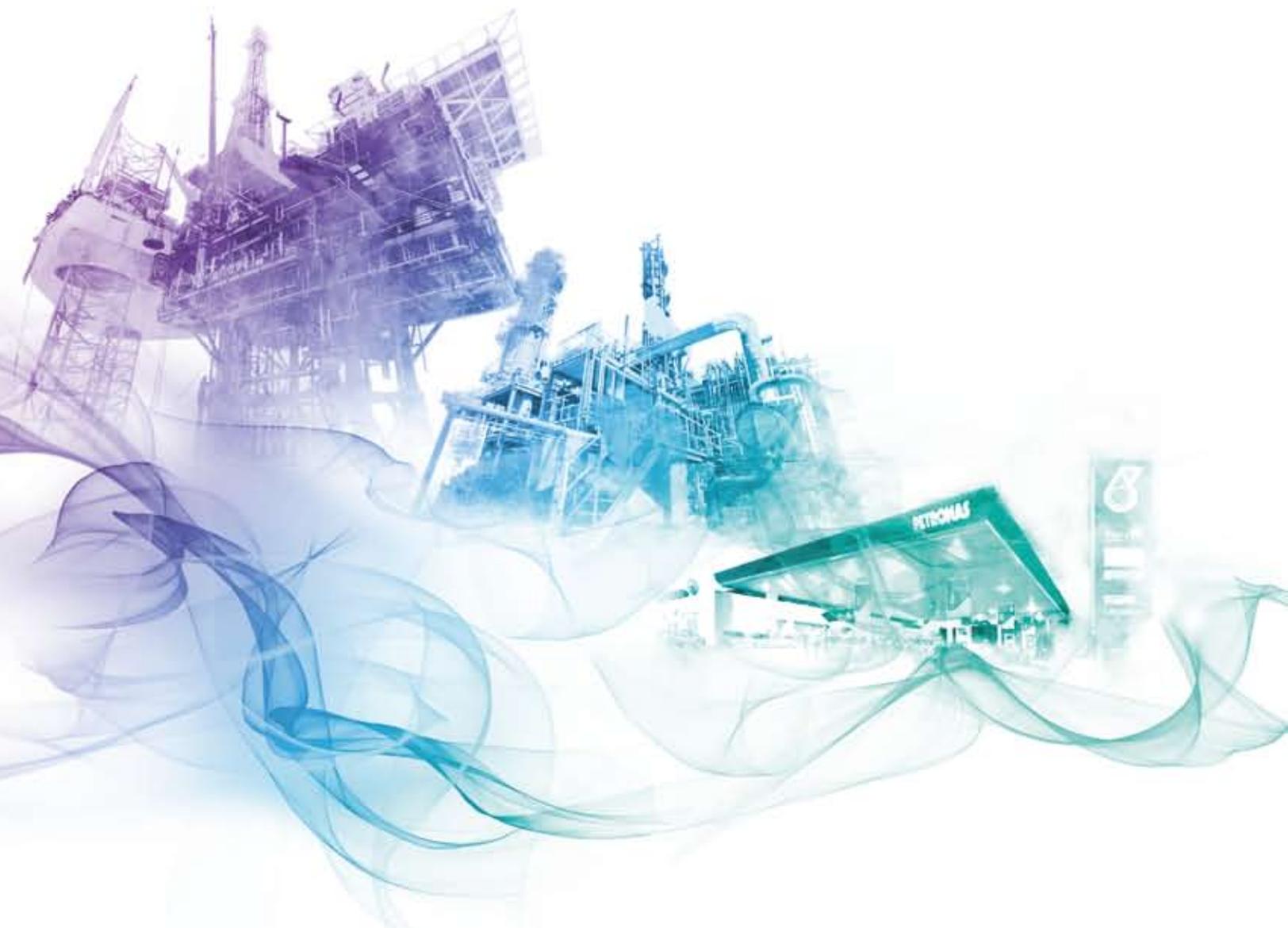
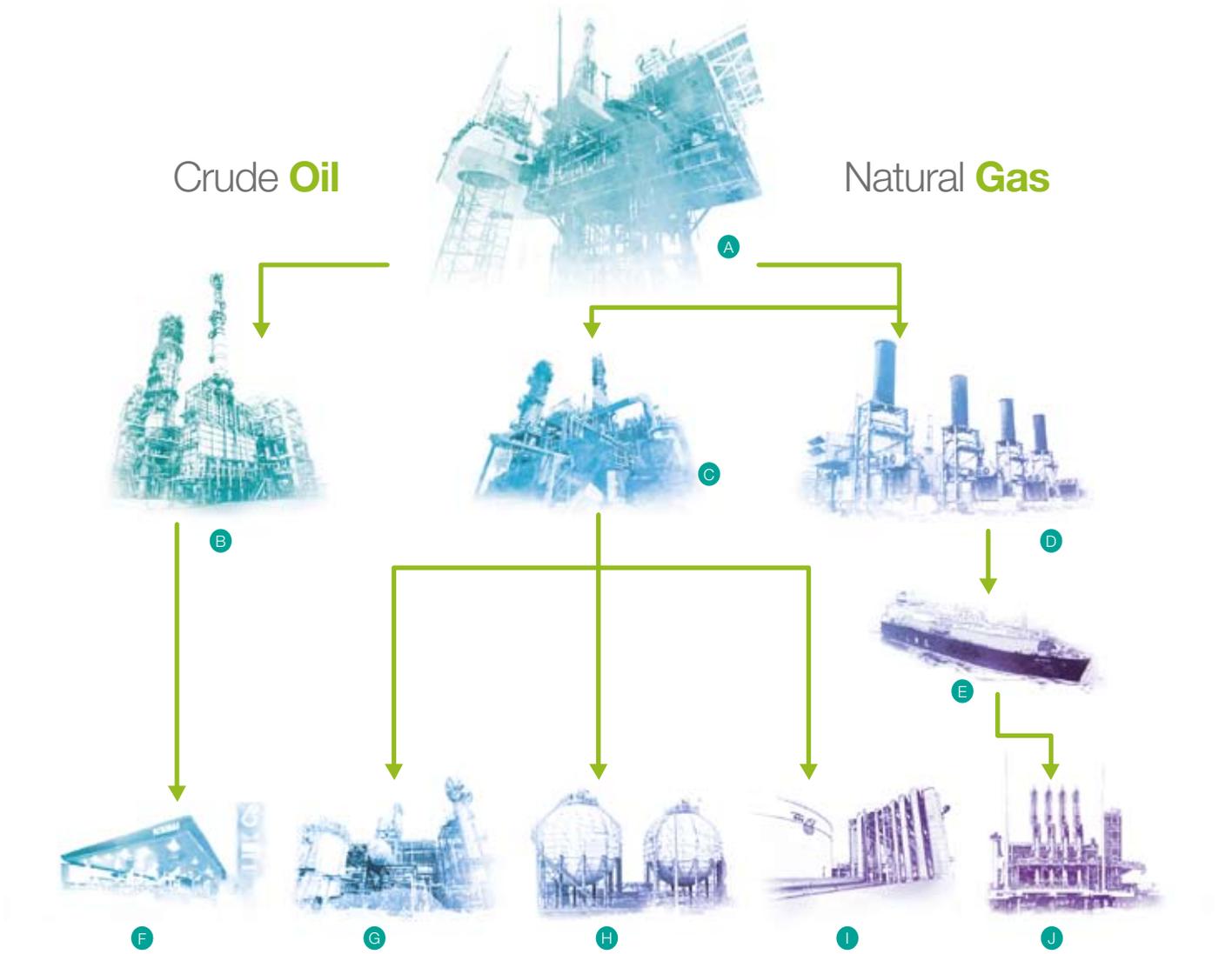


REIMAGINING ENERGY

PE 2011 SUSTAINABILITY REPORT



OUR BUSINESS



A Exploration, Development and Production

B Refining

C Processing

D Liquefaction

E Liquefied Natural Gas (LNG)

F Petroleum Products

G Petrochemical Plant

H Liquefied Petroleum Gas (LPG)

I Processed Gas/ Peninsular Gas Utilisation (PGU) System

J Regasification Terminal

- Transportation Sector - Diesel, Gasoline, Jet Fuel and Lubricants

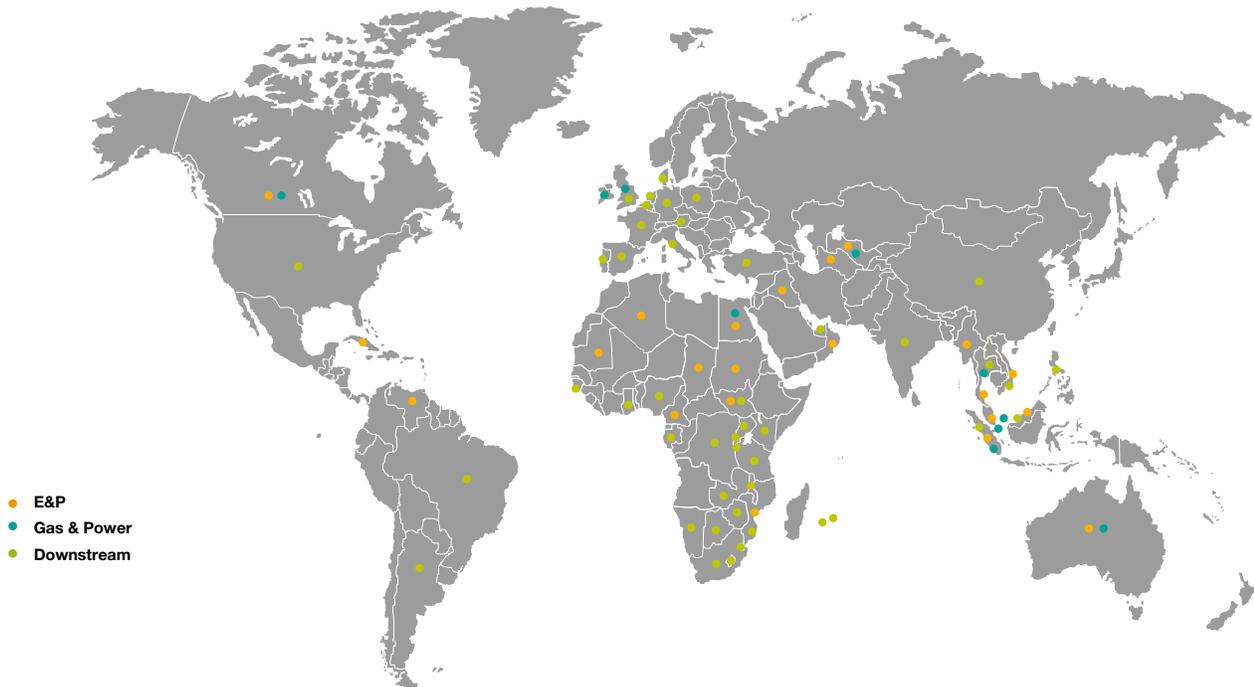
- Industrial Sector - Ethylene, Methanol, MTBE, Polyethylene, Propylene, Urea and VCM

- Residential and Commercial Sectors

- Power Sector
- Industrial Sector

- Export Sector

OUR PRESENCE



Exploration & Production (E&P)

- Africa**
 - **Algeria** – Development • **Cameroon** – Exploration & Development • **Chad** – Development & Production
 - **Egypt** – Exploration, Development & Production • **Mauritania** – Exploration & Production • **Mozambique** – Exploration
 - **Republic of South Sudan** – Exploration, Development & Production • **Republic of Sudan** – Exploration, Development & Production
- Asia Pacific**
 - **Australia** – Exploration, Development & Production • **Brunei** – Exploration • **Indonesia** – Exploration, Development & Production
 - **Malaysia** – Exploration, Development & Production • **Malaysia-Thailand Joint Development Area** – Exploration, Development & Production
 - **Myanmar** – Exploration, Development & Production • **Vietnam** – Exploration, Development & Production
- Central Asia**
 - **Turkmenistan** – Exploration, Development & Production • **Uzbekistan** – Exploration, Development & Production
- Latin America**
 - **Cuba** – Exploration • **Venezuela** – Development
- Middle East**
 - **Iraq** – Exploration, Development & Production • **Oman** – Exploration & Development
- North America**
 - **Canada** – Development & Production

Gas & Power

- Africa**
 - **Egypt** – LNG
- Asia Pacific**
 - **Australia** – LNG & Infrastructure • **Indonesia** – Infrastructure • **Malaysia** – LNG, Infrastructure, Utilities & Power, Trading
 - **Singapore** – Power • **Thailand** – Infrastructure
- Central Asia**
 - **Uzbekistan** – Gas-to-Liquid
- Europe**
 - **Ireland** – Infrastructure • **United Kingdom** – Infrastructure, Utilities & Trading
- North America**
 - **Canada** – LNG

Downstream*

- Africa**
 - **Botswana** – Oil Business • **Burundi** – Oil Business • **Democratic Republic of the Congo** – Oil Business • **Gabon** – Oil Business
 - **Ghana** – Oil Business • **Guinea Bissau** – Oil Business • **Kenya** – Oil Business • **Lesotho** – Oil Business • **Malawi** – Oil Business
 - **Mauritius** – Oil Business • **Mozambique** – Oil Business • **Namibia** – Oil Business • **Nigeria** – Oil Business • **Réunion** – Oil Business
 - **Rwanda** – Oil Business • **Swaziland** – Oil Business • **South Africa** – Oil Business • **Republic of South Sudan** – Oil Business
 - **Tanzania** – Oil Business • **Uganda** – Oil Business • **Zambia** – Oil Business • **Zimbabwe** – Oil Business
- Asia Pacific**
 - **China** – Oil & Petrochemical Businesses • **India** – Oil & Petrochemical Businesses • **Indonesia** – Oil & Petrochemical Businesses
 - **Malaysia** – Oil & Petrochemical Businesses • **Philippines** – Oil & Petrochemical Businesses
 - **Thailand** – Oil & Petrochemical Businesses • **Vietnam** – Oil & Petrochemical Businesses
- Europe**
 - **Austria** – Oil Business • **Belgium** – Oil Business • **Denmark** – Oil Business • **France** – Oil Business • **Germany** – Oil Business
 - **Italy** – Oil Business • **Netherlands** – Oil Business • **Poland** – Oil Business • **Portugal** – Oil Business • **Spain** – Oil Business
 - **Turkey** – Oil Business • **United Kingdom** – Oil Business
- Latin America**
 - **Argentina** – Oil Business • **Brazil** – Oil Business
- North America**
 - **United States of America** – Oil Business

*Includes Engen subsidiaries and marketing and trading offices.



TABLE OF CONTENTS

	Our Business
3	Our Presence
5	Corporate Statements
6	Corporate Profile
8	Key Sustainability Indicators & Financial Performance
9	President & CEO's Statement/Message
12	About This Report
13	Sustainability & PETRONAS
16	Safety & Health
24	Climate Change & Environment
32	Society
40	Our Approach to Reporting

VISION

TO BE A LEADING OIL AND GAS MULTINATIONAL OF CHOICE

Mission

We are a business entity

Petroleum is our core business

Our primary responsibility is to develop and add value to this national resource

Our objective is to contribute to the well-being of the people and the nation

Shared Values

Loyalty

Loyal to nation and corporation

Integrity

Honest and upright

Professionalism

Committed, innovative and proactive and always striving for excellence

Cohesiveness

United in purpose and fellowship

CORPORATE PROFILE

Petroleum Nasional Berhad is Malaysia's National Petroleum Corporation wholly-owned by the Malaysian Government. Established in 1974, PETRONAS is now ranked among the largest companies in the world with a proven track record in integrated oil and gas operations spanning the entire hydrocarbon value chain.

PETRONAS' business activities include (i) the exploration, development and production of crude oil and natural gas in Malaysia and overseas; (ii) the liquefaction, sale and transportation of Liquefied Natural Gas (LNG); (iii) the processing and transmission of natural gas, including power generation, and the sale of natural gas products; (iv) the refining and marketing of petroleum products; (v) the manufacturing and selling of petrochemical

products; (vi) the trading of crude oil, petroleum, gas and LNG products and petrochemical products; and (vii) shipping and logistics relating to LNG, crude oil and petroleum products. Committed to ensuring business sustainability, PETRONAS also strives to responsibly manage natural resources in a way that contributes holistically to the well-being of the people and nations wherever it operates.

Exploration & Production

PETRONAS Exploration & Production (E&P) aims for Safe and Profitable Growth through effective domestic resource management and highgrading and acquiring assets/ventures across the exploration, development and production value chain.

The Petroleum Management Unit (PMU) of PETRONAS manages domestic oil and gas assets, by pioneering innovative solutions to drive business growth in the Malaysian oil and gas industry. This includes Enhanced Oil Recovery (EOR), small field development and intensifying exploration activities.

Its E&P subsidiary, PETRONAS Carigali Sdn Bhd (PCSB) is a hands-on operator with an established track record of successful oil and gas developments. Actively strengthening the nation's upstream resource base and production, PCSB works alongside a number of petroleum multinationals through Production Sharing Contracts (PSCs) to explore, develop and produce oil and gas in Malaysia. Abroad, PETRONAS continues to build on its E&P portfolio, securing new acreages while undertaking various development projects. These include deepwater and unconventional resources.

PETRONAS continues to harness and implement new technologies to reap the benefits of every hydrocarbon molecule recovered in its vision to become a leading global E&P player.





Gas & Power

PETRONAS aspires to be a leading integrated gas, LNG and power player through two major portfolios under its Gas and Power business; Global LNG business and Infrastructure, Utilities & Power business.

At present, its Global LNG business commands a sizeable LNG market share in the Far East. It aims to sustain its market position and preserve its reputation as a reliable supplier of LNG. PETRONAS is involved in LNG trading and is currently establishing its foothold in the European energy trading, which includes gas and electricity. Apart from conventional plays, the Group also expanded into unconventional plays such as Australia's Gladstone Coal Bed Methane (CBM) to LNG project in 2009, as well as shale gas to LNG

venture in northeastern British Columbia, Canada.

Its Infrastructure, Utilities & Power business is focused on ensuring long-term security and sustainability of the gas market in Malaysia while continuing to expand its portfolio of infrastructure and power in high growth markets. PETRONAS Gas Berhad (PGB) owns and operates the Peninsular Gas Utilisation (PGU) system, that delivers gas to the power and non-power sectors in Peninsular Malaysia as well as the power industry in Singapore. The business has been operating the PGU system exceeding world class standards. PETRONAS is committed to further grow in the power and renewable business, leveraging on existing capabilities and capturing opportunities in key focus markets in Asia and the Middle East.

Downstream

PETRONAS' ambitious downstream expansion through its integrated operations in refining & trading, marketing & retailing as well as in the petrochemicals sector plays a strategic role to increase the value of every molecule extracted through its exploration activities.

PETRONAS owns and operates three refineries in Malaysia, two in Melaka and another in Kertih. The PETRONAS refining portfolio is also complemented by its refining presence in Africa through its 80% owned subsidiary, Engen Petroleum Limited (Engen), a leading African refining and marketing company which owns and operates a refinery in Durban, South Africa.

In the Malaysian market, PETRONAS Dagangan Berhad (PDB) manages all domestic marketing and retailing activities for a wide range of petroleum products. PETRONAS

also operates service stations in various international markets including Indonesia, Thailand, South Africa and Sudan. PETRONAS Lubricants International Sdn Bhd (PLI) is the global lubricants manufacturing and marketing arm of PETRONAS. With a strong presence in more than 20 countries globally, the PLI product range includes lubricants and functional fluids for both the automotive and industrial markets as well as a range of car care products.

The integrated development of Malaysia's petrochemical industry is expected to promote the development of the country's industrial base, especially the plastics and chemical based component manufacturing industry. The Company's consolidated petrochemical business under the PETRONAS Chemicals Group Berhad (PCG) is the largest integrated petrochemicals producer in Malaysia and among the largest in South East Asia.

PETRONAS' robust development of its downstream portfolio is expected to further enhance Malaysia's economic, industrial and knowledge base. In the long-term, this augurs well to support Malaysia's growth agenda and the Company's integrated plan to become a key downstream player in the region.



KEY SUSTAINABILITY INDICATORS

	PE2011	2011
Lost Time Injury Frequency	0.32	0.39

▶ Refer to page 17

	PE2011	2011
Fatal Accident Rate	2.86	2.58

▶ Refer to page 17

	PE2011	2011
Loss of Primary Containment	23 Incidents	46 Incidents

▶ Refer to page 17

	PE2011	2011
Total Energy Savings - Domestic Downstream and Gas & Power Plants since 2007	24.9 million mmBtu	22.2 million mmBtu

▶ Refer to page 25

	PE2011	2011
PETRONAS Domestic Greenhouse Gas Emissions	30.23 million tCO ₂ e	40.50 million tCO ₂ e

▶ Refer to page 26

	PE2011	2011
Percentage of Women Employees	27%	27%

▶ Refer to page 35

	PE2011	2011
Dividend Payment to the Malaysian Government	30 RM billion	30 RM billion

FIVE-YEAR GROUP FINANCIAL HIGHLIGHTS

PETRONAS' Key Financial Indicators

In RM billion

	PE2011	+/- (%)	9M*	FY2011	FY2010	FY2009	FY2008
Revenue	222.8	26.9	175.6	241.2	210.8	264.2	223.1
EBITDA	95.5	18.5	80.6	107.9	83.3	105.7	105.9
Profit Before Taxation	82.7	18.7	69.7	90.5	67.3	89.1	95.5
Net Profit Attributable to PETRONAS Shareholders	48.9	10.4	44.3	54.8	40.3	52.5	61.0
Total Assets	477.6	8.8**		439.0	410.9	389.8	339.3
Shareholders' Funds	288.3	9.3**		263.8	242.9	232.1	201.7

PETRONAS' Key Financial Ratios

	PE2011	FY2011	FY2010	FY2009	FY2008
Return on Revenue	37.1%	37.5%	31.9%	33.7%	42.8%
Return on Total Assets	22.9%***	20.6%	16.4%	23.0%	28.1%
Return on Average Capital Employed	21.8%***	17.5%	15.9%	22.0%	28.0%
Debt/Assets Ratio	0.11x	0.11x	0.13x	0.11x	0.11x
Gearing Ratio	15.4%	15.3%	17.6%	15.9%	15.8%
Dividend Payout Ratio	61.3%	54.7%	74.4%	57.1%	39.3%
Overall Resource Replenishment Ratio	1.7x	2.5x	1.1x	1.8x	0.9x

*9M - unaudited nine month 1 April 2010 to 31 December 2010. Included for comparative purposes with audited PE2011 result

** % change from 31 March 2011 to 31 December 2011

*** calculated based on annualised figures

PRESIDENT & CEO's MESSAGE



TAN SRI DATO' SHAMSUL AZHAR ABBAS
President & CEO

It gives me great pleasure to present PETRONAS' Sustainability Report for the period ending (PE) 2011. When we embarked on our Corporate Enhancement Programme in 2010, we made a collective commitment to ensure PETRONAS propels itself into a Global Champion that is both robust and resilient.

As such, it has always been our aspiration to not only embrace opportunities, rise above challenges and adapt to vagaries of the industry; but to do so in a holistic manner that is socially, ethically and environmentally responsible to our various stakeholders. With this in mind, I am encouraged to witness some of the efforts undertaken in the past nine months to further bolster our Sustainability Agenda.

As a global company with international presence, we are acutely aware of the evolving stakeholder needs and different national aspirations in the countries of our operations. In the context of a national oil company, we understand that socio-economic development and environmental considerations remains high on the respective national development agendas. Thus it is imperative for industry players to respond appropriately in order to remain as the preferred partner for growth. The increasing global demand for energy is well established, but the true challenge for the industry lies in our ability to meet this demand with environmentally acceptable, sustainable and economically viable supply of energy.

To this end, PETRONAS has been reviewing its own aspiration for a sustainable future. We have recently completed a Corporate Sustainability Study to assess our business and technical practices Group-wide apart from clarifying our focus areas. This Study was an essential instrument to reflect on our journey since the launch of our Corporate Sustainability Framework in 2005. More importantly however, the insights have helped us sharpen our sustainability strategy to position ourselves as a leading edge company in the coming years.

At the Group level, we are strengthening the sustainability governance in our businesses and the safety aspects of our operations. This includes crucial mindset and culture shifts required in order to push the sustainability agenda forward.

PETRONAS' sustainability strategy will focus on excellence in operations including in Health, Safety and Environment (HSE) and societal stewardship in a phased manner. At the Group level, we are strengthening the sustainability governance in our businesses and the safety aspects of our operations. This includes crucial mindset and culture shifts required in order to push the sustainability agenda forward. A focus area will be in footprint reduction, especially in reducing greenhouse gas emissions and fresh water conservation. Overall, PETRONAS has pockets of excellence to build upon, and these have to be replicated ubiquitously throughout the organisation for a sustainable performance and delivery.

We continuously strive to report our sustainability performance in a fair and balanced manner so as to ensure that it clearly surface key stakeholder issues and our measures in addressing them. This Report is a glimpse of the groundwork in place as we move onto the next phase of growth.

In this report we have further expanded on PETRONAS sustainability governance via the Corporate Sustainability Council. The Council, which was established in 2010, will continue to provide stewardship and leadership, apart from communicating a strong top management expectation of sustainability practices and initiatives within the organisation.

At the same time, we have also featured our HSE Mandatory Control Framework which was formulated to augment HSE governance and compliance. Amongst others, our venture into solar renewable energy and major community programmes are also highlighted as to portray the holistic manner in which PETRONAS is growing.

We are convinced that sustainability is not a mere fad created to boost the reputation of a socially responsible company. Instead, it drives the overall organisational

competitiveness through systematic operational excellence and proactive stakeholder inclusiveness. It requires collective commitment in taking control and ownership of our destiny; one that constantly pushes performance boundaries and challenges status quo. The way I see it, there is not going to be a future otherwise.

After all, this is the very embodiment of the Reimagining Energy™ spirit.



TAN SRI DATO' SHAMSUL AZHAR ABBAS
President & CEO

ABOUT THIS REPORT

PETRONAS has been reporting voluntarily since 2007, and this report represents its commitment to conduct its business in a safe, responsible and ethical manner. This Report also makes reference to initiatives that began before or just after the period under review, where applicable.

The content is shaped by the Seven Result Areas of the PETRONAS Corporate Sustainability Framework, representing issues material to its stakeholders and the Company. This Report is focused on three core themes; Safety and Health, Climate Change and Environment, as well as Corporate Governance and Society.

Stakeholders and materiality

As a global Company, PETRONAS' various stakeholders include host governments, financial institutions, investors, communities in areas of operations, employees and the media.

Stakeholder engagements and feedback channels enable PETRONAS to receive, analyse and address issues as well as concerns which are reflected in this Report. It complements the analysis with its own internal assessments to define the material issues and priorities.

Scope, data collection and reporting indicator references

The scope of data in this Report includes outfits where PETRONAS has operational control, unless otherwise stated, in Malaysia and internationally.

The Company is continually improving its data collection procedure to accurately reflect PETRONAS' corporate sustainability performance by reviewing and enhancing current practices. Sustainability information is collated through a centralised web-based system.

The PETRONAS Group Sustainability Report PE 2011 was prepared in accordance with the International Petroleum Industry Environmental Conservation Association (IPIECA) and the Global Reporting Initiative (GRI) guidelines.

The Report is available on the PETRONAS corporate website at www.petronas.com

For comments and queries, please contact:

Cynthia Ann Peterson [cynthia_peterson@petronas.com.my]

Sustainability Reporting,
Group Sustainable Development Department,
Group Health, Safety and Environment Division,
Petroleum Nasional Berhad,
Level 45, Tower 1, PETRONAS Twin Towers,
Kuala Lumpur City Centre,
50088 Kuala Lumpur, Malaysia

The Group and the Company have changed the financial year end from 31 March to 31 December. The financial statements under review are for a transition period of nine months from 1 April 2011 to 31 December 2011 whilst the comparative figures are the corresponding period from 1 April 2010 to 31 December 2010.

SUSTAINABILITY & PETRONAS

Sustainability to PETRONAS means carrying out its business in a socially responsible and holistic manner. This is to ensure continued growth as well as success for the benefit of present and future generations wherever it operates.

PETRONAS established its Corporate Sustainability Council (CSC) in 2010. Reconstituted in 2011, it is a deliberative body now chaired by the Executive Vice President for Exploration & Production and comprises Vice Presidents and Heads of relevant business and corporate units.

PETRONAS' CSC drives corporate sustainability practices and initiatives and makes recommendations to the PETRONAS Executive Committee (EXCO) for implementation across the Group.

Sustainability governance was reviewed as part of the Corporate Sustainability Study conducted. At Group level, the CSC provides leadership on the implementation of sustainability initiatives.

PETRONAS also strengthened its HSE as well as sustainability governance mechanisms and practices in the period under review. The Mandatory Control Framework (MCF), HSE risk profiling and risk-based assurance were introduced to fortify HSE governance across the Company. The establishment of the HSE Executive Council, and allocation of HSE KPIs for top management demonstrate the commitment of senior leadership to HSE.

The Seven Result Areas of the PETRONAS Corporate Sustainability Framework

Shareholder Value

Sustaining the Company's profitability through value creation, efficient extraction and manufacturing processes.

Natural Resource Use

To promote efficient use of energy and water, and supporting the use of renewable energy.

Climate Change

Limiting emissions of greenhouse gases into the atmosphere.

Biodiversity

Ensuring projects and operations do not have significant effect on the diversity of humans, animals and plants.

Health, Safety & Environment

Preventing and eliminating injuries, health hazards and damage to property and conserving the environment.

Product Stewardship

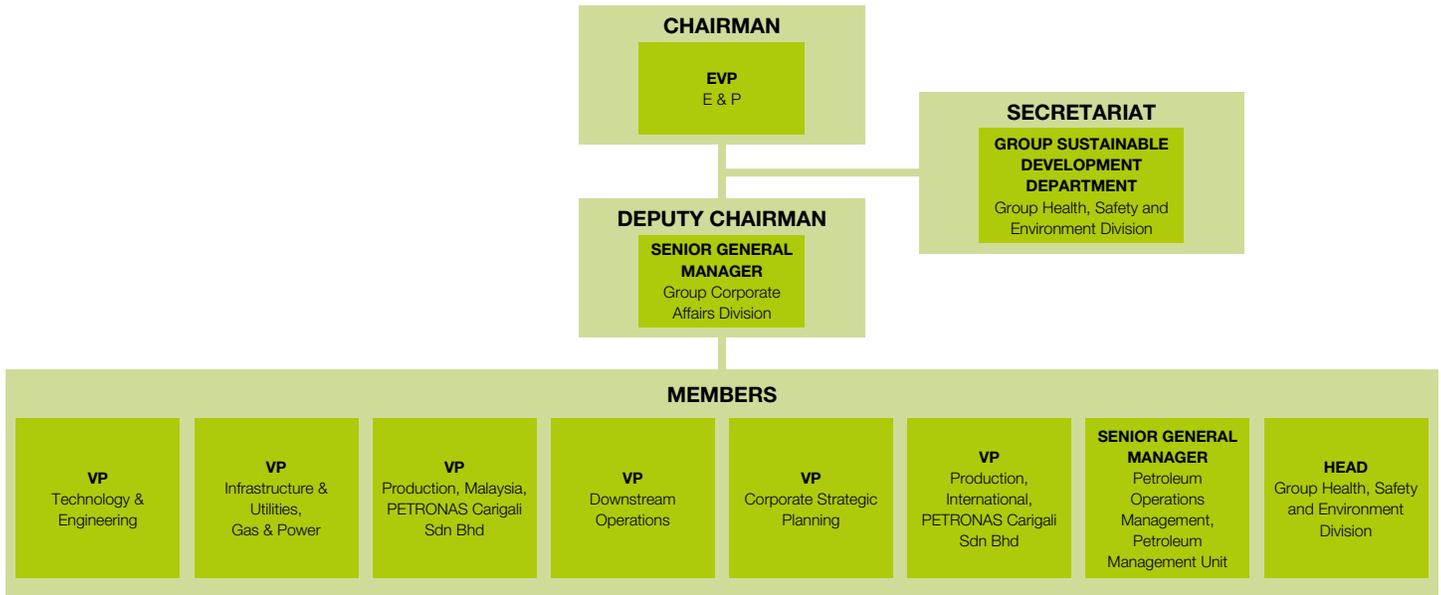
Ensuring that products conform to quality and HSE standards and meet the needs of society.

Societal Needs

Safeguarding human rights within our sphere of influence, contributing to community needs, investing in training and education, promoting arts and sports and conducting our business in a transparent manner.

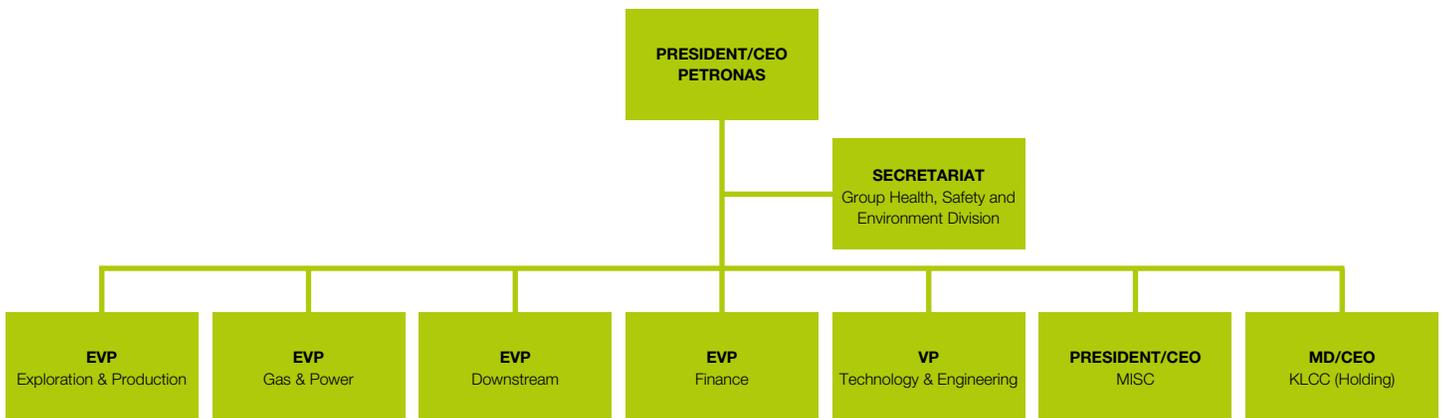
CORPORATE SUSTAINABILITY COUNCIL

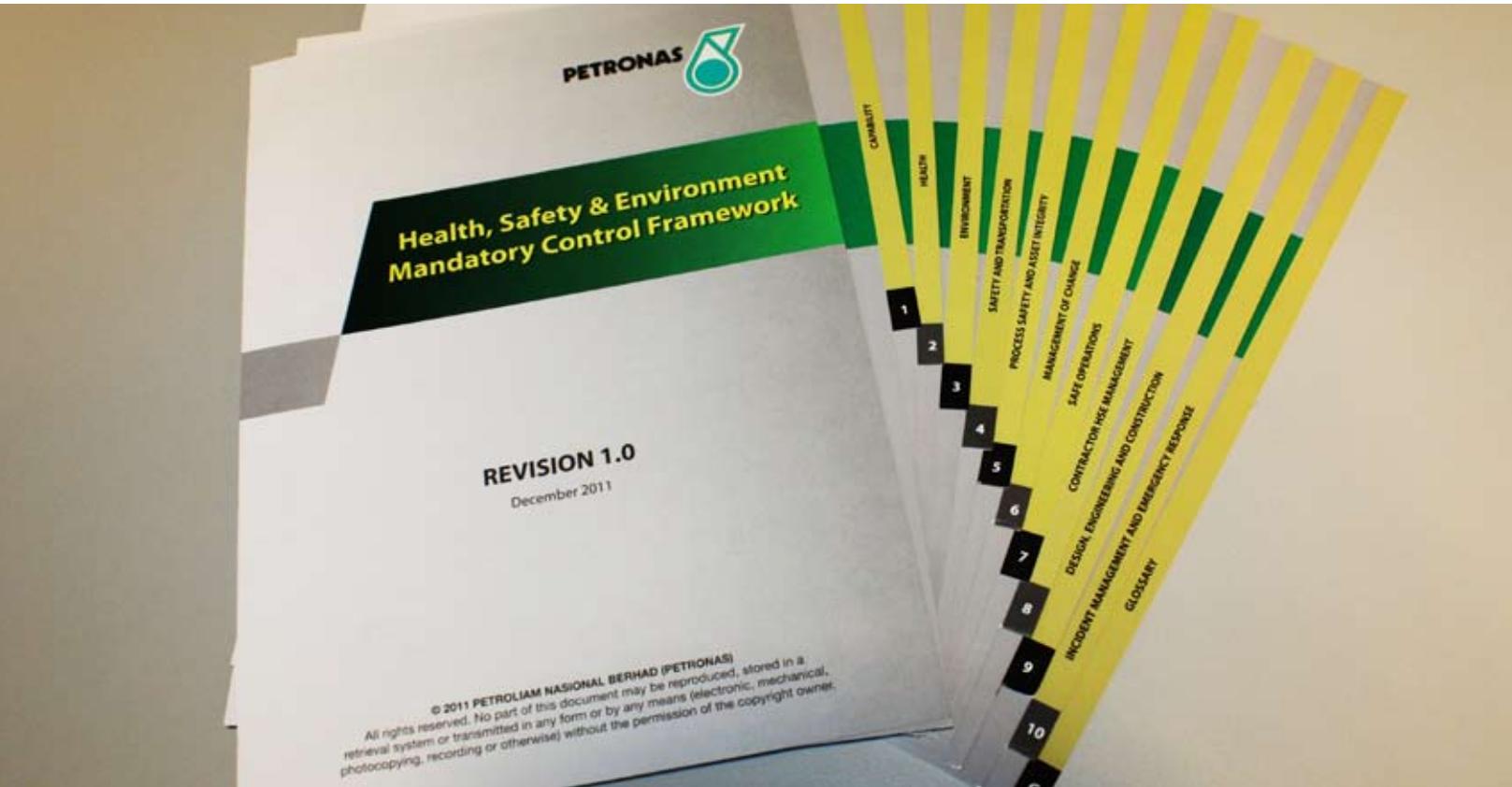
The Corporate Sustainability Council (CSC) represents PETRONAS' commitment towards integrating sustainability practices into business strategies. The Council meets at least twice a year. The CSC is supported by Group Sustainable Development Department which acts as its secretariat.



HSE EXECUTIVE COUNCIL

Chaired by the President & CEO of PETRONAS, this Council meets at least once a year to set Groupwide HSE targets and approve strategies as well as initiatives. The HSE Executive Council is supported by Group HSE (GHSE) Division, which acts as its secretariat.





HSE MANDATORY CONTROL FRAMEWORK

The HSE Mandatory Control Framework (MCF) prescribes clear HSE requirements for effective and consistent implementation of the HSE Management System.

PETRONAS developed and rolled out the MCF in the period under review. It was approved by the PETRONAS HSE Executive Council on 22 November 2011. The Framework covers 10 key elements namely:

1. Capabilities
2. Health
3. Environment
4. Safety & Transportation
5. Process Safety & Asset Integrity
6. Management of Change
7. Safe Operations
8. Contractor HSE Management
9. Design, Engineering & Construction
10. Incident Management & Emergency Response

PETRONAS' Business Units lead the implementation of MCF in their respective operations in Malaysia and international locations. Gap assessments are conducted followed by gap closure plans. The progress of implementation will be reported to the PETRONAS HSE Executive Council.

HSE RISK PROFILING AND RISK-BASED ASSURANCE

PETRONAS established HSE risk profiling to prioritise assurance activities across its businesses, and to strengthen HSE governance. This risk-based view enables the Company to determine HSE focus areas to ensure that the appropriate controls are in place. This is to reduce risk levels to as low as reasonably practicable. HSE assurance was previously time-based, and this risk-based approach will link to the HSE performance of operating units more effectively.

SAFETY & HEALTH

AREAS DISCUSSED IN THIS SECTION

- **Safety**
- **Health**
- **Product Stewardship**
- **Awards**

HIGHLIGHTS

Mercury Management Guidelines

Involved in the development of Malaysia's Guidelines on Mercury Management in the Oil & Gas Industry

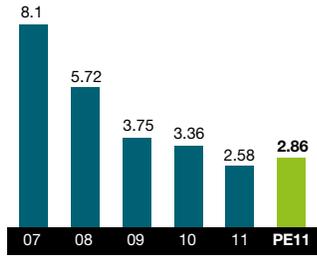
Product Stewardship

Strengthened Product Stewardship elements across PETRONAS' Downstream business value chain

Maintaining safe and healthy workplaces, stipulating stringent requirements for operations and projects, including high risk areas are PETRONAS' priorities to reduce as well as address safety and health risks.

Fatal Accident Rate*

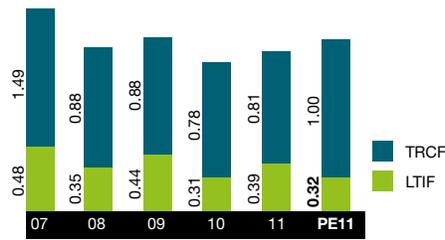
Reportable Fatalities per 100 million man hours



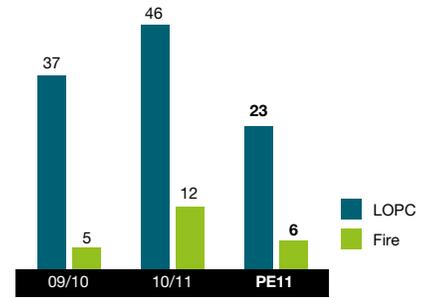
*Note: FAR excludes third party fatality

LTIF and TRCF for the Group

No of cases per one million man hours



Major LOPCs and Fires



SAFETY

PERFORMANCE

PETRONAS recorded Fatal Accident Rate (FAR) of 2.86 in the period under review. There were six contractor fatalities: three in a single aviation incident and another three in project construction activities. The safety of all those working in PETRONAS is paramount, and the Company is taking all practicable measures to reduce risks. Loss Time Injury Frequency (LTIF) was 0.32 and Total Reportable Case Frequency (TRCF) was 1.00. To strengthen the Group's incident investigation and root causes analysis (RCA)

capabilities, PETRONAS' Kelvin TOP-SET incident investigation training complements the Tripod-BETA RCA tools currently used by all operating units (OPUs).

PROCESS SAFETY LEADERSHIP

Inculcating strong Process Safety leadership in PETRONAS has been its key focus for the last two years. Most of its senior leaders have undergone various Process Safety leadership training and engagement sessions. Workshops and engagement sessions were also rolled out at operating units starting with

refinery, PETRONAS Penapisan (Melaka) Sdn Bhd (PP(M)SB).

HSE CAPABILITY DEVELOPMENT

Accelerated Capability Development (ACD) was implemented in 2009 to enable junior and senior executives to participate in a streamlined capability development and learning programme. A total of 159 HSE executives were assessed in the period under review, and the HSE skill group showed the most improvements in PETRONAS. The average Base and Key competencies for

junior executives rose from 35% in 2010 to 51% in the period under review. Senior executives showed an improvement from 39% to 50%.



MISC BHD GROUP CONTRACTORS HSE FORUM

MISC Bhd, a subsidiary of PETRONAS, held its MISC Group Contractors HSE Forum 2011 on 4 and 5 October 2011 themed, *Visible and Felt HSE Leadership*.

The Forum was organised as a platform to continue fostering partnerships as well as understanding between the MISC Group and its contractors. The forum also enabled MISC to engage with its contractors, communicating the Group's HSE requirements and expectations.

The forum focussed on the need for visible and felt HSE leadership in improving HSE performance towards an injury-free workplace.

Officiated by MISC's top management, the forum was attended by MISC's Management Committee members, the MD/CEO of its subsidiaries, Malaysia Marine & Heavy Engineering Holdings Bhd (MHB) and the Malaysian

Maritime Academy (ALAM), as well as representatives from across the MISC Group.

Over 100 senior management representatives from contractors who are involved in medium and high HSE risk activities also attended the forum.

CONTRACTOR ENGAGEMENT SESSIONS AT PETRONAS CARIGALI SDN BHD

Regular engagement sessions were conducted with contractors to provide a platform to cascade HSE requirements, expectations as well as initiatives, including to resolve related issues and concerns. Additionally, to share lessons learnt and best practices for better HSE performance as well as management, the effort was implemented by business divisions at PETRONAS Exploration (PEX) and Development Division (DD).

DD's HSE Engagement Session with Hook-Up and Commissioning (HUC), including Installation

Contractors was held on 18 November 2011.

Participated by 150 marine contractors and PETRONAS Carigali employees, the session addressed the importance of safety in all marine activities, especially during the monsoon season as well as the requirements of PETRONAS Carigali's Stop Work Policy. The event also served as a platform for personnel to exchange views and experience in resolving critical safety and operational issues.

Regional quarterly engagement sessions were also conducted with participation of the contractors' senior management as part of a continuous effort to strengthen contractor-HSE engagement. In Peninsular Malaysia Operations (PMO), these exercises that foster better understanding and work relationship, also included activities such as tree planting and beach cleanup.

The Contractors' Conference involved contractors from fabrication, installation, hook-up and commissioning, drilling as well as marine. This DD-organised event, for all onshore and offshore contractors as well as sub-contractors, provided a platform for nurturing mutually beneficial partnerships. The main aim of the conference was to communicate all HSE-related information and discuss issues by involving the top management from both parties.

HEALTH

Occupational health continues to be a focus area for PETRONAS, with several measures in place to improve health and minimise risks at work such as the implementation of Health Risk Assessment programme. At our Malaysian operations, PETRONAS spearheaded the development of relevant national guidelines on Industrial Hygiene for the benefit of the oil and gas industry.

INDUSTRIAL HYGIENE NATIONAL MERCURY MANAGEMENT GUIDELINES FOR THE OIL & GAS INDUSTRY

PETRONAS is benchmarked for its Mercury Management Guidelines (PHgMG) to effectively managing mercury issues. PETRONAS was tasked by Malaysia's Department of Occupational Safety and Health (DOSH) to lead the development of the National Mercury Management Guidelines for the Oil & Gas Industry. The Guidelines were completed in September 2011. The Guidelines provides information

and recommendations on how to manage mercury in the oil and gas industry in compliance with the Occupational Safety and Health (Use and Standard of Exposure of Chemicals Hazardous to Health - USECHH) Regulations 2000.

HEALTH RISK ASSESSMENT (HRA)

PETRONAS rolled out Health Risk Assessments (HRA) with 85% completion for Malaysia operations. Several efforts including the development of a methodology for Health Risk Profiling was done to ensure further successful implementations of HRA programmes. In Malaysia, a series of PETRONAS-DOSH state HRA engagement sessions were held to enable better understanding of PETRONAS' HRA concept and its alignment with DOSH's Chemical HRA. For international operations, HRA workshops were organised with our Downstream Business for our subsidiary PLI's businesses in Italy, Spain and Belgium.

ASBESTOS MANAGEMENT INTERVENTION PROGRAMME (AMIP)

The Asbestos Management Intervention Programme (AMIP) was established in the period under review and applies to workplaces where asbestos or asbestos containing materials are in existence. AMIP aims to assist operating units and joint ventures in asbestos identification, risk assessment and prioritisation as well as removal work. A directive on the ban of any introduction of asbestos was also issued to PETRONAS businesses towards achieving an asbestos-free workplace within five years.

PRODUCT STEWARDSHIP

PETRONAS' Downstream Business continued its progress to fortify its product HSE management system, risk characterisation and communication to minimise potential impacts on health, safety and the environment across the product lifecycle.

PETRONAS strengthened its framework which includes policy and leadership and product risk management.

The Company enhanced the governance mechanisms at the Fertiliser and Methanol business units, and conducted a situational assessment to identify and address any gaps.

At the PP(M)SB refinery, product stewardship efforts implemented included the development of product change management, establishment of product quality and safety monitoring, including the minimisation HSE risk related to product manufacturing through product blending optimisation and product online certification.

» MERCURY MANAGEMENT

PETRONAS has lead the development of mercury management guidelines for the Oil and Gas industry in Malaysia



AWARDS & RECOGNITIONS

The PETRONAS Group was recognised for its accomplishments as well as continuous pursuit of excellence with numerous awards and recognitions received in the period under review.



Royal Society for the Prevention of Accidents (RoSPA) Awards

One of the top awards in the health and safety calendar, the annual RoSPA Awards offer organisations a prime opportunity to prove their ongoing commitment to raising health and safety standards. Among the longest running and highly respected occupational safety award programmes today, the awards recognise excellence in work-related health and safety performance by private and public sector organisations.

Sector Awards

Oil and Gas Sector Award

- PETRONAS Penapisan (Melaka) Sdn Bhd

Gold Award

- PETRONAS Ammonia Sdn Bhd

Silver Award

- PETRONAS Fertilizer (Kedah) Sdn Bhd



Malaysian Society for Occupational Safety and Health (MSOSH) Awards

The annual MSOSH Awards recognise companies in Malaysia that demonstrate outstanding occupational safety and health performance.

Grand Award

- MTBE/Polypropylene Malaysia Sdn Bhd
- PETRONAS Fertilizer (Kedah) Sdn Bhd
- PETRONAS Gas Berhad – Centralised Utility Facilities (CUF), Gebeng
- PETRONAS Gas Berhad – Segamat Regional Operations Office
- PETRONAS Gas Berhad – Gas Processing Plant Complex B

Gold Merit Award

- PETRONAS Ammonia Sdn Bhd
- PETRONAS Methanol (Labuan) Sdn Bhd
- PETRONAS Penapisan (Melaka) Sdn Bhd
- PETRONAS Gas Berhad – Centralised Utility Facilities (CUF), Kertih
- PETRONAS Gas Berhad – Export Terminal

Gold (Class I)

- PETRONAS Carigali Sdn Bhd – Sabah Gas Terminal
- PETRONAS Gas Berhad – Gas Processing Plant Complex A

Gold (Class II)

- PETRONAS Carigali Sdn Bhd – Labuan Gas Terminal
- PETRONAS Gas Berhad – Pasir Gudang Regional Operations Office



Chemical Industries Council of Malaysia (CICM) Responsible Care Awards 2010

CICM is the governing body representing the various sub-sector chemical groups ranging from oleochemicals, paints, fertilisers, petrochemicals, agriculture chemicals, industrial gases, coating resins and biodiesel sectors. The CICM Responsible Care Awards, introduced in 2001, recognise organisations that have made the most significant and measurable progress in implementing Responsible Care's Six Codes of Management Practices in Malaysia. The Codes encompass Distribution, Process Safety, Pollution Prevention, Product Stewardship, Community Awareness & Emergency Response as well as Employee Health & Safety.

Category – Petrochemicals

Gold Award

Product Stewardship

- MTBE/Polypropylene Malaysia Sdn Bhd
- Ethylene/Polyethylene Malaysia Sdn Bhd

Community Awareness & Emergency Response

- MTBE/Polypropylene Malaysia Sdn Bhd

Process Safety

- OPTIMAL Chemicals (Malaysia) Sdn Bhd
- Ethylene/Polyethylene Malaysia Sdn Bhd

Distribution

- Ethylene/Polyethylene Malaysia Sdn Bhd

Employee Health and Safety

- PETRONAS Penapisan (Melaka) Sdn Bhd

Silver Award

Distribution

- OPTIMAL Chemicals (Malaysia) Sdn Bhd

Employee Health and Safety

- Ethylene/Polyethylene Malaysia Sdn Bhd

Community Awareness & Emergency Response

- PETRONAS Fertilizer (Kedah) Sdn Bhd

Pollution Prevention Code

- BASF PETRONAS Chemicals Sdn Bhd

Process Safety

- BASF PETRONAS Chemicals Sdn Bhd

Product Stewardship

- BASF PETRONAS Chemicals Sdn Bhd

Merit Award

Community Awareness & Emergency Response

- PETRONAS Ammonia Sdn Bhd
- OPTIMAL Chemicals (Malaysia) Sdn Bhd
- Ethylene/Polyethylene Malaysia Sdn Bhd
- PETRONAS Penapisan (Melaka) Sdn Bhd
- Petlin (Malaysia) Sdn Bhd

Pollution Prevention

- PETRONAS Ammonia Sdn Bhd
- Aromatics Malaysia Sdn Bhd
- MTBE/Polypropylene Malaysia Sdn Bhd
- Petlin (Malaysia) Sdn Bhd
- OPTIMAL Chemicals (Malaysia) Sdn Bhd
- Ethylene/Polyethylene Malaysia Sdn Bhd
- PETRONAS Fertilizer (Kedah) Sdn Bhd
- PETRONAS Penapisan (Terengganu) Sdn Bhd

Process Safety

- PETRONAS Ammonia Sdn Bhd
- Aromatics Malaysia Sdn Bhd
- MTBE/Polypropylene Malaysia Sdn Bhd
- Petlin (Malaysia) Sdn Bhd
- PETRONAS Fertilizer (Kedah) Sdn Bhd
- PETRONAS Penapisan (Melaka) Sdn Bhd
- PETRONAS Penapisan (Terengganu) Sdn Bhd

Employee Health & Safety

- Aromatics Malaysia Sdn Bhd
- MTBE/Polypropylene Malaysia Sdn Bhd
- Petlin (Malaysia) Sdn Bhd
- OPTIMAL Chemicals (Malaysia) Sdn Bhd
- BASF PETRONAS Chemicals Sdn Bhd
- PETRONAS Ammonia Sdn Bhd
- PETRONAS Penapisan (Terengganu) Sdn Bhd
- PETRONAS Fertilizer (Kedah) Sdn Bhd

Product Stewardship

- Petlin (Malaysia) Sdn Bhd
- PETRONAS Penapisan (Melaka) Sdn Bhd

Distribution

- Petlin (Malaysia) Sdn Bhd



National Council for Occupational Safety and Health (NCOSH) Excellence Award

The Award is an initiative by the NCOSH, Ministry of Human Resources to give recognition to organisations, employers and employees in various sectors in the industry that achieved excellence in managing safety and health systems in their workplace.

Category - Petroleum/Gas/Chemicals

- PETRONAS Ammonia Sdn Bhd

Category - Power Facility

- PETRONAS Gas Berhad – Centralised Utility Facilities (CUF), Gebeng

Category - Gas Facility

- PETRONAS Gas Berhad – Negeri Sembilan

Category - Property

- KLCC Urusharta Sdn Bhd (PETRONAS Twin Towers)



Malaysian Occupational Safety and Health Professionals' Association (MOSHPA) Awards

The MOSHPA Awards recognise the outstanding achievements of companies in the field of Occupational Safety and Health in improving safety at the workplace. The awards encourage the implementation and improvement of strategies in managing Occupational Safety and Health.

Occupational Safety and Health Award for Project Management and Consultancy

- KLCC Projek Sdn Bhd

Turnaround and Project (TANP) 2011

Recognition

PETRONAS Penapisan (Terengganu) Sdn Bhd successfully recorded the biggest turnaround exercise in history (more than 700,000 safe manhours) without any major incidents, in addition to completing it ahead of schedule while registering a final budget of 13% below the initial cost.

Solomon Benchmarking Result

Recognition

For 2010 Solomon Benchmarking, both PETRONAS Penapisan (Melaka) Sdn Bhd and Malaysian Refining Company Sdn Bhd achieved top quartile performance in TCOE & Mechanical Availability. Both plants also achieved better rating for Energy Intensity Index, Maintenance Index and Personnel Index compared to their 2008 results.

CLIMATE CHANGE & ENVIRONMENT

AREAS DISCUSSED IN THIS SECTION

- **Natural Resource Use**
- **Climate Change**
- **Biodiversity**
- **Environment**

HIGHLIGHTS

2.7 million mmBtu

Energy savings achieved in Downstream and Gas & Power businesses

170 NGV outlets

Number of Natural Gas Vehicles (NGV) outlets in Malaysia

685 kWp

The capacity of Malaysia's largest solar photovoltaic installation on a shopping mall rooftop

PETRONAS considers environmental stewardship in all its business activities including biodiversity, natural resource use and emissions. Its focus areas are reduction of footprint such as greenhouse gas (GHG) emissions and fresh water withdrawal. PETRONAS is assessing its performance and strengthening processes across the lifecycle of its business activities. This is to meet internal environmental goals and support responsible actions as well as conservation initiatives at its areas of operations. Working groups are assessing opportunities across the various businesses.

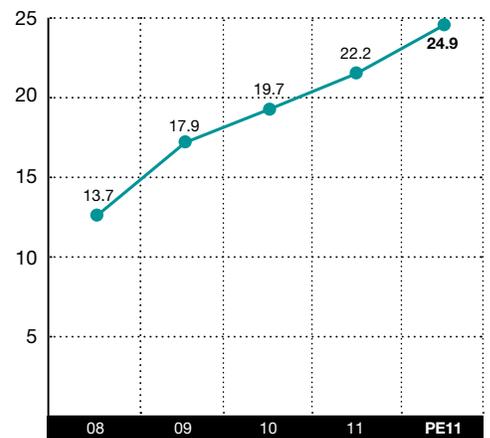


CLIMATE CHANGE

CUMULATIVE ENERGY SAVINGS IN MALAYSIA'S DOWNSTREAM AND GAS & POWER BUSINESSES

Efficient use of energy helps to reduce carbon emissions and lowers energy cost. PETRONAS operating units continue to achieve energy savings resulting in lower resource consumption and GHG emissions in the period under review. These savings were realised through long-term initiatives such as Strategic Energy Review and Energy Loss Management (ELM). PETRONAS achieved energy savings of 2.7 million mmBtu in its Downstream and Gas & Power businesses, bringing the cumulative energy savings total to 24.9 million mmBtu since Financial Year 2007.

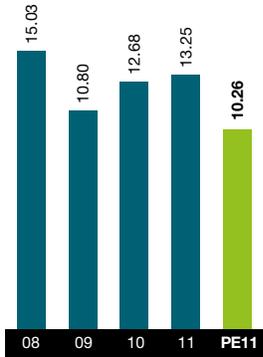
Cumulative Energy Savings in Domestic Downstream and Gas & Power Operations
In million mmBtu



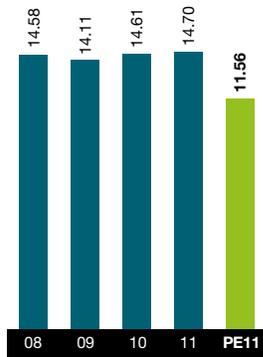
GHG EMISSIONS

PETRONAS' total Scope 1 and Scope 2 GHG emissions for its operations in Malaysia was 31.48 million tonnes of CO₂ equivalent. The Company is working towards reporting the GHG emissions for its operations outside Malaysia, and getting all emissions data externally verified. PETRONAS will report Scope 1 and Scope 2 GHG emissions according to the GHG Protocol next year.

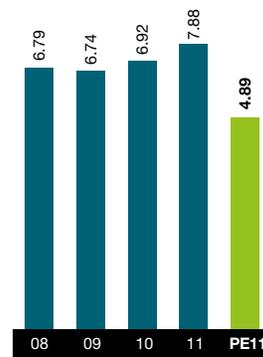
E&P
(million tonnes of CO₂e)



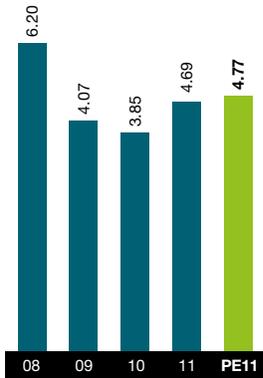
Gas & Power
(million tonnes of CO₂e)



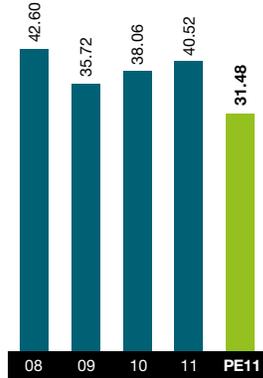
Downstream
(million tonnes of CO₂e)



MISC Bhd
(million tonnes of CO₂e)



Total
(million tonnes of CO₂e)



I SAVE FUEL PROGRAMME

The "I Save Fuel" Programme was implemented by MISC Bhd to monitor and reduce fuel consumption. This included to monitor and reduce CO₂ emissions by fleet vessels in operation. During the period under review, MISC saved 4.52% of fuel equivalent to 28,457 metric tonnes (MT) and achieved emissions reduction of 89,070 MT of CO₂. MISC invested substantially in Green Technology to enhance energy savings and emission reductions. This has contributed in fuel savings above by 0.21% or a reduction in the emission of 4,103 MT of CO₂.

ENERGY EFFICIENCY OPERATIONAL INDICATORS (EEOIs)

During the year under review, MISC further improved in ascertaining EEOIs for fleet vessels in operation in accordance to updated IMO MEPC Guidelines. EEOIs were developed by the International Maritime Organisation (IMO) Marine Environment Protection Committee (MEPC) to evaluate the performance of their fleet with regard to CO₂ emissions in an effort to reduce GHG emissions from international shipping operations.

For MISC ships in operation, EEOIs are generally lower when compared against other fleets worldwide. A lower EEOI value indicates a more efficient ship, registering lower average CO₂ emissions per ton of cargo carried per nautical mile.



RENEWABLE ENERGY

PETRONAS is exploring sources of energy from alternative or renewable sources such as solar to help meet growing energy demand. PETRONAS, through wholly-owned subsidiary PETRONAS Power Sdn Bhd (PPSB), secured a 10.02MWp (mega watt-peak) of Feed-in-Tariff (FiT) quota from the Sustainable Energy Development Authority (SEDA) in Malaysia. The allocated FiT quota will allow the development of PETRONAS' first Solar Independent Power Producer project, which is expected to be completed fully by the first quarter of 2014.



SURIA KLCC SOLAR PHOTOVOLTAIC DEMONSTRATION

PETRONAS embarked on a Solar Photovoltaic (PV) demonstration with Mitsubishi Corporation during the period under review. The Solar PV Demonstration Project is aimed at developing the project management and technical capabilities for the implementation of a PV system in PETRONAS. This is realised by having first-hand experience while executing the project as this is the first solar project for PETRONAS. This project also provides better understanding and clarity in policies adopted by regulating bodies with regards to energy generation from solar PV.

The solar panels were installed on the rooftop of Suria KLCC shopping complex, a well-known and recognisable landmark in Kuala Lumpur. Unlike many other solar

installations around the world, where solar panels are conventionally arranged in rows, the solar panels on Suria KLCC rooftop are aesthetically unique by incorporating Islamic architectural and traditional songket elements that are in harmony with existing architecture of the PETRONAS Twin Towers. The interesting motif is visible from the PETRONAS Twin Towers, its Skybridge and from surrounding buildings.

The project will provide data in terms of solar energy application and performance in Malaysia's climatic condition. The performance data will be valuable to facilitate potential future installations in PETRONAS. With the capacity of 685 kWp, the Solar PV Demonstration Project is Malaysia's largest PV installation on the rooftop of a shopping mall. The clean energy generated from the system will contribute to carbon emission reduction

by approximately 300,000 kg CO₂/year. The electricity to be produced is able to power up 200 households.

Efforts are also undertaken by the Solar Project Team to catalyse Solar PV for PETRONAS in order to explore further opportunities in renewable energy that will offer greater synergy and value to PETRONAS' existing core business.

The Suria KLCC Solar Photovoltaic project is earmarked for completion in 2012.

ENVIRONMENT

PHYTO-REMEDICATION FOR LAND TREATMENT

PETRONAS commenced soil remediation for the decommissioning of its two land treatment facilities at PETRONAS Penapisan (Melaka) Sdn Bhd (PP(M)SB) in 2008. Using pioneering phyto-remediation, plants containing rhizospheric microorganisms were used to treat soils at our facilities. The three-year project was a joint collaboration between PP(M)SB and PETRONAS Research Sdn Bhd (PRSB). It was successfully completed in the period under review.

DEVELOPMENT OF PRODUCT CARBON FOOTPRINT

PETRONAS developed preliminary product carbon footprint (CFP) data based on life cycle methodology for several key products namely, composite crude oil, natural gas, Methyl Tertiary Butyl Ether (MTBE) and Propylene. The CFP of these products provided fundamental input for the computation of other products' CFP. The outcome of this carbon life cycle inventory assessment will be used to reduce the carbon footprints of the products. This is another effort by PETRONAS in working towards achieving low carbon operations.

OIL SPILL RESPONSE AND PREPAREDNESS

In pursuit of becoming a Centre of Excellence for Oil Spill Response, PETRONAS actively participated in various engagements, domestically and internationally. In Malaysia, PETRONAS led the local Production Sharing Contractors (PSC) Oil Spill Response Task

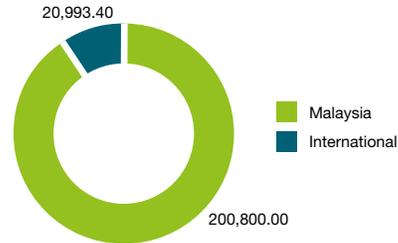
Force. Through this task force, PETRONAS played a key role in streamlining the technical aspects of oil spill response including standardising oil spill response capability calculation.

HELPING CONSUMERS LOWER VEHICLE EMISSIONS THROUGH NATURAL GAS FOR VEHICLES (NGV)

PETRONAS made NGV commercially available since 1992. The use of NGV enables consumers to lower their carbon footprint through use of cleaner fuel for their vehicles. The use of NGV also contributes to better air quality, particularly in congested urban areas in Malaysia. In the period under review, there were 170 NGV outlets in Malaysia.

FRESHWATER WITHDRAWAL

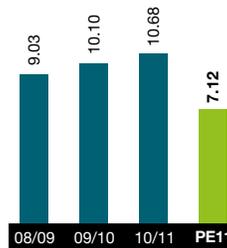
E&P*
(in m³)



***Note:**

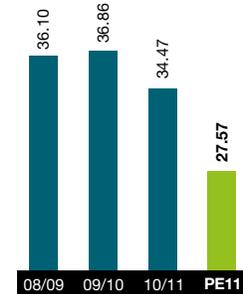
- Reporting began in the period under review and covers PETRONAS Carigali-operated blocks

Gas & Power*
(million m³)

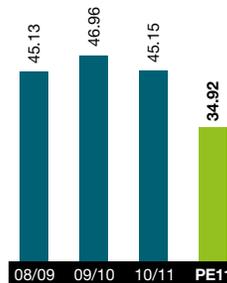


***Note:** Data for MLNG and PGB (CUF, GPPA&B)

Downstream
(million m³)



Total Freshwater Withdrawal
(million m³)



WATER CONSERVATION INITIATIVES AT PP(M)SB

PETRONAS Penapisan (Melaka) Sdn Bhd (PP(M)SB), has been active in its water conservation efforts.

During the period under review, PP(M)SB used about four million m³ of fresh water. The water conservation efforts contributed to total savings of 1.05 million m³ in the period under review, since its implementation.

CARE FOR WATER PROGRAMME

The Balok River Environmental Initiative (BREI) was established in 2008 through public-private collaboration at the Gebeng Industrial Area.

It is part of the PETRONAS Chemicals Group Berhad (PCG)'s efforts to contribute towards sustainable environmental conservation at its areas of operation, and is in line with Responsible Care initiatives.

The Care for Water Programme is an initiative under BREI, organised by PETRONAS Chemicals MTBE Sdn Bhd (formerly known as MTBE Malaysia Sdn Bhd), a subsidiary of PCG. The objective of the programme is to instill awareness among participants of the value of clean water and the role that rivers play for the benefit on people as well as the environment. The Programme aims to benefit communities through a healthier and cleaner environment, including by enhancing the river ecosystem to encourage a thriving fish population that will increase fishing yield.

BIODIVERSITY

MARINE CONSERVATION AT PULAU BIDONG, TERENGGANU

PETRONAS Carigali - Peninsular Malaysia Operations (PMO), in collaboration with Universiti Malaysia Terengganu (UMT), conducted its Biodiversity Programme in Pulau Bidong from July 2010 to July 2011. The main objective of the programme was to assist in the enhancement of coral reef conservation around Pulau Bidong, support scientific research on marine environment and gain baseline data on marine water quality where PETRONAS Carigali operates. As part of the programme, baseline studies of the coral reef and the marine environment were conducted. Marine scientific data for the conservation and preservation of the areas surrounding Pulau Bidong will be prepared. A total of 15 scientific studies covering water quality, sedimentation, coral reef, sea current and plankton were carried out.

QUANTIFICATION OF CARBON STOCKS AT SELECTED PETRONAS LOCATIONS

PETRONAS in partnership with the Forest Research Institute Malaysia (FRIM) completed a quantification of carbon stocks and timber value at five sites including Universiti Teknologi PETRONAS (UTP) at Tronoh, Perak and the KLCC Park, which is adjacent to the PETRONAS Twin Towers in Kuala Lumpur. The study was commissioned as part of the Company's conservation efforts at its sites and the total carbon stock (the amount of carbon stored in the vegetation) estimated at all five locations around Malaysia was 64,220 tonnes, covering a total area of 627.97 hectares.



» **MARINE CONSERVATION AT PULAU BIDONG**
Conducted to support coral reef conservation and scientific research

This project commissioned by PETRONAS is a pivotal effort by the private sector in recognising the importance of conserving forests to sequester and reduce carbon emissions, thereby combating global warming and climate change. Such positive contribution in conserving forests is in line with global recognition that reducing emissions from deforestation and degradation is vital in mitigating the negative effects of climate change. It is hoped that the efforts by PETRONAS would inspire other private sector agencies to get involved in forest conservation and rehabilitation efforts, and reduce carbon dioxide emissions.

FRIM Project Team

AWARDS

Green Certification Award

MISC Bhd received the ‘Green Certification Award’ from the Green Award Foundation for its commitment and dedication towards high safety and environmental standards. A Green Award was also extended to MISC’s LNG Carrier, Seri Balhaf, which became the second LNG carrier in the world to be certified with the Green Award.

The Green Award Foundation is a non-profit foundation incorporated in Netherlands and its membership includes industry bodies. MISC’s Petroleum fleet has been accredited with the foundation since 2005. The awards acknowledges the successful voluntary strategic initiative that was first conceived by MISC’s Fleet Management Services Unit (FMS) in 2009 and implemented with the full support

of both the LNG as well as Chemical Business Units.

The process of obtaining this certification involved comprehensive audits covering a broad aspect of leadership, environmental focus, crew training and development, vessel maintenance and health and safety aspects. A B class MISC LNG carrier and three A class MISC Chemical tankers were successfully audited. They are now in the process of obtaining their Green Award Certifications.

Ships that are Green Award certified reap various financial and non-financial benefits. These include receiving a considerable reduction on port tariffs at ports in Belgium, Canada, Netherlands, Oman, New Zealand,

Portugal and South Africa. Increasingly, other ports in the Asian region are also beginning to show support to this initiative such as Singapore and Hong Kong.



» **SERI BALHAF**
the second LNG vessel in the world to be Green Award certified



Prime Minister’s Hibiscus Award

The Prime Minister’s Hibiscus Award is the premier private sector environmental award for businesses and industries in Malaysia.

The Award is jointly organised by four of Malaysia’s leading private sector non-profit organisations concerned with corporate environmental management and performance, namely Business Council for Sustainability and Responsibility Malaysia (BCSRM), Environmental Management & Research Association of Malaysia (ENSEARCH), Federation of Malaysian Manufacturers (FMM) and Malaysian International Chamber of Commerce & Industry (MICCI).

Exceptional Achievement in Environmental Performance

- PETRONAS Carigali Sdn Bhd - Onshore Gas Terminal

Notable Achievement in Environmental Performance

- Aromatics Malaysia Sdn Bhd
- MTBE/Polypropylene Malaysia Sdn Bhd
- Petlin (Malaysia) Sdn Bhd
- PETRONAS Carigali Sdn Bhd - Onshore Gas Terminal
- PETRONAS Penapisan (Melaka) Sdn Bhd
- PETRONAS Penapisan (Terengganu) Sdn Bhd

Melaka State Award

- PETRONAS Penapisan (Melaka) Sdn Bhd

Terengganu State Award

- PETRONAS Carigali Sdn Bhd - Onshore Gas Terminal

Challenge Trophy

- PETRONAS Carigali Sdn Bhd - Onshore Gas Terminal

SOCIETY

AREAS DISCUSSED IN THIS SECTION

- **Governance**
- **Talent Management**
- **Capability Development**
- **Community Investment**
- **Local Content**

HIGHLIGHTS

27% women

Female employees across PETRONAS Group

PETRONAS continues to place importance on balancing its business objectives with societal needs and concerns in all our areas of operation. It is cognisant of stakeholder expectations, including those of host governments, financial institutions, partners, employees, communities and others.

As a global corporation, PETRONAS recognises and respects the rights of individuals as well as communities.

It continues to develop its multinational workforce, and assess its societal practices as well as community programmes to ensure its relevance in supporting its business objectives while contributing to the local communities where it operates.



DOING BUSINESS RESPONSIBLY
STATEMENT ON ANTI-CORRUPTION

PETRONAS is committed to high ethical standards and applicable anti-corruption laws of the relevant jurisdictions. The PETRONAS Code of Conduct and Business Ethics, among others, expressly prohibits the giving and accepting of bribes by PETRONAS employees. This is in line with PETRONAS' core

values, business principles and various internal policies which reflect its focus on making ethics and anti-corruption an integral part of PETRONAS' business operations.

PETRONAS' management is committed to communicating the vital importance of strong ethics and anti-corruption practices to all levels of the Company. The signing of the Corporate Integrity Pledge further underpins PETRONAS' commitment

towards addressing and prohibiting bribery and corruption.

CODE OF CONDUCT AND BUSINESS ETHICS

PETRONAS' Corporate Governance & International Compliance Unit, Legal Division launched a series of governance programmes to further enhance the application of governance standards across the Group in line with best global practices. These efforts include the revision

of the PETRONAS Code of Conduct and Discipline (renamed as PETRONAS Code of Conduct and Business Ethics) and the adoption of a Whistle-blowing Policy, together with training on competition law compliance in light of the coming into force of the Malaysian Competition Act 2010.

BUSINESS ETHICS

In line with PETRONAS' core values, business principles and various internal policies which

reflect the continuous focus on making ethics and anti-corruption an integral part of PETRONAS' business operations, we adopted new policies on gifts and entertainment. The Company made enhancements to its Code of Conduct and Discipline to accommodate the development of local and international laws as well as customs which helped to promote strong ownership in relation to compliance and ethics, at all levels.

PETRONAS PEOPLE

Employees are a key stakeholder and contribute significantly to achieving the sustainability objectives of an organisation through their skills and capabilities. PETRONAS' success is a result of the talent and commitment from its workforce. The Company strives to create working environment that encourages high performance and talent development. To this end, it has improved related processes and talent development programmes to encourage growth and a pursuit of excellence among employees.

As a global and diversified business entity, PETRONAS continuously focusses on attracting, developing and retaining its talents. In the period under review, PETRONAS has decentralised talent sourcing to enable the respective Business Units to act independently as recruiting centres that enable timely, effective, and accurate sourcing of talent that suit their specific business needs.

To further support its international business operations, it has enhanced the remuneration package for international assignments in line with the global market practices and will ensure that it continues to remain competitive globally.

PETRONAS places great emphasis on succession planning to identify future leaders to fill critical positions, and through aggressive succession planning exercises, it has seen an increase in the ratio of leaders to the critical positions.

Strategic collaborations with business partners have also enabled PETRONAS employees to participate in staff exchange programmes that enhance employee capability through knowledge exchange.

In shaping a new way of managing the Company's human resources, PETRONAS rolled out initiatives

to improve the efficiency and effectiveness of managing its workforce. This includes the technological and administrative infrastructure of Project Sapphire, a key component of the Enhanced HR Operating Model. Project Sapphire is an innovative global integrated system, which allow efficient and seamless data reconciliation, ensuring superior management in global talent sourcing and sophisticated management of a global workforce. This shifts HR's role from transactions and administration to strategy formulation, in line with HR's role of becoming a strategic partner and enabler to the business.



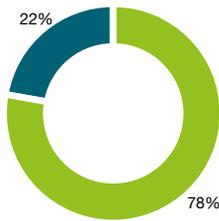
WORKFORCE DATA



Total Number of Employees Groupwide

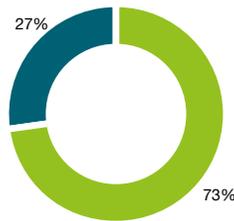
TOTAL	43,266
-------	--------

Malaysian and Non-Malaysian Employees



■ Malaysian ■ Non-Malaysian

Male vs Female



■ Male ■ Female

Number of Employees Below 35 Years and Above 35 Years



■ Below 35 years ■ Above 35 years

Number of Staff Under Collective Bargaining Agreements

TOTAL	11,973
-------	--------

Percentage of Host Country Nationals (HCN) and Malaysians in Selected Countries

Country	Percentage of HCN	Percentage of Malaysians	Percentage of other nationals	No. of Employees
Egypt	58.33%	36.11%	5.56%	36
Indonesia	92.39%	7.61%	0.00%	184
Myanmar	93.08%	6.92%	0.00%	260
Sudan	85.47%	14.36%	0.17%	592
Vietnam	89.18%	10.31%	0.52%	388
Malaysia	95.74%	-	4.26%	34,671
Turkmenistan	77.44%	18.99%	3.57%	616



GRADUATE EMPLOYABILITY ENHANCEMENT SCHEME

Capability and skills development is central to the development of human capital necessary for economic and industry growth. PETRONAS plays an active role to contribute towards the development of new graduates coming into the workforce in Malaysia through the Graduate Employability Enhancement Scheme (GEES), which is a partnership between the Malaysian Government and the Corporation. GEES, an eight-month programme, aims to improve the marketability and employability of fresh graduates through the development of their soft skills as well as provide experiential learning. Graduates who excelled in their studies but were unemployed between six months to a year qualified for GEES. This programme is under the Malaysian Government’s Skim Latihan 1Malaysia (1Malaysia Training Scheme).



DEVELOPING HIGHLY SKILLED & COMPETENT WORKFORCE THROUGH EDUCATION & LEARNING

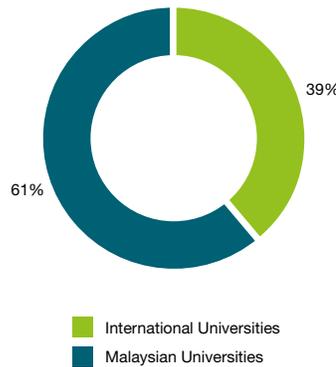
Recognising the value of education and human capability development to ensure long-term growth as well as sustainability, PETRONAS continues to invest in education and learning efforts to contribute towards the development of human capital. PETRONAS’ investment in education has developed talent for the Company and for the needs of countries of operations.

Education Transformation initiative continues in line with the Company’s aspiration to become the Regional Education and Learning Hub for the Oil & Gas Industry that focus on three key dimension, namely industry engagements, academic positioning and research as well as development (R&D) stewardship.

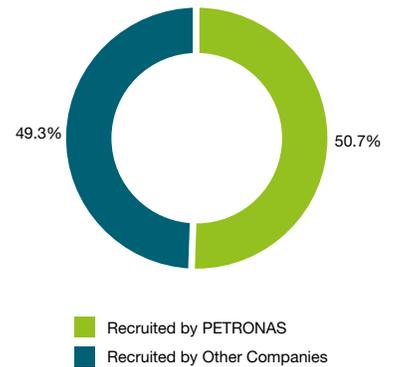
The Corporation’s Learning Institutions are now focusing on their respective niche areas in support of their respective aspirations:

- **Universiti Teknologi PETRONAS (UTP)** – An Internationally Recognised Research University
- **PETRONAS Leadership Centre (PLC)** – A Leadership Centre that Transforms Leaders
- **Institut Teknologi Petroleum PETRONAS (INSTEP)** – A Centre of Technical Excellence
- **Akademi Laut Malaysia (ALAM)** – A Centre of Excellence for Maritime Education and Training

Scholarships Awarded



PETRONAS Scholars Recruitment



In the period under review, 257 students were sponsored to study at institutions of higher learning.

A total of 99 scholarships were provided for students to pursue higher education at international universities while 158 scholarships were awarded to students to study at Malaysian universities.

TECHNICAL TRAINING INSTITUTES

PETRONAS has been developing youth all over Malaysia through its collaboration with 15 local technical training institutions since

1992. Thus far, the collaborations have produced over 6000 skilled youth, and provided them with the opportunity to join the skilled workforce in the various industries domestically and internationally.

KIMANIS TRAINING CENTRE (KTC)

Capability building is an important aspect of PETRONAS' community development programmes. The Kimanis Training Centre (KTC), which is located 65km from Kota Kinabalu, the state capital of Sabah, Malaysia, is part of the Company's continued effort to help

develop a skilled workforce required for the growth of the oil and gas industry.

Full time training on industrial instrumentation and control concentrates on developing youth to enable them to participate in the oil and gas industry.



» **Kimanis Petroleum Training Centre (KTC)**
 Developing capability of youth to enable them to participate in the oil and gas industry

COMMUNITY DEVELOPMENT



YETAGUN SOCIO-ECONOMIC DEVELOPMENT PROGRAMME

Education, Health and Computer Training are focus areas at the Yetagun Socio-Economic Development Programme in Myanmar. The programme continues to successfully contribute to the development and community wellbeing in the areas of our operations. Successful initiatives conducted include Early Childhood Care and Development (ECCD), Reproductive Health and educational support programmes.

"With facilities such as libraries, the youth now spend spare time reading which encourage positive development. Before this, their spare time was spent without doing anything. Now, because of Yetagun Socio-Economic Development support programmes, not only our village, but all villages involved are developed. If the rest of the villages would copy and act like these areas, our region as well as the whole country would benefit."

Phyo Wai Lwin, SitPyai Village



» INTERACTING WITH THE COMMUNITY

The Garraf Mobile Healthcare Services programme provides the opportunity to share with the community information on other topics of interest such as the environment

MOBILE HEALTHCARE FACILITIES IN GARRAF

Access to healthcare facilities is one of the key community concerns in Garraf, Iraq, where PETRONAS recently commenced its upstream operations. In the period under review, our Iraq operations established a Garraf Mobile Healthcare Services programme, which provided services to more than 600 people over the course of three visits. The mobile clinic visits also provided an opportunity for PETRONAS personnel to interact with the local community and share information with them on other topics of interest. For example, at an engagement at a school at Qala'at Sukar on 24 July 2011, 65 children enjoyed an interactive session on various environmental topics such as water conservation. The mobile clinic visits will continue to be an integral part of PETRONAS' community building efforts in the Garraf region.



VIETNAM

PETRONAS celebrated its 20 years anniversary in Vietnam during the period under review, a journey of mutual growth and progress for both the Company and the developing nation. PETRONAS has actively contributed to the progress of Vietnam’s oil and gas industry through local content development and support. From 2000 to 2011, local vendors provided services and equipment constituted nearly 60% of total vendors contracts. PETRONAS is continuing to support vendor development in contributing towards the advancement of local capabilities as well as competitiveness for the benefit of Vietnam’s oil and gas industry.

“We have journeyed with PETRONAS since the late 1980s including the pioneers who have paved the way for good cooperation between both companies. I am looking forward to another 20 years of cooperation, and for the relationship to grow from strength to strength”

**Dr Do Van Hau, President & CEO,
PETROVIETNAM**

OUR APPROACH TO REPORTING

Our sustainability reporting is guided by the International Petroleum Industry Environmental Conservation Association/American Petroleum Institute (IPIECA/API) Oil and Gas Industry Guidance on Voluntary Sustainability Reporting 2nd Edition, 2010. This index is also cross-referenced with the Global Reporting Initiative (GRI) indicators defined in the Sustainability Reporting Guidelines, Version 3.1.

PETRONAS SUSTAINABILITY REPORT: IPIECA/API AND GRI INDEX

Section	IPIECA	GRI	Where Reported (page)
Corporate Statements		Profile Disclosure: Strategy and analysis	5
Key Sustainability Indicators and 5-Year Financial Highlights	E1, E2, E8, HS3, SE4, SE13, SE15, SE17	EC1, EN5, EN16, LA1, LA7, LA10, EN23	10
About This Report and Sustainability and PETRONAS		Profile Disclosure: Strategy and analysis	14
Safety and Health:			
Approach		DMA	16
Safety Performance	HS3, HS5	LA7	17
Process Safety	HS5, E8	EN23	17
Health	HS2	LA8	18
Product Stewardship	HS4		19
Climate Change and Environment:			
Approach		DMA	24
Climate Change		DMA	25
Greenhouse Gas Emissions	E1, E4	EN16, EN18	25 - 26
Energy Savings	E2	EN5, EN7	27
Environment		DMA	28
Alternative Energy	E3		28
Water	E6	EN8, EN10	29
Biodiversity	E5	EN13, EN14	30
Corporate Governance and Society:			
Approach		DMA	32
PETRONAS People	SE6, SE11, SE15, SE16, SE18	EC7, LA1, LA2, LA3, LA4, LA10, LA11, LA12, LA13, SO4	33 - 35
Community Engagements	SE1, SE2	SO9, SO10	35
Community Programmes	SE4		35
Local Content	SE5, SE7	EC6	37

Petroleum Nasional Berhad (Company No. 20076-K)

Registered Office: Tower 1, PETRONAS Twin Towers,
Kuala Lumpur City Centre, 50088 Kuala Lumpur Malaysia

T +603 2051 5000

F +603 2026 5050

www.petronas.com

