



# SUSTAINABLE DEVELOPMENT

As we continue to grow, we shall stay committed to evaluating the impact our business has on economic, environmental and social risks and opportunities with our vision and mission as the enablers for sustainable development

# SUSTAINABILITY STATEMENT

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## SUSTAINABILITY STATEMENT



### 1. WHAT'S INSIDE

This Sustainability Statement (“Statement”) outlines our effort in embedding sustainable development practices within all our business activities based on the three core sustainability pillars prescribed by Bursa Malaysia Securities Berhad’s Sustainability Reporting Guide (“Bursa Sustainability Guideline”) and in compliance with Bursa Malaysia Securities Berhad’s Main Market Listing Requirements (“Bursa Main Market Listing Requirements”).

The three core pillars are:

- Economic** – Our role in developing the local economy and the interaction with the economic system;
- Environment** – The impact of our business operations on the environment and the efforts to minimise our environmental footprint; and
- Social** – Our interaction with the social system including our responsibilities to the surrounding communities and our stakeholders.

This Statement is to be read together with the other sections of Gas Malaysia Berhad’s 2018 Annual Report, which highlights the financial and non-financial aspects of our business operations.



### 2. SCOPE & BOUNDARY

The scope and boundary of this year’s Statement has not changed from that of the previous year. It still covers quantitative and qualitative information for the year under review on Gas Malaysia Berhad (“Gas Malaysia” or “the Group”) and its subsidiaries as well as joint venture companies, namely, Gas Malaysia Virtual Pipeline Sdn Bhd (“GMVP”), Gas Malaysia Energy Advance Sdn Bhd (“GMEA”), Sime Darby Gas Malaysia BioCNG Sdn Bhd (“SDGMBioCNG”) and the newly incorporated Gas Malaysia Synergy Drive Sdn Bhd (“GMSD”). However, this Statement does not include the Group’s value chain, which consists of contractors, suppliers and vendors.

<b>REPORTING PERIOD</b>	1 January 2018 to 31 December 2018
<b>REPORTING CYCLE</b>	Annually
<b>PRINCIPLE GUIDELINES</b>	<ul style="list-style-type: none"> <li>• Bursa Sustainability Guideline</li> <li>• Bursa Main Market Listing Requirements Practice Note 9 Paragraph 6</li> </ul>

## SUSTAINABILITY STATEMENT



### 3. DRIVING SUSTAINABILITY

The Group’s Board of Directors, together with the Senior Management team acknowledge the importance of pursuing sustainability practices within the business and as such, are committed to investing in measures that provide the Group with sustainable growth and value creation for our stakeholders whilst managing business risks and opportunities derived from economic, environmental and social factors.

A Sustainability Reporting Committee (“SRC”) was formed in 2016 to deliberate on sustainability areas that impact our stakeholders, and they have since identified and prioritised on relevant matters that are material to the Group’s delivery of sustainable growth. The SRC consists of Departmental Heads as well as Heads of subsidiaries and joint venture companies. The SRC reports to the Chief Executive Officer.

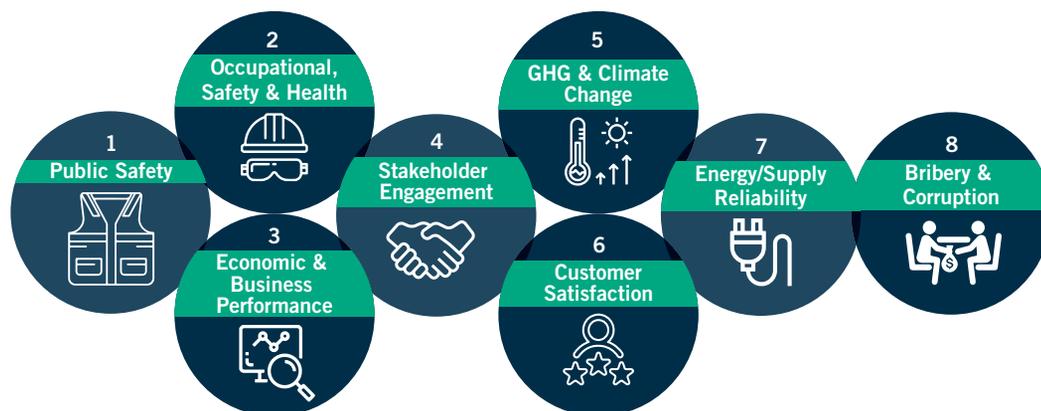


### 4. MATERIAL MATTERS

Given our wide reach throughout Peninsular Malaysia, we are conscious of the acute need to balance our economic, environment and social responsibilities. We take into consideration our stakeholders’ perspectives and expectations, and align them with the Group’s strategic vision to identify what is material to us.

Back in 2016, an external survey on 30 material areas was conducted and extended to six groups of stakeholders. The survey was rolled out to identify the material matters for our inaugural Statement.

Filtering through the survey results, key material matters to the stakeholders and the Group are as follows:



We assessed the material matters based on stakeholders’ priorities. These material matters were determined based on their impact to the operations of the Group, and how they help create value for us as well as for the relevant stakeholders.

The abovementioned material matters are considered relevant in 2018. Accordingly, in the subsequent part of this Statement, we continued to demonstrate our keen effort in addressing every single one of them.

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## 5. ECONOMIC



In tandem with the Group's pursuit of sustainable economic growth, Gas Malaysia strives to meet the nation's energy needs by contributing to the Malaysian economy in a sustainable matter. The Group aims to be an innovative value-added energy solutions provider that provides the cleanest, safest, cost-effective and reliable energy solutions to the nation.

To-date, Gas Malaysia has made significant contribution to the economic development, first, by building natural gas infrastructures and providing innovative energy solutions; and second, by advancing the gas industry through active engagement.



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### 5.1 Sustaining the Nation's Energy Growth and Energy Efficiency through Gas Distribution System

For the year under review, we expanded the Natural Gas Distribution System ("NGDS") network by another 91 kilometres, bringing the total length of gas pipeline in operation to 2,334 kilometres.

We continued our ongoing effort to increase the supply capacity by reinforcing the network in Kluang, Gebeng, Bestari Jaya, Subang Bestari and Elkay Industrial Park in Lipat Kajang.

Attributed by our commitment in completing all our planned gas infrastructure development in a timely manner, we were able to further strengthen our position in the gas distribution industry and managed to supply to more industrial and commercial customers. In 2018, through our extended NGDS network, we managed to supply to 37,922 customers, delivering 193.85 million MMBtu of gas.

	2016	2017	2018
<b>NGDS (kilometre)</b>	2,186	2,243	2,334
<b>No. of Customers:</b>			
Industrial	819	853	888
Commercial	2,260	2,310	2,331
Residential	35,298	35,720	34,703
<b>Total</b>	<b>38,377</b>	<b>38,883</b>	<b>37,922</b>
<b>Volume of Gas Sold (mil MMBtu) for Natural Gas &amp; LPG</b>	164.26	183.90	193.85

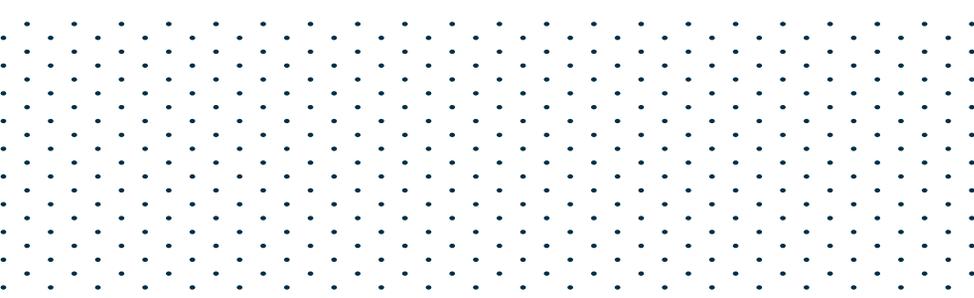
As part of our commitment in promoting and advocating the use of natural gas, Gas Malaysia has entered into a collaboration with the Ministry of International Trade and Industry ("MITI") and the State Government of Perak, to construct 140 kilometres of NGDS network in Kinta Valley, Perak Darul Ridzuan. This new NGDS network is expected to improve the investment prospect of the State of Perak and act as catalysts for economic growth as well as creation of job opportunities.

In line with our supply driven model, we remain steadfast in expanding the NGDS network to more areas within Peninsular Malaysia. To this end, we have awarded new contracts for the construction of an additional 127 kilometres of NGDS network for existing and new industrial areas to meet potential demand for natural gas.

Further to this, we also strive to ensure reliable delivery of gas to local industries, commercial businesses and homes. For the year 2018, we have successfully maintained a supply reliability rate of approximately 99%.

# 99%

Supply Reliability Rate



## SUSTAINABILITY STATEMENT

### 5.2 Advancing the Gas Industry through Active Engagement

At Gas Malaysia, we firmly believe that continuous engagement with our stakeholders and authorities is imperative for the Group to develop comprehensive sustainable business strategies.

Since we value feedback from our stakeholders and authorities, we have engaged with a diverse group that are relevant to the industry. Through these meaningful engagements, we were able to bring together various expertise and knowledge which can help us manage potentials and mitigate risks thus ensuring a sustainable rate of growth for the Group.

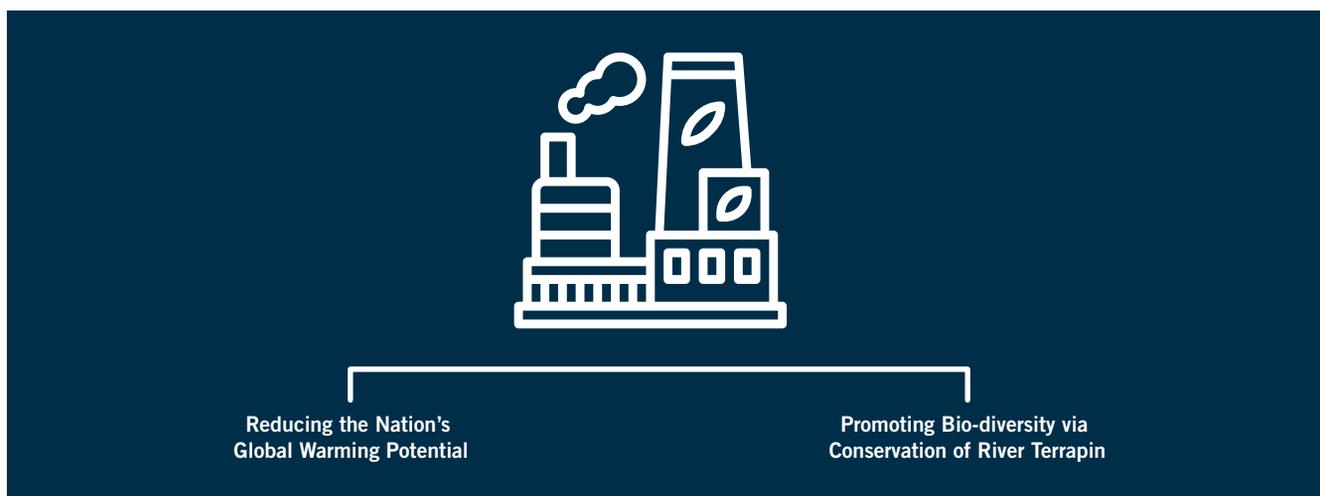
Some of the focus areas include, but not limited to, macro policy matters, tariff-related matters, technical requirement for pipeline construction and safety issues, customer experiences, business performance and outlook as well as career development.

Engagement Group	Type of Engagement
Regulatory Bodies & Government Agencies	Dialogue sessions, regular meetings, correspondences, on-site inspections and joint emergency response exercise
Board of Directors	Meetings and correspondences
Shareholders	Analyst meetings, quarterly briefings and visits, and annual general meeting
Customers	Dialogue sessions, customer engagement visits, relationship building programmes and regular meetings
Authorities	Regular meetings and dialogue sessions
Business Partners	Regular meetings and dialogue sessions
Employees	Employee surveys, internal communications, engagement sessions, sports & recreational activities
Local Communities	Dialogue sessions



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### 6. ENVIRONMENT



Environmental conservation is becoming more significant today and, more companies globally are including it as part of their business strategies. The Malaysian government is also being very proactive in pushing the environmental agenda, particularly in the area of climate change.

The Government, through Ministry of Energy, Science, Technology, Environment & Climate Change (“MESTECC”) is looking at drafting a Climate Change Act in the near future to institutionalise climate change actions in business processes and is also targeting to announce a national level climate change adaptation and mitigation plan in the upcoming year.

We are supportive of the Government’s efforts, since natural gas in itself is classified as one of the cleanest burning fossil fuels and it contributes positively to the green energy initiatives.

These efforts include:

- Promoting the use of natural gas;
- Further extending the NGDS network to existing and new areas;
- Supplying compressed natural gas to areas currently not served by the NGDS network through GMVP;
- Pushing the Combine Heat and Power (“CHP”) business to serve the requirements of industries through GMEA and the newly incorporated GMSD; and
- Supplying compressed bio-methane through SDGMBioCNG.

The conservation of our environment is a vital responsibility to ensure a sustainable future. In line with our mission and our Health, Safety, Environment & Quality (“HSEQ”) Policy to minimise the environmental impacts of our business activities, we have observed the value of eco-efficiency and bio-diversity.

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### 6.1 Reducing the Nation's Global Warming Potential

As one of the cleanest form of fossil fuels that produces fewer pollutants and lower greenhouse gas emissions, natural gas reduces formation of smog in the air. In addition to encouraging the use of natural gas, which emits up to 50% less carbon dioxide than coal, we also promote energy efficiency via the use of CHP system, which can boast operational efficiency up to approximately 85% through simultaneous production of electricity and steam.

Further to this, we continued to explore other potentials to create new demand for natural gas through our virtual pipeline initiative. Both our wholly-owned subsidiary, GMVP and joint venture company, SDGMBioCNG, were formed to undertake the gas distribution business via land transportation for customers that are currently not served by the NGDS network.

In line with our focus to address the issue of global warming, we embraced the waste-to-energy technology via our joint venture company, SDGMBioCNG. The company is involved in the distribution of BioCNG, that has already gone through a biogas upgrading process. The process essentially entails the capture of biogas which consists of about 60% methane in a storage tank upon its release from Palm Oil Mill Effluent ("POME"). If the methane gas produced is released into the atmosphere, it becomes 25 times\* more hazardous than carbon dioxide in posing greenhouse effect. POME is a non-toxic, oily waste water generated by palm oil processing mills.

	2016	2017	2018
Volume of BioCNG Delivered to Customer (MMBtu)	2,500	15,000	30,000

\* Source: www.epa.gov

### 6.2 Promoting Bio-diversity via Conservation of River Terrapin

Since 1999, Gas Malaysia has been supplying natural gas to industrial customers in Perak and to-date, we operate and maintain about 119 kilometres of NGDS network and serve 47 industrial customers in that state alone.

As part of our efforts on bio-diversity, we collaborated with the Department of Wildlife and National Parks ("PERHILITAN") to tackle bio-diversity issues in Perak, particularly on protecting river terrapin, which has been classified as endangered species.

Conducted through a Corporate Social Responsibility ("CSR") programme at the River Terrapin Conservation Centre in Bota Kanan, Parit, Perak, Gas Malaysia donated an egg-hatching incubator to the conservation centre to help with population recovery efforts and eventually improve the success rate of hatching. Additionally, we also donated several water pumps and filter machines to improve water clarity and remove suspended solids and other sediments at the breeding ponds.

As a result of our committed efforts, with the availability of the egg-hatching incubator, 187 eggs were successfully hatched from a total of 230 eggs incubated during the 2017/2018 period. This translated into a success rate of approximately 81%.

As for the water pumps and filter machines, they are still in good working condition and remains highly effective.

Year	Natural Soil		Using Incubator Machine		Total Hatchlings	Success Rate of Hatchlings
	Total Incubated	Total Hatchlings	Total Incubated	Total Hatchlings		
2016/2017	499	155	–	–	155	31%
2017/2018	–	–	230	187	187	81%

## SUSTAINABILITY STATEMENT



### 7. SOCIAL

At Gas Malaysia, we believe that building effective relationships with key stakeholders are crucial to the success of the Group. This section highlights our social commitment to stakeholders such as our employees, our customers and the society at large in three parts – product responsibility, labour practices and decent work and society.

#### 7.1 Product Responsibility

##### 7.1.1 Public Safety

Public safety is of utmost importance to us and one that we will never compromised under any situation.

We implement comprehensive safety measures across our operations by upholding and practicing stringent policies and procedures to ensure safe and reliable delivery of natural gas to our customers. Further to this, we adhere to strict quality control and safety measures at all stages of our business, beginning from the planning and construction of new NGDS pipelines, right down to its operations and maintenance in ensuring safety of our employees and the general public.

##### 7.1.1.1 Safety Measures at Gas Networks Infrastructure

Safety considerations are embedded in all the things that we do. At the initial planning stage, strategic pipeline routes and locations of isolation valves are carefully selected with future infrastructure expansion in mind.

Subsequently, comes the engineering stage where design and material specifications are made in accordance with the Gas Supply Act 1993, Gas Supply Regulations 1997 (and their amendments) and internationally accepted codes and standards. This is vital, since materials are specified to withstand the operating pressure and other external loads, as well as protection against corrosion and over pressurisation.

We then appoint competent contractors during the construction stage to design, engineer, procure, construct and commission the gas pipelines. As we are mindful of safety measures, our steel pipes are sourced from manufacturers licensed by the American Petroleum Institute (“API”) to produce pipes according to verified specifications. On top of this, inspection of the steel pipes is then carried out by a third-party agency that provides us with further assurance that the steel pipes procured are of acceptable quality.

##### 7.1.1.2 Safety Measures at Operations & Maintenance

Our Operations & Maintenance team carry out daily systematic operations and maintenance of gas facilities with an aim to ensure the safe, stable and continuous supply of gas. To ensure the gas facilities are well maintained, periodic preventive maintenance and systematic troubleshooting are performed, which includes monitoring underground steel gas pipeline conditions via cathodic protection inspection, valve inspection, pipeline leakage survey, pipeline integrity inspection as well as odorant intensity level check.

Daily inspections are also carried out to detect abnormalities and monitor unauthorised third-party work within the vicinity of our gas facilities.

Further to this, all third party works within the vicinity of the gas facilities will require permits and are supervised by our Operations & Maintenance team to prevent any damages to our gas facilities. There are also dedicated on-call and emergency response teams on standby to physically respond to emergencies within 90 minutes upon notification to minimise the risk to the public and limit the potential damages to property and the environment.

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The year under review also saw the execution of a safety awareness seminar in Ipoh with local authorities, utility companies and contractors with an aim to increase awareness on the safety aspects of conducting work near our gas distribution system as well as sharing information with regard to our gas facilities.

In addition, a joint emergency drill was conducted in Pasir Gudang, in collaboration with government agencies such as *Jabatan Bomba dan Penyelamat Malaysia, Polis Diraja Malaysia* and local paramedics team with an aim to gauge the effectiveness of the emergency response plan involving government agencies and Gas Malaysia, in handling gas related emergencies.

### 7.1.2 Customer Satisfaction

The sustainable growth of the Group depends largely on our ability to satisfy our customers. As such, we strive to offer them products and services that meet their expectations and needs. We always attempt to understand our customers' demand trend, provide continuous consultation on our product and services, as well as keep abreast of new processes and technological development in the gas industry to better meet their operational requirements and expectations.

#### 7.1.2.1 Providing Operational Excellence

Our Operations Control Centre ("OCC") serves as a focal point in handling any emergency calls. Operating around the clock from our headquarters in Shah Alam, the OCC is responsible for managing and providing appropriate response during emergencies, as well as attending to other enquiries. This includes gas facilities related issues, providing daily gas information to customers as well as monitoring gas pressure.

In addition to our headquarters, we also have three regional offices and nine branch offices throughout Peninsular Malaysia. This allows us to provide efficient and quick response to our customers in the event of a service disruption.

In 2018, we registered a higher System Average Interruption Duration Index ("SAIDI") of 0.3299 minutes of interruption per customer compared with the preceding year of 0.1067 minutes of interruption per customer. The higher SAIDI score registered came on the back of two major supply interruptions that we experienced due to gas pipeline damage incidents caused by third party contractors working in the vicinity of our pipelines. Even though the SAIDI numbers were higher compared with the previous year, nevertheless it was still within our targeted benchmark of below 3.0 minutes of interruption per customer. SAIDI is commonly used by utilities companies around the world to measure supply reliability.

For the year under review, the average response time, in the event of such emergencies, was higher, at 26.82 minutes compared with the preceding year. The response time depends on the distance from the incident site to the branch office. Despite the results, it is still far below our standard response time of 90 minutes.

Performance Indicator	2016	2017	2018
SAIDI (Average Minute of Interruption per Customer)	0.6083	0.1067	<b>0.3299</b>
Response Time (Average Minute taken to Respond at Site)	24.44	23.93	<b>26.82</b>

The aforementioned operational initiatives further strengthened the trust and loyalty placed in the Gas Malaysia brand by our customers.

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### 7.1.2.2

#### Creating Excellent Customer Experience

Our Customer Care Unit (“CCU”), which operates from Monday to Friday, 8.30am to 5.30pm, was established to provide our customers with assistance in resolving issues related to billing enquiries, account registration and service activation in a courteous and timely manner.

In 2018, our CCU team continued to improve its customer feedback services by successfully addressing all customers’ complaints within the three-day threshold target. This translated into a success rate of 100% compared with the preceding year’s achievement of 95.9%.

### 7.1.2.3

#### E-Services

As part of our efforts to prioritise and enhance customer convenience, we have introduced Gas Malaysia’s E-Services portal. It is a secured web-portal that allows both our industrial and large commercial customers to:

- View account details whilst maintaining the security of the information;
- View and print latest and historical billing information;
- Track daily and monthly gas consumption;
- View payment records;
- Receive latest service notification;
- Download relevant information; and
- Communicate with sales personnel on any enquiry.

Similarly, in the E-Services portal there is also a separate section to address the needs of our residential and retail customers.

As at 31 December 2018, 97.8% of our industrial and large commercial customers have registered with our E-Services, marking a 2.8% improvement compared with the previous year. We have also commenced effort to improve the interface speed of the portal to make it easier for our end users.

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### 7.2 Labour Practices and Decent Work

#### 7.2.1 Health, Safety & Environment

Adhering to our HSEQ Policy, we are committed in conducting our business activities in a responsible manner to ensure the health and safety of our employees, business partners and the public are not compromised, in addition to preserving the environment.

We continuously strive to prevent and eliminate the risk of occupational injury and illness to personnel as well as damage to the environment thereby allowing us to collectively enhance the quality of our services.

There are three key objectives under HSE. Firstly, is to maintain zero non-compliance with Occupational Safety & Health Act 1994, Environmental Quality Act 1974 and other related regulations. Secondly, is to strive for zero lost workday and thirdly, is to ensure effective implementation and continual improvement of HSEQ Management System (ISO 9001, ISO 14001 and OHSAS 18001).

In relation to the abovementioned key objectives, for the year under review we conducted a total of 71 inspections on our contractors working at our pipeline construction sites and fabrication yard.

#### 7.2.2 Bribery & Corruption

We are committed to maintain the highest standards of integrity and professionalism in all business dealings as ethical business practices are critical and crucial to the sustainability of our business.

As per the Code of Conduct and Discipline prescribed in our Employee Handbook, we strive towards practicing high standards of work ethics and professionalism including operating our business in a fair, ethical and legal manner, avoiding corruption of any form including bribery, and complying with the anti-corruption and governing laws.

There was no incident of bribery and corruption reported in 2018.

In 2018, a Whistleblowing Policy has been established to provide employees and third parties with proper internal procedures in disclosing cases of improper conduct as well as to provide protection to the whistleblower from reprisal as a consequence for making a disclosure.

In this respect, there was no disclosure of improper conduct reported for the year under review.



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### 7.3 Society

We subscribe to the view that our corporate ambitions and corporate social responsibility are interdependent for our business to be sustainable.

As such, Gas Malaysia strives to improve the quality of life of the underprivileged through an agenda that cultivates better communities tomorrow.

Listed below are our ongoing initiatives undertaken from the preceding year:

ENGAGEMENTS	FOCUS AREAS	RESULTS
An-Nur Dialysis Centre	Renal Disease	In 2016, a dialysis machine was purchased to help the centre cope with the increasing number of patients with renal disease and has since been able to accommodate more patients. The year 2018 saw 864 dialysis sessions, benefitting about 93 patients.
Islamic Relief Malaysia	Flood Victim	Previously, a proper shelter was built to house flood victims in Rantau Panjang, Kelantan during monsoon season. To-date, the shelter has already been used 3 times by the villagers since its establishment.  In 2018, there was no flood incidents reported in the vicinity.  However, with a capacity to house approximately 180 individuals during flood incident, the shelter is well-maintained to ensure its sustainability.
Department of Wildlife and National Parks Peninsular Malaysia (“PERHILITAN”)	River Terrapin Conservation	An egg hatching incubator was purchased to improve the river terrapin population recovery efforts. With the help of the incubator, the success rate of hatching could improve up to 85% compared with the common method of using natural soil, which has a success rate of about 50% or less.  Since it is an initiative which requires a certain time span, for the period 2017/2018, 187 eggs were successfully hatched from the total 230 eggs incubated. This translated into a success rate of approximately 81%.

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Subsequently, for the year under review we did commence new initiatives to further expand on our CSR efforts. Listed below are the new initiatives undertaken:

ENGAGEMENTS	FOCUS AREAS	RESULTS
Malaysian AIDS Foundation	AIDS	The financial assistance was provided to address the growing need for HIV prevention as well as for AIDS care and support for more than 100,000 people living with HIV infection in Malaysia.
Malaysian Institute of Management	The Tunku Abdul Rahman Lecture Series (Leadership)	The financial assistance was provided to commemorate the premiership of Malaysia's first Prime Minister YTM Tunku Abdul Rahman Putra Al-Haj. The aim of the lecture series was to foster thought leadership among present prominent leaders.
Islamic Relief Malaysia	Visually Impaired	Distributed household items which benefitted 65 visually impaired individuals. The recipients were members from the <i>Persatuan Orang-Orang Cacat Penglihatan Islam Malaysia</i> .
Tahfiz schools and mosques	Welfare	Financial assistance channelled for building's upgrade and expansion work.
Unions such as: <ul style="list-style-type: none"> <li>• Peninsular Malaysia Fire and Rescue Services Workers Union</li> <li>• Police Administrative and Civilian Staff Union</li> </ul>	Welfare of the Unions	Financial assistance was provided for the various initiatives undertaken by the uniformed body's unions. Eventually, our contribution was channelled to their awareness programmes, welfare, educational fund and other similar initiatives.
Underprivileged individuals	Medical Assistance	Financial assistance was provided to ease the burden of the underprivileged individuals with medical conditions.



## 8. MOVING FORWARD

As the Group surge forward, we will lay emphasis on the importance of ensuring that we develop in a sustainable manner. This is all the more pertinent given our role as a total energy solutions provider. True to our mission, we will continue converging sustainability into our business activities and decision making.

From the Group's perspective, our sustainability initiatives are spearheaded by our concerted efforts to create value for our stakeholders. We will continue to focus on expanding our gas distribution business and create new demand for natural gas, in line with our business strategy. Further to this, given our extensive reach throughout Peninsular Malaysia, we will continue to remain mindful of the need to balance our economic, environmental and social responsibilities.

