

Retail-Fuel



NORAZLAN SUBAHA
 Head,
 Retail-Fuel Division

2022 has been a milestone year, with PDB recording our highest ever Retail-Fuel volume. This was achieved amidst a challenging post-pandemic market by leveraging the strengths of our 1,000+ stations and dealers, world-class fuel product offerings, innovative digital solutions and strong bonds with our communities. We have continued to put our customers at the centre of everything we do, launching our signature loyalty campaign "Mesra Bonanza Lagi Onz!" while implementing various safety and operational excellence initiatives to enhance the overall customer experience. Our efforts were rewarded with our highest NPS score in 2022, and 5-star cleanliness ratings by the local councils. On the sustainability front, we redoubled our efforts to support PETRONAS' Sustainability agenda by adding more stations with EV fast-charging facilities, solar panels and launched the PotAPlant campaign in conjunction with World Earth Day.



WHO WE ARE AND WHAT WE DO

Through our Retail-Fuel Business, we offer fuel products and services to consumers via a network of more than 1,000 PETRONAS stations across Malaysia.

- Fuel products comprise premium products developed in partnership with the Mercedes-AMG PETRONAS Formula One™ team. These include: PETRONAS Primax 97 with Pro-Race, PETRONAS Primax 95 with Pro-Drive, PETRONAS Dynamic Diesel Euro 5 with Pro-Drive (B7), PETRONAS Dynamic Diesel Euro 5 with Pro-Drive (B10) and PETRONAS Dynamic Diesel Euro 5 with Pro-Drive (B20).
- Majority of PETRONAS stations are operated by *Rakan Niaga*, who are appointed through a stringent selection process and provided with continuous training. Retail-Fuel Business manages PETRONAS stations via three categories of dealerships – Company-Owned, Dealer-Operated (CODO); Dealer-Owned, Dealer-Operated (DODO); and the recently launched Company-Owned, Company-Operated (COCO).

Key Focus Areas

- Fuel branding**
Strengthen our brand and product quality
- Marketing programme**
Integrated programmes targeting key customer segments
- Customer experience**
Seamless and frictionless
- Safety**
Provide a safe environment for our extended community

Value Created by Business Segment

- Quality**
World-class quality fuel solutions for our customers
- Innovation**
Seamless and frictionless customer experience leveraging digital technology
- Value Proposition**
Superior financial returns through effective cost management and strategic investments

Performance Review

	Key Initiatives	Achievements
Value	<ul style="list-style-type: none"> Expansion of Retail-Fuel network Targeted marketing campaigns Engaged 3rd party to conduct customer's assessment on PETRONAS stations Introduced Triple C challenge at all stations nationwide to elevate station cleanliness, customer service and compliance Digitalised end-to-end station operations, from compliance to administration to sales 	<ul style="list-style-type: none"> Operationalised 10 new PETRONAS stations Launched <i>Mesra Bonanza Lagi Onz! 2022</i> campaign that helped strengthen customer engagement and loyalty with exclusive deals and prizes which generated significant social media engagement, increased customer transactions for Retail-Fuel and drove business growth Achieved highest Net Promoter Score in 2022 Received multiple awards, Qiblat certification and recognition from local authorities for station facilities Launched TipTop Enterprise App (TEA) providing dealers and sales teams a holistic view of station operations, thus enhancing their ability to manage operations seamlessly
Growth	<ul style="list-style-type: none"> Expansion of Retail-Fuel business model 	<ul style="list-style-type: none"> Operationalised one COCO station
Sustainability	<ul style="list-style-type: none"> Support PETRONAS' sustainability agenda Collaboration with PDRM on Go-To-Safety-Point (GTSP) refresher programme 	<ul style="list-style-type: none"> Installed solar panels at 6 PETRONAS stations Launched first EV charging hub at PETRONAS station Bandar Baru Ayer Hitam, Johor Distributed more than 22,000 plants to customers using recycled materials at PETRONAS stations nationwide via the PotAPlant project in conjunction with World Earth Day All PETRONAS stations nationwide equipped with emergency assistance to ensure public feel safe when entering PETRONAS stations

Challenges and Our Response

Challenge	Our Response
Intense competition in a mature market	<ul style="list-style-type: none"> Leveraged targeted marketing campaigns such as <i>Mesra Bonanza Lagi Onz!</i> to maintain customer loyalty
Maintaining consistency in efficient services and an energising environment for an excellent customer experience at our stations	<ul style="list-style-type: none"> Continuous nationwide station upgrading with priority on HSE Introduction of Retail Operational Excellence Assurance (ROXA) and Triple C to assess and elevate standard of PETRONAS station operations
Unprecedented post-pandemic high demand	<ul style="list-style-type: none"> Supply and distribution readiness with additional road tankers to ensure uninterrupted product supply at our stations

OUTLOOK

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 and branding while enhancing the customer experience at PETRONAS stations with reliable facilities and attractive lifestyle-based offerings all delivered at a consistently high level of service. Our products and services will be supported by our customer loyalty programme as well as a growing e-commerce and digital presence.

Commercial



RAMZULHAKIM RAMLI
 Head,
 Commercial Business Division

As Malaysia transitioned to COVID-19 endemicity along with the full resumption of economic activities, Commercial Business leveraged increasing demand for its products via effective turnaround strategy to strengthen our foothold in high-value market segments.

While focused on maximising sales, however, we did not lose sight of the need to maintain prudent credit risk management.



WHO WE ARE AND WHAT WE DO

Commercial Business drives the sales and marketing of bulk fuel products to B2B customers in various economic sectors such as Agriculture, Mining and Quarrying, Manufacturing, Construction, Services, Aviation and Bunker. Our products include Diesel, Aviation Fuels, Fuel Oil, Bitumen, Petroleum Coke, Sulphur, Mogas, Kerosene, Methanol, LNG, SmartPay and Solar.

We are entrusted to deliver value to customers by leveraging our strength of having the biggest nationwide distribution network which includes fuel storage terminals, road tankers and channel partners.

Key Focus Areas

1. Creating value through high value segment
2. Business growth and sustainability anchoring on value creation and synergistic partnerships
3. Leading customers towards cleaner fuel solutions

Value Created by Business Segment

Strategic Partnership

Maintained existing partnerships and developed new ones with key stakeholders to unlock value potential

Quality

Position Commercial Business as fuel solution partner by providing superior products and services to support customers' needs

Cultivate

Develop the capabilities of business partners through win-win collaborations and knowledge-sharing

Business Sustainability

Support the net zero carbon emissions aspiration by continuously providing cleaner energy solutions in B2B segment

Performance Review

	Key Initiatives	Achievements
Value	<ul style="list-style-type: none"> Capitalise on the recovery of aviation market demand upon reopening of domestic and international border Maximising sales to high value and performing market segments such as Agriculture and Construction Strengthened market position and customer base despite challenging market environment Focused on effective risk management whilst maintaining high standards of customer service 	<ul style="list-style-type: none"> Aviation sales revenue grew by approximately 300% Revenue from the agriculture and construction segments increased by approximately 34% and 15% respectively Solidified market leadership by securing more direct customers through offering of competitive pricing with attractive sales package Improved credit risk exposure from customers despite tough business landscape
Growth	<ul style="list-style-type: none"> Embracing PDB brand promise of "Making Your Everyday Life Simpler and Better" by addressing customers' pain points Pursued higher Share of Wallet for common customers with other oil companies via comprehensive offerings Aggressive sales activities in Marine segment to capture new demand 	<ul style="list-style-type: none"> Launch of Cardless PETRONAS SmartPay for prepaid customer Fortified market position through attractive sales package Drove 5% growth in Marine sector via acquisition of new customers
Sustainability	<ul style="list-style-type: none"> Grow clean energy solutions via net zero carbon emission initiatives 	<ul style="list-style-type: none"> Provided SAF to eight flights during the year, whilst securing long-term commitment from key aviation customers from 2024 onwards Accelerated adoption of electric mobility (e-bus), signing Memorandums of Understanding with Gentari Green Mobility and Handal Indah Sdn. Bhd.

Challenges and Our Response

Challenge	Our Response
Volatility in product prices affected profitability	<ul style="list-style-type: none"> Optimised sales to high-value market segments and reviewed customers' pricing mechanisms to improve profitability
Customers' financial positions continued to be affected by impact of the pandemic, limiting their ability to capitalise on market recovery	<ul style="list-style-type: none"> Supported the recovery of key customers through a comprehensive credit limit review

OUTLOOK

Having recovered from a dented performance in 2021, Commercial Business will continue to strengthen our returns from high-margin segments and grow clean energy solutions in tandem with expected domestic growth in 2023.

LPG



ANTON SALLEH HASHIM

Head,
LPG Business Division

The year 2022 saw LPG Business maintain its pole position as the leading retailer and marketer of LPG products. This was achieved by focusing on our growth strategy as we navigate through post-pandemic challenges and widespread uncertainties in the operating environment. While serving targeted customers, we drove our channel partners to enter the underserved market and strengthened operational efficiencies across our vast distribution network.



WHO WE ARE AND WHAT WE DO

We market LPG under the Gas PETRONAS brand, serving the Household, Commercial and Industrial segments. Our products are available in different cylinder sizes namely 12kg and 14kg, which are subsidised for household consumption. The non-subsidised 14kg and 50kg are also available for Commercial demand. We also offer LPG in bulk (requiring storage tanks at customers' premises ranging from 200kg to 32,000kg in size) for industrial customers.

Being a major player in the LPG industry, we have developed an extensive LPG supply and distribution network comprising eight terminals and bottling facilities, more than 300 channel partners and over 550 Gas PETRONAS@Station and Gas PETRONAS@Mini Market. We are committed to continuously enhancing our customer experience through new and innovative sales channels to further solidify our market leadership.

Key Focus Areas

1. Strengthen market leadership in the Household segment
2. Expand our presence in the Commercial segment
3. Drive operational efficiencies

Value Created by Business Segment

Availability

Ensure continuous product availability for domestic usage despite uncertainties and challenging environment while preserving value

Accessibility

Maintained and developed our channel partners to serve quality products nationwide

Performance Review

	Key Initiatives	Achievements
Value	<ul style="list-style-type: none"> Expansion of Gas PETRONAS@Station and Gas PETRONAS@Mini Market Appointment and mobilisation of new dealers to serve the underserved market Intensified our marketing efforts in the Commercial segment 	<ul style="list-style-type: none"> Operationalised 91 Gas PETRONAS@Station and 160 Gas PETRONAS@Mini Market nationwide Maintained overall market leadership in both Household and Commercial segments Successfully secured more than 65 new Commercial customers
Growth	<ul style="list-style-type: none"> Penetrated high-value markets via targeted incentives Embarked on online sales of LPG merchandise as a new revenue stream 	<ul style="list-style-type: none"> Sustained healthy profitability in addition to volume growth of 2% against 2021 Received positive response via PETRONAS Shop for the sale of LPG merchandise such as aprons and kitchen towels
Sustainability	<ul style="list-style-type: none"> Strengthen dealer capabilities through HSE activities/programmes 	<ul style="list-style-type: none"> Over 40 programmes were conducted nationwide to inculcate HSE Generative Culture among our channel partners and end users

Challenges and Our Response

Challenge	Our Response
Full recovery of eateries segment affected by the shortage of foreign workers post-pandemic	<ul style="list-style-type: none"> Diversified into Commercial segment where growth was significantly better
Increase in cost of raw materials due to global logistics disruption	<ul style="list-style-type: none"> Prudent spending to optimise cost while pursuing value-driven strategy
Saturated market with intense competition	<ul style="list-style-type: none"> Maintain agility in product and service offerings, while ensuring supply reliability through our extensive distribution network



OUTLOOK

We remain committed to becoming a customer-centric organisation through trade marketing programmes, whilst remaining optimistic of our prospects in 2023. We are conscious of the uncertainties and challenges that could lead to a rise in the cost of living, dampen customer spending with limited growth in the F&B and tourism sectors.

Lubricant



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

The economic recovery in 2022 was a boost for PETRONAS Lubricants Marketing Malaysia (PLMM), although it was dampened slightly by the increase in the cost of living. Nevertheless, PLMM continues to innovate and improve our operations through valuable insights gained from looking through our customers' lens. Our customer-centric approach enabled us to strengthen partnerships and overall customer satisfaction as we lived up to our promise of Making Your Everyday Life Simpler And Better.



WHO WE ARE AND WHAT WE DO

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 cater for consumers, commercial and industrial consumption. Technology underpins our value proposition, enabling us to deliver and create value for our customers.

Key Focus Areas

- Build Power Brands**
 PETRONAS Syntium, PETRONAS Sprinta and PETRONAS Urania
- Availability and Visibility**
 - Expand our availability in mass market and build PETRONAS AutoExpert via differentiated value proposition and network expansion
 - Drive B2B Industrial Marine Lubricants (IML) focused segment and prospecting OEM accounts
 - Venturing into Digital (social media and e-commerce) aligned with changing consumer needs
- Value Generation**
 - Create value by implementing upselling and cross-selling initiatives while maintaining disciplined revenue management to optimise profitability
- Commercial Excellence**
 - Achieve commercial excellence through category management, route to market optimisation and salesforce effectiveness

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
- Capability**
 Upskilling our people, dealer workshops and key customers on product and technical knowledge
- Business Synergy**
 Offering winning propositions, enabling our partners to grow with us
- 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 a cleaner environment

Performance Review

	Key Initiatives	Achievements
Value	<ul style="list-style-type: none"> Build power brands with consistent integrated year-round brand communications 	<ul style="list-style-type: none"> Effective communication led to higher brand conversion rate of 55% against the market Partnership with Setel by offering e-wallet payment across PETRONAS AutoExpert nationwide Enhanced our product offerings with 2 new launches of: <ol style="list-style-type: none"> PETRONAS Syntium with CoolTech+™ PETRONAS Urania with StrongTech™
Growth	<ul style="list-style-type: none"> Expand our availability in the mass market, e-commerce platform and build PETRONAS AutoExpert via differentiated value proposition and network expansion for continuous customer experience improvement Focus on IML segment with upselling and cross-selling initiatives across trade and consumers to deliver higher volume sales New tools to enhance salesforce effectiveness and strengthen revenue management to optimise profitability 	<ul style="list-style-type: none"> 32 new PETRONAS AutoExpert outlets covering major cities in West Malaysia Recruited 329 new B2B outlets while sustaining existing accounts and portfolio Aggressive marketing led to 4% volume growth in IML segment Integrated trade and consumer promotion programmes (Singapore Formula One™ and Malaysia MotoGP™) with enhanced value proposition and differentiated customer experience contributed to a revenue growth of 8% Launched Sales Force Automation (SFA) to energise customer base expansion, value selling and effectiveness Introduced Price Sensitivity Tool for price analytics and predictive modelling
Sustainability	<ul style="list-style-type: none"> Extended collaboration beyond MARA to include PUNB and SME Bank to enhance the PETRONAS AutoExpert value proposition Safeguarding the environment via waste oil management 	<ul style="list-style-type: none"> Expanded the number of AutoExpert partners, creating more than 200 job and economic opportunities AutoExpert partners receive not only financial facility but also 3 trainings and development programmes Partnership with Cenviro to offer a circular proposition to customers

Challenges and Our Response

Challenge	Our Response
Recruitment of new customers in Original Equipment Manufacturer (OEM) segment as they are moving to Genuine Oil concept	<ul style="list-style-type: none"> Leveraging PLMM's strong infrastructure by offering high quality and competitive products to OEM partners to secure the partnership
Extreme market competition from new and existing players in the market	<ul style="list-style-type: none"> Revenue management disciplines to remain competitiveness and maximise opportunities
Consumers are seen prolonging oil drain interval or downtrading to lower product tier due to steep increase in product price	<ul style="list-style-type: none"> Integrated and consistent digital communication to drive higher engagement and build "Top of Mind" recall Executed creative and innovative trade and marketing programmes to offer differentiated consumer experience and drive more trials Strengthen e-commerce offering by rolling out online to offline (O2O) services to provide seamless offerings to end consumers
Trade are cautious of stocking up due to the threat of Movement Control Orders and higher working capital resulting in lower volume per outlet	<ul style="list-style-type: none"> Continuous upgrading of sales and marketing initiatives by delivering value through differentiated propositions to drive higher product turnover
Emergence of local and generic brands including parallel imports due to consumers seeking for cheaper options	<ul style="list-style-type: none"> Organised consumer and trade programmes to enhance "Top of Mind" position

OUTLOOK

We continue to build strong relationships with our partners and customers to enhance our product offerings. This is to improve customer experience and differentiate our products and services, which will support our growth vision.

Convenience: MESRA



IAN MALCOLM CRUDDAS
Chief Executive Officer,
Mesra Retail & Cafe Sdn. Bhd.

Upon the incorporation of Mesra Retail & Cafe Sdn. Bhd. (MESRA) in July 2021, we sprinted forward to ensure we are able to deliver value to our stakeholders as promised. January 2022 marked an official business transition from the Non-Fuel Business Department under Retail Business Division, to a full-fledged company that is operating independently while still adapting and adopting PETRONAS best practices for good governance. Despite the challenges faced during the transition, the team managed to drive and deliver a result beyond the expectation set for the business, especially for the first year of the incorporation. We strongly believe that we are on the right track for the MFT growth target and aspire to continue in focusing on delivering value added services to stakeholders while not neglecting important sustainability aspects of the business.



WHO WE ARE AND WHAT WE DO

We offer non-fuel products and services to consumers through more than 800 *Kedai Mesra* nationwide and over 50 strategic partners to increase traffic to PETRONAS stations. We also own and operate more than 40 *Café Mesra* that are mostly in Central and Southern regions.

Key Focus Areas

- Convenience Store**
Provide convenience offerings for PETRONAS station customers through *Kedai Mesra*, including various Mesra own-label products
- Complementary Business**
Partnership with Quick Serve Restaurants, indoor and outdoor F&B partners and services such as payment terminal, bank service machine and self-service kiosk
- Café Mesra**
Down-to-earth, no-frills café that believes in great quality coffee and Malaysian food, at value prices, with a totally customer-centric service pledge

Value Created by Business Segment

Quality	Convenience	Value
Great quality coffee and food for our <i>Kedai Mesra</i> customers	One-stop solution for customers	Great offerings at value prices for Mesra own-label products

Performance Review

	Key Initiatives	Achievements
Value	<ul style="list-style-type: none"> Delivering business growth despite the challenging situation as we transition into the endemic phase 	<ul style="list-style-type: none"> Increase in revenue by 24% against 2021, mainly contributed by growth in the convenience store segment
Growth	<ul style="list-style-type: none"> Introduction of new profit segment for the business Expansion of Mesra own-label offerings 	<ul style="list-style-type: none"> Officially launched Café Mesra on 7 July 2022 at PETRONAS station USJ 20 Operationalised more than 40 Café Mesra by December 2022 Cafés operating outside PETRONAS station vicinity enables the brand to compete with other F&B operators in wider market Introduced more than 80 SKUs across food and non-food categories such as bakery, beverage, confectionery, snack, accessory, car care and personal care
Sustainability	<ul style="list-style-type: none"> Supporting PETRONAS' sustainability agenda Business opportunity for local SMEs 	<ul style="list-style-type: none"> Expanded the usage of environmentally-friendly takeaway packaging for customers Introduced biodegradable and compostable utensils for Café Mesra Established and growing more than 1,800 local SME suppliers through business partnership via products placement at <i>Kedai Mesra</i>

Challenges and Our Response

Challenge	Our Response
High reliance on cigarettes for <i>Kedai Mesra</i> creates unstable base for further growth	<ul style="list-style-type: none"> Currently, the contribution from cigarettes to the sales and income of the business is quite substantial despite the degrowth trend over the last few years. Moving forward, it is important to move away from reliance on cigarettes by focusing on growth of other products such as food solutions and own-label products that can bring more value to the business and customers
Intense competition with established and new café businesses in Malaysia	<ul style="list-style-type: none"> The coffee industry in Malaysia has been mushrooming significantly as compared to the last 5 years. To ensure consistent customer traction, development of brand and continuous engagement with customers through the participation in events associated with PETRONAS is crucial

OUTLOOK

Kedai Mesra is highly dependent on the demand of conventional fuel that is currently being challenged by more ride hailing services and energy efficient vehicles. As such, it is very crucial for the business to focus on more value creation on other offerings to attract more non-traditional fuel consumers to the stations.

As for Café Mesra, more outlets will be opening outside Klang Valley, and beyond the petrol forecourt in standalone locations. More efforts on raising brand awareness through social media channels, promotions and collaborations with partners internally and externally are in the pipeline to ensure business profitability and sustainability in the longer run.



Convenience: Venture Builder



MAZLIN ERAWATI AB MANAN

Head,
Venture Builder

Growing beyond fuel for everyday mobility needs for motorists, we are constantly innovating and developing solutions to meet our customers' ever-evolving needs. In our move towards inclusive and greener mobility, we are progressing the net zero carbon emission goal. Our mission is to deliver the convenience to 'setel' all motorists needs in one app.



WHO WE ARE AND WHAT WE DO

We invent, incubate and scale up disruptive ventures to diversify and grow new revenue streams for PDB. Obsessed with eliminating customers' 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 new business growth.

Key Focus Areas

1. Scale up our business for growth with continuous iteration of use case and products
2. Expand our customer base by improving the customer journey through continuous innovation and the curation of new solutions that address their needs

Value Created by Business Segment

Evolve

Drive business growth via new models of corporate entrepreneurship and innovation

Innovate

Curate innovative solutions to address customers' needs and provide seamless customer experience

Explore

Go beyond fuel with product and service offerings to capture new customers

Expand

Incubate ventures, attract partners, create jobs and wealth and support communities

Performance Review

	Company	Key Initiatives	Achievements
Value	Setel	<ul style="list-style-type: none"> Seamless and differentiated refuelling experience by enabling more digital solution to pay and activate pump on-the-go 	<ul style="list-style-type: none"> 80% increase in year-on-year Gross Merchandise Value (GMV) to RM1.8 billion in 2022, with strong adoption of fuel use case through the launch of new features such as Setel Share, Pay with Apple Watch, One-Tap Fuelling and Cardless SmartPay
	Setel Express	<ul style="list-style-type: none"> Extend the value and positive mindshare of PETRONAS brand through lifestyle fashion merchandise 	<ul style="list-style-type: none"> PRYSM GMV doubled year-on-year to RM25.2 million, with the introduction of Badminton and Cycling segments and doubling down on existing PETRONAS corporate sponsorship segment namely Formula One™ and MotoGP™
	ROVR	<ul style="list-style-type: none"> Enabling mobile fuel delivery to more customers via truck-to-truck delivery and Mini Portable Container Storage 	<ul style="list-style-type: none"> 23% increase in year-on-year GMV to RM77.6 million in 2022, led by optimisation of trucks by re-purposing available Beta trucks to deliver to PETRONAS stations and Sustainability Energy Development Authority (SEDA)
Growth	Setel	<ul style="list-style-type: none"> Scaling our Retail on-the-go experience to win over motorists and monetise beyond PETRONAS stations and fuel use cases 	<ul style="list-style-type: none"> Launched new mobility use cases with partners such as Motor insurance, Parking, EV charging, Roadside assistance, Road tax renewal and sell Car Expanded wallet touchpoints to approximately 5,000 merchant outlets via direct integration with merchants and integration with third party acquirers
	Setel Express	<ul style="list-style-type: none"> Accelerating seamless omni-channel e-commerce and webstore experience. 	<ul style="list-style-type: none"> Launched cross border MVP to Singapore as part of growth strategy for expansion beyond Malaysia market in December 2022
	ROVR	<ul style="list-style-type: none"> Expansion of the business-to-business (B2B) segment 	<ul style="list-style-type: none"> Expansion of B2B segments regionally to Melaka and Kuantan coupled with optimisation of trucks for Retail drop and SEDA
Sustainability	Setel	<ul style="list-style-type: none"> Supporting the use of greener energy as EV platform discovery by enabling cashless payment for EV charging 	<ul style="list-style-type: none"> Rolled out SetelPay for the use of 47 EV charging stations in PETRONAS stations
	ROVR	<ul style="list-style-type: none"> Involvement in Community Drumming (CD) in Sarawak Collaboration with SEDA 	<ul style="list-style-type: none"> Launched first CD site in Sarawak, benefiting the rural community in Long Tebila Kapit Secured delivery contract with SEDA for delivery of Biofuel

Challenges and Our Response

Challenge	Our Response
<p>Growing regulatory requirements may increase our cost of doing business and non-compliance risk. This includes Cyber Security threats which could undermine data security for a digital first company</p>	<ul style="list-style-type: none"> Constant engagement with regulatory bodies to ensure compliance with regulations Hiring subject matter expert with increased focus on evaluating compliance with regulatory requirements and proactively secure and safeguard our ecosystem

OUTLOOK

Leveraging our growth momentum and current customer base, we will continue to innovate and introduce new technologies to improve and ease the customer's journey at the same time support PDB in its digital transformation to make life simpler and better for all. As a customer-centric business, we take no greater pride than to transform customer pain points into pleasure.

Enablers: Supply and Distribution



NORMAH BASRI
Head,
Supply and Distribution Division

Despite a surge in order fulfilment, Supply and Distribution Division (SDD) sustained a high level of efficiency in our daily operations through resilient strategies. Our main priority has been to deliver value to our customers with progressive improvements while implementing sustainable initiatives. Throughout 2022, SDD remained robust, flexible and agile amid a challenging market environment and increased volume demand, ensuring safe on time in full product delivery.



WHO WE ARE AND WHAT WE DO

SDD is in charge of managing PDB's end-to-end supply network from refineries through primary and secondary distribution channels to end users in a safe manner. This includes product sourcing, product distribution, infrastructure planning, terminal operations, asset management and product delivery.

We support our business lines by utilising several distribution channels and a wide range of suppliers across 38 terminals in Malaysia to maintain uninterrupted supply. In addition, we inculcate a generative HSSE culture as we work towards operational excellence in compliance with regulatory requirements.

Key Focus Areas

1. Service improvement through cost optimisation and being a solutions provider with the strongest network to meet our customers' expectations
2. Order fulfilment, supply reliability, customer satisfaction, HSE assurance and operational excellence to ensure sustainable competitive advantage in making lives simpler and better

Value Created by Business Segment

Reliable

Safe and reliable delivery meeting customers' expectation

Create

Structured cost management to maximise profitability

Network

Mutual collaboration and long-term relationship with stakeholders

Cultivate

High competencies and proactive work culture among staff and contractors

Innovate

Adopting digital solutions to continuously enhance the customer experience

Performance Review

	Key Initiatives	Achievements
Value	<ul style="list-style-type: none"> Sustain competitive cost-to-serve with cost optimisation initiatives Uphold best-in-class Operational Excellence performance through: <ul style="list-style-type: none"> Enhanced order fulfilment in Mission ZeroOOS' Special Coordination Committee High operating discipline via adoption, practising and learning 	<ul style="list-style-type: none"> Continuous improvements of 4% primary distribution, 8% secondary distribution and 18% terminal operations costs compared to previous year, notably 44% optimisation of LPG vessel operations via sublet arrangement Exceptional Overall Equipment Efficiency (OEE) of 92% higher than planned 91% including: <ul style="list-style-type: none"> Cater to 26% increase in demand surge during festive seasons with zero inventory stockouts at terminal High Operating Discipline where 35% terminals passed OE R2 Overall Implementation Assessment with target for 100% by FY2025
Growth	<ul style="list-style-type: none"> Asset rejuvenation to prolong life expectancy and improving reliability Establish SDD Annual Assurance Masterplan through risk-based approach 	<ul style="list-style-type: none"> Sustain and strengthen asset integrity safely through seamless execution of major shutdowns: <ul style="list-style-type: none"> Melaka LPG terminal inaugural pallet plant refurbishment with 10,000 cylinders per day improvement Prai Fuel and Pasir Gudang Fuel Terminals integrated pipeline maintenance works Achieved 22% optimisation of assurance plans for first line assurance with adoption of PDB Assurance Framework for JV facilities
Sustainability	<ul style="list-style-type: none"> Streamlined SDD Sustainability Agenda 2023-2025 Supply Sustainable Aviation Fuel (SAF) to Malaysia Aviation Group (MAG) 	<ul style="list-style-type: none"> Land Transport Transformation blueprint in 8% reduction CO₂e emissions by 0.82 tonnes through Road Tanker Idling Time initiative at Klang Valley Distribution Terminal parking base Concluded six Risk Assessment Modules for SAF blending facility at Kuala Lumpur Aviation Fuelling System Sdn. Bhd Successfully delivered first SAF pilot delivery to Malaysia Aviation Group at KLIA and Subang Airports

Challenges and Our Response

Challenge	Our Response
Managing demand spike due to festive season and bad weather	<ul style="list-style-type: none"> Fleet and <i>Rakan Khidmat Penghantar</i> (RKP) injection to boost 5% fleet strength to support product supply Order fulfilment intervention and coordination during peak volume period via Mission ZeroOOS
Maintaining operational efficiency across the value chain while sustaining cost-to-serve competitiveness	<ul style="list-style-type: none"> Managed volume spike during festive season while balancing manpower competency and optimising asset performance Scheduled optimisation of distribution channels (term charter vessels and fleet) to ensure safe and timely product delivery
SAF delivery technical and quality requirements from the lens of customers	<ul style="list-style-type: none"> Appointed PDB focal to conduct first SAF Risk Assessment on logistics route to market

OUTLOOK

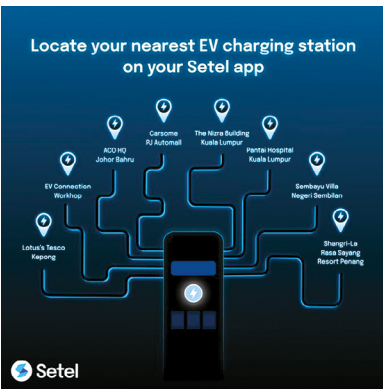
Moving forward, SDD is committed in delivering competitive cost-to-serve and serving our customers through seamless experience via adoption of cost-optimisation strategies, collaboration and sustainability initiatives.

Enablers: Digital



KOH TAT CHONG
Chief Technology Officer

At PDB, we are committed to using digital technologies to enhance the customer experience and make everyday life simpler and better. Digital is integral to our Moving Forward Together 50:30:0 strategy, which aims to deliver value, growth, and sustainability for all our stakeholders. We emphasise adopting and building technology solutions and tools that delight our customer experience, increase our business resilience and accelerate our sustainability journey.



WHO WE ARE AND WHAT WE DO

Digital supports and amplifies the digital capability of all areas of PDB’s business and operations to elevate efficiency, productivity and sustainability efforts. All key initiatives are anchored to our digital blueprint that sets out our aspiration in strengthening the core, future proofing digital infrastructures, delivering values and transitioning to net zero carbon. Cyber security is a key consideration throughout this process, as the protection of sensitive data and systems is vital to prevent any business disruption.

Key Focus Areas

- Digital Blueprint**

Since its inception, the Digital Blueprint has remained a top priority for PDB. It was developed to support PDB’s growth strategy through modernisation of customer experiences, democratising data and empowering employees with the necessary digital skills to succeed
- Cyber Security**

While PDB has benefitted from increased digitalisation, we acknowledge the increased risks of cyber vulnerabilities. As such, a comprehensive cyber security roadmap has been deployed to continuously improve our compliance with industry standards, build our cyber defence capabilities and educate our employees
- Modernisation**

To support PDB’s growth strategy, there is a prerequisite to transition our nationwide network of stations to cloud-based digital platforms for increased operational efficiency and as a scalable foundation to deliver personalised service to our customers. These new platforms seamlessly integrate into PDB’s in-house developed Setel platform to provide a unified customer experience at our stations. Our use of cloud will contribute towards reducing PDB’s carbon footprint as our cloud partners continue to migrate to sustainable energy sources
- Operational Excellence**

We support continuous Company-wide productivity improvement opportunities through continued digitalisation of processes and in providing self-service platforms to empower a community of citizen analysts and citizen developers at PDB. We also continuously enhance operations through modernisation of tools, processes and governance for improvements to availability of digital assets deployed at over 1,000 locations nationwide

Value Created by Business Segment

Generate

Our centralised data hub coupled with self-service tools empower PDB’s citizen analysts to generate actionable data that is not only descriptive or predictive but also prescriptive for our business planning and operations. We continuously augment the data tools available to our citizen analysts, most recently making available machine learning tools for advanced analysis

Empower

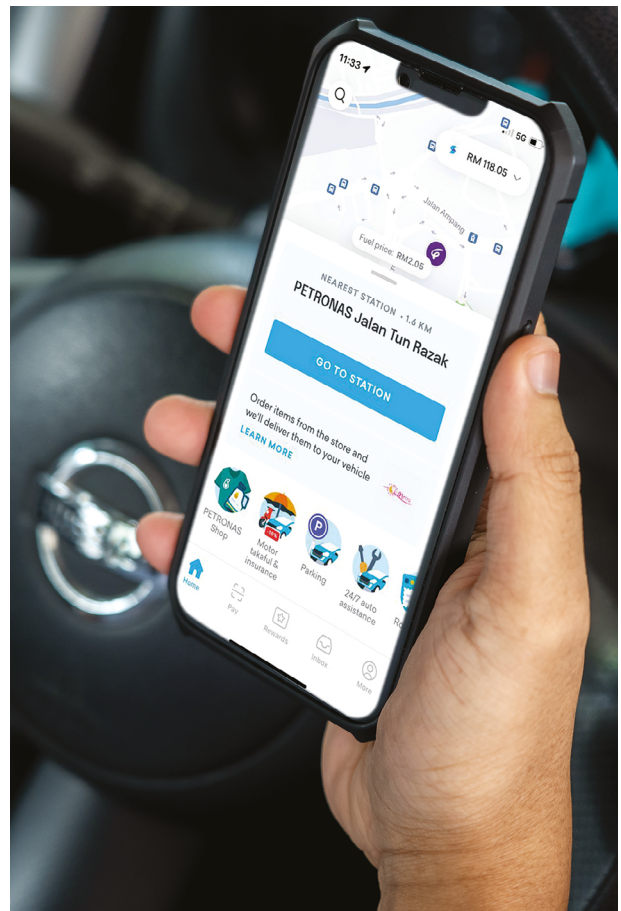
We empower PDB’s workforce to deliver optimal outcomes across our business by leveraging the power of digitalisation and self-service tools for citizen analysts and citizen developers

Innovate

We are dedicated to driving continuous innovation to create a superior and unified brand experience for our customers. We support PDB’s culture of working backwards from the customers through our platforms that empower PDB employees in their improvement experiments

Deliver

We deliver a digitalised experience to our customers to improve the reliability and convenience of our services. In supporting business operations, we help augment decisions through timely availability of data and digitalisation of processes



Performance Review

	Key Initiatives	Achievements
Value	<ul style="list-style-type: none"> Modernisation of PETRONAS stations - new outdoor payment terminals and Cloud-based Point of Sales and secure broadband connectivity nationwide Expanding cardless options at PETRONAS stations Automation of fuel stock management forecasting, and distribution to PETRONAS stations 	<ul style="list-style-type: none"> The completion of these major platform upgrades to the entire network of more than 1,000 PETRONAS stations was a significant milestone in PDB’s modernisation initiatives Besides creating a standard operating environment and unified customer experience with seamless integration with Setel’s current and future offerings, the new platforms with remote capability for vulnerability management and digitalised maintenance workflows have resulted in significant station reliability improvements over our previous legacy platform Our new platforms seamlessly integrate into PDB’s in-house developed Setel platform, creating exciting opportunities for fully cashless and cardless customer refuelling journeys. Building on what has been done PDB is starting to introduce cardless SmartPay for our commercial fleet customers. This will be our new innovative differentiator to streamline our commercial customers’ management of refueling their fleet at our stations. Going forward we will be taking the opportunity to further convert other existing PDB card offerings into cardless Rollout of in-house built data models for forecasting to reduce the complexity in our fuel stock management and distribution to avoid out of stock and road tanker diversion situations

Enablers: Digital

Performance Review (Cont'd)

Strategic Objectives	Key Initiatives	Achievements
Growth	<ul style="list-style-type: none"> Implementation of Artificial Intelligence (AI)-as-a-Service Digital retail marketing campaigns 	<ul style="list-style-type: none"> Augment the data tools available to our citizen analysts, most recently making available machine learning tools for advanced analysis Deployed our first machine learning data models to improve our ability to forecast Retail-Fuel sales and to estimate margin elasticity of our vehicle lubricant pricing in response to the varying price of lubricant supplies Iterations of data models and marketing automation to support marketing campaigns targeting incremental growth in fuel sales
Sustainability	<ul style="list-style-type: none"> Cloud migration and new ways of working Enterprise Cyber Security Operationalisation 	<ul style="list-style-type: none"> Reduction in carbon footprint by implementing cloud-based solutions, and further future reductions as our cloud partners continue to migrate to sustainable energy sources New ways of hybrid working at PDB enabled by cloud-based office collaboration tools backed with robust cyber defense has enabled emissions reduction from reduced need for employee commuting To safeguard our systems and customer data, we have operationalised and deployed a comprehensive cyber security roadmap, where we have taken measures to adopt the leading industry standards. Our cyber defence capability has been significantly strengthened through the implementation of standardised infrastructure and governance frameworks, as well as the deployment of remote monitoring and alerts

Challenges and Our Response

Challenge	Our Response
Post-COVID recovery impacting the supply costs of hardware and software	<ul style="list-style-type: none"> Initiated integrated work pods that bring together all relevant parties in a collaborative environment, enabling us to be responsive to changing circumstances and take advantage of new opportunities as they arise in areas of further technical consolidation for economies of scale and/or longer-term commercial agreements
Increasing cyber security threats on digital platforms	<ul style="list-style-type: none"> Consistently drive employee awareness of cyber-safe behaviours through a balanced approach of education, drills and assessments Frequent cyber security compliance re-assessments for digital systems against current best practices Persistent and recurring system updates to address newly discovered security vulnerabilities of our digital assets and network Drills and practising cyber procedures to test the effectiveness of our mitigations Collaborative efforts with our suppliers and partners to roll out cyber-safe practices across our digital supply chain
Sustainability and ESG	<ul style="list-style-type: none"> Frequent assessment of digital needs at PDB to support our organisation's commitments to meet industry requirements for sustainability reporting and governance We will establish the baseline digital capabilities needed to manage, track performance, report, disclose and communicate ESG-related data points across PDB

Enablers:
Digital

OUTLOOK

As the digital landscape is continually evolving, it is challenging to predict specific developments that will occur in 2023. Nevertheless, several trends are likely to continue to shape the digital world in the coming years. In light of this, PDB will remain vigilant and adaptable to changing customer, market and regulatory demands by ensuring a best-in-class digital experience at our stations as well as ensuring compliance and prioritising data safety in our digital efforts. We will continue to adopt increasingly more digital technologies to enhance both our operational efficiencies as well as our sustainability commitments through further reduction in emissions. Digital will continue to support PDB's growth strategies and enable us to create greater value for our stakeholders while delivering superior customer experiences with the promise of Making Your Everyday Life Simpler and Better.