of Datuk Anuar Ahmad as a Director		
5	Re-election of Nuraini Ismail as a Director		
6	Approval of Directors' fees and allowances of up to an amount of RM2,500,000 with effect from 29 April 2021 until the next annual general meeting of the Company payable to the Non-Executive Directors		
7	Re-appointment of KPMG PLT as Auditors of the Company		
Resolution*	Special Business	For	Against
Special	Proposed Amendments to the Company's Constitution		

* Please refer to the Notice of 39th AGM for full details of the proposed Resolutions.

(Please indicate with an "X" in the spaces provided whether you wish your vote to be casted for or against the Resolutions. In the absence of specific directions, your proxy will vote or abstain as he/she thinks fit)

Date: _____

Signature(s)/Common Seal of Shareholder(s)

NOTES:

1. A member who is entitled to attend, participate, speak (by posing questions to the Board via real time submission of typed texts) and vote (collectively referred as "participate") in this AGM via Remote Participation and Voting (RPV) facilities is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to participate in his/her place. A proxy may but need not be a member of the Company.
2. A member of the Company who is entitled to participate at the meeting may appoint not more than two proxies to participate on his/her behalf provided that the member specifies the proportion of the member's shareholdings to be represented by each proxy. There shall be no restriction as to the qualification of the proxy.
3. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one proxy in respect of each Securities account it holds with ordinary shares of the Company standing to the credit of the said Securities accounts.
4. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for the multiple beneficial owners in one Securities Account (omnibus account), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
5. Where a member or the authorised nominee appoints two proxies, or where an Exempt Authorised Nominee appoints two or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
6. A member who has appointed a proxy or attorney or authorised representative to participate at AGM via RPV **must request his/her proxy or attorney or authorised representative to register himself/herself for RPV** via TIIH Online website at <https://tiah.online>. Procedures for RPV can be found in the Administrative Guide for the AGM.
7. The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than 48 hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote:
 - i. In hard copy form
In the case of an appointment made in hard copy form, the proxy form must be deposited with:

FOLD HERE

- a. Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia; or
 - b. By fax at 03-2783 9222 or email to is.enquiry@my.tricorglobal.com
 - ii. By electronic means
The proxy form can be electronically lodged with Tricor via TIIH Online at <https://tiah.online>. Kindly refer to the Administrative Guide for the AGM on the procedures for electronic lodgement of proxy form via TIIH Online.
8. Please ensure **ALL** the particulars as required in the proxy form are completed, signed and dated accordingly.
 9. Last date and time for lodging the proxy form is on Monday, 26 April 2021 at 10.00 a.m.
 10. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with Tricor or alternatively, the Customer Service Centre at the address stated under item 7(i)(a) above, not less than 48 hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notariially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
 11. For a corporate member who has appointed an authorised representative, please deposit the **ORIGINAL** certificate of appointment of authorised representative with Tricor or alternatively, the Customer Service Centre at the address stated under item 7(i)(a) above. The certificate of appointment of authorised representative should be executed in the following manner:
 - i. If the corporate member has a common seal, the certificate of appointment of authorised representative should be executed under seal in accordance with the constitution of the corporate member.
 - ii. If the corporate member does not have a common seal, the certificate of appointment of authorised representative should be affixed with the rubber stamp of the corporate member (if any) and executed by at least two authorised officers, of whom one shall be a director or any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.

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

