



SIMPLIFIED GROUP STATEMENT OF FINANCIAL POSITION & SEGMENTAL ANALYSIS

2014

SEGMENT OPERATING REVENUE

for the financial year ended 31 December
RM4.4 billion



Gas Processing

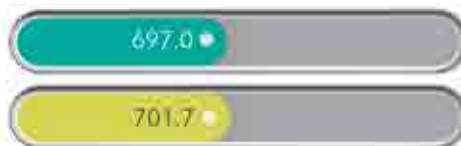


Gas Transportation

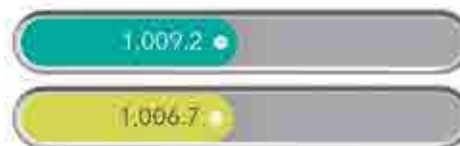
2014

SEGMENT GROSS PROFIT

for the financial year ended 31 December
RM2.2 billion



Gas Processing



Gas Transportation

2014

SEGMENT ASSETS

for the financial year ended 31 December
RM12.0 billion



Gas Processing



Gas Transportation

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RM4.5 billion

2015



Utilities

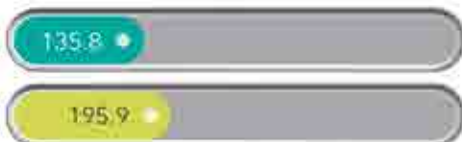


Regasification

2015
2014

RM2.1 billion

2015



Utilities

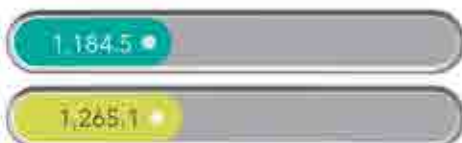


Regasification

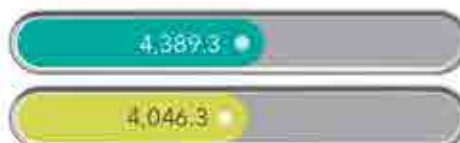
2015
2014

RM12.5 billion

2015



Utilities



Regasification

2015
2014



GROUP QUARTERLY FINANCIAL PERFORMANCE

2015

In RM Million

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year 2015
Operating revenue	1,101.3	1,083.6	1,134.3	1,136.7	4,455.9
Operating profit	568.4	545.0	415.6	487.9	2,016.9
Profit before taxation	571.3	527.1	415.5	488.2	2,002.1
Profit attributable to equity holders of the Company	450.0	818.0	305.0	414.5	1,987.5
Earnings per share (sen)	22.7	41.4	15.4	20.9	100.4
Dividend per share (sen)	14.0	14.0	15.0	17.0	60.0

2014

In RM Million

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year 2014
Operating revenue	1,054.2	1,102.4	1,123.5	1,111.6	4,391.7
Operating profit	545.5	583.5	552.6	460.5	2,142.1
Profit before taxation	543.2	578.9	549.2	683.2	2,354.5
Profit attributable to equity holders of the Company	418.0	435.3	418.6	571.3	1,843.2
Earnings per share (sen)	21.1	22.0	21.1	28.9	93.1
Dividend per share (sen)		20.0	20.0	15.0	55.0

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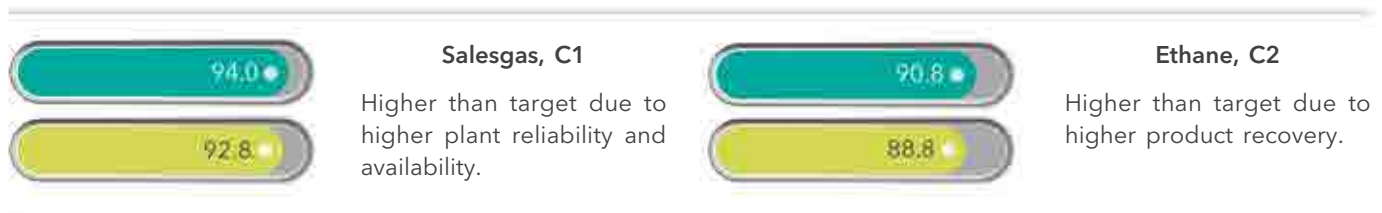
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NON-FINANCIAL PERFORMANCE INDICATOR

OVERALL EQUIPMENT EFFECTIVENESS (OEE)

Defined as the ratio of actual production over plant production capacity.

Gas Processing



Utilities

Regasification

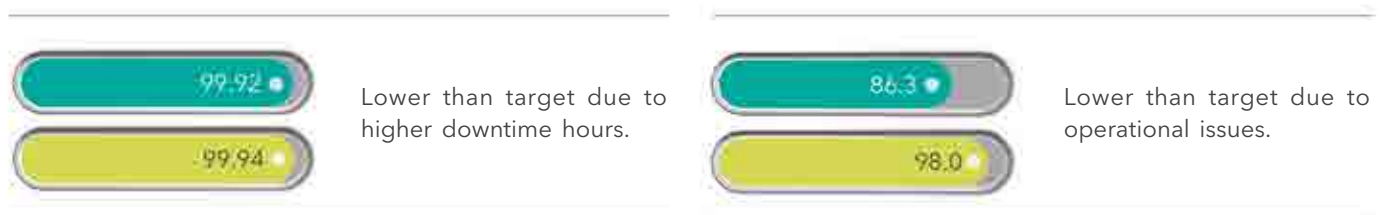


RELIABILITY

Define as the ratio of unscheduled downtime over total running time.

Gas Transportation

Regasification



Actual



Target



KEY INTEREST BEARING ASSETS AND LIABILITIES

	FY2015			FY2014		
	As at 31 December RM'million	Effective Interest Rate %	Interest Income/ (Expenses) RM'million	As at 31 December RM'million	Effective Interest Rate %	Interest Income/ (Expenses) RM'million
Interest earning assets						
Cash and cash equivalents	1,229.4	3.9	31.8	637.6	4.0	36.9
Interest bearing liabilities						
Finance lease liabilities	1,058.3	9.1	(90.1)	882.3	9.1	(76.3)

STATEMENT OF VALUE ADDED

	2015 RM mil	2014 RM mil
Revenue	4,455.9	4,391.7
Purchase of goods and services	(1,254.0)	(1,055.1)
Value added by the Group	3,201.9	3,336.6
Other Expenses		
Other Income and Expenses	(32.9)	4.7
Financing costs	(90.1)	(76.3)
Share of profit after tax of equity accounted associate and joint ventures	75.2	288.7
Value added available for distribution	3,154.1	3,553.7



DISTRIBUTION OF VALUE ADDED

	2015 RM mil	2014 RM mil
To employees Employment costs	373.1	368.1
To government Taxation	71.9	368.4
To shareholders Dividends Non-controlling interest	1,147.8 (1.5)	1,583.0 (1.1)
Retained for reinvestment and future growth Depreciation and amortisation Deferred tax expense/(income) Retained profit	778.9 (55.7) 839.6	831.1 144.0 260.2
	3,154.1	3,553.7



To employees	12%
To government	2%
To shareholders	36%
Retained for reinvestment and future growth	50%



To employees	10%
To government	10%
To shareholders	45%
Retained for reinvestment and future growth	35%



INVESTOR RELATIONS



AS A PUBLIC LISTED COMPANY, PETRONAS GAS BERHAD (PGB) IS **COMMITTED** TO **ENGAGE**, **COMMUNICATE** AND **BUILD** A **PROFESSIONAL RELATIONSHIP** WITH ITS **SHAREHOLDERS**, **FINANCIAL COMMUNITY** AND **OTHER STAKEHOLDERS** THROUGH A **STRUCTURED INVESTOR RELATIONS PROGRAMME**, IN LINE WITH RECOMMENDATIONS OF THE MALAYSIAN CODE ON CORPORATE GOVERNANCE 2000 (REVISED 2012) AND "INVESTOR RELATIONS PUT INTO PRACTICE" AS PUBLISHED BY BURSA MALAYSIA.

– Investor Relations Policy

INTRODUCTION

PGB remains committed to satisfy the interest of investors by engaging investors, analysts and shareholders through various programmes. The programmes and engagements are spelled out clearly in our Investor Relations Policy which are available in our website and comprising amongst others plant visit, conference, analyst briefing, and financial result announcements.

Investor relations activities are led by our designated spokespersons, i.e. Managing Director/Chief Executive Officer (MD/CEO) Yusa' bin Hassan, Head of Finance Aida Aziza binti Mohd Jamaludin and Head of Investor Relations Harris bin Harun.

HIGHLIGHTS

PLANT VISITS

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NON-DEAL
ROADSHOWS &
CONFERENCE

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INVESTOR
MEETINGS

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INVESTOR CALENDAR

Investor Conference/Non-Deal Roadshows

During the year, PGB participated in one conference in Thailand and two non-deal roadshows in Singapore and Japan. We also held various investor meetings with local and foreign investors as part of our plan to have regular engagements with investors community. Such interactions contributed to elevating our foreign shareholding level which reached its highest point in PGB's history at 8.5% in December 2015.

Our management team also continued to share on the Company's mission, vision and objectives, coupled with discussions on our operational structure, financial performance and project updates. We met with a total of 28 analysts at our investor briefings and 28 potential investors during our conference and non-deal roadshows.

Investor Conference/Non-Deal Roadshows

1 st RHB Signature Conference, Phuket	Thailand	20 April 2015
Nomura Non Deal Roadshow, Tokyo	Japan	11 August 2015
Nomura Non Deal Roadshow, Singapore	Singapore	24 August 2015

Analyst and Institutional Meetings

Face to face sessions	25
Teleconferences	3
Total	28

Annual General Meeting (AGM)

Our 32nd AGM was held on 30 April 2015. The MD/CEO presented the key highlights of the Company's performance for the year under review. Shareholders were given the opportunity to actively participate at the AGM where they communicated their views and raised queries on PGB. The notice of AGM was published and disseminated on 7 April 2015. All proposed resolutions were duly passed.

Minutes of the meeting has subsequently made available on our website.



INVESTOR RELATIONS

Financial Result Announcement & Briefing

PGB's financial result briefing has evolved from a simple teleconference in 2014 to an interactive webcast to engage with analysts. During the year, PGB held four such briefings to provide updates on our quarterly results and address enquiries from the investment community on the state of the Company's financial and operational performance. The result announcements were hosted by our Head of Investor Relations with the presence of our MD/CEO and Head of Finance.

Our presentation packs and recorded webcasts are made available on the Company's website to enable the investment community to stay abreast of our performance in each quarter.

Announcement Date	Result for	Briefing Date	Mode of communications
PGB Quarterly Results Briefing			
12 May 2015	Qtr 1 2015	13 May 2015	Webcast + Conference call
4 August 2015	Qtr 2 2015	5 August 2015	Webcast + Conference call
30 October 2015	Qtr 3 2015	2 November 2015	Webcast + Conference call
24 February 2016	Qtr 4 2015	25 February 2016	Webcast + Conference call

Plant Visit

Plant visits are keenly anticipated by our shareholders. Held thrice a year, such visits aim to educate and familiarise shareholders with PGB's extensive plant and business operations and inspire confidence in the Company's business fundamentals in the process.

Shareholders were given a guided tour of our premises in compliance with our stringent health, safety & environment (HSE) requirements. These plant visits were not only informative, but also proved to be a good platform to enhance relations between PGB and our investors.

Venue	Participants	Date
LNG Regasification Terminal Sungai Udang, Melaka	Institutional Shareholders	26 March 2015
Gas Processing Santong and Utilities Kertih, Terengganu	Retail Shareholders	12 August 2015
Segamat Operations Centre, Johor	Retail Shareholders	6 October 2015

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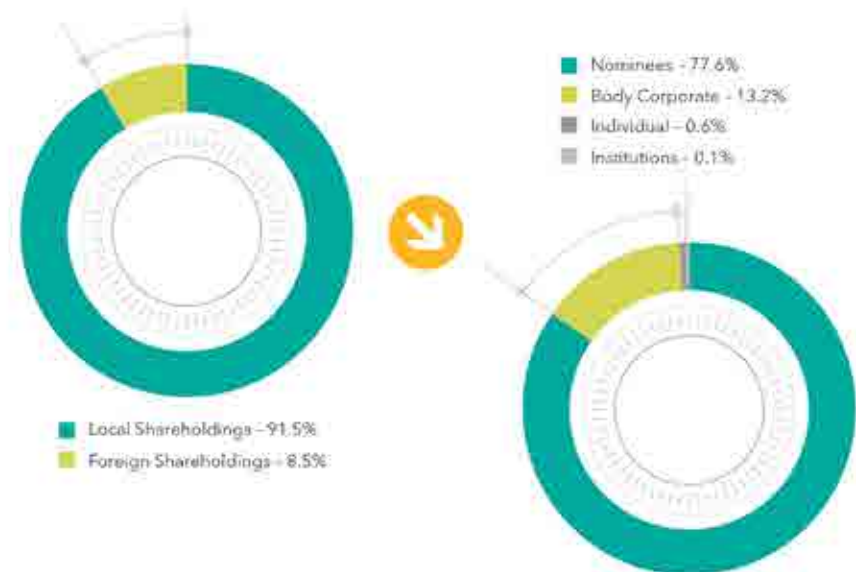
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PGB'S SHAREHOLDING

A surge in global demand

PGB has a diversified shareholder base with a total of 2.0 billion ordinary shares as at 31 December 2015. For more detailed information, please refer to page 334 for an in-depth analysis of our shareholding structure.

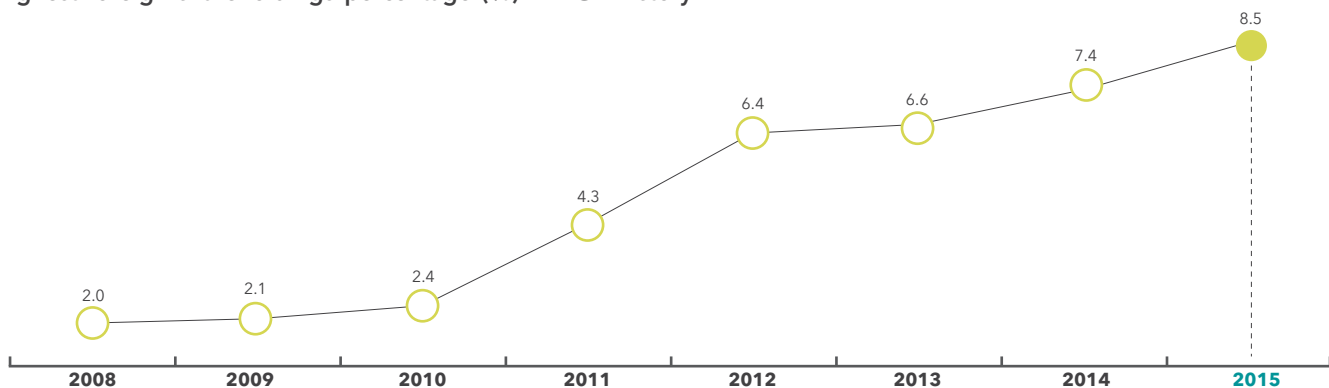


Quick facts



- PGB shareholders are mainly local investors. Of this group, 77.6% of shares held belong to nominee companies.
- The body corporate category comprises mainly banks, finance companies, investment trusts, foundations, as well as charities.

Highest foreign shareholdings percentage (%) in PGB history



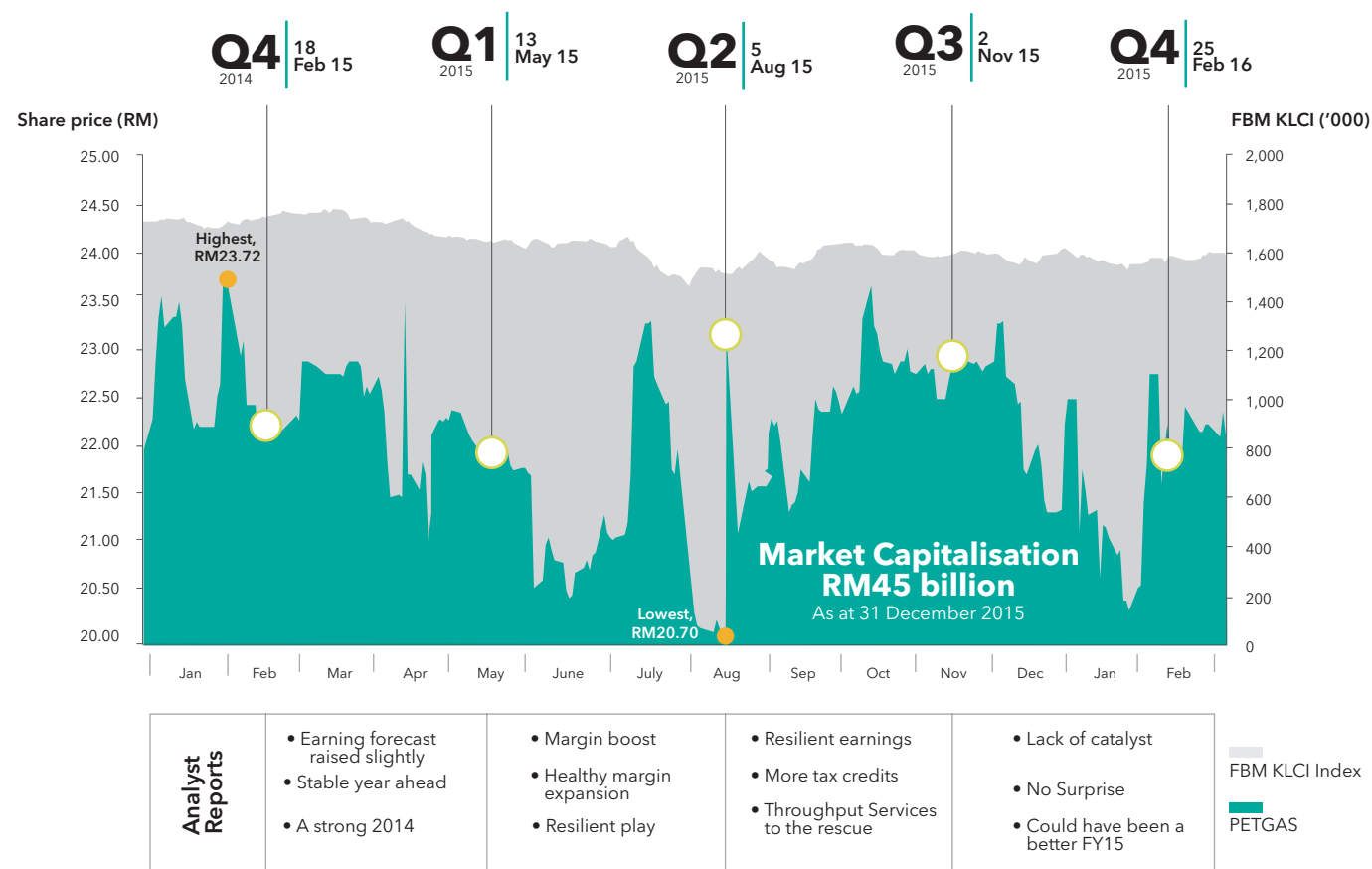
Despite the prevailing economic uncertainty and weak global sentiment, PGB's foreign shareholding rose to 8.5% in FY2015, the highest level in PGB's history. This testifies to the steadfast confidence that foreign investors have in PGB, as a result of our frequent and proactive engagements with the investment community.



INVESTOR RELATIONS

PERFORMANCE OF SHARES

Resilient share price despite tough year



Note:

The analyst reports displayed were extracted from Bursa Malaysia's website. For more analyst reports, visit Research Repository on www.bursamalaysia.com.

PGB's share price opened at RM22.16 on 2 January 2015 and continued to remain stable during the year, averaging between RM21.00 to RM23.00 despite challenging economic conditions. The share price closed the year at RM22.70, indicating a growth of 130% over five years.

The share price peaked in February 2015 at RM23.72, and plunged to its lowest in August 2015 at RM20.70.

On another note, total shareholder returns exceeded last year's performance through appreciation in share price and higher dividend payments.

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DIVIDENDS
PER SHARE
60 SEN
2014: **55 SEN**

SHARE PRICE
RM22.70
2014: **RM22.16**

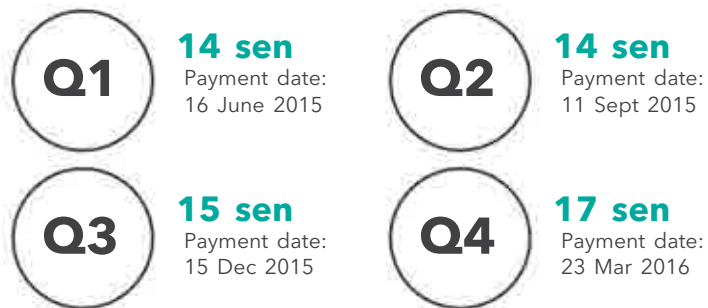
EARNINGS
PER SHARE
100 SEN
2014: **93 SEN**

MARKET
CAPITALISATION
**RM45
BILLION**
2014: **RM44 BILLION**

TOTAL
SHAREHOLDER'S
RETURN
5%
2014: **-6%**

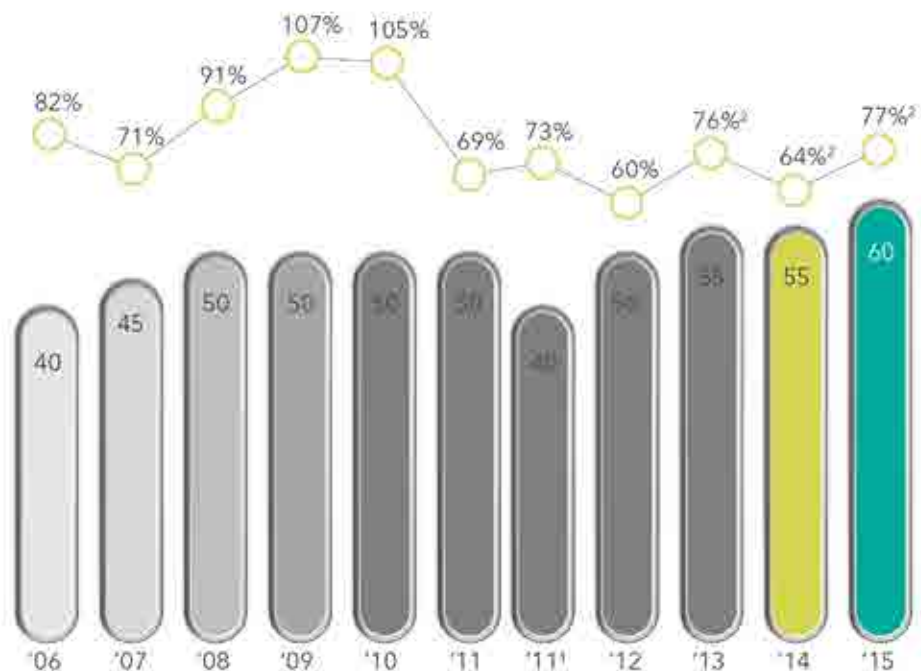
Dividends

Sustainable capital return to shareholders in line with industry average dividends payout ratio.



PETRONAS Gas Berhad has embarked on a quarterly dividend payment instead of semi-annual dividend plan for better shareholders' gratification.

Dividends Payout Ratio (%)



Note:

Financial year 2011 comprises reporting period from 1 April to 31 March

¹ For the nine-month period ended 31 December 2011

² Based on normalised PAT (excluding tax incentives)



INVESTOR RELATIONS

Awards and Recognition

PGB received various awards and recognition during the year, namely the NACRA Industry Excellence Awards 2015 for the Industrial Products and Technology category, the 9th Most Transparent Big Stock Award by Focus Malaysia and the FTSE4Good Bursa Malaysia recognition.



Best Excellence Award in the
Industrial Products and Technology



9th Most Transparent Big
Stock Award by Focus
Malaysia



FTSE4Good

Obtained the prestigious Certificate
of Membership for inclusion in the
FTSE4Good Index

Research House Coverage

As of December 2015, we had analyst coverage from 13 equity research houses, reflecting strong interest in our stock.



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Common Questions Posed by Analysts

Our Investor Relations programmes serve as an excellent platform for us to engage and build lasting relationship with the investment community. During these sessions, investors are encouraged to pose questions to our Investor Relations team. These are five commonly asked questions.

- (1) What are the growth and expansion plans of the Company?

Answer:

Our future growth will be premised on a pipeline of projects that support PETRONAS' expansion of its refining and petrochemical businesses, namely the LNG Regasification and Air Separation Unit in Pengerang. We will continue exploring growth opportunities within our core competencies

- (2) What is the impact of the electricity tariff rebate on PGB?

Answer:

Increases in electricity tariff rebates do not materially affect our processing, transportation and regasification operations, as electricity costs for these businesses are not significant to PGB.

For Utilities, the electricity tariff rebate has resulted in a revenue reduction compared to the corresponding year.

- (3) Does PGB have any dividend policy?

Answer:

We do not have a specific dividend policy that we announce publicly. However, we aspire to declare dividends based on industry average payout ratios, after taking into account current working capital and capital requirements.

- (4) Will there be any other tax incentives after the expiry of the current tax incentives?

Answer:

When undertaking a new project, PGB will explore the possibility of applying tax incentives to optimise returns for the Company.

- (5) What is the impact of the drop in oil prices on fuel gas prices?

Answer:

Given that fuel gas prices are largely regulated, a drop in oil prices will not have a significant bearing on domestic fuel gas prices.

For Gas Processing and Transportation segments, fuel gas is provided by PETRONAS for utilisation within agreed operating parameters.

For our Utilities segment, however, any changes in cost will be passed on to customers except electricity which is dependent on the electricity tariff regulated by Government.

Quick facts



Website

Our PGB website can be accessed at www.petronasgas.com.

Our Investor Relations unit maintains updated information on investor relations related events, such as quarterly results, corporate updates, replies to the Minority Shareholder Watchdog Group (MSWG), announcements to Bursa Malaysia, minutes of AGMs and corporate development briefings.

Email

Please send your feedback, suggestions, and enquiries on PGB to ir.petronasgas@petronas.com.my

Investor Relations (IR) Policy

Our IR Policy was officially approved by PGB Board on 27 May 2014 as a statement of PGB's commitment to transparent, consistent, accurate, non-selective, timely and coherent communications with our investing community and other stakeholders. Visit our website to read more about our IR Policy.



SUSTAINABLE VALUE CREATION

WE BELIEVE OUR LONG TERM
STRATEGY DRIVES US TO ACHIEVE
PROFITABLE GROWTH AND
ENSURE SUSTAINABILITY OF OUR
OPERATIONS





BUSINESS REVIEW

GAS PROCESSING

A YEAR IN REVIEW

A visual of our Gas Processing segment (GP)'s achievements, contributions and milestones during the year.

OPERATIONAL PERFORMANCE



HEALTH, SAFETY & ENVIRONMENT (HSE)

7.3 million safe manhours achieved

0 LTIF
0 FATALITY

Lost time injury frequency (LTIF) is defined as loss of productive work time due to injury suffered, relative to total hours worked during the year.



HUMAN CAPITAL

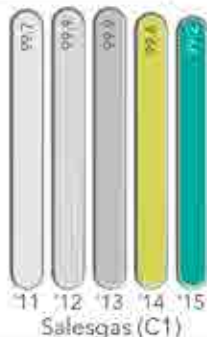
1,013 employees

5,534 days of training and development



PRODUCTIVITY CAPITAL

Reliability (%)



Reliability

99.2% C1

95.5% C2

96.5% C3

96.5% C4

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FINANCIAL PERFORMANCE

REVENUE

RM1.5 BILLION

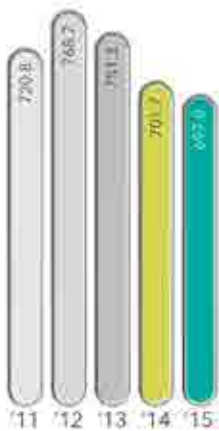
 higher by
4 %

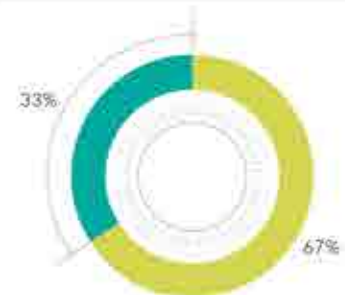
 on the back of full year
 implementation of
 Gas Processing
 Agreement (GPA)

Revenue (RM million)



Gross Profit (RM million)


33 %

 gross profit contribution
 to PGB Group


Performance

RM697.0 MILLION

0.7 %

decrease in gross profit

Note:

Financial year 2011 comprises nine-month period ended 31 December 2011.

HIGHLIGHTS OF THE YEAR

- Outstanding HSE performance with **7.3 million safe manhours** achieved and a breakthrough performance in HSE incident reduction. GP also recorded 100% reduction in **LTIF** from 0.6 to **0** during the year.
- Consistently high **salesgas reliability of 99.2%** while the **reliability for ethane** was at **95.5%**. **Propane** and **butane reliability** both stood at **96.5%** respectively.
- Attained **commendable Overall Equipment Effectiveness (OEE)** and **reliability for liquid products**, reflecting results of the various efforts undertaken under the 3ZERO100 PGB Transformation Programme.
- Gas Processing Plant 5 and Gas Processing Plant 6 Ethane Recovery Improvement initiative** contributed to the **highest ever ethane production**.
- GP achieved **completion** of the last series of its **Plant Rejuvenation and Revamp (PRR)** project for Gas Processing Plant 4, which **added another 20 years** to its useful life.
- Revenue **surged by RM53.4 million** from RM1,480.2 million in 2014, attributed to the **higher reservation charges** on the back of the full year implementation of the Gas Processing Agreement (GPA).
- Contribution to the Group's gross profit declined by RM4.7 million on higher operating costs particularly for repair and maintenance, in line with the Company's effort to improve asset integrity.



BUSINESS REVIEW

WHO WE ARE

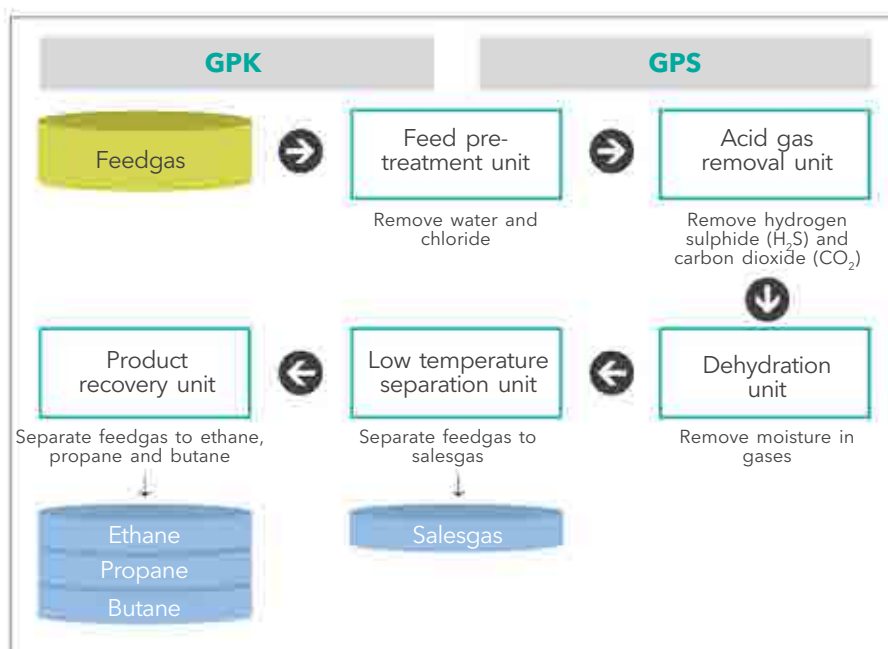
GP is one of PGB's primary business segments, and is operated by our Gas Processing and Utilities (GPU) Division. Our six plants in Terengganu are divided into two complexes, which are Gas Processing Kertih (GPK) and Gas Processing Santong (GPS).

In the beginning, GPP1 and Tanjung Sulong Export Terminal (TSET) were commissioned and commenced operations in 1984. In view of increasing national gas demand, GPP2, GPP3 and GPP4 were constructed and commissioned in 1992 and 1994 respectively at GPK, followed by GPP5 and GPP6 in 1998 at GPS.

With total salesgas processing capacity of over 2,000 million standard cubic feet per day (mmscfd), these plants currently process feedgas (raw gas) from off-shore of East Peninsular Malaysia on behalf of PETRONAS into salesgas (C1) and other by-products, such as ethane (C2), propane (C3) and butane (C4). These products are then supplied to PETRONAS' customers in power and non-power sectors via PGB's Peninsular Gas Utilisation pipeline network.

In return for the gas processing services, PGB receives gas processing fees comprising mainly fixed reservation charges under the 20-year GPA.

Simplified Process Flow Diagram





BUSINESS STRATEGY

1. HEALTH, SAFETY & ENVIRONMENT (HSE)

Robust HSE governance and assurance

GP is committed to exhibiting leadership in the area of safety and ensuring our compliance with the various HSE governance and assurance frameworks as well as the PETRONAS Mandatory Control Framework at all times to safeguard lives, assets and our overall business continuity.

Institutionalisation of Process and Behavioural Safety

GP is determined to increase its efforts to instil safety-at-heart in all members of our workforce, to achieve safe operationalisation of the Company's assets.

2. OPERATIONAL EXCELLENCE

Superior product delivery and reliability

GP is striving to elevate its Overall Equipment Effectiveness (OEE) of its assets, which would translate into higher product delivery to our customers.

Sustainable improvement of key operational indicators

GP is committed to improve and sustain its plant operational performance in optimising the value delivered to our stakeholders.

GP was accredited with several awards and certifications as a result of the high standards in its operations, such as:

- The IKM (Institut Kimia Malaysia) Excellence Award accorded to three GP labs (GPK, GPS, TSET);
- The GOLD Medal in Annual Productivity & Innovation, awarded at the Annual Productivity & Innovation Conference and Exposition (APIC) 2015; and
- Recognised Innovative and Creative Circle (ICC) practitioner by PETRONAS Carigali Sdn Bhd for best practice sharing of Kaizen Improvement Team activities and ICC achievements.

Even more encouragingly, GP delivered 99.2% reliability and sustained 100% product delivery reliability for salesgas (C1) production.

Results

OEE of ethane production improved to 90.8% from 87.6% in 2014. This was partly contributed by a higher ethane recovery rate of 8% resulting from commissioning of our De-Methaniser Revamp (DMR) 5 project and sustenance of our DMR 6 optimisation which contributed positively to Performance Based Structure (PBS) income.

3. VALUE OPTIMISATION & GROWTH

Optimum cost control and asset utilisation

GP is dedicated to minimising value leakages and improving overall asset utilisation, which would translate into higher returns to its shareholders.

Improved energy efficiency

GP is committed to utilising energy efficient technologies to reduce energy per unit cost of gas processing, which translates into lower production cost and a reduction in overall energy intensity and carbon footprint.

Strategic growth in gas infrastructure

GP is determined to pursue, explore and execute new business ventures within the core areas of the Company's expertise to establish new revenue streams and value for its shareholders.

Excellence in project delivery

GP is focused on implementing a seamless project execution strategy for all projects such as the Terengganu Gas Terminal (TGAST) - Onshore Slug Catcher (OSC) - Gas Processing Plant (GPP) pipeline modification project to improve asset reliability and enhance PETRONAS' value chain. Meanwhile, our Cogeneration (COGEN) project has commenced operations during the year in ensuring reliability of power supply to the plant.

Despite various challenges, GP finally completed its Plant Rejuvenation and Revamp project (PRR) with the last series of PRR, i.e. PRR 4, achieving commissioning on 1 April 2015. This allowed GP to sustain its plant reliability and integrity for an additional 20 years while preventing the incurrence of major repair and maintenance costs.



BUSINESS REVIEW

4. 3ZERO100 PGB TRANSFORMATION PROGRAMME

Our 3ZERO100 PGB transformation journey moves us towards a high performance organisation with aspirations to achieve zero HSE incident, zero interruption, zero non-compliance and 100% product delivery reliability by the end of 2016.

Various strategic initiatives have been outlined to drive the organisation towards HSE and operational excellence through the key strategic thrusts of Assets, System & Process and People & Culture.

Improved asset reliability and availability

GP is dedicated to improve overall asset reliability and availability through the implementation of Key Results Area (KRA) for ethane and Industrial Effluent Treatment System (IETS) to eliminate the Bad Actors for these assets.



BUSINESS MODEL



Revenue structure consists of reservation charges (which are intended to recover all capital expenditure and operating expenditure for making available capacity up to 1,750 mmscfd), flow rate charges and PBS income for performance of plant liquid extraction exceeding targets as governed by our GPA.

Cost structure comprises mainly depreciation and operating costs, namely repair and maintenance, materials and supplies, as well as professional and purchased services.

Assets consist of six operating plants and terminal facilities, namely GPP1, GPP2, GPP3, GPP4, GPP5, GPP6 and TSET located at Kertih, Santong and Tanjung Sulong.

Activities of this segment revolve around processing PETRONAS' feedgas from offshore Peninsular Malaysia.

Key resources for this segment consist of 1,013 employees from both technical and non-technical backgrounds, with a male to female ratio of 8:1.

Output from the process is salesgas (C1), mainly consists of methane, as well as other by-products, such as ethane (C2), propane (C3) and butane (C4).

Customer for our services is solely PETRONAS, which is the main aggregator of gas from upstream in Peninsular Malaysia. The salesgas is subsequently distributed to PETRONAS' power and non-power customers, including petrochemical plants.

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OPERATIONAL REVIEW



MOHD KABIR BIN NOORDIN

Head of Gas Processing and Utilities Division

What we do to achieve 3ZERO100

- Plant improvement activities which have contributed to enhancing ethane OEE:
 - Improvement of Key Rotating, Electrical and Instrument Equipment reliability
 - Enhancement of Cooling Water, Acid Gas Removal Unit (AGRU), Steam, Dehydration Unit (DHU) and Instrument Air systems
- Completion of plant turnaround activities for GPP2, PRR for GPP4 and TSET.
- Completion of major projects such as the (TGASt)-(OSC)-(GPP) pipeline modification, the Resak pipeline, as well as the Cogeneration (COGEN) and De-Methaniser Revamp (DMR).

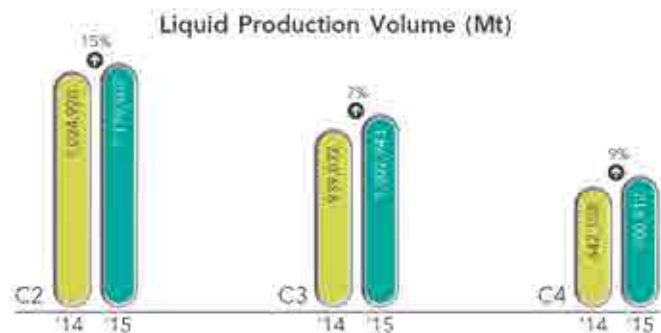
IN LINE WITH PGB'S TRANSFORMATION TO ACHIEVE 3ZERO100 TARGETS, OUR GP HAS SHOWN DECREASING LOST TIME INJURY FREQUENCY (LTIF) AND PLANT INTERRUPTIONS, BESIDES MEETING PRODUCT DELIVERY RELIABILITY (PDR).

During the year under review, GP has recorded commendable OEE improvement for ethane, propane and butane. This is in line with PGB's Transformation plan which focuses on operational excellence, reflecting a true performance of PGB as an infrastructure services provider.

The OEE for ethane improved significantly by 3.2% to 90.8% due to higher product recovery for C2 extraction efficiency, while propane and butane registered at 88.6% and 89.8%, respectively.

The reliability of salesgas at 99.2%, was world class, although slightly lower than the 99.4% recorded last year. Reliability for ethane and propane stood at 95.5% and 96.5% respectively, surpassing the world class performance benchmark of 95.0% mainly due to reduced unplanned downtime during the year.

Coupled with improved OEE, we accelerated our production rate of ethane to 15% metric tonne (Mt) per hour, translating into production of 1,179,507 Mt. Production for propane and butane stood at 1,002,943 Mt and 700,912 Mt respectively.





BUSINESS REVIEW

FINANCIAL REVIEW



GP HAS SHOWN COMMENDABLE IMPROVEMENT IN TERMS OF REVENUE BY RM53.4 MILLION COMPARED WITH 2014, MAINLY CONTRIBUTED BY HIGHER RESERVATION CHARGE DUE TO THE FULL 12 MONTHS IMPLEMENTATION OF THE GPA WHICH TOOK EFFECT FROM 1 APRIL 2014.

GP's contribution to PGB's gross profit slightly decreased by RM4.7 million as a result of higher repair and maintenance in line with efforts to intensify plant reliability and production.

KEY RISKS & MITIGATION

GP managed its risks via our Enterprise Risk (ERR) and Plant & Facilities Risk Management (PFRM). Under ERR and PFRM, risks relevant to the Division were assessed, monitored and reported to the respective Division Plant Leadership Team (PLT) and PGB Risk Compliance Committee (RCC). Mitigations for each high and medium risk have been assigned in reducing and eliminating the risk associated with business, HSE and operational. The

mitigations have been implemented through HSE and Process Safety Management (PSM) enhancement programme, initiatives such as our Mechanical Integrity (MI) and Loss of Primary Containment (LOPC) Frameworks, as well as improvement projects and transformation activities through KRA taskforce. With the established MI Framework, a noticeable 67% reduction in total minor LOPC incidents was experienced in 2015.



SUSTAINABILITY

Environment

GP acknowledges our responsibility to ensure all processes and systems are efficient and safe at all times to minimise our impact on the environment. This is achieved through:

- sustaining a Flare Gas Recovery Unit (FGRU) at GPK and GPS to reduce black smoke.
- discharging on-specification industrial effluent in compliance with the Industrial Effluent Regulation (IER) 2009.
- keeping abreast of potential regulations to be introduced by regulatory bodies, such as the Clean Air Regulation (CAR) 2014 and undertaking the necessary actions to ensure compliance.

Community

GP also established and sustains close relations with local communities through its Corporate Social Investment (CSI) activities such as:

- The “Sayangi Sungai Paka” programme in collaboration with the Malaysian Nature Society (MNS), PETRONAS East Coast Regional Office (ECRO), and government agencies. The event focuses on environmental awareness and conservation. The fish released into Sungai Paka at the event emphasised on the well-being of the river and the habitats surrounding the area that GP operates.

- Led Occupational Safety and Health (OSH) open day in collaboration with other PETRONAS subsidiaries to foster closer relationships between local communities and the Terengganu Department of Occupational Safety and Health (DOSH).

Workplace

GP is committed to protect the health of people at our workplace and provides conducive workplace to staff and contractors through various programme such as:

- The “No Polystyrene” campaign at our cafeteria to reduce harmful impact of food packaging on the environments.
- Medical counselling carried out by our Occupational Health Doctor aimed to promote healthy lifestyles to employees;
- A series of “Hari Bertemu Pelanggan” to increase health awareness among staff, including carrying out medical screenings at GPK, GPS and TSET; and
- Healthy lifestyle programme such as zumba exercise, measurement of Body Mass Index (BMI), blood donations and others.

Marketplace

GP is focused on further strengthening relationships with our stakeholders through such means as:

- Teambuilding with PETRONAS Chemical Group Berhad (PCG) and engagement with DOSH personnel;
- Contractors forums for two-way communication between GP and our contractors; and
- Recreation activities with local authorities.

OUTLOOK

- Relying on our revised GPA which strengthens reservation charges, GP is expected to deliver another sustainable performance next year.
- In 2016, our aspiration is to incorporate best practices and further improve our performance, which focuses on reducing interruptions to assets to deliver world-class performance and reliability.
- In line with the 3ZERO100 PGB Transformation journey, GP is expected to continue enhancing asset performance through critical project initiatives, such as Heat Exchanger replacement, TSET flare rectification and Acid Gas Removal Unit (AGRU) pump upgrading to further improve C2, C3 and C4 reliability.
- Furthermore, GP will continue to enhance its work processes and to complete the Operational Excellence Management System (OeXMS) in order to improve productivity.
- In maintaining a highly engaged and capable workforce, GP will drive the remaining initiatives under the key strategic thrust for people and culture, including Gas Academy, Root Cause Failure Analysis (RCFA) enhancement and HSE generative culture.
- GP is also expected to extract higher ethane volume from higher feedgas composition received from our TGAFT facilities, once the TGAFT project is completed by PETRONAS Carigali Sdn Bhd.



BUSINESS REVIEW

GAS TRANSPORTATION

A YEAR IN REVIEW

A visual of our Gas Transportation segment (GT)'s achievements, contributions and milestones during the year.

OPERATIONAL PERFORMANCE



HEALTH, SAFETY & ENVIRONMENT (HSE)

3.8 million safe manhours achieved

0 LTIF
0 FATALITY

Lost time injury frequency (LTIF) is defined as loss of productive work time due to injury suffered, relative to total hours worked during the year.



HUMAN CAPITAL

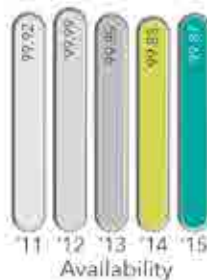
442 employees

4,996 days of training and development



PRODUCTIVITY CAPITAL

Reliability and Availability (%)



99.92% Reliability

99.87% Availability

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REVENUE

RM1.3 BILLION

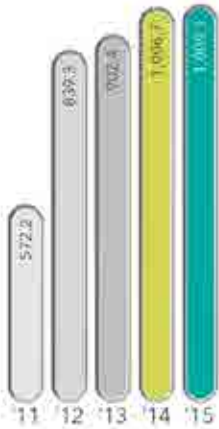
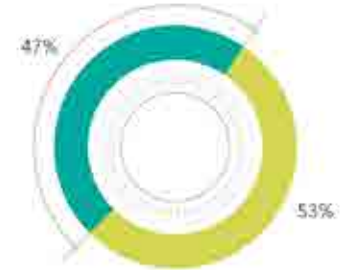
2%

increase in revenue

Revenue (RM million)



Gross Profit (RM million)


47%
gross profit contribution
to PGB Group

Performance

RM1.0 BILLION

0.2%

increase in gross profit

Note:

Financial year 2011 comprises nine-month period ended 31 December 2011.

HIGHLIGHTS OF THE YEAR

- GT achieved **3.8 million safe manhours** and 100% reduction in **LTIF to zero** during the year.
- GT continued to **record world class performance** with transmission **reliability** and **availability** sustaining at **99.9%** for both.
- GT recorded **revenue** of **RM1,311.6 million**, an **increase of RM24.9 million** (1.9%) from FY2014. This increase was attributed to higher transportation capacity reservation arising from the new Gas Transportation Agreements (GTA) that took effect on 1 April 2014.
- GT recorded a **gross profit** of **RM1,009.1 million**, marginally higher by RM2.4 million from FY2014, in tandem with the increase in revenue but partially negated by higher operating costs during the year.



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WHO WE ARE

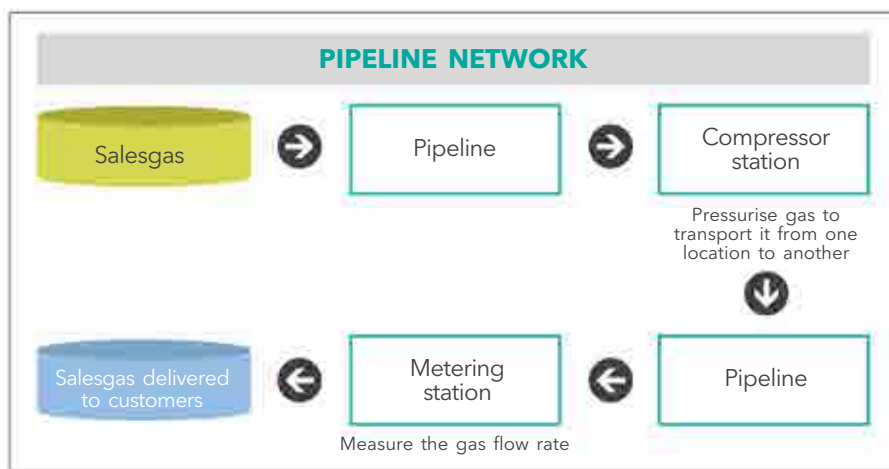
GT is operated by our Gas Transmission and Regasification (GTR) Division. Through this business, we manage the gas transmission pipelines covering much of West Malaysia known as the Peninsular Gas Utilisation (PGU) pipeline network.

We operate from our main Control Centre located in Segamat, Johor and the salesgas is transported to PETRONAS' customers via our 2,521 km PGU pipeline. Starting off our operations upon completion of PGU 1 in 1984, our PGU pipeline network has expanded and currently has the capacity to transport up to 3,000 million standard cubic feet per day (mmscfd) of gas.

In addition, we also transport small volumes of salesgas for PETRONAS' customers via our gas distribution system in Miri and Bintulu, Sarawak, as well as manage the gas pipeline in Kimanis, Sabah.

GT also acts as the operations and maintenance (O&M) operator for Sabah-Sarawak Gas Pipeline (SSGP) and Trans Thai-Malaysia (M) Sdn Bhd's pipeline from the northern Malaysian border to Seberang Prai in Pulau Pinang.

Simplified Process Flow Diagram



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BUSINESS STRATEGY

1. HEALTH, SAFETY & ENVIRONMENT (HSE)

Robust HSE governance and assurance

GT is committed to exhibiting leadership in the area of safety and ensuring our compliance with the various HSE governance and assurance frameworks as well as the PETRONAS Mandatory Control Framework at all times to safeguard lives, assets and our overall business continuity.

Institutionalisation of Process and Behavioural Safety

GT is determined to increase its efforts to instil safety-at-heart in all members of our workforce, to achieve safe operationalisation of the Company's assets.

2. OPERATIONAL EXCELLENCE

Superior product delivery and reliability

GT is striving to sustain its asset reliability for superior operational excellence.

Sustainable improvement of key operational indicators

GT is committed to improve and sustain our transmission operational performance in optimising the value delivered to our stakeholders.

Results

Both GT reliability and availability remained high at 99.9%. Zero fatality and Loss Time Injury (LTI) recorded in 2015.

3. VALUE OPTIMISATION & GROWTH

Optimum cost control and asset reliability

GT is dedicated to minimise value leakages and improving overall asset reliability, which would translate into higher returns to its shareholders.

Improved energy efficiency

GT is committed to utilising energy-efficient technologies to reduce energy per unit cost of transmission, which translates into lower production cost, and reduction in overall energy intensity and carbon footprint.

Strategic growth in gas infrastructure

GT is determined to pursue, explore and execute new business ventures within the core competencies of the Company to establish new revenue streams and value for its shareholders.

Excellence in project delivery

GT is focused on implementing a seamless project execution strategy across all of its projects such as the Pengerang Gas Pipeline Project (PGPP), which translates into timely and within-budget project delivery.

4. 3ZERO100 PGB TRANSFORMATION PROGRAMME

Our 3ZERO100 PGB Transformation journey moves us towards a high-performance organisation with aspirations to achieve zero HSE incident, zero interruption, zero non-compliance and 100% product delivery reliability by the end of 2016.

Various strategic initiatives have been outlined to drive the organisation towards HSE and operational excellence through Key Strategic thrusts of Assets, System & Process and People & Culture.

Improved asset reliability and availability

GT is dedicated to improving its overall asset reliability and availability through the implementation of Key Results Area (KRA) for the elimination of GT's Bad Actors.



BUSINESS REVIEW

KEY STRATEGIC THRUSTS



ASSETS

Elimination of all
Bad Actors & proactive
prevention to ensure
high asset reliability



SYSTEM & PROCESS

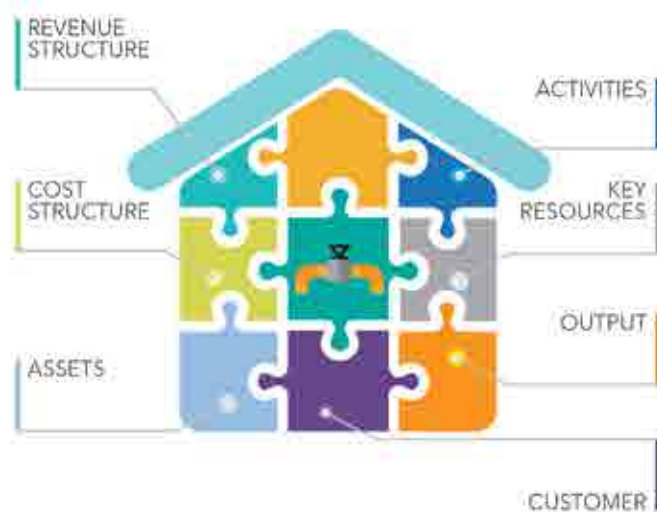
Maximising Human Reliability
through effective management system



PEOPLE & CULTURE

Achieving sustainability through
competency development
and cultural re-engineering

BUSINESS MODEL



Revenue structure consists of capacity reservation which is based on capacity booking at tariff per gigajoule (GJ) governed by the GTA.

Cost structure comprises depreciation and other operational costs, namely repair and maintenance, materials and supplies, and others.

Assets consist of transmission pipelines covering much of West Malaysia (known as the Peninsular Gas Utilisation (PGU) pipeline network) as well as smaller distribution systems in Miri and Bintulu in East Malaysia which transport gas to PETRONAS' customers.

Activities of this segment include transportation of gas processed by our gas processing plants as well as from the Joint Development Area in Thailand and our LNG Regasification Terminal in Sungai Udang, Melaka to PETRONAS' customers in Peninsular Malaysia and Singapore. This includes transportation of gas to PETRONAS' customers in Sabah and Sarawak.

Key resources for this segment consist of 442 employees from both technical and non-technical backgrounds with a male to female ratio of 6:1.

Output is the gas transportation services of salesgas consist of mainly as well as ethane, propane and butane.

Customer is solely PETRONAS.

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NORARNIZAR BIN ALI AMRAN

Head of Gas Transmission and
Regasification Division

What we do to achieve 3ZERO100

Key Results Area initiatives, such as:

- Enhancement of Equipment Reliability Strategy (ERS).
- Inspection of Above Ground Piping system.
- Pipeline Integrity Enhancement Programme.

Completion of Department of Occupational Safety and Health (DOSH) Turnaround for Segamat Compressor Station.

Commencement of Transmission Academy to accelerate capability of new staff.

GT HAS SHOWN WORLD CLASS PERFORMANCE IN TERMS OF RELIABILITY AND AVAILABILITY. WE CONTINUE TO ENSURE UNINTERRUPTED GAS DELIVERY, IN LINE WITH PGB'S TRANSFORMATION AGENDA.

PGB's transformation journey, commencing in 2014, continued to strive for positive impact on our transmission system reliability and availability of 99.92% and 99.87% respectively.

The segment ensured uninterrupted gas delivery to PETRONAS' customers, managing the transport and supply of a total of 2,225 million standard cubic feet per day (mmscfd) of salesgas during the year.

GT achieved zero supply curtailment through effective management of our send-out plan for LNG Regasification Terminal in Sungai Udang.

The year also saw the operations and maintenance of SSGP shifted from SSGP Operation Readiness phase to Initial Operations phase since July 2015 as per the Technical Operation & Maintenance Agreement (TOMA).

GT is also enduring in its commitment to institutionalise the capability development in the organisation through its Transmission Academy's scope expansion to cover the entire staff population via structured learning and development programmes.

Another major project completed in December 2015 was the Tebong City Gate in Melaka which is expected to meet new demand from Gas Malaysia Berhad for their customers in the Lipat Kajang Industrial Park.



BUSINESS REVIEW

FINANCIAL REVIEW



REVENUE FROM GT INCREASED BY RM24.9 MILLION TO RM1.3 BILLION FOR THE YEAR UNDER REVIEW. THE RISE WAS ATTRIBUTED TO THE FULL YEAR IMPLEMENTATION OF THE GTA, WHICH TOOK EFFECT FROM 1 APRIL 2014, AND INCORPORATES A HIGHER BOOKING CAPACITY. IT WAS FURTHER SUPPORTED BY A FULL YEAR OF OPERATIONS WITH CONSISTENTLY HIGH RELIABILITY AND AVAILABILITY OF 99.92% AND 99.87% RESPECTIVELY.

GT contributed RM1,009.1 million to the Group's gross profit, an increase of RM2.4 million from FY2014 on the back of higher revenue for the year.

KEY RISKS & MITIGATION

In 2015, GT also re-evaluated its risk profile in anticipating new challenges in its operations, resulting in a few major mitigation activities being enabled, such as the acceleration of the Asset Life Study (ALS) & Safety Equipment Criticality (SCE) and establishment of Pipeline Weldment Integrity Assurance through our Key Results Area (KRA) initiative under the 3ZERO100 PGB Transformation programme.

Business Continuity Plans (BCP) are in place to address operational disruptions, and will be activated in the event of salesgas supply disruption to PETRONAS' customers. During the year under review, GT successfully conducted a Tier-3 Emergency Response Exercise (Ex-Tiga Ratus) in collaboration with the National Security Council at Seberang Prai, Pulau Pinang that simulated the pipeline explosion incident at SSGP in Lawas, Sarawak, which occurred in 2014. The programme is periodically tested to ensure operational continuity and effective response to crises.

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GT is committed to the preservation of our environment for our future generations.

Work-life balance is also a focus that is essential to sustain workforce performance. GT employees are involved in various sport activities through internal events and events organised by Kelab Sukan dan Rekreasi PETRONAS. GT employees also contributed to society through various Corporate Social Responsibility (CSR) programmes with communities around the nine regional offices of GT. GT was also involved in the Corporate Social Investment (CSI) on initiative to improve the livelihood of the residents of Kampung Paya Pulau, Segamat. This was done in collaboration with Yayasan Salam.

GT was also involved in the Program Sentuhan Ilmu PETRONAS (PSIP) with Sekolah Kebangsaan Batu Anam. Out of the 40 students who participated in the programme, four managed to attain excellent UPSR results.

OUTLOOK

GT is expected to deliver another solid performance next year on the back of its capacity reservation under the GTA with PETRONAS.

In line with the 3ZERO100 PGB Transformation journey, GT is expected to continue maintaining its assets performance, enhance work processes and the Operational Excellence Management System (OeXMS)'s completion to improve productivity.

Meanwhile, our major projects are also on track. The Pengerang Gas Pipeline Project is progressing well and as at the end of 2015, the project was almost 80% completed. The 72 km pipeline is intended to have bi-flow capacity and will connect the new LNG Regasification Terminal in Pengerang to the PGU. Upon completion in 2016, it will ensure the security of gas supply to Pengerang Integrated Complex and vice versa to PGU.

GT will also embark on an Operations and Maintenance Benchmarking exercise in 2016. The benchmarking exercise is to identify gaps and learn best practices from similar operators in the industry, as well as find opportunities for further cost optimisation.

Transmission Academy was rolled out in 2014 to build the knowledge and skill of our personnel. The first batch of 19 staff have been trained at this Academy during the year. The next batch is scheduled for 2016 to involve another 16 staff from GT and 13 Operations and Maintenance (O&M) staff from Pengerang LNG (Two) Sdn Bhd (PLNG2). Our GTR Engineering team is also in collaboration with INSTEP to provide training to other industry players in Cathodic Protection in the first quarter of 2016.



BUSINESS REVIEW

UTILITIES



A YEAR IN REVIEW

A visual of our Utilities segment (UT)'s achievements, contributions and milestones during the year.

OPERATIONAL PERFORMANCE



HEALTH, SAFETY & ENVIRONMENT (HSE)

1.3 million safe manhours achieved

0 LTIF
0 FATALITY

Lost time injury frequency (LTIF) is defined as loss of productive work time due to injury suffered, relative to total hours worked during the year.



HUMAN CAPITAL

357 employees

2,047 days of training and development



PRODUCTIVITY CAPITAL

Reliability (%)



Electricity



Steam



Industrial Gases

Reliability

96.4% Electricity

95.9% Steam

94.4% Industrial Gases

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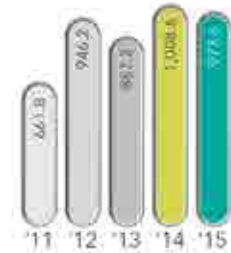
REVENUE

RM973.6 MILLION

 lower by
4 %

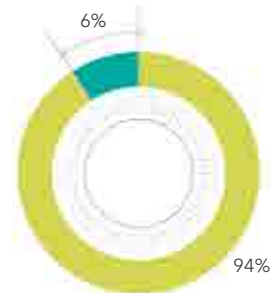
 attributable to lower
 offtake by customers

Revenue (RM million)



Gross Profit (RM million)


6 %

 gross profit contribution
 to PGB Group


Performance

RM135.8 MILLION

gross profit declined by

31 %
Note:

Financial year 2011 comprises nine-month period ended 31 December 2011.

HIGHLIGHTS OF THE YEAR

- Concerted efforts in maintaining high safety level which translated into excellent performance of HSE throughout the year with **1.3 million safe manhours** achieved. UT also recorded **zero LTIF**.
- Despite facing challenges with its plant operations, UT continued to deliver **commendable** performance with **reliability at 96.4%** for **electricity**, **95.9%** for **steam** and **94.4%** for **industrial gases**.
- In FY2015, UT recorded a marginal decrease of 3.5% in revenue driven by lower offtake by customers for electricity, steam and industrial gases.
- UT's contribution to PGB's gross profit decreased by RM60.1 million as a result of lower revenue and higher plant repair and maintenance costs in line with initiatives to improve asset integrity.



BUSINESS REVIEW

WHO WE ARE

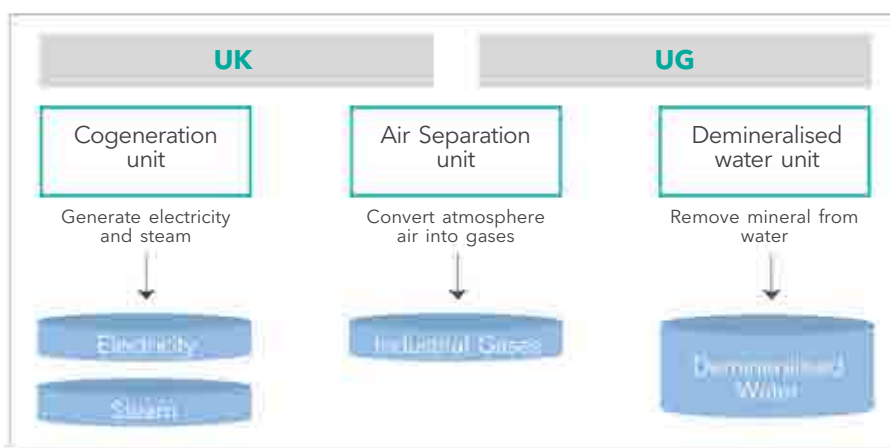
UT is operated by our Gas Processing and Utilities (GPU) Division, divided into the two complexes of Utilities Kertih (UK) and Utilities Gebeng (UG).

UT's operations began in 1998 when PGB expanded into manufacturing, supplying and marketing a range of industrial utilities to the various petrochemical businesses in the Kertih Integrated Petrochemical Complex in Terengganu and the Gebeng Industrial Area in Pahang.

UK and UG are strategically located and provide a competitive edge to the petrochemical plants and surrounding industries with reliable supply of electricity, steam, industrial gases and other by-products like liquid oxygen, liquid nitrogen, demin water, raw water, cooling water and boiler feed water. UT's first delivery of electricity to its customers was in 1999 and it has since increased its customer base to help PGB maximise shareholders value. Given its size and scale of facilities, output from UT is cost efficient, allowing customers to focus on their respective core business.

UT operates on merchant mode where its sale of products is conducted as per the respective sales and purchase agreements.

Simplified Process Flow Diagram





BUSINESS STRATEGY

1. HEALTH, SAFETY & ENVIRONMENT (HSE)

Robust HSE governance and assurance

UT is committed to exhibiting leadership in the area of safety and ensuring our compliance with the various HSE governance and assurance frameworks as well as the PETRONAS Mandatory Control Framework at all times to safeguard lives, assets and our overall business continuity.

Institutionalisation of Process and Behavioural Safety

UT is determined to increase its efforts to instil safety-at-heart in all members of our workforce, achieve safe operationalisation of the Company's assets.

2. OPERATIONAL EXCELLENCE

Superior product delivery and reliability

UT is striving to elevate its plant reliability and Overall Equipment Effectiveness (OEE) such as gap identification to improve equipment reliability, obsolescence and increase system robustness for electricity generation, protection and distribution which would translate into higher product delivery to our customers.

Sustainable improvement of key operational indicators

UT is committed to improve and sustain our plant operational performance in optimising the value delivered to our stakeholders.

UT is accredited with several awards and certifications as a result of the high standards in its operations, such as:

- The IKM (Institut Kimia Malaysia) Excellence Award to two Utilities labs (UK and UG); and
- Recognised Innovative and Creative Circle (ICC) practitioner by PETRONAS Carigali Sdn Bhd for best practice sharing of Kaizen Improvement Team activities and ICC achievements

Results

OEE of electricity and steam production decreased marginally to 87.1% and 88.8% respectively, from 89.3% and 91.7% respectively in 2014. This resulted from higher planned activities conducted during the year to improve plant reliability and performance.

Plant reliability for electricity and steam slightly decreased to 96.4% and 95.9% respectively due to higher activities conducted at UG.

3. VALUE OPTIMISATION & GROWTH

Optimum cost control and asset utilisation

UT is dedicated to minimising value leakages and improving overall asset utilisation, which would translate into higher returns to its shareholders.

Improved energy efficiency

UT is committed to utilising energy efficient technologies to reduce energy per unit cost of production, which translates into lower production cost and a reduction in overall energy intensity and carbon footprint.

Strategic growth in utilities

UT is determined to pursue, explore and execute new business ventures within the core areas of the Company's expertise to establish new revenue streams and value for its shareholders.

Excellence in project delivery

UT is focused on implementing a seamless project execution strategy for all projects to and enhance PETRONAS' value chain such as Feeder C project which timely completed in December 2015 to support additional power supply to BASF PETRONAS Chemicals (BPC) Sdn Bhd.

4. 3ZERO100 PGB TRANSFORMATION PROGRAMME

Our 3ZERO100 PGB Transformation programme moves us towards a high performance organisation with aspirations to achieve zero HSE incidents, zero interruptions, zero non-compliance and 100% product delivery reliability by the end of 2016.

Various strategic initiatives have been outlined to drive the organisation towards HSE and operational excellence through the thrusts of Assets, System & Process and People & Culture.

Improved asset reliability and availability

UT is dedicated to improving overall asset reliability and availability through the implementation of Key Results Area (KRA) for Air Separation Unit (ASU) and execution of preventive maintenance for our gas turbines at UK and UG.



BUSINESS REVIEW

3ZERO100 PGB TRANSFORMATION



KEY STRATEGIC THRUSTS



ASSETS
Elimination of all Bad Actors & proactive prevention to ensure high asset reliability



SYSTEM & PROCESS
Maximising Human Reliability through effective management systems



PEOPLE & CULTURE
Achieving sustainability through competency development and cultural re-engineering

BUSINESS MODEL



Revenue structure is based on volume of products sold to customers at prices stipulated in our sales and purchase agreements with prices comprising fixed cost, variable cost and inflation.

Cost structure consists of depreciation and operational costs such as repair and maintenance, materials and supplies, as well as professional and purchased services.

Assets consist of four operating plants namely our Cogeneration plant, Air Separation plant, Water plant and Nitrogen Generation plant located at UK and UG.

Activities of this segment comprise manufacturing, supplying and marketing power and a range of industrial utilities to the various petrochemical businesses and third parties.

Key resources for this segment consist of 357 employees from both technical and non-technical backgrounds with male to female ratio of 8:1.

Output from our processes encompasses electricity, steam, industrial gases and other products such as liquid oxygen, liquid nitrogen, demin water, raw water, cooling water and boiler feed water.

Customers of our products are mainly from petrochemical plants and third parties.

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MOHD KABIR BIN NOORDIN

Head of Gas Processing and Utilities Division

What we do to achieve 3ZERO100

- Plant improvement activities such as UT KRA:
 - Improvement of ASU reliability by resolving Main Air Compressor bad actors, improving steam efficiency and equipment performance.
- Completion of plant turnaround activities for demin water plant at UG and gas turbine major overhaul at UK and UG.

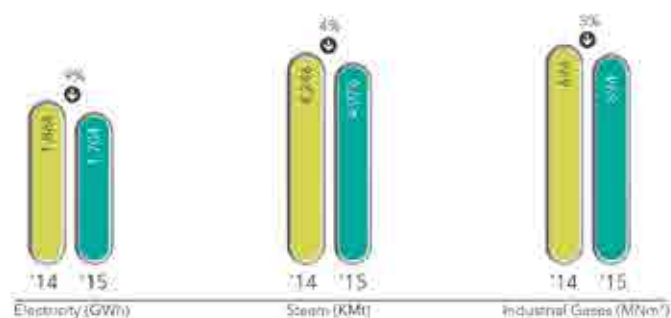
IN LINE WITH PGB'S TRANSFORMATION TO ACHIEVE ITS 3ZERO100 TARGETS, UT HAS SHOWN A DECREASING TREND IN LTIF AND PLANT INTERRUPTIONS, WHILST MEETING PRODUCT DELIVERY RELIABILITY (PDR).

During the year, UT experienced a slight decrease in OEE for electricity, steam, and industrial gases due to more intensive maintenance activities undertaken. Despite this, the OEE levels recorded for all products were well above target.

OEE for electricity marginally dropped by 2.2% to 87.1% while steam and industrial gases registered at 88.8% and 92.1% respectively.

Reliability for electricity and steam production exceeded the world class benchmarks, at 96.4% and 95.9% respectively. Production for all products, however, fell as a result of lower customers offtake. Electricity production stood at 1,704 gigawatt hour (GWh); steam at 4,076 kilometric tonnes (KMT); and industrial gases at 594 mega normal cubic meters (MNm³).

Utilities Volume





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UT REGISTERED REVENUE OF RM973.6 MILLION FOR FY2015, REFLECTING A MARGINAL DECREASE OF 4% FROM LAST YEAR, MAINLY ATTRIBUTABLE TO LOWER OFFTAKE OF ELECTRICITY, STEAM AND INDUSTRIAL GASES BY CUSTOMERS.

UT's contribution to PGB's gross profit decreased by RM60.1 million (31%) in tandem with higher operations and maintenance costs during the year in line with the Company's effort to improve plant reliability and production

KEY RISKS & MITIGATION

UT managed its risks via Enterprise Risk (ERR) and Plant & Facilities Risk Management (PFRM). Under ERR and PFRM, risks relevant to the Division were assessed, monitored and reported to the respective Division Plant Leadership Team (PLT) and PGB Risk Compliance Committee (RCC). Mitigations for each high and medium risk have been assigned to reduce and eliminate the risk associated with business, HSE and operations. The mitigations have been implemented

through HSE and Process Safety Management (PSM) enhancement programmes, initiatives such as Mechanical Integrity (MI) and Loss of Primary Containment (LOPC) Framework, improvement projects and transformation activities through our KRA taskforce.

With the established MI Framework, a notable 67% reduction in total minor LOPC incidents was recorded in 2015.

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Environment

UT acknowledges our responsibility to ensure all processes and systems are efficient and safe at all times to minimise our impact on the environment. This is achieved through:

- discharging on-specification industrial effluent in compliance with the Industrial Effluent Regulation (IER) 2009.
- keeping abreast of potential regulations introduced by regulatory bodies, such as the Clean Air Regulation (CAR) 2014 and undertaking the necessary actions to ensure compliance.

Community

UT also established and sustains close relations with local communities through its Corporate Social Investment (CSI) activities such as:

- The "Sayangi Sungai Paka" programme in collaboration with the Malaysian Nature Society (MNS), PETRONAS East Coast Regional Office (ECRO), and government agencies. The event focuses on environmental awareness and conservation. The fish released into Sungai Paka at the event emphasised on the well-being of the river and the habitats surrounding the area that UT operates.
- Led Occupational Safety and Health (OSH) Open Day in collaboration with other PETRONAS subsidiaries to foster closer relationships between local communities and the Terengganu Department of Occupational Safety and Health (DOSH).

Workplace

UT is committed to protect the health of people at our workplace and provides conducive workplace to staff and contractors through various programmes such as:

- The "No Polystyrene" campaign at our cafeteria, to reduce harmful impact of food packaging on the environments;
- Medical counselling carried out by our Occupational Health Doctor aimed to promote healthy lifestyles to employees;
- A series of "Hari Bertemu Pelanggan" to increase health awareness among staff including carrying out medical screenings at UK and UG; and
- Healthy lifestyle programme such as zumba exercise, Measurement of Body Mass Index (BMI), blood donations and others.

Marketplace

UT is focused on further strengthening relationships with our stakeholders through:

- Teambuilding with PETRONAS Chemical Group Berhad (PCG) and engagement with DOSH personnel;
- Contractors forums for two-way communication between UT and our contractors; and
- Recreational activities with local authorities.

OUTLOOK

- Utilities performance for FY2016 would be very much dependent on the demand by Petrochemical business.
- In 2016, UT's aspiration is to incorporate best practices and further improve our performance which focuses on reducing interruptions to assets and deliver world-class performance and reliability.
- As part of the 3ZERO100 PGB Transformation programme, UT is expected to continue enhancing asset performance through the execution of our Overall Boiler Integrity Management (OBIMA) project, the Generator and Turbine Control System Upgrade (GETS-UP) and the ASU Power Supply Segregation (ASPIRE) and the Protection Relay Inspection and Assessment (PRIA) to maximise product delivery reliability to customers.
- Furthermore, UT will continue to enhance work processes and the Operational Excellence Management System (OeXMS)'s completion to improve productivity.
- In maintaining a highly engaged and capable workforce, UT will drive the remaining initiatives under the key strategic thrust for people and culture including Gas Academy, Root Cause Failure Analysis (RCFA) enhancement and HSE generative culture.
- UT is also committed to pursuing new business opportunities to maximise utilisation of its assets.



BUSINESS REVIEW

REGASIFICATION



A YEAR IN REVIEW

A visual of our Regasification segment (RGT)'s achievements, contributions and milestones during the year.

OPERATIONAL PERFORMANCE



HEALTH, SAFETY & ENVIRONMENT (HSE)

73.0 thousand safe manhours achieved

4 LTIF
0 FATALITY

Lost time injury frequency (LTIF) is defined as loss of productive work time due to injury suffered, relative to total hours worked during the year.



HUMAN CAPITAL

80 employees

735 days of training and development.



PRODUCTIVITY CAPITAL

Reliability and Availability (%)



86.3% Reliability

83.1% Availability

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REVENUE

RM637.1 MILLION

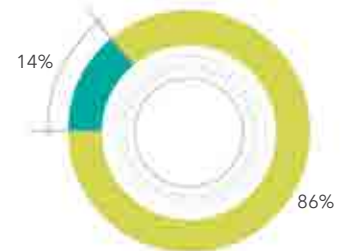
3%

increase in revenue

Revenue (RM million)



Gross Profit (RM million)


14%
gross profit contribution
to PGB Group

Performance

RM297.5 MILLION

3%
decrease in
gross profit

HIGHLIGHTS OF THE YEAR

- RGT achieved a regasification **reliability** of **86.3%**, an improvement from 79.2% recorded last year. **Availability** was also elevated to **83.1%**.
- During the year, our RGT complex received 24 cargoes from all over the world. The RGT Minimum Send Out Capability Improvement (RGTEC) initiative to optimise the overall supply chain of PETRONAS and enhance plant reliability and availability was progressing well at **38.6%** and is expected to be completed by December 2016.
- RGT recorded revenue of **RM637.1 million**, an **increase of RM20.9 million** (3.4%) from FY2014. The higher revenue was attributed to storage fees as a result of the strengthening of USD against RM.
- RGT also registered gross profit of RM297.5 million, a decline of RM10.4 million (3.4%) from FY2014. The lower gross profit was mainly due to higher lease and depreciation expenses.



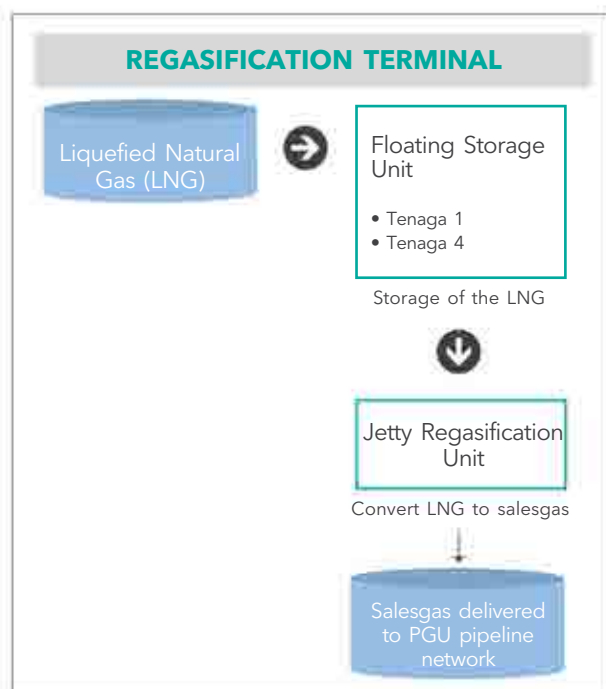
BUSINESS REVIEW

WHO WE ARE

RGT is operated by our Gas Transmission and Regasification (GTR) Division. We operate and maintain our offshore liquefied natural gas (LNG) Regasification Terminal Sungai Udang (RGTSU) in Melaka, which began commercial operations in the second quarter of 2013. The facility receives vessels carrying LNG imported from around the world, stores it in two floating storage units and converts the LNG into gas before injecting it into the Peninsular Gas Utilisation (PGU) pipeline network for distribution to PETRONAS' customers.

PGB receives regasification fee based on capacity underwritten from the 20-year Regasification Services Agreement (RSA) with PETRONAS.

Simplified Process Flow Diagram



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BUSINESS STRATEGY

1. HEALTH, SAFETY & ENVIRONMENT (HSE)

Robust HSE governance and assurance

RGT is committed to exhibiting leadership in the area of safety and ensuring our compliance with the various HSE governance and assurance frameworks as well as the PETRONAS Mandatory Control Framework at all times to safeguard lives, assets and our overall business continuity.

Institutionalisation of Process and Behavioural Safety

RGT is determined to increase its efforts to instil safety-at-heart in all members of our workforce to achieve safe operationalisation of the Company's assets.

2. OPERATIONAL EXCELLENCE

Superior product delivery and reliability

RGT is striving to elevate its Overall Equipment Effectiveness (OEE) for equipment reliability, which would translate into higher product delivery to our customers.

Sustainable improvement of key operational indicators

RGT is committed to improve and sustain our facilities operational performance in optimising the value delivered to our stakeholders.

Results

OEE improved to 99.1% from 94.1% in 2014.

Even more encouragingly, reliability and availability also increased to 86.3% and 83.1% respectively, from 79.2% and 73.0% respectively in 2014.

These resulted in a 50% reduction in the number of facilities trips to ensure RGT delivers world class performance.

3. VALUE OPTIMISATION & GROWTH

Optimum cost control and asset reliability

RGT is dedicated to minimising value leakages and improving overall asset reliability, which would translate into higher returns to its shareholders.

Improved energy efficiency

RGT is committed to utilising energy efficient technologies to reduce energy per unit cost of regasification, which translates into lower production cost and a reduction in overall energy intensity and carbon footprint.

Strategic growth in Regasification facilities

RGT is determined to pursue, explore and execute new business ventures within the core competencies of the Company to establish new revenue streams and value for its shareholders.

Excellence in project delivery

RGT is focused on implementing a seamless project execution strategy across all of its projects, such as the RGT Minimum Send Out Capability Improvement (RGTEC) which translates into timely and within budget project delivery.



BUSINESS REVIEW

4. 3ZERO100 PGB TRANSFORMATION PROGRAMME

Our 3ZERO100 PGB Transformation journey moves us towards a high performance organisations with aspiration to achieve zero HSE incident, zero interruption, zero non-compliance and 100% product delivery reliability by the end of 2016.

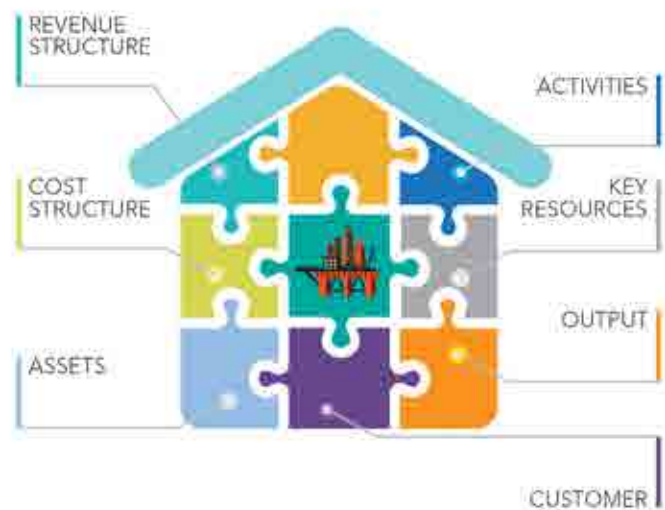
Various strategic initiatives have been outlined to drive the organisation towards HSE and operational excellence through the key strategic thrusts of Assets, System & Process and People & Culture.

Improve asset reliability and availability

RGT is dedicated to improving its OEE which translates to higher overall asset reliability and availability through the implementation of Key Results Area (KRA) for RGT's elimination of Bad Actors.



BUSINESS MODEL



Revenue structure consists of regasification fee, throughput fee, and storage fee as governed by our RSA.

Cost structure comprises of depreciation and operational costs such as repair and maintenance as well as materials and supplies.

Assets consist of offshore LNG Regasification Terminal in Sungai Udang, Melaka (RGTSU), a 27km onshore and 3km offshore pipeline as well as two leased floating storage units.

Activities of this segment include receiving vessels carrying LNG imported by PETRONAS from around the world, storing it in two floating storage units and converting the LNG to gas before injecting it into the Peninsular Gas Utilisation (PGU) pipeline network for distribution to PETRONAS' customers.

Key resources for this segment comprise of 80 employees from both technical and non-technical backgrounds with a male to female ratio of 26:1.

Output is regasified LNG which is subsequently injected into PGU.

Customer is solely PETRONAS which fully underwrites the capacity of our facilities.

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OPERATIONAL REVIEW



NORARNIZAR BIN ALI AMRAN

Head of Gas Transmission and
Regasification Division

What we do to achieve 3ZERO100

Key Results Area activities such as:

- Resolution of Low Temperature and maximise capacity.
- Enhancement of Propane Pump Reliability.
- Nitrogen Supply and Air Compressor Enhancement.

Started LNG Regasification modules under Gas Academy to enhance staff capability.

RGT HAS RECORDED A NOTABLE IMPROVEMENT IN ITS OEE, RELIABILITY AND AVAILABILITY. THESE WERE ATTRIBUTED TO CONCERTED EFFORTS IN RESOLVING ITS POST COMMISSIONING ISSUES SINCE IT COMMENCED OPERATIONS IN FY2013.

During the year under review, RGT received 24 LNG cargoes, contributing to a total of 74 cargoes received since operations began in the second quarter of 2013.

RGT's Overall Equipment Effectiveness (OEE) progressively stood at 99.1%. Despite facing several regasification issues, RGT has significantly improved its plant performance as compared to 2014.

Notwithstanding that, RGT strove to eliminate Bad Actors and the positive impact of this was reflected in the reduction of facilities trips. We also strengthened RGT's HSE and operational compliance through various assurance programmes.

During the year, RGT successfully completed the LNG Regasification modules under Gas Academy encompassing operations, mechanical, electrical and instrumentation development for RGT. These modules are ready to be rolled out in our 2016 sessions. A total of 12 training sessions for Accelerated Capability Development and 26 training sessions for PETRONAS Competency Based Assessment System (PECAS) were conducted in 2015.

Overall, we recorded 735 training mandays in 2015, of which 727 mandays were for our technical personnel, whilst eight mandays were for non-technical staff.

Our new LNG Regasification Terminal project in Pengerang is on track and the development will continue in 2016. It will supplement the business growth of PETRONAS Downstream at Refinery and Petrochemical Integrated Development (RAPID). Our RGTEC project, was at 38.6% completion as at December 2015 and is expected to be fully completed by December 2016. This will optimise the overall supply chain of PETRONAS as well as increase plant reliability and availability.



BUSINESS REVIEW

FINANCIAL REVIEW



OUR RGT RECORDED STABLE REVENUE OF RM637.1 MILLION, AN INCREASE OF RM20.9 MILLION OR 3.4% FROM THE PREVIOUS FINANCIAL YEAR. THE HIGHER REVENUE WAS ATTRIBUTED TO THE INCREASE IN STORAGE FEES AS A RESULT OF THE STRENGTHENING OF THE US DOLLAR AGAINST THE MALAYSIAN RINGGIT.

RGT's gross profit was RM297.5 million, a decrease of RM10.4 million or 3.4% from the previous year. The lower gross profit was mainly due to higher lease and depreciation expenses.

KEY RISKS & MITIGATION

RGT undertook various assessments to determine our level of compliance in terms of health, safety and environment. Such assessments have led RGT to perform a feasibility study on barge and vessel specifications and small craft jetty landing facilities at embarkation or disembarkation points of our Jetty Regasification Unit (JRU).

GTR Division continued its commitment to mitigate risks for RGT through the establishment of a preventive maintenance's price agreement (PA) with KONGSBERG and the engagement of a third party to conduct audits in relation to the elimination of off-spec product at the receiving point of RGT.

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RGT is committed to the preservation of the environment for future generations. Our RGTSU office building in Sungai Udang, Melaka qualified for Green Building certification by Green Building Index Sdn Bhd in 2015.

OUTLOOK

We anticipate the revenue for our regasification business to contribute positively to PGB's income and remain sustainable on the back of capacity reservation by PETRONAS, for regasification and storage fees under the RSA.

In line with the PGB Transformation journey, RGT is expected to continue improving its assets' performance and enhancing work processes and Operating Excellence Management System (OeXMS)'s completion to improve productivity.

The development of our LNG Regasification Terminal in Pengerang is on track and will continue in 2016. The new terminal will supplement the business growth of PETRONAS Downstream at the upcoming RAPID, with expected commissioning in 2017.

LNG Regasification modules under Gas Academy will be rolled in 2016 sessions.



HEALTH, SAFETY & ENVIRONMENT

PGB IS COMMITTED TO UPHOLDING THE HIGHEST
STANDARDS OF SAFETY IN OUR OPERATIONS.

All Health, Safety and Environment (HSE) risks across the business are managed through our strict adherence to prevailing regulatory requirements, PETRONAS' HSE Mandatory Control Framework (MCF), PETRONAS' Technical Standards, and our HSE Management System (HSEMS).

To drive excellence in HSE, we embarked on a three-year HSE Roadmap in 2014 to engender a generative culture in the Company where safe behaviour is fully integrated into every aspect of our systems and processes. As part of the Roadmap, we have enhanced our behavioural safety and HSE assurance programmes for our staff and facilities, respectively.

TAKING HSE BEYOND MERE COMPLIANCE

HSE remains at the forefront of our priorities, guiding in no small way on how we conduct our business and operations. Our concerted efforts to maintain a high level of safety have yielded an improved HSE performance. We recorded 4.3 million safe manhours and we were grateful that there was no fatality. However, we were unfortunate that there were two Lost Time Injuries (LTI) accidents involving five injuries.

One of the LTI was an incident involving a Company driver while the remaining four were contractors who were injured during an unloading activity at the jetty offshore of the LNG Regasification Terminal, in Sg. Udang, Melaka. Besides, three gas releases took place, of which one is considered major but has been contained and resolved by our dedicated team. The other two were operational gas releases.

We have studied in detail the causes and ramifications of these incidents and will take the necessary procedures to ensure no repeats of such untoward occurrences. Indeed, HSE will prominently be each and every staff's Key Performance Indicators and non-compliance with HSE guidelines will strictly be forbidden. In addition, none of our staff was affected by major diseases.



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PREVENTION IS BETTER THAN CURE

To help prevent occupational illnesses amongst our valued staff, specific industrial hygiene and health programmes were organised, the most prominent being our Gas Processing and Utilities Division's Mercury Management Programme which emphasised mercury risk assessment and controls, such as the decontamination process, health surveillance practices, as well as proper usage of personal protective equipment (PPE). The programme was aimed at minimising the risk of mercury exposure at work, especially during plant turnarounds. The Company also embarked on benzene, toluene, ethylene, and xylene (BTEX) monitoring on staff to reduce their exposure at work to all BTEX elements.

Apart from the yearly exercises on HSEMS assurance and emergency response, PGB carried out a Tier-3 Emergency Response Exercise in FY2015, involving our gas transmission pipeline in the Northern Region of Peninsular Malaysia, local regulatory bodies, as well as security and emergency response units. This initiative served to assess the readiness of all parties involved and enhance their effectiveness in handling emergencies. The exercise also fulfilled our safety obligations, in line with current regulatory requirements and the need for constant emergency preparedness.





INNOVATION



AS A LEADING GAS
INFRASTRUCTURE AND
UTILITIES COMPANY, PGB IS
CONTINUOUSLY SEEKING FOR
OPPORTUNITIES TO IMPROVE
OUR PLANT PERFORMANCE TO
INCREASE VALUE TO OUR
STAKEHOLDERS. INNOVATION
IN THE FORM OF TECHNOLOGY
IS ONE WAY TO IMPROVE OUR
PERFORMANCE.





Among our more recent and significant innovations were particle analysis in feedgas to determine appropriate filter size to eliminate high Differential Pressure (DP) cold box at Gas Processing Santong (GPS)' Low Temperature Separation Unit (LTSU). This initiative has saved a potential loss of RM49.0 million from ethane production by achieving zero cold box down time, a 100% reliability and product delivery to customer and ensure robustness in the overall PETRONAS supply chain.

In the year under review, this innovation has received 3-Stars Gold award at Innovative and Creative Circle (ICC) Convention National level, Gold Award at Regional and ICC Muda Terbaik at Mini Convention. PGB has also qualified for participation in the 2016 International Convention on Quality Control Circles (ICQCC) in Bangkok, which will be held from 23 to 26 August 2016.

We have also improved our ethane product recovery through execution of GPP5 De-Methaniser Revamp (DMR) project which was implemented in May 2015. The re-tray design at De-Methaniser column was to handle changes in feedgas composition and design operating parameters. The innovation effort by the Company has contributed to improve ethane recovery rate by 8% and Overall Equipment Effectiveness (OEE) to 90.8%. It has also contributed positively to Performance Based Structure (PBS) income and accumulated value creation of RM106.0 million to PETRONAS.



Furthermore, we continued to eliminate our mechanical integrity issues for GPS Amine Pump by innovative modification approach. The idea was established by improving impeller design through combination of pump casing volute tongue modification with new impeller vane number alteration. This innovation resulted in the elimination of more than 80.0% vibration issue and increased performance indicator for GPS Amine Pump by reducing tripping rate by 82.2% per month. It was successfully implemented since November 2015 and reduced the Price of Non-Conformance (PONC) to RM0.3 million per month.

The adoption at relevant technologies in our operations will ensure that PGB maintains our competitive edge and accelerating on the right track to achieve our 3ZERO100 targets under PGB Transformation programme.



PGB IS A FIRM BELIEVER IN THE ADAGE THAT A COMPANY'S MOST IMPORTANT ASSET IS ITS PEOPLE. AS SUCH, STRENGTHENING OUR PEOPLE'S COMPETENCIES CONTINUES TO RANK HIGH ON OUR LIST OF PRIORITIES FOR THE YEAR UNDER REVIEW.



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HUMAN CAPITAL DEVELOPMENT

TOTAL NUMBER OF
EMPLOYEES

2,187



MALE

83%

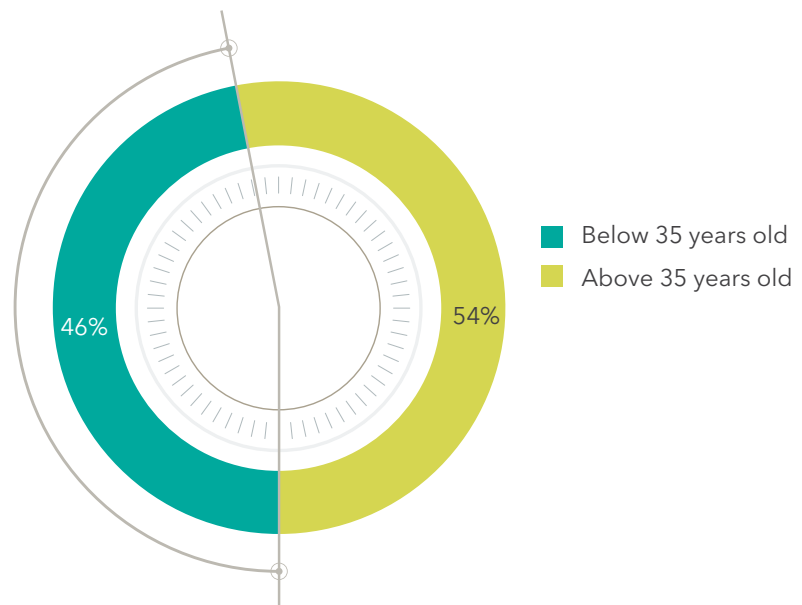


FEMALE

17%



Employees by Age Group



In managing our talents, PGB internalised the PETRONAS Employment Value Proposition (EVP) of Trust, Grow and Reward. PGB is also aligned with the PETRONAS Global Talent Strategy (GTS) in ensuring the availability of competent and multi-disciplinary pool of talents in meeting PGB's business growth. The GTS guides the Company in pursuing the right talents, and ensuring that the right environment is provided for them and ultimately developing the right leaders.

To meet statutory requirements for a pool of certified manpower, we organised training programmes throughout the year for staff at all levels of the Company. Selected staff were also sent for competency development programmes run by PETRONAS learning centres or external training providers to enhance their functional and leadership skills.

Functional or technical assessments form an integral part of our capability development process, where staff are assessed against a set of defined Technology Inventory and Ruler. Their immediate superiors are responsible for ensuring that suitable measures to close performance gaps are identified and implemented in a timely fashion.

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Two main capability development activities were undertaken in FY2015:

Technical Manager Competency Assessment for Technical Managers

In FY2015, PGB's Technical Managers participated in the Technical Manager Competency Assessment, which served to evaluate the readiness of Technical Managers in managing the Company's high-risk operating assets. This assessment thus functions as a gauge for management to determine Technical Managers' competency levels.

Three elements were used in assessing these competency levels: technology know-how, functional skills, and leadership skills. A total of 41 Technical Managers have been assessed in FY2015. The closure of gaps identified during their assessments was closely monitored via individual development plans over a period of two years. As of December 2015, 54% of the identified gaps have been closed.

TECHNICAL

80%

NON-
TECHNICAL

20%



Downstream Grounding Programme for New Talents

We embarked on the Downstream Grounding Programme (DGP) for all new technical executives and non-executives to accelerate their readiness to assume new roles and responsibilities.

DGP, one of several capability development programmes under PETRONAS' Downstream Capability, required participants to attend a series of structured training modules. This programme aims to develop new talents to support Downstream business growth in preparation for the upcoming Refinery and Petrochemical Integrated Development (RAPID) project.

Incorporating classroom training, self-learning modules, as well as competency-level evaluation, DGP is a decidedly holistic, broad-based learning regimen that provides suitable exposure to the fundamentals of our plant operations.

The DGP equipped 82 new talents in three batches in FY2015. Sixty four of them were subsequently placed at our Gas Processing and Utilities Division, while 18 were assigned to our Gas Transmission and Regasification Division. We will continue to ensure stringent compliance with the DGP framework to sustain a steady stream of competent talents for PGB's future growth needs.

GEN X

53%



GEN Y

46%



BABY BOOMERS

1%





CORPORATE RESPONSIBILITY

○ AT PGB, WE LOOK BEYOND MERE FINANCIAL PROFITABILITY TO BALANCE ECONOMIC, ENVIRONMENTAL AND SOCIAL (EES) CONSIDERATIONS WHEN MAKING SOUND AND SUSTAINABLE BUSINESS DECISIONS.

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Our Corporate Responsibility initiatives are guided by PETRONAS' Corporate Sustainability Framework, which focuses on seven Key Results Area encompassing the following:



SHAREHOLDERS' VALUE

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



NATURAL RESOURCE USE

Promoting efficient usage of hydrocarbons and water whilst supporting the use of renewable energy.



CLIMATE CHANGE

Limiting emissions of greenhouse gases into the atmosphere.



BIODIVERSITY

Ensuring projects and operations do not exert significant impact on the biodiversity of plants and animals.



HEALTH, SAFETY AND ENVIRONMENT (HSE)

Preventing and eliminating injuries, health hazards, as well as damage to properties and communities, including conserving the environment.



PRODUCT STEWARDSHIP

Ensuring that products conform to quality and HSE standards throughout the product lifecycle and meet the diverse needs of society.



SOCIETAL NEEDS

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



We continue to support the various community development and outreach programmes aimed at empowering individuals and communities with the relevant knowledge, skills and resources to cope with today's increasingly challenging world.

In addition, we actively form partnerships with local communities, governmental and non-governmental organisations to contribute to the improvement in wellbeing of our stakeholders in the EES spheres.

In essence, we are committed to making a positive difference in the lives of others in the following distinctive ways:

- At the **Marketplace**, we work hard to establish relationships and build platforms for meaningful interactions with our shareholders and other stakeholders, while maintaining the highest operating standards for maximum effectiveness and efficiency.
- At the **Workplace**, we make every effort to empower and equip our personnel with the required knowledge, skills and capabilities. These initiatives enable them to grow their careers and deliver breakthrough performance in their respective roles while preserving their safety and wellbeing at work, wherever they may be stationed.

- In the **Environment**, we strive to minimise the adverse impact our operations have on our surroundings. We also champion efforts to instil greater awareness amongst our staff and other stakeholders on preserving the environment for our future generations.
- In the **Community**, we devote our time, resources, and ideas to improve the lives of others by encouraging the young - our leaders of tomorrow - to aspire for greater heights in their academic life. We also proactively contribute assistance, monetary or in kind, to the needy and less-fortunate in the community.

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CORPORATE RESPONSIBILITY

MARKETPLACE



Our corporate responsibility to the marketplace takes the following forms:

1. Upholding high standards of corporate governance
①, ②, ③, ④, ⑤, ⑥
2. Reliable and efficient gas infrastructure and utilities plants
①, ②, ③, ④, ⑥
3. Maximising shareholder value ④
4. Enhancing industry knowledge
①, ②, ③
5. Adhering to transparent procurement procedures ⑤
6. Interactive communication with stakeholders ①, ②, ③, ④, ⑤, ⑥



We are committed to conducting our business responsibly to add value to the gas infrastructure and utilities industry as well as the nation as a whole. We are also steadfast in our resolution to contribute to the wellbeing of our shareholders and other stakeholders, while upholding high standards of corporate governance at all times to meet stakeholders' expectations of PETRONAS Gas Berhad (PGB) as a reputable listed entity.

In addition, we are continuously expanding our business portfolio to support the national agenda as well as our own business goals of maximising shareholders value, enhancing stakeholders' knowledge and understanding of the gas industry, adhering to transparent procurement procedures, and building professional relationships.

G4-15





CORPORATE RESPONSIBILITY

Upholding High Standards of Corporate Governance

G4-SO3

We believe that good corporate governance is not a mere statement of compliance, but a proactive commitment to achieving the highest standards of transparency, integrity, and professionalism across our operations, as promoted by the Malaysian Code on Corporate Governance 2012 (MCCG 2012).

As a measure of our commitment to complying with MCCG 2012's guidelines, we have given due consideration to its recommendation on gender diversity and in 2013 we welcomed our first female Board member.

With regards to transparency, we provide comprehensive information on the Company and our performance through our quarterly and annual reports as well as result announcements, guaranteeing the accuracy and reliability of our financial statements by strictly adhering to the Financial Control Framework.

As a member of PETRONAS Group, PGB takes pride in our full adoption and support of the following:

1. Code of Conduct and Business Ethics

Provides guidelines on the standards of behaviour expected of Directors and employees of the Company, Counterparts, and also Business Partners.

2. Whistleblowing Policy

Provides an avenue for all employees and members of the public to safely and discreetly disclose any improper conduct.

3. Anti-Bribery and Corruption Compliance Programme

Facilitates Company-wide compliance with anti-corruption laws via a zero-tolerance policy against all forms of bribery and corruption.

4. Competition Law Compliance Programme

Prohibits all anti-competitive practices, in line with the relevant legislation on competition.

Supporting the National Agenda

Our national power grid is considerably dependent on natural gas, which makes up about 60% of the power generation mix. Supply security is, therefore, of significant national interest, and PGB plays a major role in this area. We are committed to maintaining high operational performance standards at all our plants to ensure seamless delivery of gas and utilities to our customers. All of our operations are reliable, with some even having attained world-class standards.

In safeguarding the supply of high-quality gas, we have completed our Plant Rejuvenation and Revamp (PRR) project to extend the useful life of our Gas Processing Plants (GPPs) 2, 3, and 4 by another 20 years.

As a result of these upgrades, we increased the reliability of our ethane, propane, and butane production to 95.5%, 96.5%, and 96.5% respectively from 95.1%, 95.6%, and 95.6% in 2014. Reliability of our salesgas production moderated slightly to 99.2% from 99.4% in 2014, but remained at world-class standards.

Meanwhile, we continued to maintain an exceptionally high level of system reliability (99.92%) and availability (99.87%) in our gas transmission pipelines. Our liquefied natural gas (LNG) Regasification Terminal in Sungai Udang, Melaka achieved 86.3% reliability and 83.1% availability, as well as Overall Equipment Effectiveness (OEE) of 99.1%, compared with 79.2%, 73.0% and 94.1% respectively in 2014.

Our Utilities segment, which supplies electricity to the Kertih Integrated Petrochemical Complex (KIPC), the Gebeng Industrial Area, as well as Tenaga Nasional Berhad, achieved 96.4% reliability for electricity, whereas steam and industrial gases hit 95.9% and 94.4% reliability respectively.

In addition to supporting energy security through the reliable supply of gas in Peninsular Malaysia, PGB is now contributing directly to power generation in Sabah via Kimanis Power Sdn Bhd (KPSB), our joint-venture company with NRG Consortium (Sabah) Sdn Bhd, a subsidiary of Yayasan Sabah. Our 300 MW Kimanis Power Plant, having commenced commercial operations in 2014, is expected to meet Sabah's increasing electricity demand as a full-fledged independent power producer (IPP).

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Maximising Shareholder Value

In line with our vision for sustainable growth, we are continuously evolving our services to meet the needs of the industry.

PETRONAS Group has entrusted the Company with the development of two key ancillary facilities that support the Pengerang Integrated Complex (PIC) in Johor, namely Malaysia's Second LNG Regasification Terminal Pengerang (RGTP) and Air Separation Unit Pengerang (ASU).

The RGTP is expected to provide primary gas supply to the Refinery and Petrochemical Integrated Development (RAPID), the Pengerang Cogeneration Plant (PCP), as well as the existing Peninsular Gas Utilisation (PGU) pipeline network to create additional injection points in the PGU network for increased security of gas supply in Peninsular Malaysia. The ASU will be the sole facility for the supply of industrial gases to PIC customers. This project is expected to contribute positively to PGB's bottom line for an extended period.

Enhancing Industry Knowledge

As a socially responsible corporate citizen, we at PGB see distinctive value in having open communication channels with our many stakeholders who play diverse roles in society, including government agencies, academia, as well as members of the general public.

Through such communications, we not only elevate our stakeholders' understanding of our business and the role of gas as a clean and efficient

energy source, but also take the opportunity to promote our transparent practices, encourage the prioritisation of safety in the area of gas technology, as well as stimulate interest in the continued development of Malaysia's gas industry.

In this connection, we regularly extend invitations to investors, analysts, shareholders, regulators, and other stakeholders to explore our plants and other operational premises to gain first-hand exposure and insights to our business.

In FY2015, PGB hosted over 20 groups who visited our facilities throughout the year. These visits are summarised as follows:

Engagements with international and domestic corporations through delegation visits to our Gas Processing Plants (GPP), Utilities Plants and Kimanis Power Plant (KPP)

3 March	PETRONAS Technology Institute (INSTEP)'s trainers from Iraq
10 March	Senoko Power Ltd
3 April	Akademi Laut Malaysia (ALAM) and MISC Berhad
9 April	PETRONAS Carigali Muriah Ltd, Indonesia (INSTEP trainers)
23 April	Korea Gas Corporation (KOGAS)
27 April	Asian Institute of Technology, Thailand; and Gas Transmission Co Ltd, Bangladesh
20 May	Indonesia's Badak LNG; and PT Dimensi Barumas Perdana
3 June	Samsung C&T Corporation



CORPORATE RESPONSIBILITY

Engagements with local authorities through delegation visits to our GPPs and KPP

9 March	The Department of Environment
17 March	The Department of Occupational Safety and Health, led by Director General Dato' Ir Mohtar bin Musri
15 April	The Ministry of Energy, Green Technology and Water, led by Secretary General Datuk Loo Took Gee
21 April	The Department of Environment
4 June	The Ministry of Energy, Green Technology and Water, the Ministry of Finance, Unit Kerjasama Awam Swasta, TNB Fuel Services Sdn Bhd, Suruhanjaya Tenaga (Energy Commission), and TNB Single Buyer
10 June	Jabatan Laut Malaysia, Agensi Penguatkuasaan Maritim Malaysia, MISC Berhad, and Sungai Udang Port
17 June	Gurun Police Station
22 June	The Sungai Petani Municipal Council of Kedah
5 August	The Royal Malaysian Customs Department
14 August	TIM Naziran, the Royal Malaysia Police, the National Security Council, and the Public Works Department
22 October	The Public Works Department of Perak Tengah

Engagement sessions and public awareness programmes with residents

25 April	Residents of Putra Avenue in Putra Heights of Subang Jaya
28 April	Residents of Kampung Merbau in Ayer Tawar of Perak



Adhering to Transparent Procurement Procedures

G4-12

PGB's supply chain management (SCM) spans the whole cycle of PGB's activities, from the conception of needs right up to the disposal of materials and discontinuation of services. It encompasses the process of planning, implementing and controlling supply chain operations with the purpose of satisfying customer requirements as efficiently and effectively as possible.

At present, SCM focuses primarily on the procurement of services and materials that ensure the success of our projects and thus provide the impetus for the Company's continued development.

All parties involved in the procurement process are expected to uphold a high level of integrity and adhere to strict governance and control procedures as established. All suppliers are also encouraged to adopt responsible and sustainable business practices. As part of our commitment to achieve the highest standards of integrity, we introduced our Corporate Integrity System in FY2015, whereupon we encourage signing our Integrity Pledge by our suppliers.

PGB's SCM activities are in compliance with PETRONAS' directives and all relevant government circulars.



Interactive Communication with Stakeholders

G4-26

At PGB, we strongly believe in the merits of providing our shareholders with a convenient platform for frequent and easy communication with us.

In the period under review, we have elevated PGB's investor relations function with our structured Investor Relations Programme to further boost the Company's interactions and rapport with our valued shareholders.

This medium enables our shareholders to be in regular contact with the Company, with regular updates on our business and strategic directions disseminated to them in a timely fashion. Social media, which has been an undeniable force for increasing brand awareness and influencing investment decisions, is one of several tools we employ to communicate with customers and stakeholders.

We also actively update our website (www.petronasgas.com) with the latest information on the corporate and business aspects of the Group. Press statements, announcements to Bursa Malaysia, analyst briefings, as well as quarterly results are made available on the website, to promote accessibility of information to the shareholders and all other market participants.





CORPORATE RESPONSIBILITY

WORKPLACE

AS WE WORK TOWARDS ACHIEVING OUR 3ZERO100 TRANSFORMATION TARGETS, IT BECOMES EVER MORE CRUCIAL FOR THE COMPANY TO BE SUPPORTED BY HIGHLY COMPETENT PERSONNEL WITH CLEARLY DEFINED ROLES AND RESPONSIBILITIES.



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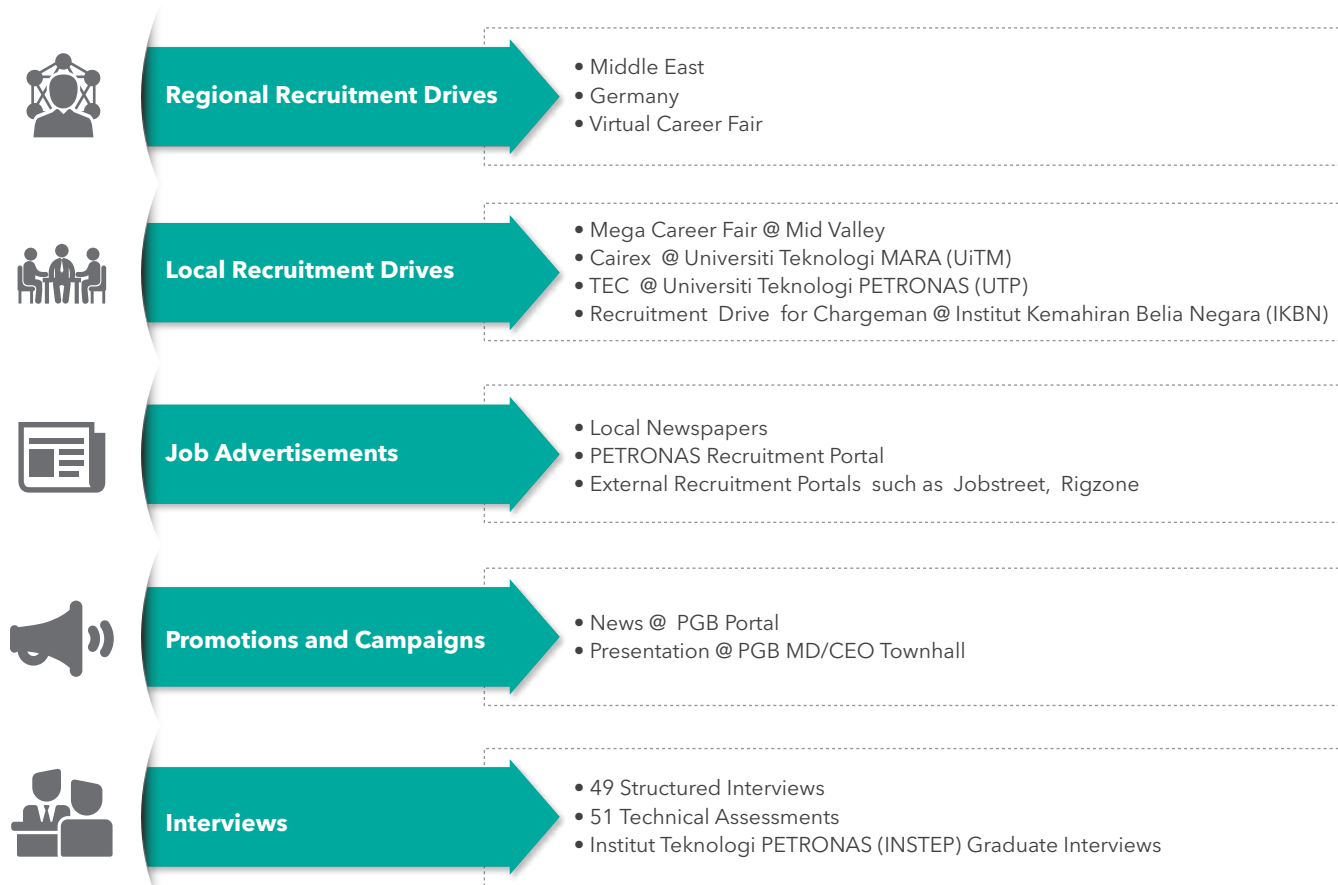
An optimal organisational structure was drawn up during the year to ensure clear demarcation of roles and facilitate employee empowerment. The success of the structure received focused efforts following various strategies and initiatives implemented in FY2015 to sustain employees' motivation. This resulted in PGB receiving manning level of 98%.

Recruitment Strategies

We have always been aligned with PETRONAS' guiding principles of recruiting individuals based on merit, where only the most suitably qualified and competent individuals are selected for hire. At the same time, we take into consideration diversity and inclusivity factors in our quest to uphold equitable employment practices.

In FY2015, we participated in local and international career fairs, rigorous in-person interviews, and online meetings whenever in-person sessions were not possible. We also worked closely with PETRONAS and its business divisions to ensure our employment decisions were in line with the Group's direction.

Key recruitment activities included:





CORPORATE RESPONSIBILITY

Through these efforts, the Company successfully recruited 274 talents, the highest recruitment activity to date within a short span of time.

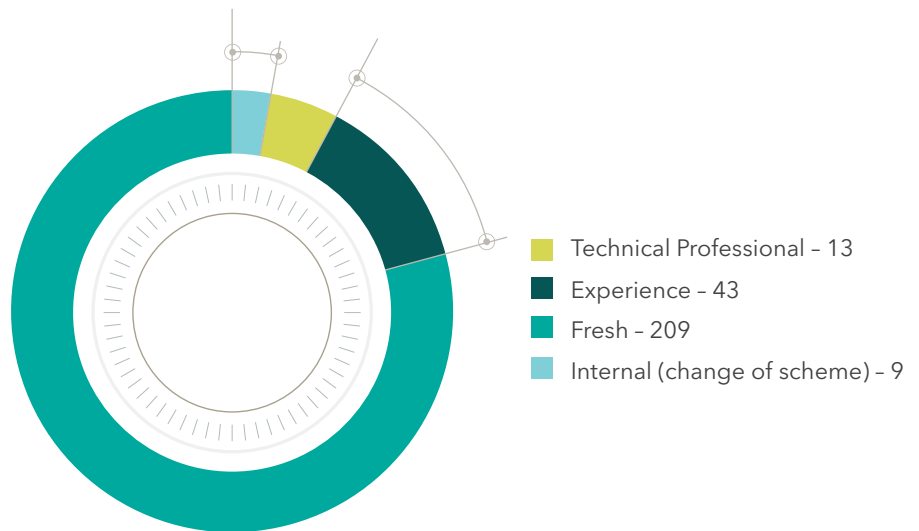
Apart from sourcing externally, we also conducted internal mobility of talents, promotions, and succession planning for plant critical positions (PCP). In September 2015, a succession planning exercise was conducted for 137 PCPs at executive level. This is to ensure availability of competent talents pipeline to sustain the Company's operations in the future.

Workforce Diversity and Inclusion

In line with PETRONAS' Cultural Beliefs, we aspire for each employee to have a strong sense of belonging to the Company. Our "Tell Me" sessions enable staff to provide their honest feedback to further improve the Company.

PGB also ensures that all employees are managed equally, irrespective of age, gender, and ethnicity, as governed by the overarching principle of rewarding employees based on competency, merit and performance. Indeed, we are always aware of the need to create a harmonious working environment characterised by inclusiveness and acceptance to motivate our employees to perform their best every day. In managing our human capital, PGB is guided by our human resources policies which uphold labour rights and non-discrimination and adherence to local laws and regulations.

Recruitment FY2015



We also respect employees' rights for freedom of association and choice of representative to engage in collective bargaining, consistent with applicable laws.

Human Rights G4-SO4, OG12

In October 2015, PETRONAS launched the Human Rights Commitment which PGB has adopted and committed to respecting internationally-recognised human rights in the areas of its operations, complying with its Code of Conduct and Business Ethics (CoBE) and all relevant legal requirements.

The Human Rights Commitment is to ensure that all the Company's activities are governed by human rights principles, laws, best industry practices and standards in managing our operations.

The Commitment is applicable to all employees of PGB, contractors, subcontractors and any third parties within PGB's premises or performing work and/or business for or on behalf of PGB. It is to complement the Code of Conduct and Business Ethics (CoBE), Anti-Bribery and Corruption (ABC) Policy and Whistleblowing Policy.

Human Rights is embedded across the five key areas of the PETRONAS Social Performance Framework that could potentially affect operational activities, namely, Environment, Health, Safety, Security and Socio-economic and Cultural.

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The Commitment addresses:

- Labour and working conditions for contractors
- Third party security
- Supply chain
- Community wellbeing

Workforce Engagements

We believe that it is vital for management to regularly engage with staff at all levels in order to properly disseminate information on our 3ZERO100 PGB Transformation progress and other important directions.

Such engagements include our PGB Townhall sessions with the Managing Director/Chief Executive Officer (MD/CEO) and Management, monthly meetings between staff and their respective heads of division, as well as more informal sessions with staff at the departmental level.

In FY2015, we initiated the Trust Programme where our Heads of Divisions and Departments would organise sessions in an informal setting to develop better rapport with their staff. This type of engagement is in line with the PETRONAS Cultural Belief of "Nurture Trust", which encourages the building of mutual trust amongst employees.

We also conducted frequent engagement sessions with shift staff during their off-peak periods to update them on the latest policies and procedures and respond to their inquiries and issues. In addition, we will have engagement session with staff union representatives (i.e. KAPENAS) on a quarterly basis. We recorded all feedback and took the necessary steps to address the issues raised.

Grievances Management

In addressing grievances among staff, we have adopted PETRONAS' Grievance Management Policies and Procedures where staff can express their grievances in an official manner and ensure that proper and fair treatment were given to them.

For minor grievances, the cases will be managed at departmental level and may escalate up to PETRONAS level should it is still not resolved.

Numbers Speak For Themselves

G4-LA6

For the period under review, PGB achieved 4.3 million safe manhours. Our final Lost Time Injury Frequency (LTIF) score was 0.31 and we managed to keep our Total Recordable Cases Frequency (TRCF) at 0.49. No compoundable cases were recorded in FY2015.

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RESPONSIBILITY

ENVIRONMENT

PGB TAKES PRIDE IN OUR PROACTIVE STANCE OF PROTECTING OUR FINITE NATURAL RESOURCES AND THE ENVIRONMENT AS WE FORGE AHEAD WITH OUR 3ZERO100 PGB TRANSFORMATION PROGRAMME AND MAKE SIGNIFICANT INROADS IN OUR KEY RESULT AREAS.

GREENHOUSE GAS EMISSIONS

G4-EN15

The Company's greenhouse gas (GHG) emissions are actively monitored using the International Petroleum Industry Environmental Conservation Association (IPIECA) GHG Accounting and Reporting Guidelines in combination with the renowned SANGIA emissions calculations tool for accuracy and reliability in reporting.

Considerable reduction in flaring activity in FY2015 lowered our GHG emissions by nearly half to 2.25 million tonnes from 4.08 million tonnes in FY2014. Various short and long-term initiatives are being undertaken to reduce this level further.

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Optimising Energy Consumption

G4-EN3, G4-EN6

We recognise the benefits of energy efficiency and has undertaken steps to optimise our energy consumption. However, due to longer operation availability and plant reliability, 57.0 million giga Joules (GJ) of energy was consumed in FY2015 as compared with 28.8 million GJ in FY2014. We are taking remedial action to mitigate this situation.

Managing Water Consumption and Withdrawal

G4-EN10

We constantly monitor our water usage and identify further opportunities for the conservation and recycling of this precious resource to avoid depletion of our freshwater reserves.

In the year under review, a total of 7.4 million cubic metres (m³) of freshwater was withdrawn, compared with 7.8 million m³ in FY2014 a reduction of 5%. In addition, the Company's water recycling rate was reduced to 25.0% from 37.8% in FY2014.

Waste Management

G4-23

Our waste monitoring programme has seen considerable reduction in waste disposal and its associated costs through active recycling and recovery.

In FY2015, total waste treated via recovery methods doubled to 10.0% from 5.0% in FY2014, despite a 33.0% increase in the amount of waste generated and disposed to 1,360 metric tonnes from 901 metric tonnes in FY2014.

Biodiversity Conservation

G4-EN12, G4-EN13, OG4

Biodiversity conservation is also high on our pro-environment agenda.

In FY2015, we collaborated with an Non-governmental Organisation (NGO), the Malaysian Nature Society (MNS), to launch a programme called "Sayangi Sungai Paka" to heighten awareness of the need to sustain the biodiversity of the Paka river. The river is located downstream from the area of our Gas Processing Plant Santong.

Launched in June 2015 with the release of 1,000 fishes into the river, the three-year programme involves water sampling and monitoring, MNS' collection of data on fauna and flora distribution along the river, and a river ecology and habitat briefing to the community.





CORPORATE RESPONSIBILITY

For FY2016, the reach of this campaign will be expanded to cover the secondary and primary schools within the area.

While the Company takes care to adhere strictly to our international-standard safety measures, we are also on constant alert to ensure that our internal systems effectively control our effluent quality. PGB's internal and external water quality monitoring is highly meticulous to ensure our effluents do not exceed the limits set by the authorities and hence not posing a threats to the fragile riverine system.

Our Gas Transmission team in Segamat helped promote a green and healthy lifestyle by revitalising the existing herb garden at our office compound. A total of 53 types of herbs were planted, including *akar dani*, *hempedu bumi*, *jerangau*, *gandarus* and *patawali*. The garden increases staff awareness on the wide variety of herbs and allows them to experience the herbs' medicinal properties.



Meanwhile, PGB's team based at Kimanis Regional Office in Sabah continued to engage with the Klias Wetland and the Mondikot Deer Habitat Centre to heighten awareness of the importance of safeguarding the delicate natural ecosystem. PGB's transmission pipeline in certain parts of Sabah traverses several environmentally sensitive receptors and habitats, such as the wetlands under the supervision of Klias Wetland, and the wildlife sanctuaries under the jurisdiction of the Mondikot Deer Habitat Centre.



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CORPORATE RESPONSIBILITY

COMMUNITY

OUR CORPORATE SOCIAL INVESTMENTS (CSI) EFFORTS ARE ALIGNED WITH PETRONAS' CORPORATE RESPONSIBILITY (CR) INITIATIVES WHICH ARE AIMED AT PROMOTING PUBLIC HEALTH AND SAFETY, ESPECIALLY FOR PEOPLE RESIDING IN THE AREAS WHERE WE OPERATE.

We also remain committed to ensuring that our business grows steadily over the long term in a safe and environmentally responsible manner. This enduring commitment has shaped our business conduct in a way that creates value, not just for now, but also for our future generations.

We currently channel our resources towards the three focus areas of education, community wellbeing and development, as well as the environment.



Focus Areas



Value Proposition



Themes



Education

Develop knowledge and capabilities to support nation building

- Access to education
- Capacity building



Community Wellbeing & Development G4-SO1, OG12

Improve wellbeing and contribute to community development

- Community health and safety
- Community uplift



Environment

Conserve natural resources for current and future generations

- Biodiversity
- Climate change

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In FY2015, we expanded our CSI approach by teaming up with Non-Governmental Organisations (NGO) to spearhead fresh programmes for the communities located near our plants and pipelines.

Care was taken to ensure our CSI programmes are effective in addressing the diverse needs of these communities. In addition, we strove to create opportunities for the social advancement of lesser-privileged groups.

The PGB Livelihood Programme

PGB's Livelihood Programme, as its name suggests, is aimed at enhancing the livelihood of the communities we operate in. We started this programme by forming a partnership with NGO Yayasan Salam to conduct programmes on soft-skill development.

Kampung Bukit Raya in Hulu Langat, Selangor, and Kampung Paya Pulai in Segamat, Johor were selected for this programme that caters to single mothers and neglected wives aged from 20 to 60 years, run by the Jawatankuasa Kemajuan dan Keselamatan Kampung (JKKK) in collaboration with Yayasan Salam.

The women were equipped with a variety of skills and valuable knowledge required for entrepreneurship, such as basic marketing and accounting. In addition, they were given lessons on effective leadership and time management.



PGB also helped to renovate and refurbish a community centre in Kampung Bukit Raya, which was used as the training centre to host the weekly activities. The centre was also equipped with basic kitchen equipment like an oven, a freezer, a mixer, as well as other cooking utensils.



CORPORATE SOCIAL RESPONSIBILITIES (CSR)

PGB believes that giving back to society is not an obligation, but a privilege. We are cognisant of our responsibility to care for the communities within our reach, and are actively touching base with the needy and less-fortunate at orphanages, old folks' homes and other such facilities through contributions in cash and kind.



CORPORATE RESPONSIBILITY



Flood Relief

Heavy monsoon rains during the year brought about the most devastating floods in decades, with thousands of people forcefully evacuated from their abodes.

PGB's aid team zeroed in on Dabong, one of the worst affected areas in the hardest-hit state of Kelantan. Relief efforts encompassed the distribution of food and essential supplies, as well as the cleaning up of homes and schools which were submerged in muddy floodwater.

Our staff volunteers were also mobilised to spruce up the premises of Sekolah Menengah Dabong. In addition, they distributed basic school necessities to the school authorities, including white boards and markers, reference material for its library, as well as a cash donation.



The PGB Free Market

Taking cues from the conventional flea market, PGB organised our inaugural PGB Free Market in aid of 24 underprivileged families living in Lembah Subang, Selangor.

Setting our Free Market apart from traditional notions of a flea market was the fact that the pre-loved items being hawked by our staff were offered at no cost to the families who came as early as 8.00 a.m. to select from a wide array of items like men's and women's apparel, fashion accessories and toys.

Held during the sacred month of Ramadan in collaboration with Nadi Annissa, a Kuala Lumpur-based charitable organisation, the PGB Free Market aimed to ease the financial burden of these families in making preparations for Hari Raya Aidilfitri. In addition, PGB supplied rice, cooking oil, as well as assorted condiments and cookies to these families.



To further liven up the affair, 100 children - 55 boys and 45 girls - were presented with new pairs of baju melayu and baju kurung respectively to enable them to dress to the nines for the festive occasion.

Program Sentuhan Kasih PETRONAS (PSKP)

Also in the month of Ramadan, the Company donated rice - undeniably a staple of Malaysian families - in the form of 10 kg bags to 60 low-income families residing in low-cost flats in Kota Damansara, Selangor.

This rice donation was made under PSKP, a community outreach initiative undertaken in conjunction with Malaysia's main festivities. The programme was also co-organised with Nadi Annissa, which helped in no small measure to identify the families eligible for this aid.



Program Sentuhan Ilmu PETRONAS (PSIP)

This education-centric outreach programme underscores our unwavering dedication to nation-building through educating the next generation of leaders.

The PSIP, introduced in 2002 by PETRONAS, aims to offer academic and non-academic assistance to underperforming students from low-income families of selected primary schools who demonstrate potential to do well in their studies. Each subsidiary of PETRONAS is tasked with adopting such students at primary schools in the vicinity of their operations, where the adoptees will receive financial and education support for six years, i.e. from their first year of primary studies until they sit for the Ujian Penilaian Sekolah Rendah (UPSR) six years later.

In FY2015, we facilitated various engaging activities under this programme for the students of Sekolah Kebangsaan (SK) Cherana Puteh in Simpang Ampat, Melaka (adopted in 2013), as well as SK Sungai Baging in Kuantan, Pahang (adopted in 2012). The most prominent activity was unquestionably the UPSR Camp, which drilled students on the subjects of English, Science and Mathematics. In addition, motivational workshops were organised to help students prepare mentally for their exams.

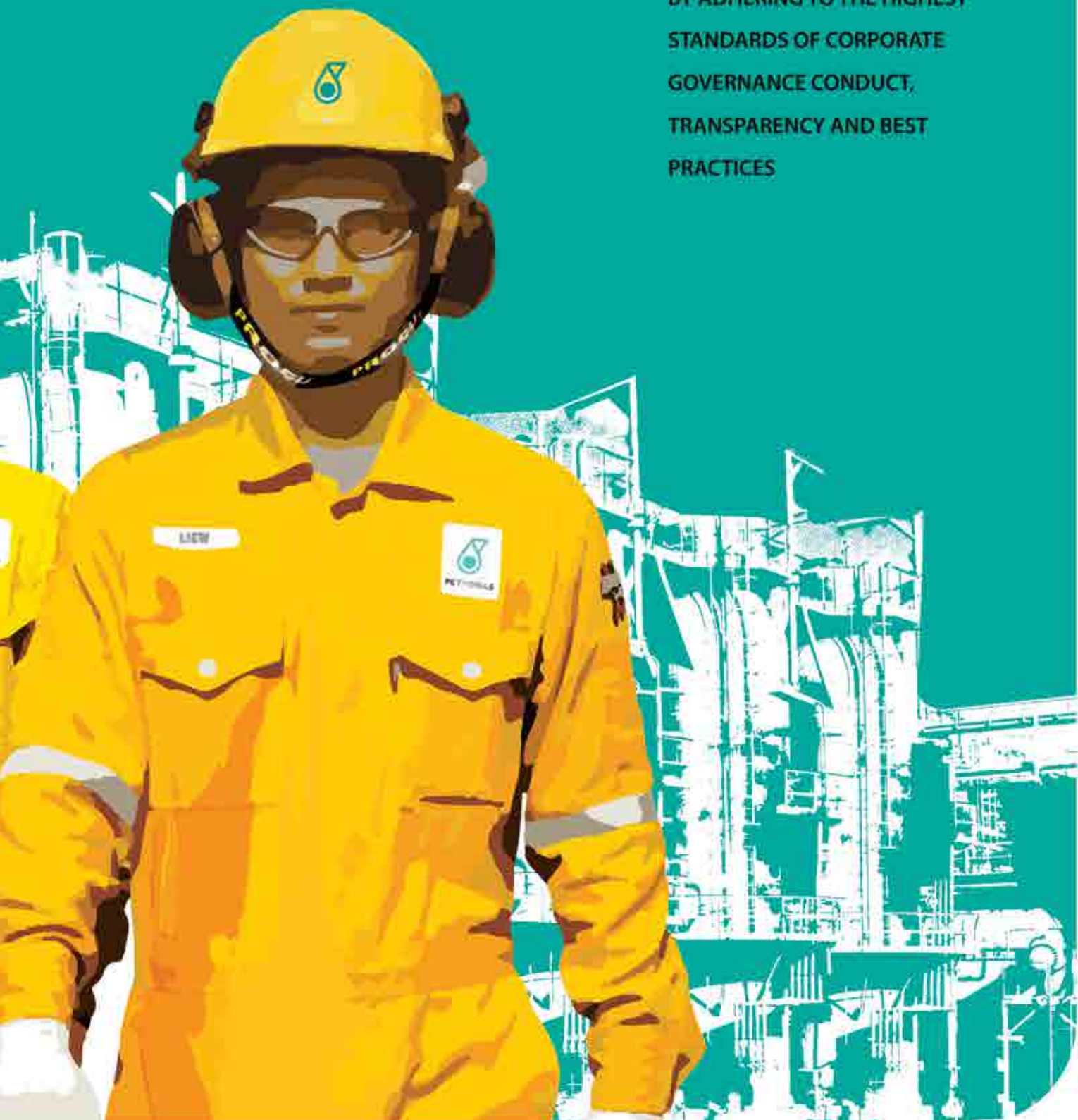


During the year, we also bade farewell to two of our adopted schools, SK Santong in Paka, Terengganu, and SK Batu Anam in Segamat, Johor upon their completion of the PSIP tenure. To commemorate the occasion, students and teachers of SK Santong were taken on a school trip to Aquaria KLCC in Kuala Lumpur, while students and teachers of SK Batu Anam were feted at a ceremony held at the school.



TRUST AND ACCOUNTABILITY

TO PROTECT THE INTERESTS OF
OUR SHAREHOLDERS, WE
STRENGTHEN ACCOUNTABILITY
BY ADHERING TO THE HIGHEST
STANDARDS OF CORPORATE
GOVERNANCE CONDUCT,
TRANSPARENCY AND BEST
PRACTICES





CORPORATE GOVERNANCE STATEMENT

THE BOARD OF DIRECTORS (THE BOARD) OF PETRONAS GAS BERHAD (PGB OR THE COMPANY) BELIEVES THAT GOOD CORPORATE GOVERNANCE IS AN INDICATION OF THE COMMITMENT BY THE BOARD TO ACHIEVE THE HIGHEST STANDARDS OF PROFESSIONALISM AND BUSINESS ETHICS ACROSS THE COMPANY'S ACTIVITIES. THE BOARD ACKNOWLEDGES THAT IT IS A FORM OF SELF-REGULATION WHICH IS AIMED AT ENHANCING BUSINESS PROPOSITIONS AND MAXIMISING SHAREHOLDERS' VALUE.

The Board is committed to achieve and apply the best practices in Corporate Governance as prescribed by the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Malaysia) and promoted by the Malaysian Code on Corporate Governance 2012 (MCCG 2012) in carrying out its duties and responsibilities.

BOARD OF DIRECTORS

Principal Roles and Responsibilities of the Board

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

In discharging its fiduciary and leadership functions, the roles and responsibilities of the Board are, inter alia, as follows:

- (a) Review and approval of the annual corporate plan, which includes overall corporate strategy, operational plan, marketing plan, human resources plan, financial plan and budget, risk management plan and information technology plan;

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- (b) Overseeing the conduct of business and evaluation of whether the business is being properly managed;
- (c) Identification of principal risks and ensuring the implementation of appropriate systems to control, monitor and manage these risks;
- (d) Overseeing the succession planning and appointment of senior management, including ensuring senior management personnel are of sufficient calibre;
- (e) Review the adequacy and integrity of internal control systems and management information systems, ensuring the establishment of sound framework of reporting on internal controls, including regulatory compliance; and
- (f) Review and approval of quarterly results and year end financial statements.

In discharging its duties and roles effectively, the Board is guided by its Board Charter, a document which sets out the principles and guidelines that are to be applied by the Board and the Board Committees. The Board Charter was developed based on the principles and recommendations as set out in the MCCG 2012. The Board

Charter shall be periodically reviewed and updated from time to time to reflect relevant changes to policies, procedures and processes as well as amendments to rules and regulations.

The Board Charter is accessible to the public for reference on the Company's official website at www.petronasgas.com.

Composition of the Board G4-34

The Board currently comprises eight members, one of whom holds an Executive Office, having a dual role as Managing Director as well as Chief Executive Officer. There are three members who are independent and non-executive and four other non-independent and non-executive members, including the Chairman.

As at 24 February 2016, the Board composition is as follows:

Executive Director

1 out of 8 (12.5%)
(also the Managing Director/Chief Executive Officer)

Independent Non-Executive Directors 3 out of 8 (37.5%)

Non-Independent Non-Executive Directors

4 out of 8 (50.0%)
(including Chairman)

The composition of the Board is in compliance with Paragraph 15.02 of the MMLR as more than one-third of its members are independent directors. This composition enables an effective and objective check and balance on the Board's deliberation and decision making. The presence of the Independent Directors are also crucial in the mitigation of any possible conflicts of interests in relation to related party transactions.

During the year under review, Datuk Manharlal Ratilal vacated his position as Chairman and Board member of the Company effective 1 September 2015. Datuk Manharlal Ratilal is succeeded by Tan Sri Dato' Seri Shamsul Azhar bin Abbas, whose profile is available on page 40 of this Annual Report.

Directors are selected based on the individual merits and experience. The current Board's composition comprises of individuals of diverse backgrounds with expertise and skills in oil and gas industry, engineering, finance, business and accounting. The current overall Board composition has the adequate size and diversity of age, gender and ethnicity. These are important to ensure diversity of views, facilitate effective decision making and constructive board deliberation during its meeting. The profile of each Director is presented on page 40 to page 47 of this Annual Report.



CORPORATE GOVERNANCE STATEMENT

The Non-Executive Directors possesses the necessary expertise and experience to ensure that the strategies proposed by the Management are fully deliberated and examined, taking into account the long-term interest of the shareholders and stakeholders. They contribute to the formulation of policy and decision-making through their expertise and experience. They also provide guidance and promote professionalism and competence among management and employees.

The Independent Non-Executive Directors do not participate in the day-to-day management of the Group and do not engage in any business dealing or other relationship with any companies within the Group. The Independent Non-Executive Directors play a significant role in providing unbiased and independent views, advice and judgement taking into account the interest of relevant stakeholders including minority shareholders of the Group. For the financial year under review, the Independent Non-Executive Directors have reaffirmed their independence based on the criteria of Independent Directors adopted by the Company.

In accordance with the MMLR, none of the member of the Board holds more than five directorships in listed companies. Prior to acceptance of any other appointment for

directorships in other listed companies, the Directors are required to first notify the Chairman to ensure that such appointments would not unduly affect their time commitments and responsibilities to the Board.

Chairman and Managing Director/ Chief Executive Officer

There is clear demarcation of duties and responsibilities between the Chairman, Managing Director (MD)/ Chief Executive Officer (CEO) and Non-Executive Directors to ensure a balance of power and authority. The positions of Chairman and MD/CEO are held by two different individuals.

The Chairman is primarily responsible for the stewardship and smooth functioning of the Board, whilst the MD/CEO is responsible for the overall operations of the business, organisational effectiveness and the implementation of the Group's strategies and policies. Given the Company's synergetic business operational integration with Petroliaam Nasional Berhad (PETRONAS), the Chairmanship of the Company remains with a Non-Independent Non-Executive Director.

The MD/CEO also manages the respective responsibilities of the divisions and departments in the Company and he is assisted in the management of the business by the Management Committee.

Senior Independent Director

The Board had, on 24 February 2016, re-designated Dato' N. Sadasivan N.N. Pillay as a Non-Independent Non-Executive Director. The Board at the same meeting appointed Habibah binti Abdul as the Senior Independent Director of the Company (SID) and Chairman of the Board Audit Committee in place of Dato' Sadasivan. Any concerns pertaining to the Group may be conveyed by shareholders and other stakeholders to the attention of the SID. All queries relating to the Group can be directed to the following address:

Senior Independent Director

PETRONAS Gas Berhad
Level 51, Tower 1
PETRONAS Twin Towers
Kuala Lumpur City Centre
50088 Kuala Lumpur

Board Meetings

The Board meets at least quarterly with additional meetings convened as and when necessary. The Board meetings for year 2015 are scheduled in November 2014 to facilitate the Directors to plan ahead and incorporate the Board meetings into their respective schedules. This also serves to provide the members with ample notice of the meetings.

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The Board has a formal schedule of matters reserved at Board meetings which includes corporate plans, annual budget, operational and financial performance reviews, major investments and financial decisions, management performance assessment, changes to the management and control structure within the Group, including key policies and procedures and delegated authority limits. The reports of the Board Audit and Nomination and Remuneration Committees are also presented and discussed at Board meetings. All proceedings of Board meetings are duly recorded in the minutes of each meeting and signed minutes of each Board meeting are properly kept by the Company Secretary.

During the financial year under review, the Board had convened on six occasions. The attendance of the Board members are as follows:

Table 1 : Attendance Record

Name of Directors	Attendance	Percentage
Tan Sri Dato' Seri Shamsul Azhar bin Abbas*	2/2	100%
Yusa' bin Hassan	6/6	100%
Dato' N. Sadasivan N.N. Pillay	5/6	83%
Datuk Rosli bin Boni	6/6	100%
Ir. Pramod Kumar Karunakaran	6/6	100%
Dato' Ab. Halim bin Mohyiddin	6/6	100%
Lim Beng Choon	6/6	100%
Habibah binti Abdul	6/6	100%
Datuk Manharlal Ratilal**	4/4	100%

* Appointed on 1 September 2015

** Vacated office on 1 September 2015



CORPORATE GOVERNANCE STATEMENT

Supply of and Access to Information

Prior to each Board meeting, the agenda and a set of Board papers encompassing qualitative and quantitative information relevant to the business of the meeting are circulated to all Directors in advance of the meeting dates. This enables the Directors to have sufficient time to peruse the Board papers and seek clarifications or further details from the Management or the Company Secretary before each meeting to ensure preparedness for the meeting. Any Director may request matters to be included in the agenda. Urgent papers may be presented and tabled at meetings under supplemental agenda. Board papers prepared are comprehensive and includes objectives, background, critical issues, implications, risks, strategic fit, recommendations and other pertinent information to enable informed decision making by the Board.

Presentations and briefings by the Management and relevant external consultants, where applicable, are also held at Board meetings to advise the Board and furnish relevant information and clarification for the Board to arrive at a considered decision.

Access to Board papers and other relevant information are carried out online through a collaborative online software which allows the Directors to securely access Board documents. The online accessibility facilitates the

Directors to read and review documents or communicate with other members during the Board meetings or at any other time.

The Directors have direct access to the Management and have unrestricted access to any information relating to the Group to enable them to discharge their duties. The Directors also have direct access to the advice and services of the Company Secretaries and are regularly updated on new statutory and regulatory requirements relating to the duties and responsibilities of the Directors. The Directors, whether as a full Board or in their individual capacity, may seek independent professional advice at the Company's expense in furtherance of their duties.

Board Committees

To assist the Board in discharging its duties, the Board has established two Board Committees whose compositions are in accordance with the best practices as prescribed by the MMLR of Bursa Malaysia and the MCCG 2012. The functions and Terms of Reference of the Board Committees, as well as authority delegated by the Board to these Board Committees, are reviewed and updated from time to time.

(a) Board Audit Committee

The Board Audit Committee is made up of three Independent Non-Executive Directors and two Non-Independent Non-Executive Directors. In line with good corporate governance, the

Executive Director is not a member of the Board Audit Committee.

The Board Audit Committee reviews quarterly and annual financial statements, announcements on quarterly results, internal audit reports and ensures that the internal control system and management information system are in compliance with the Company's policies and procedures, applicable laws and regulations. The Board Audit Committee also monitors the effective implementation of programmes to ensure compliance to the Company's Risk Management Policy and ensures that principal risks are identified and monitored and appropriate measures are undertaken to manage these risks. The Board Audit Committee also plays a significant role in the review and endorsement of related party transactions/recurrent related party transactions entered into by the Company and its subsidiaries, in line with the policy and procedures as set out under the PGB Related Party Transactions (RPT)/Recurrent Related Party Transactions (RRPT) Policy & Procedures.

The report on the Board Audit Committee and its activities are presented on page 216 to page 221 of this Annual Report. The Terms of Reference of the Board Audit Committee are included therein.

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(b) Nomination and Remuneration Committee

The Nomination and Remuneration Committee comprises entirely Non-Executive Directors as per the requirement of Paragraph 15.08A (1) of the MMLR of Bursa Malaysia as well as recommendation 2.1 of MCCG 2012 where the committee must comprise exclusively Non-Executive Directors with majority being Independent Directors.

The Nomination and Remuneration Committee ensures that the Board comprises members with relevant expertise and experiences drawn from business, financial and technical backgrounds. The wide spectrum of skills, experiences and diversity offered by the Board has added strength in terms of the Board's capability and judgement. Accordingly, the Nomination and Remuneration Committee also carries out a review of the Skills and Experience Matrix of the Board members.

The key activities of the Nomination and Remuneration Committee are detailed out on page 209 to page 212 of this Annual Report. The Terms of Reference of the Nomination and Remuneration Committee are included therein.

Continuing Development Programme for Directors

All the Directors have attended the Mandatory Accreditation Programme as required under the MMLR of Bursa Malaysia.

The Directors are regularly updated on the Group's businesses and the competitive and regulatory environment in which the Group operates. As an integral part of orientation programme for new Directors, the Company provides comprehensive briefings on the Group's operations and financial performance as well as site visits to the Group's projects and facilities.

In line with Principle 4 of MCGG 2012, the Directors recognise the importance and value of attending conferences, training programmes and seminars in order to keep themselves abreast with the development and changes in the industries in which the Group operates, as well as to update themselves on new statutory and regulatory requirements. During the year under review, the Directors have attended and participated in programmes, conferences and forums that covered the areas of corporate governance, financial, relevant industry updates and global business developments which they considered as useful in contributing to the effective discharge of their duties as Directors. The Directors had also

participated in a familiarisation visit to PGB's project site situated at Pengerang, Johor.

Particulars of training programmes attended by the Directors as at 31 December 2015 are as appended to the Corporate Governance Statement on page 187 to page 188 of this Annual Report.

Re-Appointment and Re-Election

In accordance with Article 93 of the Articles of Association of the Company, at every Annual General Meeting (AGM), one-third of the Directors shall retire from office by rotation and may offer themselves for re-election. The Articles of Association also provides that all Directors are subject to retirement by rotation at least once in every three years and shall be eligible for re-election. Directors who are appointed by the Board during the financial year are subject to re-election by shareholders at the first AGM held following their appointments.

Pursuant to Section 129 of the Companies Act, 1965, Malaysia, a Director who is over 70 years of age must retire at the AGM of the Company, and may be re-appointed by shareholders with not less than three-fourths majority.



CORPORATE GOVERNANCE STATEMENT

As per recommendation 3.2 and 3.3 of MCCG 2012, the tenure of an Independent Director should not exceed a cumulative term of nine years. Upon completion of the nine years, an Independent Director may continue to serve on the Board subject to the directors' re-designation as a Non-Independent Director or the Board must justify and seek shareholders' approval in the event it retains the Director as an Independent Director.

The Board had, on 24 February 2016, approved the re-designation of Dato' Sadasivan as a Non-Independent Non-Executive Director. Hence, none of the Independent Non-Executive Directors of the Company have served the Board for more than nine years.

Board Effectiveness Evaluation

The Company conducts an annual evaluation of the effectiveness of its Board and Committees. It comprises a Board Evaluation, a Committee Evaluation, Board Skills and Competency Mapping and Individual Director Self and Peer Evaluation. The purpose of the evaluation is to measure the effectiveness of the performance of the Board and Committees as well as to address the Board's and Committees' attention on areas for improvement as part of discharging his/her role as Director of the Company.

The questionnaires on the Board Effectiveness and Directors Evaluation are prepared internally incorporating applicable best practices. The indicators for the performance of the Board includes factors such as the Board composition, conduct, participation and communication with the Management and stakeholders as well as overall strategy and planning for the Company. The performance indicators for individual Directors include the Directors' roles, leadership and contribution to the Company.

Upon completion of the evaluation by the Directors, the external Company Secretary collates and analyses the feedback received. The analysis conducted is presented to the Nomination and Remuneration Committee for deliberation. A summary of the Board Evaluation is presented to the Board by the Chairman of the Nomination and Remuneration Committee. In addition, the Chairman may conduct individual feedback sessions with the Board members with a view to enhance strengths and discuss on areas for improvement.

Directors' Remuneration

The remuneration structure of Non-Executive Directors of the Company consists of the following:

- Fees for duties as Directors and additional fees for undertaking responsibilities as Chairman of the Board; and

- Meeting allowances for each meeting attended.

The fees and allowances for Non-Executive Directors are determined by the Board and are subject to the approval of the shareholders of the Company at the AGM. The review of Directors' fees and allowances are under the purview of the Nomination and Remuneration Committee before any recommendation is tabled to the Board.

The Director's fees and meeting allowances for certain Non-Independent Non-Executive Directors who are also employees of PETRONAS and holding positions of Vice President and above are paid directly to PETRONAS. The presence and participation of the Non-Independent Non-Executive Directors who are employees of PETRONAS provides the Board a deeper insight into PETRONAS operations.

Pursuant to Article 84 of the Company's Articles of Association, PGB also reimburses reasonable expenses incurred by Directors, where relevant, in the course of carrying out their duties as Directors.

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For the year under review, the breakdown of the Directors' remuneration is as follows:

Name of Directors	Directors Fees (RM)	Board Meeting Attendance Fees [^] (RM)	Audit Committee Meeting Attendance Fees [^] (RM)	Nomination and Remuneration Committee Meeting Attendance Fees [^] (RM)	AGM (RM)	Others** (RM)	Total (RM)
Tan Sri Dato' Seri Shamsul Azhar bin Abbas (Appointed on 1 September 2015)	36,000	8,000	Nil	Nil	Nil	2,000	46,000
Yusa' bin Hassan	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Dato' N. Sadasivan N.N. Pillay	72,000	15,000	18,000	4,000	Nil	6,000	115,000
Datuk Rosli bin Boni	72,000	18,000	12,000	Nil	Nil	6,000	108,000
Ir. Pramod Kumar Karunakaran	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Dato' Ab. Halim bin Mohyiddin	72,000	18,000	12,000	Nil	Nil	6,000	108,000
Lim Beng Choon	72,000	18,000	Nil	6,000	Nil	3,000	99,000
Habibah binti Abdul	72,000	18,000	Nil	4,000	Nil	6,000	100,000
Datuk Manharlal Ratilal (Resigned on 1 September 2015)	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Total	396,000	95,000	42,000	14,000	Nil	29,000	576,000

** Others includes petrol/fleet card.

[^] Meeting attendance fees are based on the number of meetings attended by the Directors.



CORPORATE GOVERNANCE STATEMENT

The remuneration package for the Executive Director of the Company is balanced between fixed and performance-linked elements. A portion of the Executive Director's compensation package is variable in nature and is Key Performance Indicator (KPI) based, which includes the Group's performance. As an Executive Director, he is not entitled to receive Directors' fees as well as meeting allowances.

Yusa' bin Hassan, MD/CEO and an Executive Director of the Company, is an employee of PETRONAS and is seconded to the Company. In consideration of the service of the MD/CEO, the Company is required to pay a management fee to cover all payroll-related costs and benefits ordinarily incurred by him in the course of his employment. During the year, the Company paid RM736,800 as management fee.

Management staff and executives of PGB have also been seconded from PETRONAS. Their training, succession planning and performance appraisal are aligned to the PETRONAS' Human Resources Policies and Strategies. The Board ensures that only appropriate personnel with the relevant skills and experiences are appointed to Management positions of PGB.

RELATIONSHIP WITH SHAREHOLDERS

Communications between the Company and its investors

The Board recognises the importance of effective communications with the Company's shareholders and other stakeholders including the general public. Information on the Group's business activities and financial performance is disseminated timely through announcements to Bursa Malaysia, postings on the Company's website, press releases, issuance of Annual Report and where required, press conferences. Immediately after the conclusion of the Annual General Meeting, the Company will hold a press conference with the media and any materials distributed during the press conference are published in the Company's website.

The MD/CEO together with the Head of Finance Division and the Company's Investor Relations Unit conducts regular dialogues with its institutional shareholders and analysts, and holds quarterly analysts briefings to further explain the Group's quarterly financial results. This is to promote better understanding of the Group's financial performance and operations. Visits to the Group's facilities are also organised periodically to facilitate better appreciation and insight into the Group's business and operations.

The Company actively updates its website www.petronasgas.com with the latest information on the corporate and business aspects of the Group. Press releases, announcements to Bursa Malaysia, analyst briefings and quarterly results of the Group are also made available on the website and this helps to promote accessibility of information to the Company's shareholders and all other market participants. Communication and feedback from investors can also be directed to email address ir.petronasgas@petronas.com.my or alternatively, it can be addressed to:

Harris bin Harun
Head Investor Relations
Level 51, Tower 1
PETRONAS Twin Towers
50088 Kuala Lumpur
Malaysia

Annual General Meeting (AGM)

The AGM is the principal forum of open dialogue with shareholders. The notice and agenda of AGM together with Forms of Proxy are given to shareholders at least 21 days before AGM, which gives shareholders sufficient time to prepare themselves to attend the AGM or to appoint proxy to attend and vote on their behalf. Each item of special business included in the notice of the AGM will be accompanied by an explanatory statement on the effects of the proposed resolution.

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At each AGM, shareholders are encouraged and given sufficient opportunity as well as time by the Board to raise questions on issues pertaining to the Annual Report, resolutions being proposed and the business of the Company or the Group in general prior to seeking approval by show of hands from members and proxies on the resolutions. The Board, Management, external auditors and other advisors, as applicable are present at AGM to provide answers and clarifications to shareholders. The Chairman informs on the availability of poll voting by shareholders on matters raised during the AGM.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board is committed to provide a fair and objective assessment of the financial position and prospects of the Group in the quarterly financial results, annual financial statements, Annual Reports and all other reports or statements to shareholders, investors and relevant regulatory authorities.

The Statement of Responsibility by Directors in respect of preparation of the annual Audited Financial Statements is set out on page 246 of this Annual Report.

Related Party Transactions and Conflict of Interest Situations

All related party transactions including recurrent related party transactions entered into by the Company or its subsidiaries are reviewed by the Board Audit Committee. The list of transactions entered into with related parties are incorporated at page 308 of this Annual Report.

The Company has established its policies and procedures on related party transactions and conflict of interest situations, including recurrent related party transactions, to ensure that they are undertaken on normal commercial terms and are not to the detriment of the Company's minority shareholders. The policies and procedures are embodied in the PGB Related Party Transaction/Recurrent Related Party Transactions Policies and Procedures.

The Statement on Risk Management and Internal Control provides a comprehensive overview of the Group's policies and procedures on related party transactions and recurrent related party transactions. This is set out on page 192 to page 206 of this Annual Report.

Risk Management and Internal Control

The Board continues to maintain and review its risk management processes and internal control procedures to ensure a sound system of risk management and internal control to safeguard shareholders' investments and the assets of the Company and the Group.

The Statement on Risk Management and Internal Control provides an overview of the risk management and internal controls within the Group as set out on page 192 to page 206 of this Annual Report.

INTEGRITY AND ETHICS

G4-SO3

The Board further acknowledges its role in establishing a corporate culture comprising ethical conduct within the Group. In line with this principle, the Board has adopted the PETRONAS Code of Conduct and Business Ethics, the Whistleblowing Policy, the Corporate Disclosure Guide and the Anti-Bribery and Corruption Manual. The adoption of such policies are so as to ensure that the conduct of business and the Company's employees are consistently carried out ethically and with integrity.



CORPORATE GOVERNANCE STATEMENT

Code of Conduct and Business Ethics

The Group adopts and practices the PETRONAS Code of Conduct and Business Ethics (CoBE) which emphasises and advances the principle of discipline, good conduct, professionalism, loyalty, integrity and cohesiveness that are critical to the success and well-being of the Group. The CoBE contains detailed policy statements on the standards of behaviour and ethical conduct expected of each individual of the Group. The Group also expects that contractors, sub-contractors, consultants, agents and representatives and others performing work or services for or on behalf of the Group to comply with the relevant parts of the CoBE when performing such work or services. The CoBE expressly prohibits improper solicitation, bribery and other corrupt activity not only by employees and Directors but also by third parties performing work or services for or on behalf of companies in the PETRONAS Group.

Included as part of the CoBE is the Anti-Bribery and Corruption Policy which explicitly prohibits the giving and acceptance of bribes, in whatever form, by employees including giving and receiving of facilitation payments in all business dealings. The Company has also adopted and implemented the 'No Gift Policy' as a means to avoid any conflict of interest situations for either party or potential business dealings between the Company and third parties.

The CoBE is accessible to the public for reference on the Company's official website at www.petronasgas.com.

Whistleblowing Policy

The Group has adopted the PETRONAS Whistleblowing Policy which provides an avenue for the Group employees and member of the public to disclose any improper conduct in accordance with the procedures as provided under the policy.

Under the Whistleblowing Policy, a whistleblower will be accorded with protection of confidentiality of identity, to the extent reasonably practicable. An employee who whistleblows internally will also be protected against any adverse and detrimental actions for disclosing any improper conduct committed or about to be committed within the Group, to the extent reasonably practicable, provided that the disclosure is made in good faith. Such protection is accorded even if the investigation later reveals that the whistleblower is mistaken as to the facts and the rules and procedures involved. The whistleblowing policy is accessible to the public for reference on the Company's official website at www.petronasgas.com.

Corporate Disclosure Guide

The Company has established an internal Corporate Disclosure Guide to facilitate the disclosure and conduct on the dissemination of information. This Guide is based on the requirements as set out in the MMLR, the Corporate Disclosure Guidelines [2nd Edition] by Bursa Malaysia and promotes transparency and accountability in the dissemination of material information amongst the Company organisation and public. A detailed guide is available at www.petronasgas.com.

Trading on Insider Information

Notices on the closed period for trading in the Company's shares are sent to the Directors and principal officers on a quarterly basis as a reminder on the prohibition to trade during the identifying timeframe during which the Directors and the principal officers are prohibited from dealing in the Company's shares. Directors are also reminded not to deal in the Company's shares when price sensitive information is shared with them in the proposal papers.

During the year, there were no cases reported relating to any breach of the prohibition.

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COMPANY SECRETARIES

The Company Secretaries of the Company are qualified to act as Company Secretaries per Section 139A of the Companies Act, 1965. The Company Secretaries play an advisory role to the Board, particularly with regards to the Company's constitution, Board policies and procedures and the Company's compliance with regulatory requirements, codes, guidance and legislation.

The Company Secretaries ensure that the discussions and deliberations at Board and Board Committee meetings are well documented, and subsequently communicated to the relevant Management for appropriate actions. Company Secretaries update the Board on the follow-up of its decisions and recommendations by the Management.

The Company Secretaries constantly keep themselves abreast of the evolving capital market environment, regulatory changes and developments in corporate governance through continuous training. The Board is satisfied with the performance and support rendered by the Company Secretaries to the Board in discharging their functions.

RELATIONSHIP WITH AUDITORS

External Auditor

Through the Board Audit Committee, the Company maintains a professional and transparent relationship with its external auditors, Messrs KPMG. The Board Audit Committee met the external auditors twice during the financial year without the presence of the Management to review the scope and adequacy of the Group's audit process, the annual financial statements and their audit findings. At the meeting, the external auditors highlighted to the Board Audit Committee on matters that warrant their attention.

The role of the Board Audit Committee in relation to the external auditors is described in the Board Audit Committee Report on page 216 to page 221 of this Annual Report.

The Board Audit Committee continuously reviews and monitors the suitability and independence of external auditors. As part of the annual audit exercise, the Group also obtains assurance from the external auditors confirming their independence throughout the year under review.

Internal Auditors

The Company's Internal Auditors, of which the function is undertaken by the Group Internal Audit Department (GIAD) of PETRONAS reports directly to the Board Audit Committee and has unrestricted access to the Board Audit Committee.

The GIAD function is independent of the activities or operations of other operating units. The GIAD conducts regular audits on the effectiveness of internal controls, compliance with internal and regulatory requirements. The audit report which highlights any findings, along with the recommendations are tabled to the Board Audit Committee.

THE MALAYSIAN CODE ON CORPORATE GOVERNANCE 2012 (MCCG 2012)

The Board is committed and strives to observe the principles and recommendations of the MCCG 2012, of which observance is on voluntary basis.

The Group has fully adopted all recommendations of the MCCG 2012 except for the following:

1. Recommendation 2.2 - The gender diversity policies and targets and the measures taken to meet the targets.

Directors are selected based on the individual merits and experience. The Company does not have a specific gender policy. Nonetheless, there is a female representative on the Board, making up 12.5% of the Board composition.



CORPORATE GOVERNANCE STATEMENT

2. Recommendation 2.3 - The Board should establish formal and transparent remuneration policies and procedures to attract and retain directors.

The remuneration of the directors is competitive and attractive as it has been benchmarked against the industry. A formal written policy and procedures for directors' remuneration will be developed.

3. Recommendation 3.5 - The Board must comprise a majority of Independent Directors where the Chairman of the Board is not an Independent Board member.

Given the Company's synergetic business operational integration with PETRONAS, the Chairmanship of the Company remains with a Non-Independent Non-Executive Director.

4. Recommendation 5.2 - The Audit Committee should have policies and procedures to assess the suitability and independence of external auditors.

The Board Audit Committee continuously reviews and monitors the suitability and independence of external auditors. As part of the annual audit exercise, the Group also obtains assurance from the external auditors confirming their independence throughout the year under review.

STATEMENT BY THE BOARD ON COMPLIANCE

The Directors have provided assurances that the financial statements prepared for the financial year gives a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the results and cash flow of the Group for the financial year as required by the Companies Act, 1965.

The Statement of Directors' Responsibilities for the Audited Financial Statements of the Company and Group are outlined on page 246 of this Annual Report. Details of the Company and the Group financial statements for the financial year ended 31 December 2015 are set out on pages 253 to 331 of this Annual Report.

The Board has deliberated, reviewed and approved this Statement. After due consideration, the Board is satisfied that the Group has fulfilled its obligations under the relevant chapters of the MMLR of Bursa Malaysia on corporate governance and applicable laws and regulations throughout the year ended 31 December 2015.

This statement is made in accordance with the resolution of the Board of Directors dated 24 February 2016.



**Tan Sri Dato' Seri
Shamsul Azhar bin Abbas**
Chairman



Yusa' bin Hassan
Managing Director/
Chief Executive Officer



TRAINING PROGRAMMES ATTENDED BY DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2015

TAN SRI DATO' SERI SHAMSUL AZHAR BIN ABBAS

No.	Training Attended	Date
1.	Petroleum Nasional Berhad (PETRONAS) - In-house Training Programme (1) New Companies Bill 2015 (2) Boardroom War	29 October 2015

YUSA' BIN HASSAN

No.	Training Attended	Date
1.	Petroleum Nasional Berhad (PETRONAS) - In-house Training Programme (1) New Companies Bill 2015 (2) Boardroom War	29 October 2015
2.	PETRONAS Gas Berhad: Directors Training and Site Visit - Construction of Regasification Plant	29 November 2015

DATO' N. SADASIVAN N.N. PILLAY

No.	Training Attended	Date
1.	Enterprise Risk Management Workshop by KPMG	6 - 7 March 2015
2.	Remuneration Reward Practices Seminar - Time to raise the Bar by Malaysian Institute of Corporate Governance	8 April 2015
3.	ASEAN Sustainability Series - Sustainability Symposium by Bursa Malaysia Berhad	8 October 2015
4.	Sustainability Reporting and New and Revised Auditor Reporting Training Session by KPMG	10 October 2015
5.	Future of Auditor Reporting - The Game Changer for Boardroom by Bursa Malaysia Berhad, Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants	2 November 2015

DATO' AB. HALIM BIN MOHYIDDIN

No.	Training Attended	Date
1.	Board Chairman Series Part 2: Leadership Excellence by ICLIF and Bursa Malaysia Berhad	27 July 2015
2.	Annual External Environment Analysis and Sectorial Outlook by MISC Berhad	5 August 2015
3.	Petroleum Nasional Berhad (PETRONAS) - In-house Training Programme (1) New Companies Bill 2015 (2) Boardroom War	29 October 2015
4.	PETRONAS Gas Berhad: Directors Training and Site Visit - Construction of Regasification Plant	29 November 2015



TRAINING PROGRAMMES ATTENDED BY DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2015

IR. PRAMOD KUMAR KARUNAKARAN

No.	Training Attended	Date
1.	Petroleum Nasional Berhad (PETRONAS) - In-house Training Programme (1) New Companies Bill 2015 (2) Boardroom War	29 October 2015
2.	PETRONAS Gas Berhad: Directors Training and Site Visit - Construction of Regasification Plant	29 November 2015

DATUK ROSLI BIN BONI

No.	Training Attended	Date
1.	Petroleum Nasional Berhad (PETRONAS) - In-house Training Programme (1) New Companies Bill 2015 (2) Boardroom War	29 October 2015
2.	PETRONAS Gas Berhad: Directors Training and Site Visit - Construction of Regasification Plant	29 November 2015

LIM BENG CHOON

No.	Training Attended	Date
1.	Special Discussion on Trans-Pacific Partnership Agreement by IDEAS	7 May 2015
2.	Creating an Entrepreneurial Culture by Genovasi/Harvard Business Club	7 May 2015
3.	Myths of Innovation by Genovasi/Stanford Design School	13 August 2015
4.	Petroleum Nasional Berhad (PETRONAS) - In-house Training Programme (1) New Companies Bill 2015 (2) Boardroom War	29 October 2015
5.	PETRONAS Gas Berhad: Directors Training and Site Visit - Construction of Regasification Plant	29 November 2015

HABIBAH BINTI ABDUL

No.	Training Attended	Date
1.	Board's Strategic Leadership - Innovation & Growth in Uncertain Times by Ram Charan (Fide Forum)	21 May 2015
2.	Impact of New Accounting Standard on Banks - What Directors Should Be Aware Of - A Dialogue With Darrel Scott, International Accounting Standards Board (IASB) Board Member (Fide Forum)	5 June 2015
3.	Petroleum Nasional Berhad (PETRONAS) - In-house Training Programme (1) New Companies Bill 2015 (2) Boardroom War	29 October 2015
4.	PETRONAS Gas Berhad: Directors Training and Site Visit - Construction of Regasification Plant	29 November 2015

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ADDITIONAL COMPLIANCE INFORMATION

THE COMPANY CONTINUES TO STRENGTHEN ITS COMMITMENT IN ENSURING COMPLIANCE TO STATUTORY AND REGULATORY REQUIREMENTS AS WELL AS INTERNAL POLICIES AND PROCEDURES. THE COMPANY HAS PUT IN PLACE INTERNAL CONTROLS AND VARIOUS COMPLIANCE EXERCISE, GUIDED BY THESE STATUTORY AND REGULATORY REQUIREMENTS, GUIDELINES AND BEST PRACTICES BOTH FROM WITHIN PETRONAS GROUP AS WELL AS EXTERNAL.

The Company's commitment is also evident under its transformation journey of 3ZERO100 where various measures are being undertaken to achieve its transformation aspirations, one of which being zero non-compliance.

KEY COMPLIANCE REQUIREMENTS AND ASSESSMENTS

G4-SO8

The Company observes various compliance requirements as part of its overall governance efforts, covering the areas of Finance, Health Safety Environment (HSE), Operational Excellence, Project Management and Human Resource, to cite a few.

Internally, the Company's compliance assessments or audits are based on a 3-tier hierarchy in line with the PETRONAS Technical Standards, with frequency of assessments determined based on the standards and approved by Management.

At Tier 1, self-audits are undertaken by the respective process owners to assess any gaps on compliance. There are also selected departments or units within the Company which undertake audits on other departments or unit to assess compliance on specific areas e.g. HSE Management System, SIRIM requirements as well as internal procedure requirements. Tier 1 audits are the most frequently conducted compliance assessments in the Company, some are even as frequent as monthly basis.

At Tier 2, representatives from PETRONAS Downstream undertakes audits on the Company based on selected areas of compliance which are carried out at a less frequent interval compared to Tier 1 i.e. annually or once every two years.

At Tier 3, the Company may be subject to audits conducted by selected divisions within PETRONAS Holding Company e.g. Group HSE, Group Technical Solutions and Group Internal Audit. The exercise may be conducted periodically or on need basis based on request by Management.



ADDITIONAL COMPLIANCE INFORMATION

The Company is also subject to periodical audits by external bodies or authorities as part of compliance assessments against statutory and regulatory requirements. During the year under review, amongst the authorities or external bodies which conducted audits on the Company were KPMG, Inland Revenue Board, SIRIM, Jabatan Bomba & Penyelamat Malaysia (JBPM), Department of Standards Malaysia (DSM), Majlis Keselamatan Negara (MKN) and Institut Kimia Malaysia (IKM).

COMPLIANCE MONITORING AND REPORTING

Audit findings are deliberated and tracked until closure. At the Divisions, the Plant Leadership Team (PLT) reviews audit plans and findings related to the respective Divisions. Since the establishment of Risk and Compliance Committee (RCC) beginning January 2015, key audit

findings mainly from Tier 2, 3 and external audits are reported to the RCC which is chaired by Managing Director/Chief Executive Officer and sits on quarterly basis. All findings and progress of actions items derived from Tier 3 audits conducted by PETRONAS Group Internal Audit are also escalated to the Board Audit Committee (BAC).

Additional Compliance Information in accordance with Appendix 9C of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (MMLR) is as follows:

1.0 UTILISATION OF PROCEEDS FROM CORPORATE PROPOSALS

There was no Corporate Proposals undertaken for the year under review.

[Disclosed in accordance with Appendix 9C, Part A, Item 13 of the MMLR]

2.0 SHARE BUY-BACK

The Company did not propose any share buy-back during the financial year.

[Disclosed in accordance with Appendix 9C, Part A, Item 14 and Appendix 12D of Paragraph 12.23 of the MMLR]

3.0 OPTIONS OR CONVERTIBLE SECURITIES

The Company did not issue any options or convertible securities during the financial year.

[Disclosed in accordance with Appendix 9C, Part A, Item 15 of the MMLR]

4.0 DEPOSITORY RECEIPT PROGRAMME

The Company did not sponsor any depository receipt programme during the financial year.

[Disclosed in accordance with Appendix 9C, Part A, Item 16 of the MMLR]

5.0 IMPOSITION OF SANCTIONS/ PENALTIES

There were no public sanctions and/or material penalties imposed on the Company or its subsidiaries, Directors or Management by the relevant regulatory bodies during the financial year.

[Disclosed in accordance with Appendix 9C, Part A, Item 17 of the MMLR]

6.0 NON-AUDIT FEES

The amount of non-audit fees incurred for services rendered to the Group by the external auditors, Messrs KPMG or its affiliated companies during the financial year is RM15,000.

[Disclosed in accordance with Appendix 9C, Part A, Item 18 of the MMLR]

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7.0 VARIATION IN RESULTS

There were no profit estimates, forecasts or projections made or released by the Company during the financial year.

[Disclosed in accordance with Appendix 9C, Part A, Item 19 of the MMLR]

8.0 PROFIT GUARANTEE

The Company did not give any profit guarantee during the financial year.

[Disclosed in accordance with Appendix 9C, Part A, Item 20 of the MMLR]

9.0 MATERIAL CONTRACTS INVOLVING INTERESTS OF DIRECTORS AND MAJOR SHAREHOLDERS

There were no material contracts or loans entered into by the Company or its subsidiaries involving Directors' or major shareholders' interests, either still subsisting at the end of the year ended 31 December 2015 or entered into since the end of the previous period, except as disclosed in the audited financial statements.

[Disclosed in accordance with Appendix 9C, Part A, Item 21 of the MMLR]

10.0 ANALYSIS OF SHAREHOLDINGS

The analysis of shareholdings is disclosed on page 334 to page 337 of this Annual Report.

[Disclosed in accordance with Appendix 9C, Part A, Item 23 of the MMLR]

11.0 LISTING OF PROPERTIES

The summary of Landed Property, Plant and Equipment for the financial year ended 31 December 2015 is disclosed on pages 339 to page 349 of this Annual Report.

[Disclosed in accordance with Appendix 9C, Part A, Item 25 of the MMLR]

12.0 SHARE OPTION SCHEMES FOR EMPLOYEES

The Company do not have Share Option Schemes for its Employees.

[Disclosed in accordance with Appendix 9C, Part A, Item 26 of the MMLR]

13.0 TRAINING ATTENDED BY DIRECTORS

The list of trainings attended by Directors is disclosed on page 187 to page 188 of this Annual Report.

[Disclosed in accordance with Appendix 9C, Part A, Item 28 of the MMLR]

14.0 CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES

The corporate social responsibility activities undertaken by the Company is disclosed on page 150 to page 171 of this Annual Report.

[Disclosed in accordance with Appendix 9C, Part A, Item 29 of the MMLR]

15.0 RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING IN NATURE (RRPT)

Details of the RRPT entered into during the financial year ended 31 December 2015 pursuant to the said RRPT Mandate is disclosed on page 308 of this Annual Report.

[Pursuant to Paragraph 10.09(2)(b) and Paragraph 3.1.5 of Practice Note 12 of the MMLR]



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROLS

THE STATEMENT IS MADE PURSUANT TO PARAGRAPH 15.26(B) OF THE MAIN MARKET LISTING REQUIREMENTS ("MMLR") OF BURSA MALAYSIA SECURITIES BERHAD ("BURSA MALAYSIA") WHERE THE **BOARD OF DIRECTORS OF PUBLIC COMPANIES ARE REQUIRED TO PUBLISH A STATEMENT ABOUT THE STATE OF THE INTERNAL CONTROL** OF THE LISTED ISSUER AS A GROUP.

The Board is committed to maintain and continuously improve the Group's system of risk management as well as internal control and is pleased to provide the following statement which outlines the nature and scope of risk management and internal control of the Group during the year under review.

As internal control is an integral part of the Group's risk and control continuum to achieve the Group's objectives, the Group adopts PETRONAS' shared values of loyalty, integrity, professionalism and cohesiveness which set the tone for a sound system of risk management and internal control.

BOARD'S ACCOUNTABILITY

The Board acknowledges the importance of a sound risk management system and internal control practices for good corporate governance with the objective of safeguarding shareholders' investments and the Group's assets. The Board affirms its overall responsibility for the Group's system of risk management and internal controls and has undertaken a review of the adequacy and effectiveness of those systems and compliance with relevant laws and regulations.

In view of the limitations that are inherent in any system of internal control, this system is designed to manage, rather than eliminate, the risk of failure of achieving the corporate objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or losses or the occurrence of unforeseeable circumstances.

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The Group has in place an ongoing process for identifying, evaluating, monitoring and managing all significant risks faced by the Group and its achievement of objectives and strategies for the year under review and up to the date of approval of this Statement on Risk Management and Internal Control for inclusion in the Annual Report. This process is regularly reviewed by the Board in accordance with the *Statement on Risk Management and Internal Controls: Guidelines for Directors of Listed Issuers*.

RISK MANAGEMENT

Risk Management is regarded by the Board to be an integral part of the Group's organisational processes, with the objective of maintaining a sound system and ensuring its continuing adequacy and integrity. Risk Management is firmly embedded in the Group's management system. The Group's Risk Management Policy is to adopt an effective and progressive Enterprise Risk Management (ERM) system to identify, evaluate and monitor the risks faced by the Group and to take specific measures to mitigate these risks.

Risk Oversight Structure

The Group risk oversight structure allows clear and timely risk information flow for effective oversight on risk management implementation at all levels. Risks are reviewed at various levels e.g. Plant Leadership Teams (PLTs), Project Steering Committees (PSCs) etc. within the Group before it is deliberated at Board Audit Committee (BAC).

At Group level, the Risk and Compliance Committee (RCC), which commenced its first sitting in January 2015 and chaired by the Managing Director/Chief Executive Officer (MD/CEO), is obliged to ensure that an appropriate and effective risk management framework is in place and implemented throughout the Group as well as its compliance with the statutory, regulatory requirements and policies applicable to it.

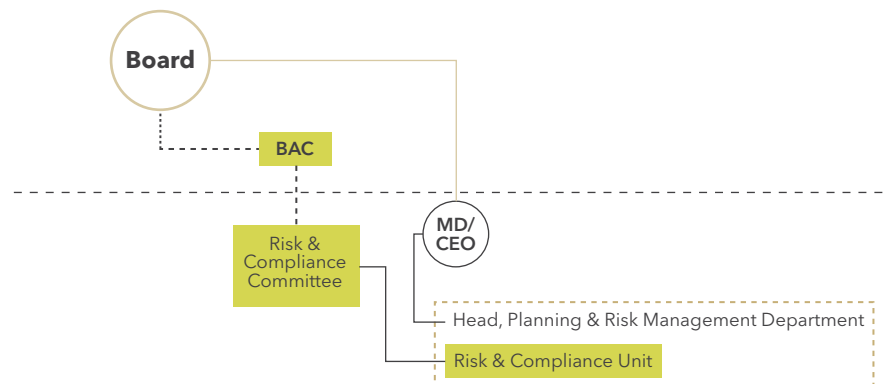
The BAC is authorised by Board to review the adequacy and effectiveness of risk management practices and procedures as well as conducting risk

profiling reviews on the Group, on a quarterly basis. The BAC also deliberates on the Group's Enterprise Risk Report on quarterly basis, including risk exposures and the mitigation plans required, subsequent to review by the RCC.

At the beginning of the year under review, BAC has endorsed the adoption of the Group's revised Risk Policy as a clear communication on Management's expectations on risk management implementation and business continuity practices.

As an effort to further enhance clarity on the risks that the Group is willing to pursue or retain, the Group has also subsequently established a Risk Appetite statement:

"PETRONAS Gas Berhad (PGB) shall take reasonable and practicable steps to mitigate or eliminate risks to ensure safe, reliable and competitive business operations towards achieving PGB's objective to be A Leading Gas Infrastructure and Utilities Company."



High Level Group Risk Oversight Structure

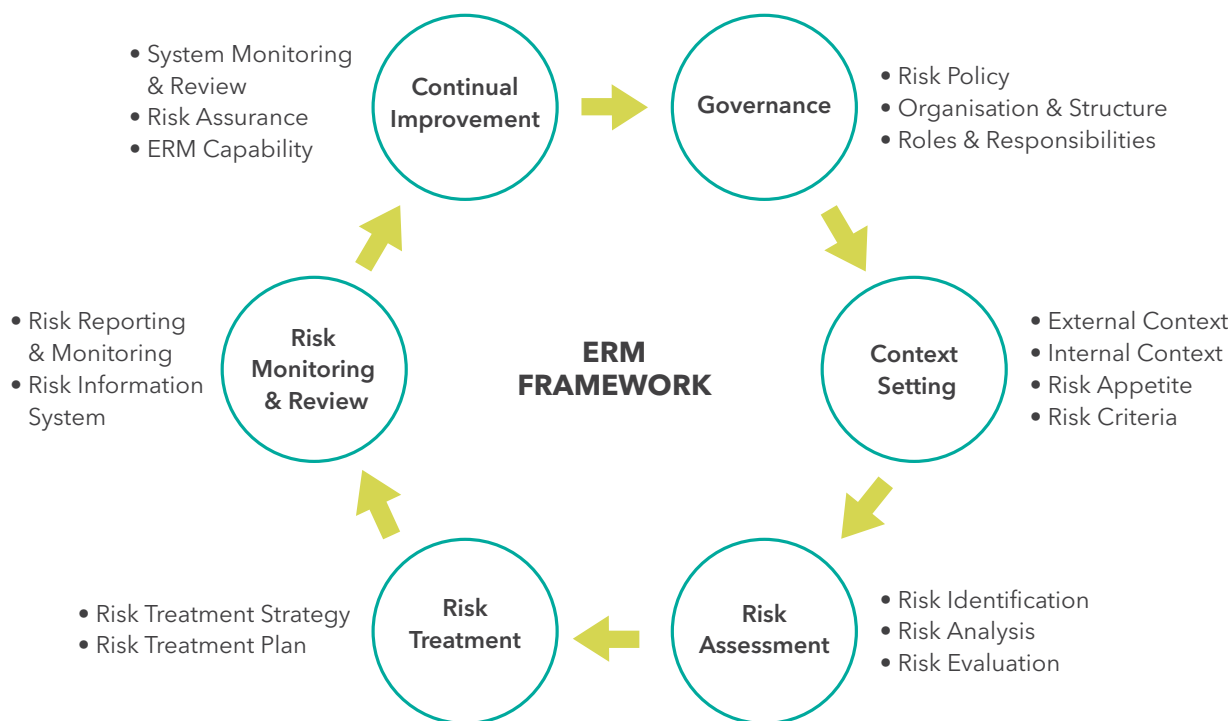


STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROLS

Risk Management Framework Implementation

(a) Enterprise Risk

The Group's Enterprise Risk Management (ERM) adheres to PETRONAS Resiliency Model, which includes an enhanced PETRONAS ERM Framework that adopts ISO 31000:2009 Risk Management requirements. The enhanced ERM Framework provides a standard and consistent approach in implementing ERM in an entity. There are six key requirements of ERM under the Framework:



Enterprise Risk Profiling and Assessment follows a structured process which ensures a comprehensive and consistent approach in assessing and analysing risks faced by the Group. Risks are reviewed annually with involvement from Management and Subject Matter Experts (SMEs) from divisions and departments across the Group. Prior to risk profiling and assessment activities, various inputs are analysed in setting the context of the assessment, which include both internal and external factors that may impact the Group's business and operations.

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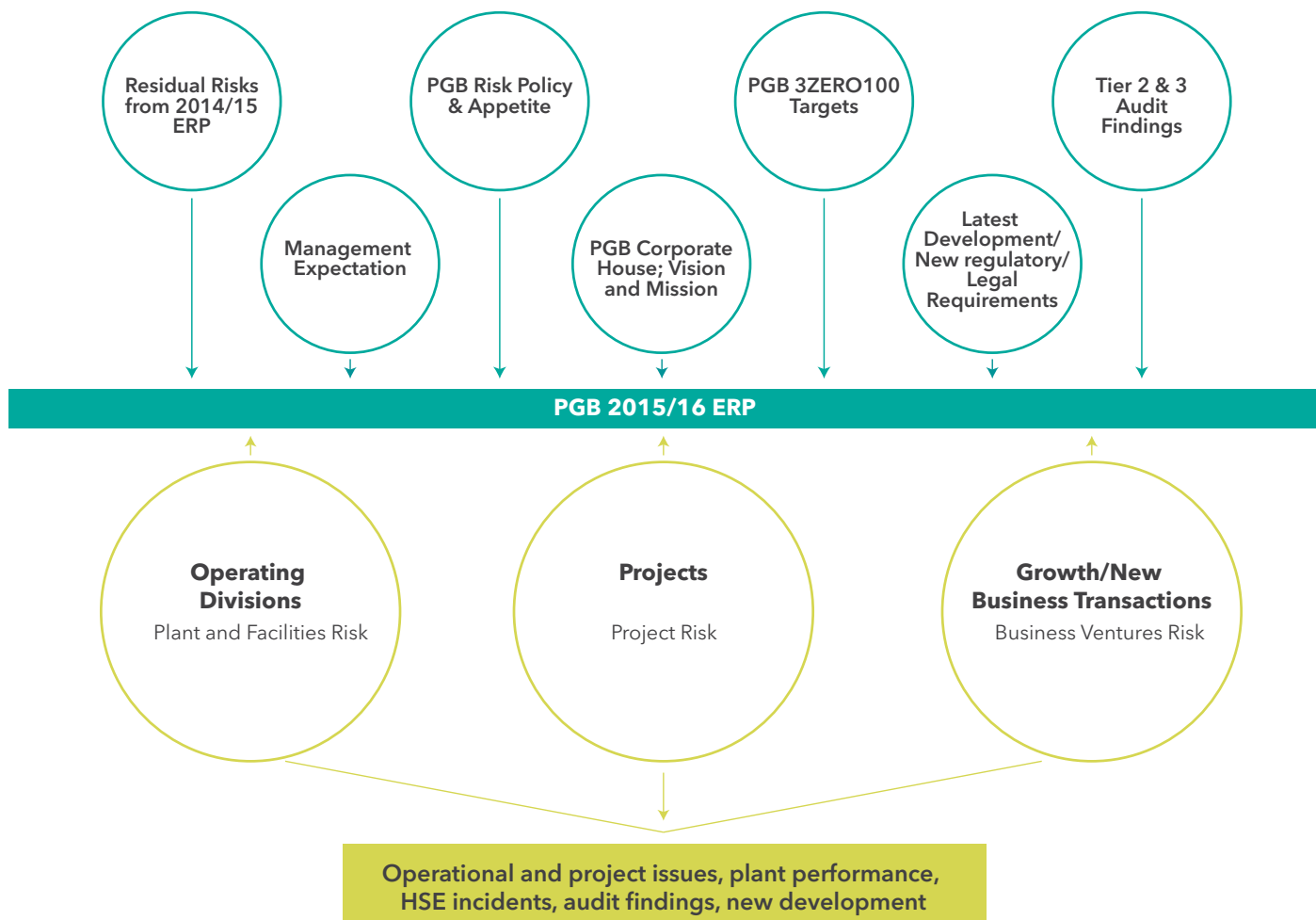
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The Group's annual risk profiling and assessment process are guided by its approved strategies and plans. Discussions are focused on risks which could potentially impede the Group from meeting its objectives. On a regular basis existing risk profiles namely project risks, plant and facilities risks, and new business venture risks are reviewed to identify significant risks to be escalated to the Enterprise Risk Profile (ERP). Other key discussions include recent Health, Safety, and Environment (HSE) or audit findings, operational issues as well as project issues.

From external context, any recent changes in regulatory/statutory requirements as well as shifts in industry outlook and landscape are also analysed as they may have direct or indirect impact to the Group operations.



Context of PGB 2015/16 ERP is based on various inputs to reflect the latest environment and expectations.