



TAN SRI MOHD SIDEK HASSAN  
Chairman

## LETTER FROM THE CHAIRMAN

### Dear Stakeholders,

I write with deep appreciation and pride in PETRONAS, an extraordinary company with an exceptional legacy, heritage and vision. Despite the profound political and economic vagaries around the world in 2016, we were steadfast in our commitment to our clients, communities and the countries we served and operated in. Our continued dedication is a function of our people, systems and processes, the quality of our services and products, as well as the unwavering support of our stakeholders.



### A MOMENT OF REFLECTION

Having emerged from one of the most tumultuous times in the recent history of oil and gas, it is only wise that we take a step back to reflect on last year. Not only on what we have achieved thus far, but more importantly on the valuable lessons and insights that only these rare, defining moments have to offer. Guided by the Board of Directors and Executive Leadership Team (ELT) who have taken to heart Winston Churchill's words, "Never let a good crisis go to waste", PETRONAS has leveraged on this crisis well.

In the last two years, PETRONAS embarked on a transformation journey to ensure its resilience and long-term sustainability. One of the most profound intuitions for PETRONAS is having clarity and focus in all that we do. This journey has enabled for a higher level of consciousness in gaining clear line of sight of both the risks as well as opportunities that this new reality beholds.

## LETTER FROM THE CHAIRMAN



Although our ranking in the FORTUNE Global 500® fell from 68 to 125 as a result of external factors which are beyond our control, principally the global oil price, as well as the world's geopolitical changes, and new developments in regulations and policies, I strongly believe that the behaviour and mindset of a FORTUNE Global 500® Company are far more important than the ranking itself. Hence our agility in the areas of technology, collaboration, business models and crucially, our collective behaviour that shapes our organisational culture would stand us in good stead. Our brand reputation is underpinned by the cohesiveness of our people, our deep and long established client relationships, our robust processes and systems, and our vision.

The world that operates before us today is unrelenting in its demands. There has to be a sense of urgency in us, and the humility to acknowledge that we do not know all, and that we cannot undertake everything on our own. Hence the need for us to collaborate, internally within PETRONAS, as well as externally. We need to continuously be ahead of the curve. We must bring the 27<sup>th</sup> century mindset forward to today. Our long-term sustainability is underpinned by our collective ability to think and act for tomorrow, TODAY.

## MANAGING RISK AND CHAMPIONING GOVERNANCE

We have an effective risk management framework in place where a wholesome risk identification approach is critical to gain sufficient understanding and appreciation for better, informed decision-making. With the Board's oversight on risk, supplemented by the establishment of the Board Governance and Risk Committee (BGRC) since 2010, these have set the tone and culture from the top towards embedding the rigorous risk management practices across the Group. In 2016, we have continuously enhanced the overall risk management strategy by focusing on three areas of business resilience namely Enterprise Risk Management, Crisis Management and Business Continuity Management.

PETRONAS has always been lauded for upholding the highest standards of integrity and corporate governance, with transparency and ethics being the core of its processes and systems. I am pleased to report that the disclosures and transparency to our investors and regulators locally and globally have been compliant. I would credit this to our strong and robust compliance and control systems and the inculcation of a culture that upholds integrity without compromise. This is core to our Shared Values.

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PETRONAS' Zero Tolerance policy against all forms of bribery and corruption is embedded in our Code of Conduct and Business Ethics (CoBE) and is applicable to all employees and directors. The CoBE is included in all our contracts with third parties who represent and/or act for the Group. Similarly, we have also made the PETRONAS Whistleblowing Policy transparent and accessible to the general public. All of these are to ensure that our businesses worldwide uphold the same level of commitment to ethics and transparency.

## EMBRACING DIVERSITY

I am very pleased to share that in 2016, PETRONAS' Board has further increased its diversity, with the appointment of two Board members representing the state of Sarawak and the state of Sabah, respectively. In 2015, the Board saw the appointment of two women Board members.

Moving forward, PETRONAS will work on increasing the participation of professional women in higher roles and functions throughout the Group, locally and globally. That development would ensure a pipeline of ready women talent at Management as well as Board levels.

## INVESTING IN HUMAN CAPITAL

Our people are our most invaluable assets. PETRONAS has some of the best talents in Malaysia and I dare say, globally. These are the faceless heroes who, on a daily basis, work to make this Company the pride of every Malaysian. They are the ones who have accomplished all the things carried by the media and in this Annual Report. Therefore, it is immensely important for us to continuously invest in our own future leaders that shall ensure the vitality of a strong leadership bench for succession planning purposes. Such investments shall not be compromised even during the most challenging of times.



## KEEP MOVING FORWARD

On behalf of the Board, I would like to express my utmost appreciation to Datuk Wan Zulkiflee, the ELT as well as all employees of the Group, for an amazing performance in 2016 – true to our definition of "Shared Success". It was truly a commendable accomplishment, particularly given the gloomy landscape of our industry during the year.

Likewise, we continue to be very much humbled and encouraged by the trust and support from our Shareholder, the Government of Malaysia who, since 17 August 1974, has accorded PETRONAS the independence and operational freedom to shine as a respected entity in Malaysia, in the region and globally.

Let me end by quoting Allahyarham Tun Azizan Zainul Abidin who wrote the last Chairman's Message in the Annual Report of June 2004, "We will keep on investing in the development of our human resources as well as our technological base and capabilities to position PETRONAS at the forefront of competition in the global arena".

That, in a nutshell, is what we have to do, for PETRONAS to be benchmarked by the best. An International Oil Company that proudly remembers its roots, conscious of its *raison d'être*, and comprehensively acquits its responsibilities.

Thank you.

**TAN SRI MOHD SIDEK HASSAN**  
Chairman

11 May 2017