

Commercial LPG Lubricant Convenience Enablers

Retail-Fuel



NORAZLAN SUBAHA
Head,
Retail-Fuel Division

In 2023, we significantly raised the bar for Retail-Fuel, marking a stellar year with volume reaching new heights, setting a record-breaking achievement.

The success was made possible due to our strategy that prioritised customer experience above all. We set new standards in service quality and customer satisfaction by delivering the most desirable and enhanced customer experiences.

We relentlessly pursued operational excellence, guided by our customer-centric initiatives to elevate station cleanliness, customer service and compliance. Our efforts at maintaining immaculate facilities, delivering exceptional customer experiences, and adhering to the highest safety and regulatory standards, earned us the prestigious Gold Station Award by the National Council for Occupational Safety and Health (NCOSH), as well as multiple recognitions from local authorities.

Complementing these achievements, our newly launched cardless Mesra programme introduced a new level of convenience and streamlined loyalty benefits to further enhance customer engagement and satisfaction.

Our network of over 1,000 stations has been crucial to our success. By focusing on customer-centric initiatives and improving safety and operational excellence, we stayed responsive to customer needs and experiences.

WHO WE ARE AND WHAT WE DO

Our Retail-Fuel Business offers an array of fuel products and services to consumers through a network of more than 1,000 PETRONAS stations across Malaysia.

- Our range of fuel products includes premium options developed in partnership with the Mercedes-AMG PETRONAS Formula One™ team. These include:
 - PETRONAS Primax 95 with Pro-Drive
 - PETRONAS Primax 97 with Pro-Race
 - PETRONAS Dynamic Diesel Euro 5 with Pro-Drive (B7)
 - PETRONAS Dynamic Diesel Euro 5 with Pro-Drive (B10)
 - PETRONAS Dynamic Diesel Euro 5 with Pro-Drive (B20)
- All 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 two categories of dealerships:
 - Company-Owned, Dealer-Operated and Dealer-Owned, Dealer-Operated



VALUE CREATED BY BUSINESS SEGMENT

1

Quality

World-class quality fuel solutions for our customers

2

Innovate

Seamless and frictionless experience to customers by leveraging digital technology

3

Customer Experience

Superior look and feel to offer the most desirable customer experience

4

Capability

Cultivate the capabilities of our people and workforce, *Rakan Niaga* and *Krew PETRONAS*

Key Focus Areas

- Operational Excellence**
 - Continuous improvement across the business
- Empowering Beliefs and Behaviours**
 - Cultivating towards success and growth for its people
- Volume-Focused and Customer Experience**
 - Scaling up the business with differentiated experience
- Growth and Resiliency**
 - Driving value while future-proofing the business

	Key Initiatives	Achievements
Value	<ul style="list-style-type: none"> • Enhance customer experience and upgrade facilities • Strengthen loyalty retention via seamless customer journey programme 	<ul style="list-style-type: none"> • Achieved record-breaking volume, surpassing previous year's figure • Received recognitions and accolades for clean, well-maintained and improved facilities • Introduced cardless Mesra which offers a convenient and secure payment option without the need for physical cards, enhancing accessibility and ease of transactions for our customers
Growth	<ul style="list-style-type: none"> • Expand Retail-Fuel network • Forge strategic partnerships to expand offering touchpoint 	<ul style="list-style-type: none"> • Operationalised 20 new PETRONAS stations • Entered into a strategic partnership with Gamuda Land aimed at providing greater convenience to customers through initiatives such as access to stations and convenience offerings
Sustainability	<ul style="list-style-type: none"> • Support PETRONAS sustainability agenda by adopting and integrating sustainable practices and initiatives across operations 	<ul style="list-style-type: none"> • Collected 133.7 tonnes of used cooking oil from 33 PETRONAS stations which will be used as feedstock for Sustainability Aviation Fuel • Implemented rainwater harvesting at 20 stations to conserve water resources by collecting and storing rainwater for non-potable uses such as station cleaning and landscaping • Continued facilitating structured pathways for inclusive hiring practices among dealers to support employment opportunities for Persons with Disabilities (PWD) • Equipped 32 PETRONAS stations with EV charging facilities • Solarised 68 PETRONAS stations as of 2023 • Set up battery swapping facilities at 14 PETRONAS stations

Challenges and Our Response

Challenge	Our Response
<ul style="list-style-type: none"> • Intense competition in a mature market 	<ul style="list-style-type: none"> • Leveraged Mesra Bonanza and other targeted marketing campaigns to maintain customer loyalty
<ul style="list-style-type: none"> • Sudden and continuous surge of high fuel demand 	<ul style="list-style-type: none"> • Ensured supply and distribution readiness with additional road tankers for uninterrupted product supply at our stations
<ul style="list-style-type: none"> • Ageing assets at PETRONAS stations 	<ul style="list-style-type: none"> • Strategic investment to upgrade station infrastructure with priority on HSE

OUTLOOK

Looking ahead, we anticipate challenges rising from subsidy rationalisation, increasing energy-efficient vehicles and rise of alternative energy. Our focus will be on strengthening our product branding, providing differentiated offerings and enhancing our customer experience at PETRONAS stations. Our facilities will reliably serve conventional and unconventional vehicles, supported by superior fuel products, complemented by our customer loyalty programme as well as leveraging attractive lifestyle-based offerings through Setel. These are part of our ongoing efforts to deliver on our promise of Making Your Everyday Life Simpler and Better.

Retail-Fuel LPG Lubricant Convenience Enablers

Commercial



HARDEEP SINGH KIRPAL SINGH
Head,
Commercial Business Division



Our strategic focus in capitalising on the growing demand in high-value segments, specifically in the Aviation and Upstream sectors, has delivered strong returns.

The Commercial Business successfully executed its high-value segment strategy and operational optimisation drive in delivering value as the market moved towards recovery in 2023. Focusing on customer pain points while adopting new innovative offerings and propositions were amongst the key success factors. Improving our route-to-market proposition such as ROVR turnaround strategy yielded the desired efficiencies in optimising our operations.



WHO WE ARE AND WHAT WE DO

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

We remain committed to delivering exceptional value to our customers. By understanding their needs and leveraging our extensive nationwide distribution network, including fuel storage terminals, road tankers and a broad line-up of channel partners, we ensure reliable service even in uncertain times. This network includes fuel storage terminals, road tankers and a broad line-up of channel partners.

VALUE CREATED BY BUSINESS SEGMENT

<p>1 Strategic Partnership Strengthening existing partnerships whilst developing new ones in growing and unlocking future value</p>	<p>2 Quality Position Commercial Business as a leading fuel solution partner by providing superior products and services in addressing customer pain points and delivering value</p>	<p>3 Cultivate Build capabilities of our business partners through mutually beneficial collaborations and knowledge-sharing</p>	<p>4 Digitalisation Leverage digitalisation in the business towards driving better cross-functional collaboration and tracking of key KPIs in making informed decisions</p>	<p>5 Business Sustainability Support the net zero carbon emissions aspiration by continuously providing cleaner energy solutions in the B2B segments</p>
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Key Focus Areas

- 1 Expanding Market Share**
 - Drive growth in chosen high-value segments
- 2 Providing Cleaner Fuel Alternatives**
 - Collaboration with customers and partners towards cleaner energy solutions
- 3 Enhancing Efficiency**
 - Strengthening commercial propositions and operational excellence

	Key Initiatives	Achievements
Value	<ul style="list-style-type: none"> Drive growth in high-value market segments through a robust sales management framework in addressing customer needs and pain points Strengthen our propositions to the market through closer collaboration with our partners and customers in addressing the market recovery opportunities Put in place prudent risk management framework to address risk associated with the recovery whilst upholding high standards of customer service 	<ul style="list-style-type: none"> Achieved exceptional growth against 2022 in the focused high-value market segments: <ul style="list-style-type: none"> Aviation sales volume and margin at 54% and 70%, respectively Upstream sales volume and margin at 4% and 18%, respectively Strengthened market leadership through securing more customers and Share of Wallet (SoW) by offering value adding and attractive propositions Successfully renewed the ISO 9001:2015 certificate (SIRIM), a recognition on Commercial Business maintaining a high Quality Management System to its customers
Growth	<ul style="list-style-type: none"> Support LNG Bunkering growth through collaboration with PETRONAS Marine and PETRONAS Energy & Gas Trading Improvisation of our route-to-market such as ROVR turnaround strategy via collaboration with Commercial Business Dealers segment 	<ul style="list-style-type: none"> LNG Bunkering value growth of 69% against preceding year Improved ROVR truck efficiency, resulting in increased sales and customer satisfaction
Sustainability	<ul style="list-style-type: none"> Support PETRONAS sustainability agenda by adopting and integrating sustainable practices and initiatives across operations 	<ul style="list-style-type: none"> Signed a groundbreaking agreement with Malaysia Aviation Group (MAG), becoming the first company in Malaysia to establish a Sustainable Aviation Fuel (SAF) offtake arrangement Partnered with Weststar Aviation Services to promote the use of SAF for their offshore helicopter operations across Malaysia

Challenges and Our Response

Challenge	Our Response
Price disparity between subsidised and commercial diesel impacting the growth in commercial segment	Focused on other high-value market segments not having access to subsidised diesel as the growth focus
Product pricing volatility impacting working capital and cash flow management of our customers especially in the Aviation sector	Supported key customers through a comprehensive credit limit review coupled with prudent risk assessment
Strong market recovery in sectors such as Aviation impacting the logistics and supply network	Ensured adequate supply through strengthening and ramping up delivery capability to meet demand growth. Close collaboration with customers to understand their needs through a robust forecasting framework
Industry-wide readiness in adopting biofuels (SAF) given its higher product and supply cost	Advocated the readiness and benefits of SAF in collaboration with key government agencies such as the Civil Aviation Authority of Malaysia (CAAM) under Ministry of Transport (MOT) and the National Aerospace Industry Corporation Malaysia (NAICO) under Ministry of Investment, Trade and Industry (MITI), and aviation industry players

OUTLOOK

The adept execution of impactful strategies aimed at optimising value and driving efficiencies in 2023 positions the Commercial Business on its trajectory to continue growing in the focused segments in tandem with the expected domestic growth in 2024. We will continue to advance the integration of cleaner energy solutions in line with PDB Sustainability Agenda and MFT strategy.

Retail-Fuel Commercial **LPG** Lubricant Convenience Enablers

LPG



ANTON SALLEH HASHIM
Head,
LPG Business Division



VALUE CREATED BY BUSINESS SEGMENT

We maintained our leadership position as the premier retailer and marketer of LPG products, and remained as the preferred choice among customers.

Following the divestment of our Sarawak business, our market dominance continued through a strategic partnership with PETROSNiaga Sdn. Bhd., which has become the sole distributor of subsidised LPG in Sarawak. Our LPG Business adeptly steered through the changes by focusing on growth strategies and improving operational efficiency across our extensive distribution network.



WHO WE ARE AND WHAT WE DO

Our LPG Business is the leader in the domestic market and caters to the Household, Commercial and Industrial segments. In the Household segment, we offer subsidised 12kg and 14kg cylinders that are primarily used for domestic consumption. For Commercial customers, we offer non-subsidised 14kg and 50kg cylinders. Our industrial clients benefit from the convenience of bulk LPG, which requires storage tanks at their premises, ranging from 200kg to 32,000kg in size.

We have developed an extensive LPG supply and distribution network that includes six terminals and bottling facilities. Our network comprises more than 290 channel partners nationwide, consisting of Premier Dealers, Dealers and Bulk Dealers, dedicated to deliver our quality products to consumers.

1

Availability

Ensure a seamless and consistent supply of products, amidst the uncertainties and challenging business environment, all while upholding and preserving the inherent value of our offerings

2

Accessibility

Elevate and strengthen our network of channel partners to seamlessly deliver our products nationwide

Key Focus Areas

1 Consolidating Our Position

- Strengthen market leadership in the Household segment

2 Broadening Our Footprint

- Expand our presence in the Commercial segment

3 Strengthen Process and Productivity

- Drive operational efficiencies

	Key Initiatives	Achievements
Value	<ul style="list-style-type: none"> Appoint and mobilise new dealers to serve the under-represented market Deploy competitive pricing and execute effective marketing efforts 	<ul style="list-style-type: none"> Maintained overall market leadership in both Household and Commercial segments Successfully secured more than 40 new Commercial customers
Growth	<ul style="list-style-type: none"> Strategic reallocation of assets to capture demand and maximise value 	<ul style="list-style-type: none"> Achieved a 6% increase in overall volume growth against 2022
Sustainability	<ul style="list-style-type: none"> Support PETRONAS sustainability agenda by adopting and integrating sustainable practices and initiatives across operations 	<ul style="list-style-type: none"> Over 70 programmes conducted nationwide to instill HSE Generative Culture among our channel partners and end customers

Challenges and Our Response

Challenge	Our Response
<ul style="list-style-type: none"> Increase in product cost due to volatility of global prices 	<ul style="list-style-type: none"> Prudent spending, intensified assets utilisation and effective inventory management to optimise cost while pursuing value-driven strategy
<ul style="list-style-type: none"> 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 are on a positive trajectory in view of better asset management and targeted efforts to improve market share, supported by vigorous trade marketing programmes. Furthermore, we are focused on further enhancing dealer capabilities in financial and business acumen. Looking ahead to 2024, LPG remains resolute in navigating the business against challenging and volatile market environment supported by key strategies and comprehensive business plans.



Lubricants



MOHD ZAMEER ZAHUR HUSSAIN
Chief Executive Officer,
PETRONAS Lubricants Marketing
(Malaysia) Sdn. Bhd.

The Lubricant Business achieved strong performance in 2023, surpassing industry benchmark.

We focused on delivering value through differentiation, primarily by building on our strong Power Brands with new product releases and expanding the PETRONAS AutoExpert network. This approach led to significant growth across both B2B and B2C segments, outpacing previous year's results despite a challenging environment marked by rising interest rates, inflation and competitive pressures. Our strategy effectively navigated these challenges, achieving growth in our Power Brands, securing major contracts, and developing a new direct B2C channel. This success underlines our efforts to enhance brand availability and visibility, even in a market rife with parallel imports and products that are not genuine.

WHO WE ARE AND WHAT WE DO

Lubricant Business is responsible for the sales, marketing, distribution and technical services related to PETRONAS Lubricant products across 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. We leverage technology to enhance our propositions for these market segments, focusing on delivering and creating value for our customers.



VALUE CREATED BY BUSINESS SEGMENT

<p>1 Quality Develop world-class products through advanced R&D technology for top performance and fuel efficiency</p>	<p>2 Create Generate sustainable margins for all business partners along our value chain</p>	<p>3 Capability Prioritise upskilling our people, dealer, workshop and key customers on product and technical knowledge</p>	<p>4 Business Synergy Offer winning propositions that enable our partners to grow with us</p>	<p>5 Network Foster long-term partnerships with diverse stakeholders and capitalise on cross-selling opportunities via PDB's various business segments</p>	<p>6 Environment Ongoing collaboration with strategic partner in promoting sustainability within the ecosystem's circular framework</p>
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Key Focus Areas

- 1 Build Power Brands**
 - Strengthen Power Brands comprising PETRONAS Syntium, PETRONAS Sprinta and PETRONAS Urania to drive consumer trials leading to loyalty
- 2 Availability & Visibility**
 - Increase mass market presence by enhancing our Trade Value Proposition and expanding our network via new Direct channel
 - Expand PETRONAS AutoExpert network and enhance its efficiency with Workshop Management System
 - Attract new OEM customers to drive growth
- 3 Value Generation**
 - Enhance profitability by strategically upselling and cross-selling, and through disciplined revenue management
- 4 Commercial Excellence**
 - Attain commercial excellence through effective category management, optimise market distribution and improve salesforce efficiency

Performance Review

	Key Initiatives	Achievements
Value	<ul style="list-style-type: none"> Strengthen Power Brands through continuous and integrated campaigns year-round 	<ul style="list-style-type: none"> Enhanced product portfolio with PETRONAS Sprinta Racing with Ester formulation for superbikes, with the benefits of a smoother ride for longer journey Relaunched PETRONAS Sprinta with a new brand proposition and new packaging, which has garnered significant attention and positive feedback from both existing and new customers alike Executed attractive and differentiated trade programmes in the market, boosting product visibility and consumer uptake, contributing to Power Brand growth in 2023: <p>PETRONAS Syntium: +37% PETRONAS Sprinta: +22% PETRONAS Urania: +10%</p>
Growth	<ul style="list-style-type: none"> Expand availability in the mass market and build product visibility via differentiated value proposition and network expansion to drive volume growth 	<ul style="list-style-type: none"> 14% increase in volume in the B2B segment, driven by a robust existing customer portfolio and penetration into several strong industrial players in the market Active Highstreet outlets saw a significant 40% year-on-year volume growth and an overall 4% volume increase in the B2C segment driven by Highstreet's expansion and the launch of a new Direct Channel Increased the number of AutoExpert outlets to 80, marking a 74% increase through upskilling programmes and affordable financing from partnerships, while simultaneously driving a 110% volume growth, offering top-end products and high-quality car maintenance services across Malaysia
Sustainability	<ul style="list-style-type: none"> Support PETRONAS sustainability agenda by adopting and integrating sustainable practices and initiatives across operations 	<ul style="list-style-type: none"> PETRONAS AutoExpert embarked on collaborations with BateriKu.Com and One Solution, while maintaining ongoing partnerships with MARA, PUNB and SME Bank to secure supply sources and expand the network, as well as increase volume growth Created more than 600 jobs and economic opportunities, attracting automotive entrepreneurs and talents Collaborated with PETRONAS Chemicals Marketing (Labuan) Ltd. (PCML) to offer AireBlue™, an AdBlue® product at selective <i>Kedai Mesra</i>, which serves to reduce Nitrogen Oxides (NOx) emission and improve vehicle efficiency

Challenges and Our Response

Challenge	Our Response
<ul style="list-style-type: none"> Strong competition within a well-established market 	<ul style="list-style-type: none"> Monitored price movements within the market closely and conducted swift negotiations with the plant to secure competitive pricing and optimising trade rewards for market success
<ul style="list-style-type: none"> Customers are extending oil change intervals or opting for lower-tier products due to significant product price increases 	<ul style="list-style-type: none"> Implemented inventive and on-ground activation campaigns to provide a unique consumer experience and encourage more trial participation Structured consumer and trade initiatives to strengthen the brand's top-of-mind presence
<ul style="list-style-type: none"> Trade outlets exercise caution in stocking inventory to mitigate the risk of higher working capital 	<ul style="list-style-type: none"> Consistently enhanced sales and marketing strategies by providing value through unique propositions to boost product offtakes

OUTLOOK

We are actively fostering strong connections with both our partners and customers to elevate the quality of our product offerings. This effort is dedicated to enhancing customer experience, distinguishing our products and services, and ultimately contributing to our growth vision.

Convenience: MESRA



IAN MALCOLM CRUDDAS

Chief Executive Officer,
Mesra Retail & Cafe Sdn. Bhd.

In 2023, Mesra Retail & Cafe Sdn. Bhd. (MESRA) not only achieved, but significantly raised the bar in its performance across its three core business segments of Convenience Stores, Complementary Business and Food & Beverage (F&B).

Kedai Mesra, under our Convenience Store segment, surpassed the 2022 historic sales level and increased its market share while outperforming the Convenience Store sector overall. This was a direct result of increased travel frequency, the introduction of new product ranges, and the launch of close to 30 Mesra label products, bringing the total to over 120 products to date.

By implementing innovative strategies and introducing unique initiatives, MESRA is successfully redefining the business model and exploring new avenues for growth and innovation in the retail space and beyond the petrol forecourt.

To further enhance customer experience, our Complementary Business made available convenient amenities such as self-service launderette.

Strong partnerships in the F&B sectors also helped broaden our customer base. Café Mesra made noteworthy progress throughout Peninsular Malaysia, introducing new, cost-effective café formats as well as Café Mesra label products, enhancing customer experience and satisfaction.

WHO WE ARE AND WHAT WE DO

We provide a range of consumer products and services at over 800 *Kedai Mesra* nationwide and collaborate with more than 50 strategic partners to increase customer visits to PETRONAS stations. Our expansion efforts included expanding Café Mesra's presence beyond the petrol station forecourt and throughout Peninsular Malaysia with a footprint of 97 outlets, and participating in various events to strengthen the brand, customer experience and satisfaction.



VALUE CREATED BY BUSINESS SEGMENT

1

Quality

Excellent quality products, including Ready-to-Eat, Ready-to-Drink and coffee-based beverages for our Customers at both *Kedai Mesra* and *Café Mesra*

2

Convenience

One-stop solution for our customers, providing them easy access to meet their daily needs and more, making their lives simpler and better every day

3

Value

Offering immense value pricing with attractive promotional mechanics in a bright, modern retail environment

Key Focus Areas

- Mesra Convenience Store**
 - Offers convenience, products and services to PETRONAS station customers through *Kedai Mesra*, featuring Mesra label branded items, with an emphasis on maximising value for our customers and our Company
- Mesra Complementary Business**
 - Partnerships with Quick Service Restaurants (QSR), indoor and outdoor F&B partners, which include international and local brands, and offer services such as payment terminals, bank service machines and self-service kiosks
- Mesra Food & Beverage**
 - In its second year of operations, Café Mesra's focus is to continue expanding its presence across Peninsular Malaysia, strengthening the brand and exploring new F&B verticals as part of our growth strategy

Performance Review

	Key Initiatives	Achievements
Value	<ul style="list-style-type: none"> Broaden brand alliances and partnerships Refresh <i>Kedai Mesra</i> outlets, expand product offerings and implement targeted promotions to improve MESRA customers' experience 	<ul style="list-style-type: none"> Opened 20 new Complementary Business outlets from existing and newly introduced partners, including local brands Sustained year-on-year sales growth well above the convenience and petrol mart industry averages, growing market share and expanding our footprint beyond the petrol station forecourt. Store upgrades and refits continue at pace throughout the chain
Growth	<ul style="list-style-type: none"> Expand Café Mesra within and beyond PETRONAS stations with the introduction of cost-efficient café formats Strengthen Café Mesra brand Expand Mesra label products 	<ul style="list-style-type: none"> Achieved robust growth of 136% in Café Mesra across Peninsular Malaysia, both within and beyond PETRONAS stations featuring multiple café formats and a diverse product offering Participated in key events including Le Tour de Langkawi, Selangor Aviation Show and MIPAC as part of branding awareness efforts With a 33% increase in new Mesra label products, Mesra now offers more than 120 products in food and non-food categories. This expansion has significantly boosted total sales, establishing Mesra label products as some of the fastest-growing products in Malaysia
Sustainability	<ul style="list-style-type: none"> Support PETRONAS sustainability agenda by adopting and integrating sustainable practices and initiatives across operations 	<p>Café Mesra:</p> <ul style="list-style-type: none"> Introduced furniture made of up-cycled materials in selected Café Mesra outlets Grew Café Mesra label products utilising sustainable packaging, including the launch of Café Mesra water in Tetra Pak Advanced inclusivity by hiring Persons with Disabilities (PWD) for roles throughout the business <p>Kedai Mesra:</p> <ul style="list-style-type: none"> Supported circular economy effort with the introduction of gardening SKUs at selected <i>Kedai Mesra</i> Grew our partnerships with over 1,800 local SME suppliers and partnered with selected SMEs to develop Mesra label products

Challenges and Our Response

Challenge	Our Response
<ul style="list-style-type: none"> Rising global prices that affect customer purchasing power and disrupting supply chain 	<ul style="list-style-type: none"> Close monitoring of price movements within the market and swift negotiations with the supplier to secure competitive pricing
<ul style="list-style-type: none"> Change in regulations on new minimum wage and overtime guidelines 	<ul style="list-style-type: none"> Continuously monitor operational costs to optimise workforce and expenses effectively
<ul style="list-style-type: none"> Intense competition from established and new café businesses in Malaysia 	<ul style="list-style-type: none"> Structured customer and trade initiatives to strengthen the brand's presence, with a continued focus on store openings and brand building

OUTLOOK

In 2023, global inflationary pressures and rising fuel prices caused significant challenges to the market, driving up operating costs, leading to product and service price increases and dampening consumer spending power. These challenges further intensified shifts in consumer preferences, affecting businesses, both locally and globally. Such changes will continue to influence performance in the future, emphasising the need for MESRA to continue efforts to enhance value, expand its offerings and provide better convenience to customers. We will be aggressively expanding our Café Mesra outlets across Peninsular Malaysia with proven formats, which require lower investment and operational costs. This expansion, coupled with concentrated efforts to strengthen the brand through vigorous marketing and promotional activities, aims to shorten our path to success. In addition, we have identified potential F&B expansion opportunities going forward, which will further drive business profitability and sustainability for MESRA's future.

Retail-Fuel Commercial LPG Lubricant Convenience

Convenience: **Setel****MAZLIN ERAWATI AB MANAN**Head,
Venture Builder

As we continue to innovate to raise the bar in ensuring every Setel interaction offers convenience and supports sustainability, we also actively explore new avenues to increase and strengthen revenue streams to create value for PDB and its stakeholders.

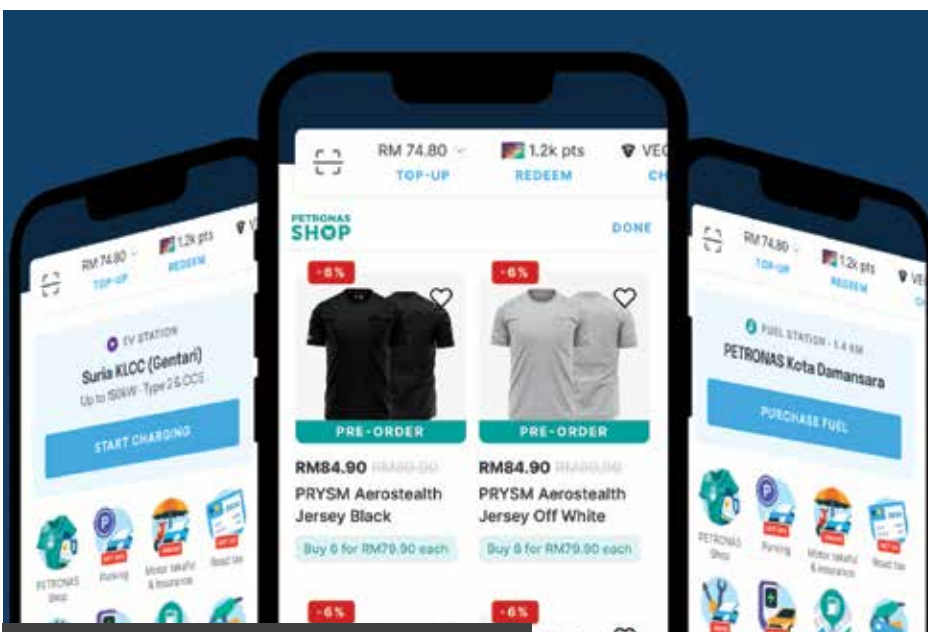
In 2023, we saw remarkable growth in gross merchandise value (GMV), reflecting a significant increase in mobile and digital user engagement. This growth highlights our successful expansion beyond fuel services, catering to a broader range of customer needs. We recorded greater utilisation of the Setel app and garnered 1.2 million active users while delivering higher profitability driven by the transformation of PETRONAS Shop into an active lifestyle segment and effectively strengthening our PRYSM brand in offline markets.

WHO WE ARE AND WHAT WE DO

We innovate and expand new business ideas to diversify revenue streams. Setel focuses on addressing customer needs and delivers a seamless experience across a range of services. Leveraging PDB's wide distribution network and brand strength, Setel contributes significantly to the growth of new markets.

Providing motor-related convenience housed in one mobile app, Setel offers various services such as fuelling, parking, EV charging, insurance, road tax renewal and 24/7 roadside assistance.

Setel also features PETRONAS Shop, an online shop showcasing its commitment to developing new revenue channels and providing an integrated service experience.

**VALUE CREATED BY BUSINESS SEGMENT**

1

Expansion

Encourage business growth through creative strategies in corporate entrepreneurship and innovation

2

Diversification

Expand product and service offerings beyond fuel to attract new customers

3

Solutions

Create inventive solutions for customers to meet their needs and offer a smooth customer experience journey

Key Focus Areas**1 Accelerate Business Growth**

- Scale up our business for growth with continuous iteration of use case and products

2 Grow Clientele and Enhance Customer Experience

- Expand our customer base by improving the customer journey through continuous innovation and the curation of new solutions that address their needs

Performance Review

	Key Initiatives	Achievements
Value	<p>Setel Ventures Include more features that provide greater inclusivity and convenience in mobile app's solutions offerings</p> <p>Setel Express Increase appeal for in-house brand PRYSM and expand into offline</p>	<ul style="list-style-type: none"> Introduced DuitNow facility, giving access to more than 1.6 million stores nationwide Expanded strategic partnerships with a variety of non-fuel merchants and partners Fostered greater accessibility for broader segment of users by becoming an appointed e-Wallet service provider for eBeliaRahmah and eMADANI, enabling one-off credit claims and spending across PETRONAS stations and retail stores Introduced PRYSM as an in-house active lifestyle brand, with early take-up rate of 39% Mini offline expansion into PETRONAS Leadership Centre and Universiti Teknologi PETRONAS, contributing to approximately 5% of overall GMV
Growth	<p>Setel Ventures Drive higher GMV through promotional efforts to encourage increase and cross-usage feature</p> <p>Setel Express Transform PETRONAS Shop into Active Lifestyle brand</p> <p>Acquire PETRONAS Corporate Merchandise business</p> <p>Implement digital product roadmap to build customer engagement and loyalty</p>	<ul style="list-style-type: none"> Achieved an all-time high GMV of RM2.5 billion, compared to RM1.8 billion in 2022 Recorded 1.2 million active users in December 2023, compared to 710,000 active users at end of 2022 Achieved 12x non-fuel growth of RM316 million GMV, compared to 2022's RM26 million GMV Delivered RM46.4 million GMV (82% growth Y-o-Y) with Setel Express products recording an average margin of 30% Increased sales in the Badminton and Cycling merchandise segments by 27%, leveraging niche market appeal Strengthened brand presence and sales of PETRONAS corporate sponsorship segment, particularly in Formula One™ and MotoGP™ by 33% Expanded range and brand offerings with the introduction of Garmin smartwatches Generated approximately 10% of Setel Express income by monetising existing PETRONAS Operation Planning Unit and external partners Contributed approximately 15% of Setel Express income, driven by voucher sales and platform fees from tenants who sell their products on PETRONAS Shop website
Sustainability	Support PETRONAS sustainability agenda by adopting and integrating sustainable practices and initiatives across operations	<p>Setel Express</p> <ul style="list-style-type: none"> Initiated programme on upcycling as part of promoting circular economy. Items collected will be repurposed and transformed into merchandise such as bags and laptop sleeves

Challenges and Our Response

Challenges	Our Response
<ul style="list-style-type: none"> Navigating a competitive and dynamic market segment requires clarity in strategy and focus area 	<ul style="list-style-type: none"> Explore partnerships with reliable suppliers and manufacturers to ensure lower costs. Successful onboarding of three new vendors led to cost improvement by approximately 10%
<ul style="list-style-type: none"> Post-COVID impact on online business and the commercial model limitation influence profitability 	<ul style="list-style-type: none"> Establish strong connections with the target audience through effective marketing and branding strategies and utilise social media platforms to engage with customers, gather feedback, and stay informed about their preferences

OUTLOOK

We expect a continuous and substantial increase in digital adoption across diverse industries. Building on our ongoing progress and current customer base, we remain committed to addressing customer concerns and supporting PDB's digital transformation journey, striving to make life simpler and better for everyone.

Enablers: Supply and Distribution



NORMAH BASRI

Head,
Supply and Distribution Division

Amidst the ongoing surge in order fulfillment nationwide, Supply and Distribution Division (SDD) has adeptly sustained daily operations by employing resilient strategies at pace.

While asset integrity and reliability posed a challenge in 2023, SDD's foremost commitment lies in providing enhanced value to our customers through continuous improvements, coupled with the implementation of various initiatives in a safe operating manner.



WHO WE ARE AND WHAT WE DO

SDD oversees the comprehensive management of the end-to-end supply network, spanning from refineries through primary and secondary distribution channels to the end users, ensuring safety at every step. This responsibility encompasses various aspects such as product sourcing, distribution, infrastructure planning, terminal operations, asset management, and product delivery.

Extending across 36 terminals in Malaysia, SDD's expansive supply and distribution network ensures uninterrupted and dependable product supply and is optimised for efficient cost-to-serve.

SDD cultivates a dynamic HSE culture, strives for operational excellence, drives sustainability initiatives and always maintains unwavering regulatory compliance.

VALUE CREATED BY BUSINESS SEGMENT

1

Reliable

Safe and reliable operations that consistently exceed customer expectations in volume growth

2

Optimisation

Structured approach to cost management, maximising profitability through efficient processes and cost optimisation efforts

3

Competencies

Nurture high competencies and instill a conducive work environment for both staff and contractors

4

Innovate

Embrace digital solutions to enhance and create additional value in the customer experience

Key Focus Areas

1 Maximising Value Through Cost Optimisation

- SDD persistently enhance our services by diligently optimising costs and positioning ourselves as a solutions provider with a robust network that consistently meets and exceeds our customers' expectations

2 Safety and Service Excellence

- Our ongoing emphasis remains on order fulfillment, ensuring a reliable supply, enhancing customer satisfaction, upholding HSE assurance and achieving operational excellence. These efforts collectively contribute to our competitive advantage, ultimately striving to make people's life simpler and better

Performance Review

	Key Initiatives	Achievements
Value	<ul style="list-style-type: none"> Leadership Engagements with stakeholders Sustain competitive cost-to-serve with various cost optimisation efforts across supply chain Establish an Aviation Operations Focused Task Force to drive volume growth 	<ul style="list-style-type: none"> Sustained a safe, reliable, and efficient operation, achieving zero major HSE incidents and significant enhancements in zero Loss Time Injury (LTI) cases compared to the same period last year. This success was attributed to over 114 leadership engagements, resulting in an 88% (vs 22% in 2022) adoption rate of the Balance of Consequences across SDD employees Effectively handled 19% volume spike for Mogas and Diesel through timely spot and term road tankers injection, further boosting four million litres per day fleet strength Deployed ROVR trucks and standby road tankers covering 154 PETRONAS stations during festive period, including KPDNHEP Road Tanker escorts to 24 PETRONAS stations and activation of Melaka Fuel Terminal to support Central Region's delivery, while lowering overall secondary distribution cost Successfully delivered 53% volume growth for Jet A-1 compared to same period last year through: <ul style="list-style-type: none"> Expediting 17 new refuelling vehicles delivery period from 18 to 12 months Reviewed, established, and conduct assurance spanning over 200 critical spare parts for aviation operations
Growth	<ul style="list-style-type: none"> Collaborated with other oil companies through hospitality arrangement Quick adaptability to volume growth 	<ul style="list-style-type: none"> Safe bottling of C44 cylinders filling at Sepangar LPG terminal for Brunei Shell Marketing Expanded Jet A-1 facilities at Melaka Fuel Terminal to cater to additional two million litres daily Maintained an additional 3,000 cylinders (+7%) in daily production of cylinders at Melaka LPG terminal
Sustainability	<ul style="list-style-type: none"> Support PETRONAS sustainability agenda by adopting and integrating sustainable practices and initiatives across operations 	<ul style="list-style-type: none"> Successfully supplied SAF during Langkawi International Maritime and Aerospace Exhibition (LIMA) Effectively coordinated SAF delivery to KLIA and Subang, totaling 44,000 litres after the first pilot delivery in 2022 Achieved 3.2262 tCO₂e GHG reduction post Road Tanker Idling Time launching nationwide High Operating Discipline where six Northern Region terminals passed OE R2 Overall Implementation Assessment and Product Supply Department passed Initial Implementation Assessment Launched Mission ZeroOOS aligned to daily Special Coordination Committee standups to cater to 19% volume spike in deliveries during festive seasons

Challenges and Our Response

Challenge	Our Response
Managing demand surge during festive seasons and long holiday periods	Expanded the fleet and driver through ad-hoc injection to guarantee seamless product supply, rezoning to source supplies from alternative terminals when necessary
Sustaining operational efficiency at an impressive 98% throughout the entire value chain, while also maintaining competitiveness in cost-to-serve	Scheduled optimisation of distribution channels (term charter vessels and fleet) to ensure safe and timely product delivery
Addressing challenges related to Asset Integrity and Reliability throughout the supply network	Engaged in collaborative efforts both internally and externally with key business experts and technical partners to evaluate prevailing asset's status, strategise repair and maintenance mitigative actions, and swiftly resume operations with minimal disruptions

OUTLOOK

SDD is steadfast in its commitment to achieving sustained growth while maintaining a competitive cost-to-serve. This dedication includes enhancing customer experiences through the implementation of cost optimisation strategies and fostering collaboration for a reliable and efficient supply chain.

Retail-Fuel Commercial LPG Lubricant Convenience

Enablers: Digital



KOH TAT CHONG
Chief Technology Officer

At PDB, we are committed to using digital technologies to enhance customer experience and make everyday life simpler and better.

Digital is integral to our Moving Forward Together strategy, which aims to deliver value, growth and sustainability for all our stakeholders. We are committed to leveraging technology solutions and tools that enhance customer experience, bolster business resilience and accelerate 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 customer experience, efficiency, resilience and sustainability efforts. Benefitting from the significantly enhanced digital infrastructure delivered from our digital blueprint, we are now focused on supporting PDB's efforts to achieve record sales volumes by maximising new usage and performance out of PDB's extensive digital platforms. Cybersecurity is a key consideration throughout this process, as the protection of sensitive data and systems is vital to improve our business resilience.



VALUE CREATED BY DIGITAL

1

Customer experience and Revenue uplift

By using programmable touch, video and sound enabled technologies at our main customer touchpoints on their phones, fuel dispenser and in-store at the point of sale. We create digitised intuitive user experiences for payments, loyalty and marketing that uplifts customer lifetime value and sales volumes

2

Managing cost-to-serve

By using data analytics, low-code platforms, cloud computing and commoditised off-the-shelf infrastructure, we automate manual tasks, minimise errors, and optimise workflows. This results in increased efficiency, improved productivity, and reduced costs

3

Minimise Risk

Through technologies such as cloud computing and cybersecurity to protect data and systems from unauthorised access, loss and damage. This results in increased reliability, security, and compliance

Key Focus Areas

1 Digitisation of Physical Experiences

- Building on the success of our Setel app, we introduced cardless Mesra loyalty and Setel Lite in 2023, offering convenient interim steps for customers to experience our digital loyalty and payment options before transitioning to the full Setel app features
- On the B2B side, we digitally integrated our sales teams across business lines, enhancing collaboration, upselling, cross-selling and providing an integrated CRM view

2 Cybersecurity

- Cyber risks are recurrently rated among the highest concern for businesses globally. At PDB we have continued to advance our cybersecurity posture to meet evolving industry standards, improve from our past experiences and continued education of our employees in cyber safe behaviors

3 Operational Excellence

- We have continuously enhanced operations through modernisation of tools, processes and governance to sustain availability of PDB's digital assets deployed at over 1,000 locations nationwide to transact record sales volumes annually and during peak demand periods
- We also continued pass Company-wide productivity improvement efforts through digitalisation of processes and analytics through provision of self-service platforms to empower a community of citizen analysts and citizen developers at PDB

4 Embedding Sustainability

- We have also made steps in our digital readiness to support PDB's emissions reporting obligations in line with Bursa Malaysia's requirements for sustainability disclosure. Initial solutions to support the production and maintenance of trackable and traceable data, for transparency of reporting have been put in place

Performance Review

	Key Initiatives	Achievements
Value	Enhanced operations through modernisation of tools, processes and governance to sustain availability of PDB's digital assets deployed at over 1,000 locations nationwide to transact record sales volumes annually and during peak demand periods	<ul style="list-style-type: none"> Enhanced PETRONAS station compliance and maintenance through digitised solutions, significantly improving compliance visibility, saving value by reducing manual work and ensuring timely support and maintenance Upgraded payment infrastructure and operations to handle record sales volumes year-round and during peak periods Advanced towards zero out-of-stock with digital planning and forecasting tools
Growth	<p>Relaunch of Mesra Loyalty programme with cardless Mesra loyalty and Setel Lite as an interim step for our customers who are keen to participate in the conveniences of our digital loyalty and payment experiences before stepping up into the full digital experiences provided by the Setel app</p> <p>Digitally integrate B2B sales teams across multiple business lines for enhanced sales collaboration, upselling, cross selling and an integrated view of CRM</p>	<ul style="list-style-type: none"> We now provide convenience for customers to earn and redeem Mesra points using mobile number directly at the fuel dispenser or Point-of-sale screens as an additional option apart from Setel app or swiping physical Mesra card The Mesra loyalty programme achieved record monthly active usage off the back of this initiative and strengthened fuel brand perception Since launching this solution, we have observed significant sales productivity gains through sales team collaboration, thus putting us on track to achieve the projected business value gains in the coming years
Sustainability	Support PETRONAS sustainability agenda by adopting and integrating sustainable practices and initiatives across operations	<ul style="list-style-type: none"> Improved data integrity, system efficiency and investment security Reduced implementation costs and extended benefits through the use of a multi-development platform

Retail-Fuel Commercial LPG Lubricant Convenience

Enablers: Digital

Challenges and Our Response

Challenge	Our Response
<ul style="list-style-type: none"> ● Cybersecurity and compliance with regulatory laws 	<ul style="list-style-type: none"> • Consistently drive employee awareness of cyber-safe behaviors through a balanced approach of education, drills and assessments • Frequent cybersecurity compliance re-assessments for digital systems against current best practices • 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 • Complying with digital regulations and laws, particularly in data privacy and secrecy laws to safeguard customer information and uphold responsible data handling practices • Aligning with industry payment standards to ensure the integrity of financial transactions and fostering customer trust
<ul style="list-style-type: none"> ● Driving new use cases to maximise usage and performance out of PDB's extensive digital platforms 	<ul style="list-style-type: none"> • Focusing on strategic adoption of the new digitalised platform applications, tools and processes to maximise return on investment and accelerate use of digital technologies among customers and internal users • Addressing fragmented user experience across multiple applications and overcoming resistance to change to foster a culture that adapts to the evolving digital landscape, ensuring effective adoption and full realisation of digitalisation benefits
<ul style="list-style-type: none"> ● Sustainability and EESG 	<ul style="list-style-type: none"> • Following implementation of baseline digital capabilities needed to manage, track performance, report, disclose and communicate EESG-related data points across PDB, we will re-assess annually to support our commitment to meeting industry requirements for sustainability reporting and governance



OUTLOOK
 As market forces evolve in the energy transition era and regulations shift, Digital will actively adapt our platforms to meet emerging needs. Seizing the opportunity presented by government subsidies and the energy transition, Digital will maximise the usage and performance of existing platforms for new use cases. Selective investments into Generative AI to enhance customer and sales experiences and optimise back-end operations will be assessed. Furthermore, PDB will maintain adherence to evolving data privacy, secrecy laws and industry payment standards to guarantee transaction integrity and cultivate customer trust.

These efforts aim to strengthen PDB's growth strategies, unlock greater stakeholder value and deliver exceptional customer experience, fulfilling our promise of Making Your Everyday Life Simpler and Better.



SUSTAINABILITY REPORT



88
 CONTINUED
 VALUE
 CREATION



99
 SAFEGUARD
 THE
 ENVIRONMENT



110
 POSITIVE
 SOCIAL
 IMPACT



131
 RESPONSIBLE
 GOVERNANCE