



SUSTAINABILITY STATEMENT 2017

Gas Malaysia Berhad



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

TABLE OF CONTENTS

PAGE	SECTION
73	1 WHAT'S INSIDE
73	2 SCOPE & BOUNDARY
74	3 DRIVING SUSTAINABILITY
74	4 MATERIALITY MATTERS
75	5 ECONOMIC
	5.1 Building the Nation through Gas Distribution
	5.2 Advancing the Gas Industry through Active Engagement
77	6 ENVIRONMENT
	6.1 Reducing the Nation's Global Warming Potential
	6.2 Promoting Bio-diversity via Conservation of River Terrapin
79	7 SOCIAL
	7.1 Product Responsibility
	7.1.1 Public Safety
	7.1.1.1 Safety Measures at Gas Networks Infrastructure
	7.1.1.2 Safety Measures at Operations & Maintenance
	7.1.2 Customer Satisfaction
	7.1.2.1 Providing Operational Excellence
	7.1.2.2 Creating Excellent Customer Experience
	7.1.2.3 E-Services
	7.2 Labour Practices and Decent Work
	7.2.1 Health, Safety & Environment
	7.2.2 Bribery & Corruption
	7.3 Society
85	8 MOVING FORWARD

WHAT'S INSIDE

This Sustainability Statement ("the Statement") outlines our effort in embedding sustainable development practices within all our business activities. It contains our address on the three core sustainability pillars prescribed by the Bursa Malaysia Securities Berhad ("Bursa Securities") Sustainability Reporting Guide ("Bursa Guideline") and is in compliance with Bursa Securities' Main Market Listing Requirements.

The Economic section discusses our role in developing the local economy and interaction with economic system. In the Environment section, we share the impact our business operations have on the environment and efforts to minimise environmental footprint. The Social section outlines our interaction with the social system, including our responsibilities to the surrounding communities and our stakeholders.

This Statement is to be read together with other sections of Gas Malaysia's 2017 Annual Report, which highlights financial and other non-financial aspects of our business operations.



2. SCOPE & BOUNDARY

This annual Statement includes quantitative and qualitative data, or information, on Gas Malaysia Berhad ("Gas Malaysia" or "the Group"). It also includes information on Gas Malaysia's subsidiaries, namely, Gas Malaysia Virtual Pipeline Sdn Bhd ("GMVP"), Gas Malaysia Energy Advance Sdn Bhd ("GMEA") and Sime Darby Gas Malaysia BioCNG Sdn Bhd ("SDGMBioCNG"). This Statement does not, however, include the Group's value chain which consists of contractors, suppliers and vendors.

The scope and boundary of this year's reporting have not changed from that of the previous year.

REPORTING PERIOD:	1 January 2017 to 31 December 2017
REPORTING CYCLE:	Annually
PRINCIPLE GUIDELINES:	<ul style="list-style-type: none"> Bursa Securities' Sustainability Reporting Guide Main Market Listing Requirement Practice Note 9 Article 6



3. DRIVING SUSTAINABILITY

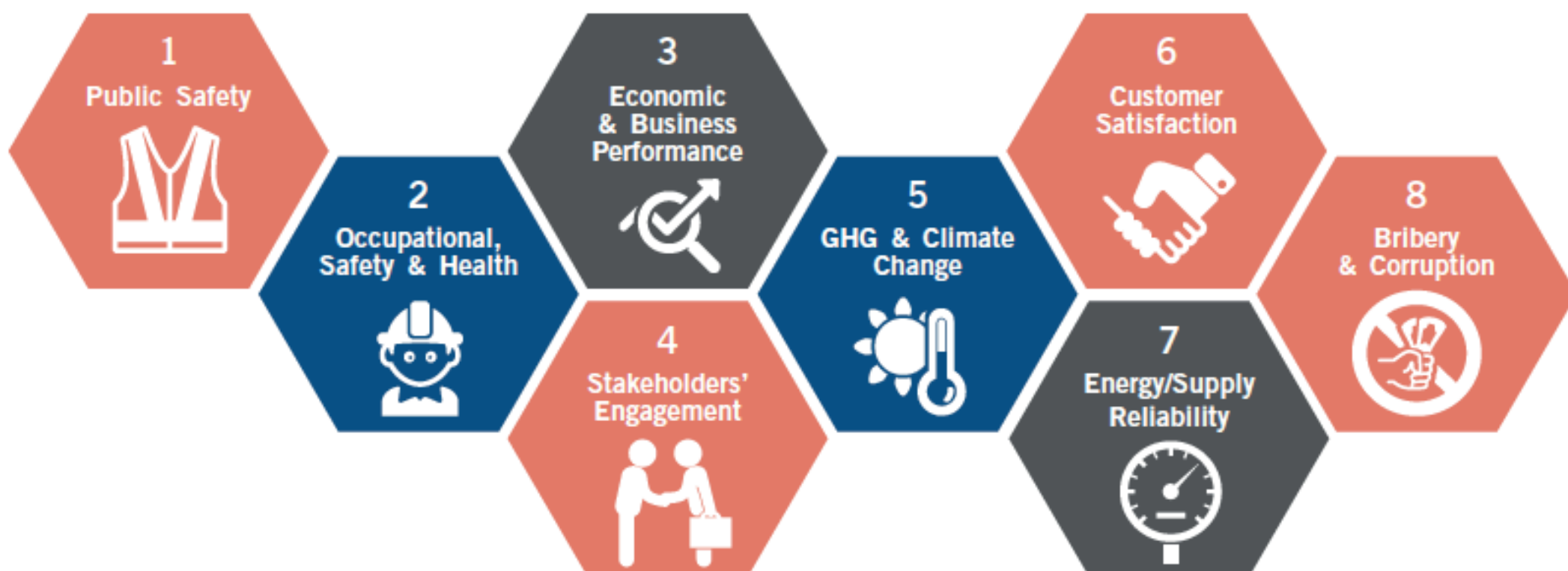
Our commitment towards business sustainability is evident throughout all levels of the Group. Gas Malaysia's Board of Directors, together with the Senior Management team, acknowledge the importance of pursuing sustainability practices, and is committed to investing in measures that help provide the Group with sustainable growth and value creation for all stakeholders whilst managing business risks and opportunities derived from economic, environmental and social factors.

The Sustainability Reporting Committee ("SRC") was formed during our inaugural reporting period in 2016 to deliberate on sustainability areas that impact our stakeholders. It is represented by all Department Heads and reports to the Chief Executive Officer. For performance monitoring, the SRC has since identified and prioritised on relevant matters that are material to Gas Malaysia's delivery of sustainable growth.



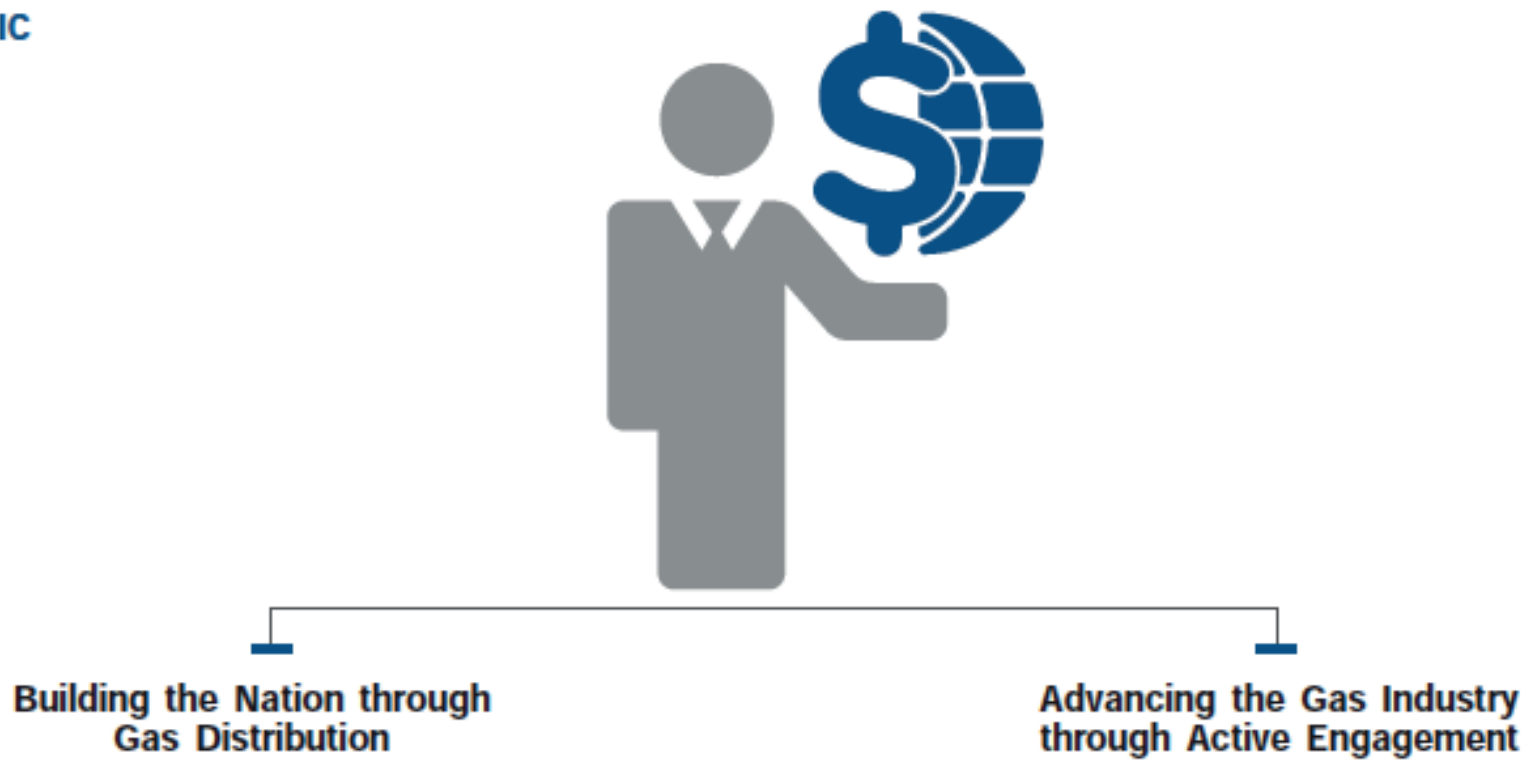
4. MATERIALITY MATTERS

In identifying materiality matters, we balance stakeholders' perspectives and the strategic vision of the Group. 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 materiality matters for our inaugural Sustainability Statement. Filtering through the survey results, key material matters to the stakeholders and the Group are as follows:



We are of the opinion that the abovementioned materiality matters are still relevant in 2017. Thus, in the subsequent part of this Statement, we shall continue to demonstrate our effort in addressing each of them and its current performance. Our efforts are outlined here as per the three sustainability pillars prescribed by Bursa Guideline: economy, environment and social.

5. ECONOMIC



Rising population and urbanisation has led to consistent growth in gas demand in the country. However, in view of finite gas resources, prudent gas consumption and efficient management of resources have been a major focus. Embracing our vision that is to be an innovative value-added energy solutions provider and carrying out our mission that is to provide the cleanest, safest, cost effective and reliable energy solutions to the nation, Gas Malaysia strives to meet the nation's energy need by sustainably powering the Malaysian economy.

To this end, we have made a significant contribution to the economic development of the country; first by building natural gas infrastructure and providing innovative energy solutions, and second, by advancing the gas industry through active engagement.





5.1 Building the Nation through Gas Distribution

In 2017, we added another 57 kilometres of gas pipeline to our Natural Gas Distribution System ("NGDS") network, totalling to 2,243 kilometres. We also reinforced the network in areas such as Kluang, Gebeng, Bestari Jaya, and Subang Bestari to increase the supply capacity. As for new areas of supply, we have expanded our network to Lipat Kajang Industrial Area in Melaka.

Due to the timely completion of the enhanced gas infrastructure, we further strengthened our position in the gas distribution industry and managed to supply gas to more industrial, commercial and residential customers. In 2017, our NGDS network has helped us supply to 38,883 customers, delivering 183.90 million MMBtu of gas.

	2015	2016	2017
NGDS (kilometre)	2,139	2,186	2,243
Customer Base:			
Industrial	795	819	853
Commercial	2,149	2,260	2,310
Residential	35,746	35,298	35,720
Total	38,690	38,377	38,883
Volume of Gas Sold (mil MMBtu)	159.07	164.26	183.90

Our efforts in providing the nation with natural gas infrastructure also involved our collaboration with the Perak State Government and the federal government to build an additional 140 kilometres of gas pipeline in Kinta Valley. The natural gas pipeline network is expected to help attract direct investments, catalyse industrial growth and create new job opportunities along the area, subsequently enhancing the state's economy.

Supply driven, we also take proactive measures in expanding the NGDS in other areas. To this end, we have awarded new NGDS projects to construct about 180 kilometres of future gas pipelines in existing and new areas of supply.

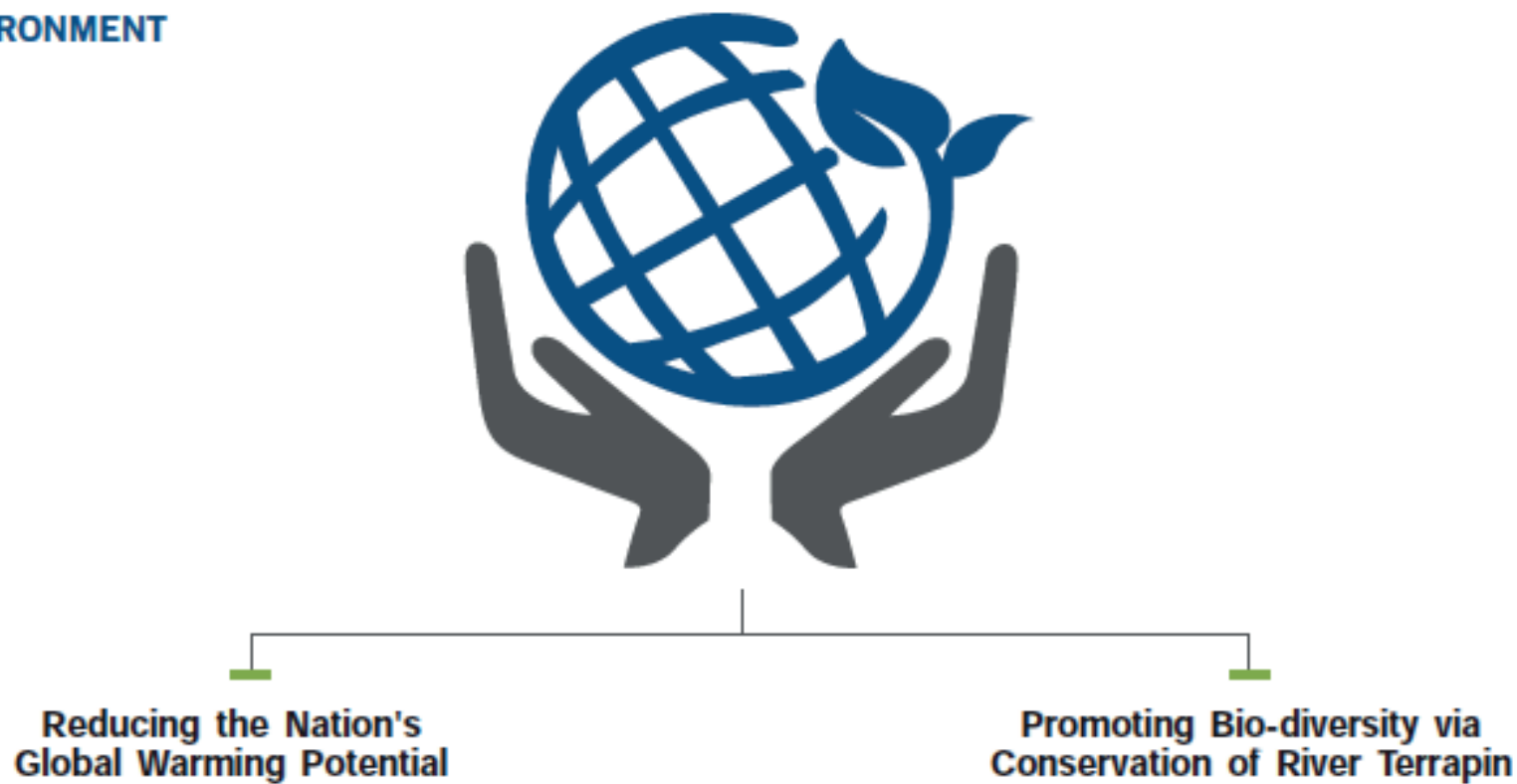


5.2 Advancing the Gas Industry through Active Engagement

Not only does stakeholder engagement enable us to respond to our stakeholders' expectations but it also brings together the expertise and knowledge from the industry to help us manage the potentials and risks in ensuring sustainable growth for the Group. We have been engaging, at various modes and frequency, diverse stakeholder groups such as the regulators, authorities, customers, employees, shareholders, business partners and representatives from the community.

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

6. ENVIRONMENT



It has become evident that economic progress comes hand in hand with environmental degradation. In whatever form, whether it is water, land or air, pollution gives rise to environment threat facing our society today. In line with our mission and our HSEQ Policy and to ensure the environmental impacts of our business activities is minimum, we observe the value of eco-efficiency and bio-diversity.

Eco-efficiency, which promotes the improvement in economic benefits of energy by reducing waste and pollution, is one of the tools to promote the transformation from an unsustainable development to a sustainable one; while bio-diversity, the variability among living organisms from all sources including terrestrial, marine, and aquatic, forms the foundation of the vast array of ecosystem critically contributing to human well-being.



6.1 Reducing the Nation's Global Warming Potential

Given that natural gas is the cleanest version of fossil fuels, it offers significant environmental benefits as it produces fewer pollutants and lower emissions of greenhouse gasses, and contributes to less smog formation in the air. Besides marketing the use of natural gas, which emits up to 50% less CO₂ than coal, we have also been promoting energy efficiency via the Combined Heat and Power ("CHP") systems. Through simultaneous production of electricity and steam, CHP boasts operational efficiency of up to approximately 85%.

Over the years, we have also ramped up our resources to continue exploring new potentials and create new demand for natural gas, such as virtual pipeline. The BioCNG venture, via our JV company Sime Darby Gas Malaysia BioCNG Sdn Bhd ("SDGMBioCNG"), was formed to undertake the BioCNG distribution business via land transportation for customers that are currently not served by the NGDS.

The BioCNG distributed by SDGMBioCNG is a result from a hitherto biogas upgrading process, prior to which, methane that significantly contributes to greenhouse gas ("GHG") effect is captured from Palm Oil Mill Effluent ("POME"). POME is a non-toxic, oily wastewater generated by palm oil processing mills. This waste-to-energy technology is one of the key efforts to tackling the issue of global warming: if released into the atmosphere, methane is more than 25 times* more hazardous than carbon dioxide in posing greenhouse effect.



Volume of BioCNG
DELIVERED

**15,000
MMBtu**

	2015	2016	2017
Volume of BioCNG Delivered (MMBtu)	N/A	2,500	15,000

* Source : www.epa.gov



6.2 Promoting Bio-diversity via Conservation of River Terrapin

Taking place in Perak, the Conservation of River Terrapin Programme ("the Programme") was a part of our Corporate Social Responsibility ("CSR") plan in 2017. With a clear corporate conscience, this is our effort to give back to the community in which we conduct business. Gas Malaysia has been conducting business in Perak since 1999 by supplying natural gas to industrial customers near Taiping, Parit Buntar and Sitiawan. Currently, we operate and maintain about 90 kilometres of natural gas distribution pipeline, serving close to 50 industrial customers in the state of Perak alone.

In our first attempt in tackling the issue of bio-diversity in Perak, we engaged and collaborated with the Department of Wildlife and National Parks ("PERHILITAN") and held the Programme at the River Terrapin Conservation Centre in Bota Kanan. River Terrapin has been classified an endangered species by PERHILITAN.

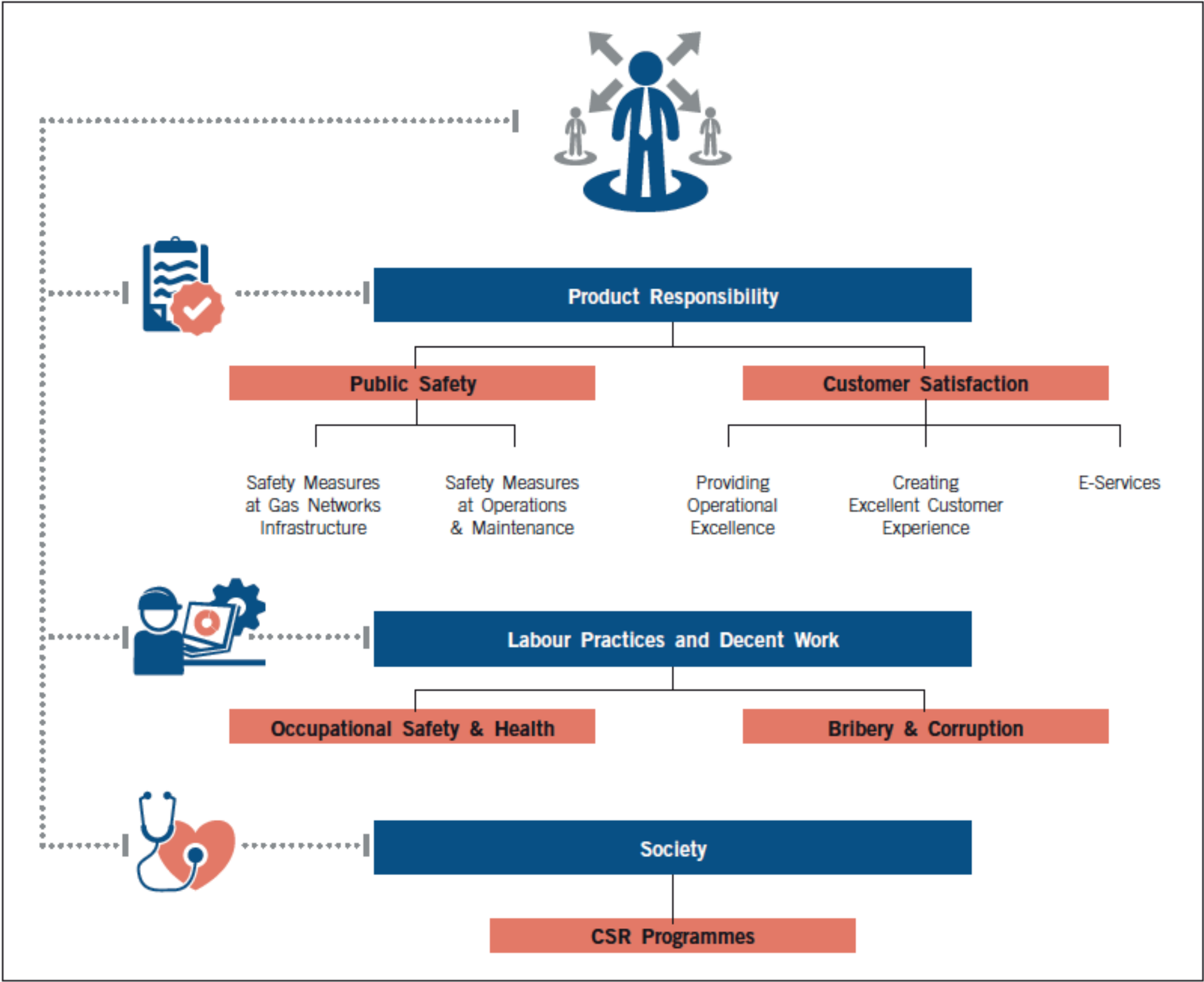
As part of the Programme which brought participation from Gas Malaysia and PERHILITAN, we donated an egg hatching incubator to the conservation centre to help with population recovery efforts in the area. With the incubator, the success rate of hatching could improve to 85%. We also contributed to the Centre several water pumps and filter machines to improve water clarity and remove suspended solids and other sediments at the breeding ponds.



7. SOCIAL

We understand that building effective relationships with our key stakeholders—such as the public, customers, employees and the communities — is crucial to the success of the Group. This section highlights our efforts in delivering social commitment to all our stakeholders including employees, society, customers and the public at large. It is further divided into three sub-sections of product responsibility, labour practices & decent work, and society.





7.1 Product Responsibility

7.1.1 Public Safety

We uphold and practise stringent policies and procedures to ensure safe and reliable delivery of natural gas to the customers. In managing our operations in the way that protects the safety of our employees, customers and the public, we adhere to strict quality control and safety measures at all stages of our business, from the planning and construction of the new NGDS to its operations and maintenance.

7.1.1.1 Safety Measures at Gas Networks Infrastructure

At the planning stage, strategic pipeline routes and locations of isolation valves are selected with future infrastructure expansion taken into consideration. This is followed by the engineering stage where design and material specifications are made in accordance with the Gas Supply Act 1993, Gas Supply Regulations 1997 and international accepted codes and standards. Materials are specified to withstand operating pressure and other external loads, as well as protection against corrosion and over pressurisation.

At the construction stage, we appoint competent contractors to design, engineer, procure, construct and commission the gas pipelines. Our steel pipes are sourced from manufacturers who are licensed by the American Petroleum Institute (API) to produce pipes according to verified specifications. Moreover, inspection of the steel pipes is carried out by a third-party inspection agency, providing us with further assurance that the steel pipes procured are of acceptable quality.

7.1.1.2 Safety Measures at Operations & Maintenance

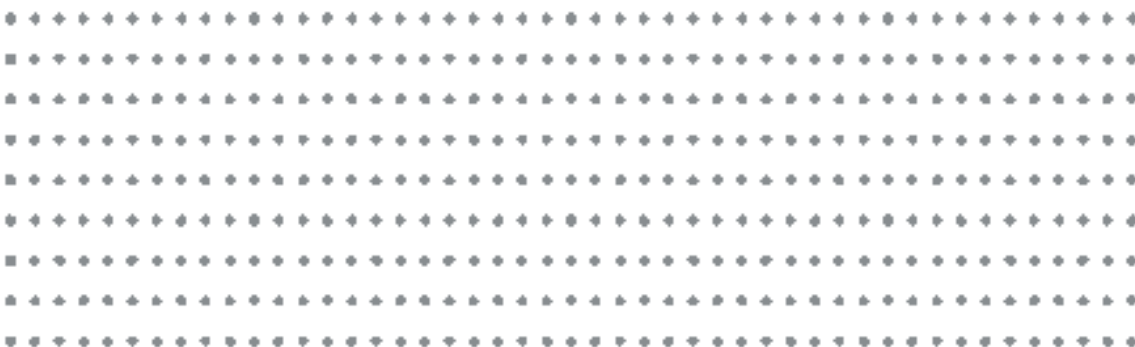
With the primary objective to ensure the safe and stable supply of gas, the Operations & Maintenance team carries out systematic day-to-day operations and maintenance of gas facilities.

Periodic preventive maintenance and troubleshooting are performed to ensure gas facilities are well maintained. The preventive maintenance activities include cathodic protection inspection (to monitor underground steel pipe condition), valve inspection, pipeline leakage survey, pipeline integrity inspection and odorant intensity level check.

Pipeline integrity inspection is carried out on the 1st year, followed by the 10th year and thereafter, every 5 years. Daily pipeline inspection is carried out to detect any abnormality of the gas facilities and monitor unauthorised third party works within the vicinity of the gas facilities.

All third party works within the vicinity of the gas facilities require a permit and are supervised on site by the Operations & Maintenance team to prevent damage to our gas facilities. On top of this, dedicated on-call response teams are established to physically respond to emergencies within 90 minutes upon notification. This is to minimise the risk to the public and limiting damage to properties and environment.





How to Reach Us

 **customer service hotline**
1-300-88-4276

 **24-hour toll-free number**
1-800-88-9119



7.1.2 Customer Satisfaction

We strive to offer our customers products and services that meet their needs and expectations, creating a unique business experience for them when dealing with Gas Malaysia. The reason behind it is simple: the sustainable growth of the Group depends largely on the ability to satisfy our customers.

In ensuring customer satisfaction in all our services, we always attempt to understand customers’ demand trend and 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”), which operates around the clock from our HQ in Shah Alam, serves as a focal point in handling emergency calls. The OCC is responsible in managing and providing appropriate response during emergency, as well as attending and replying to enquiries on gas facilities issues, providing daily gas information to customers and monitoring gas pressure.

With our HQ being complemented by three regional offices and eight branch offices throughout the Peninsular, it allows us further to provide efficient and fast response to our customers in the event of service disruption.

The System Average Interruption Duration Index (“SAIDI”), commonly used by utilities companies around the world to measure service reliability, showed remarkable scorecard for our service this year. In 2017, we managed to improve our SAIDI further to 0.1067 minutes of interruption per customer. Furthermore, in the event of such disruption, the average response time was 23.93 minutes, far surpassing our standard response time of 90.00 minutes.

Performance Indicator	2015	2016	2017
SAIDI (Average Minute of Interruption per Customer)	0.1786	0.6083	0.1067
Response Time (Average Minute Taken to Respond at Site)	26.83	24.44	23.93

All the aforementioned operational excellence came hand in hand with the growth in our customer base, which coupled together, further strengthened the trust and loyalty placed in the Gas Malaysia brand.

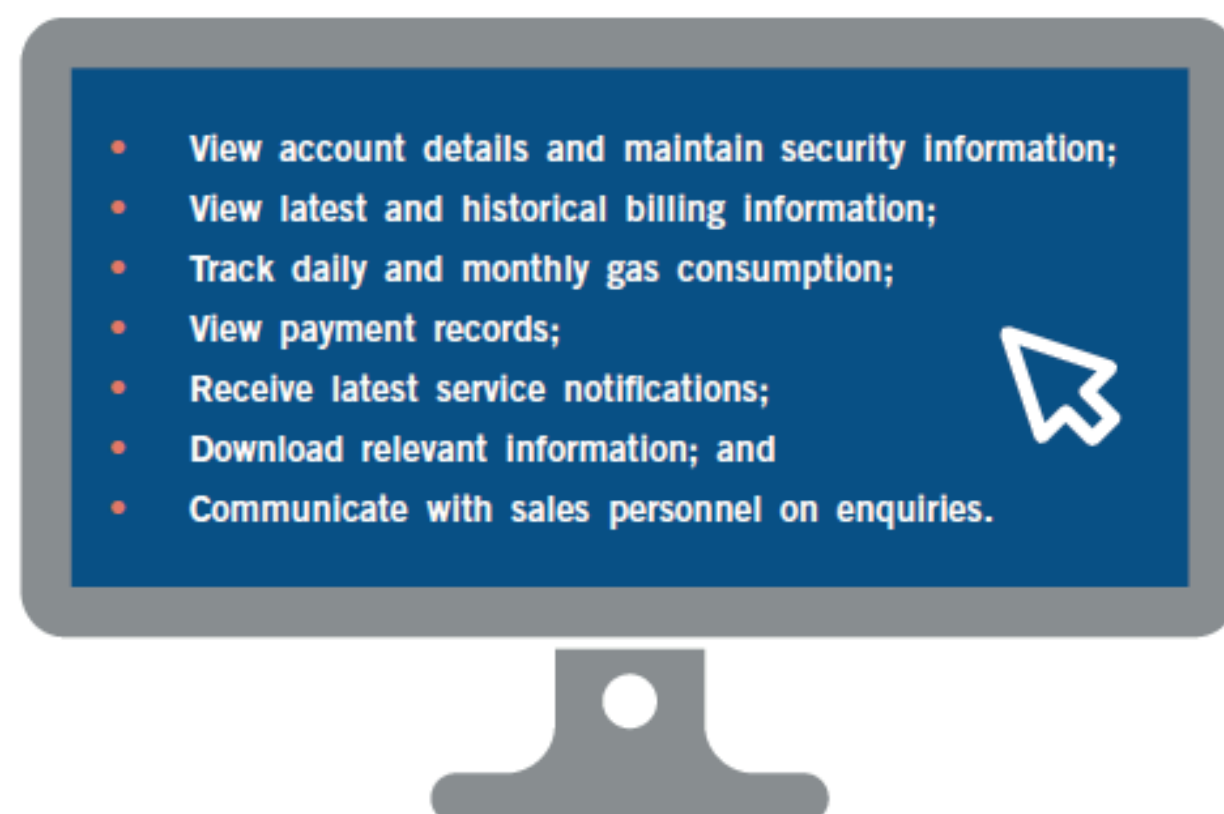
7.1.2.2 Creating Excellent Customer Experience

We continue to provide high standard of customer experience by establishing a Customer Care Unit (“CCU”), set up to provide our customers with the assistance for resolving issues related to billing enquiries, account registration and service activation in a courteous and timely manner. Our CCU operates from 8:30 am to 5:30 pm dedicated to handling feedbacks efficiently.

In 2017, our CCU team improved its customer feedback services by successfully addressing customer’s complaints within the three-day target. In total, there were 74 complaints raised by our customers and successively, our CCU team managed to address 71 of those complaints within three days. That translated to a success rate of 95.94% compared with the preceding year of 87.84%.

7.1.2.3 E-Services

Aimed at enhancing customer experience, E-Services provides convenience to our industrial and large commercial customers. From this secured web-based portal, customers can:



As at 31 December 2017, about 95% of our industrial and large commercial customers have registered with the E-Services.



7.2 Labour Practices and Decent Work

7.2.1 Health, Safety & Environment

As per our Health, Safety, Environment & Quality ("HSEQ") Policy, we are committed to conducting our business activities in a responsible manner that ensures the health and safety of our employees, business partners and the public and further preservation of the environment. Reasonable and practicable steps are taken to prevent and eliminate the risk of occupational injury and health illness to personnel and damage to the environment, subsequently enhancing the quality of services.

Among the key objectives under HSE are:

- 1) Maintain zero non-compliance with Occupational Safety & Health Act 1994, Environmental Quality Act 1974 and related regulations;
- 2) Strive for zero lost workday case; and
- 3) Ensure effective implementation and continual improvement of HSEQ Management System (ISO 9001, ISO 14001 and OHSAS 18001).

7.2.2 Bribery & Corruption

Ethical business practices are critical to business sustainability as it promotes social and economic growth. Unethical business practices, such as corruption and bribery, adversely affect the economy by distorting fair competition and raising the cost of procurement contract and that of doing business.

Because in all its form, corruption poses a real business risk to Gas Malaysia; hence, we are committed to doing business with integrity. As per the code of conduct and discipline prescribed in the Employee Handbook, as employees, we strive towards highest standard of work ethics and professionalism. This encompasses operating our business in a fair, ethical and legal manner, avoiding corruption in any form, including bribery, and complying with the anti-corruption and other governing laws.

In 2017, there was no incident of bribery and corruption reported.

As we continue to uphold a culture of integrity and curb unethical business conduct amongst all our employees and business partners, we have adopted a whistleblowing policy. There is now a proper channel to facilitate disclosure on improper conduct. The policy also ensures fair treatment to both the whistleblower and alleged wrongdoer when the disclosure is made.



7.3 Society

We believe that in order for our business to be sustainable, we must balance our corporate ambitions with CSR. On this premise, Gas Malaysia targets to improve the quality of lives of the under-privileged in the communities. We endeavour to roll out an agenda that touches the lives today for better communities tomorrow. Details of CSR programmes that we have undertaken and their positive impact to the community are listed below:

Engagements	Focus Areas	Results
National Cancer Society Malaysia	PAEDIATRIC CANCER 	116 children benefited, as our contribution was used to enhance the care unit to accommodate the patients. In addition, the contribution was also used for supplements, medication as well as transportation cost to ease the care taker's burden.
An-Nur Dialysis Centre	RENAL DISEASE 	A dialysis machine was purchased for the centre in 2016 to cope with the increase in the number of patients with renal disease. With the availability of this new machine, it is now possible to accommodate more patients, amounting to about 864 additional dialysis sessions for the year 2017.
Islamic Relief Malaysia	FLOOD VICTIMS 	A proper shelter was built to house flood victims in Rantau Panjang, Kelantan during monsoon season. In 2017, about 60 families were relocated to the shelter for temporary accommodation.
PERHILITAN	RIVER TERRAPIN CONSERVATION 	An egg hatching incubator was purchased to enhance river terrapin population recovery efforts. With the incubator, the success rate of hatching could improve to 85%, from about 50% currently. Also, the contribution was used for infrastructure refurbishment at the conservation centre.



8. MOVING FORWARD

We take comfort in the over-arching strategy of the Group and shall further develop our distribution business and work on creating new demand for natural gas via Virtual Pipeline, CHP and BioCNG ventures. We shall also seek to expand these ventures within the natural gas value chain, new markets, and within customer segments or location where we lack presence. 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.