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Sustainable Development



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- Gas Malaysia Berhad

# SUSTAINABLE DEVELOPMENT

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# SUSTAINABILITY STATEMENT

# 1. WHAT'S INSIDE

This Sustainability Statement ("Statement") elaborates on Gas Malaysia Berhad's ("Gas Malaysia" or "the Group") collective sustainability efforts based on the three key sustainability pillars.

The pillars are prescribed by Bursa Malaysia Securities Berhad 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 key pillars are:



This Statement covers the Group's sustainability efforts undertaken for the financial year ended 31 December 2019. The Statement is to be read together with the other sections of Gas Malaysia Berhad's 2019 Annual Report, which highlight 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 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 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.





### DRIVING SUSTAINABILITY

The Group is committed to investing in measures that provide Gas Malaysia with sustainable growth and value creation opportunities whilst managing business risks. The Group is further committed to creating and advancing initiatives that will result in positive economic, environmental and social impact. Acknowledging the importance of pursuing sustainability practices within the business, the Group has established a governance structure to drive and manage these practices effectively.

A Sustainability Reporting Committee ("SRC") was formed back in 2016 to deliberate on sustainability areas that impact our stakeholders. The SRC consists of Departmental Heads as well as Heads of subsidiaries and joint venture companies. The SRC reports to the Chief Executive Officer.

How this SRC identified and prioritised the most relevant material matters for our Group and stakeholders will be addressed in the following section.



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Given our wide reach throughout Peninsular Malaysia, we are acutely conscious of the need for balance in our economic, environmental and social responsibilities. When identifying what is material to us, we take into consideration our stakeholders' perspectives and expectations, and align them with the Group's strategic vision.

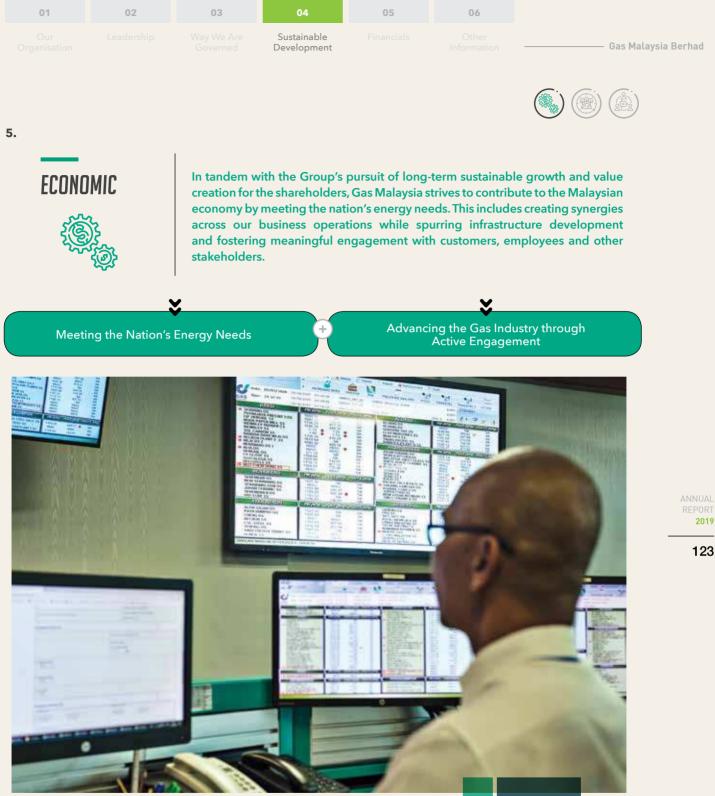
In 2016, we conducted an external survey on 30 material areas in order to identify key material matters in time for our inaugural Statement. The survey was extended to six groups of stakeholders.

The survey results were filtered through and material matters sorted in order of priority. Ultimately eight key material matters were shown to have the greatest impact on the Group's operations and to create the greatest value both for the stakeholders and the Group. The eight are:



Over the years, the list has been regularly reviewed based on updated views and feedback. Our assessment in 2019 demonstrated that the eight material matters identified in 2016 is still relevant. In the subsequent parts of this Statement, we explain our continued efforts in addressing the eight material matters.





The Group aims to be an innovative value-added energy solutions provider able to provide the cleanest, safest, cost-effective and reliable energy solutions to the nation.

Gas Malaysia has already made a significant contribution to the country's economic development. First, by building the natural gas distribution infrastructure across Peninsular Malaysia and providing innovative energy solutions. Second, by advancing the gas industry through active engagement with stakeholder groups.

#### 5.1 Meeting the Nation's Energy Needs

For the year under review, Gas Malaysia expanded the NGDS network by another 134 kilometres, bringing the total length of gas pipeline in operation to 2,468 kilometres. This is a significant improvement over the preceding year's expansion of only 91 kilometres. The drive to complete all planned gas infrastructure development in a timely manner produced immediate benefits, enabling Gas Malaysia to further strengthen its position in the gas distribution industry and increase the number of industrial, commercial and residential customers we serve. In 2019, through our extended NGDS network we managed to supply to 36,170 customers, delivering a total of 201.20 million MMBtu of gas.

	2016	2017	2018	2019
NGDS (kilometre)	2,186	2,243	2,334	2,468
No. of Customers				
Industrial	819	853	888	933
Commercial	2,260	2,310	2,331	2,328
Residential	35,298	35,720	34,703	32,909
Total	38,377	38,883	37,922	36,170
Volume of Gas Sold (mil MMBtu) for NG & LPG	164.26	183.90	193.85	201.20

In 2018, as part of our drive to promote the use of natural gas, the Group 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 prospects of the State of Perak and act as a catalyst for economic growth as well as create job opportunities. Under this collaboration, by 2019 we managed to complete 117 kilometres of gas distribution pipeline. We are currently in the midst of constructing the remaining 23 kilometres of pipeline and anticipate this project will achieve completion in 2020. To date, about 40 prospective customers have been identified as users of the new NGDS network in Kinta Valley.







In line with our strategic gas supply driven model, we remain steadfast in expanding the NGDS network to reach underserved but economically viable areas. To this end, we have awarded new contracts for the construction of an additional 91.5 kilometres of NGDS network for existing and new industrial areas to meet potential demand for natural gas.

The Group persistently strives to ensure its commitment to reliable supply is never compromised at any cost. As a result, for the year under review, we have successfully maintained a supply reliability rate of 99%.

#### 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.

To this end, we have actively engaged with a diverse group of industry-relevant stakeholders. Through meaningful engagements, we have been able to benefit from a wide range of expertise and knowledge

**ENGAGEMENT** 

GROUP

<u>්සි</u> පී.පී which can help us manage potential opportunities and mitigate risks thus ensuring a sustainable rate of growth for the Group.

Focus areas include, but are not limited to, macro policy matters, tariff-related matters, technical requirements for pipeline construction and safety issues, customer experience, business performance and outlook as well as career development.

**REGULATORY BODIES & GOVERNMENT AGENCIES** 1. Dialogue sessions, regular meetings, correspondences, on-site inspections and joint emergency response exercise **BOARD OF DIRECTORS** 2. Meetings and correspondences 3. SHAREHOLDERS Analyst meetings, quarterly briefings and visits, and annual general meeting **CUSTOMERS** 4. Dialogue sessions, customer engagement visits, relationship building programmes and regular meetings **AUTHORITIES** 5. Regular meetings and dialogue sessions **BUSINESS PARTNERS** Regular meetings and dialogue sessions

> Employee surveys, internal communications, engagement sessions, sports & recreational activities

8. LOCAL COMMUNITIES Dialogue Sessions

#### .

TYPE OF ENGAGEMENT

#### 7. EMPLOYEES

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Gas Malavsia Berhad





The Malaysian government is also being very proactive in pushing the environmental agenda, particularly in the area of climate change. Back in 2018, it was reported that the Government, through Ministry of Energy, Science, Technology, Environment and Climate Change ("MESTECC") was looking at drafting a Climate Change Act in the near future to institutionalise climate change initiatives. In 2019, it was reported that MESTECC was working closely with a team from Britain to develop this Climate Change Act, using the British equivalent as a model.

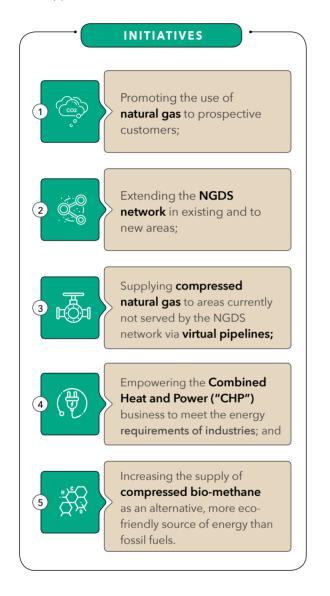
The Group continues to be supportive of the Government's efforts, particularly because natural gas in itself is classified as one of the cleanest burning fossil fuels and it contributes positively to the green energy initiative.



6.1



Among the Group's many initiatives in support of the environment are:



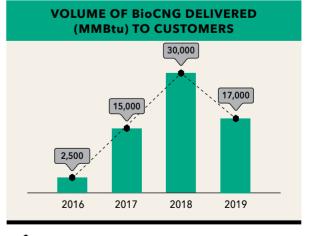
In addition, our Health, Safety, Environment & Quality ("HSEQ") Policies dictate that we take reasonable and practicable steps to minimise the environmental impacts of our business activities.

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

Natural gas is among the cleanest forms of fossil fuels, producing fewer pollutants and lower greenhouse gas emissions, thereby reducing the formation of smog in the air. In addition to encouraging the use of natural gas, which emits up to 50% less CO2 than coal, Gas Malaysia also promotes energy efficiency via the use of CHP system, which can boost operational efficiency by approximately 85% through simultaneous production of electricity and steam.

Striving to reduce negative impacts on the environment even further, we continue to explore other opportunities with the potential to create additional demand for natural gas. One example of this is our virtual pipeline initiative whereby both our wholly-owned subsidiary, GMVP, and joint venture company, SDGMBioCNG, undertake gas distribution via land transportation for customers that are currently not served by the NGDS network.

In detailing our efforts to address the issue of global warming, Gas Malaysia's joint venture company, SDGMBioCNG was incorporated to advance the implementation of waste-to-energy technology. The joint venture company is involved in the distribution of BioCNG, which 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"). POME is a non-toxic, oily waste water generated by palm oil processing mills. It releases large quantities of methane, which, when released into the atmosphere, becomes 25 times\* more hazardous than carbon dioxide in posing greenhouse effect.



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#### 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, as of the end of 2019, we operated and maintained about 199 kilometres of NGDS network and served 59 industrial customers in that state alone.

As part of our efforts to promote bio-diversity, we collaborated with the Department of Wildlife and National Parks ("PERHILITAN"). Notably, we worked together to protect Perak's river terrapin, which has been classified as endangered species.

The initiative was 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 centre to help with population recovery efforts and eventually improve the success rate of hatching. Additionally, we 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, as well as the availability of the egg-hatching incubator, for the year under review, 144 eggs were successfully hatched from a total of 180 eggs incubated. This translated into a success rate of approximately 80%.

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

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%
2018/2019	-	-	180	144	144	80%

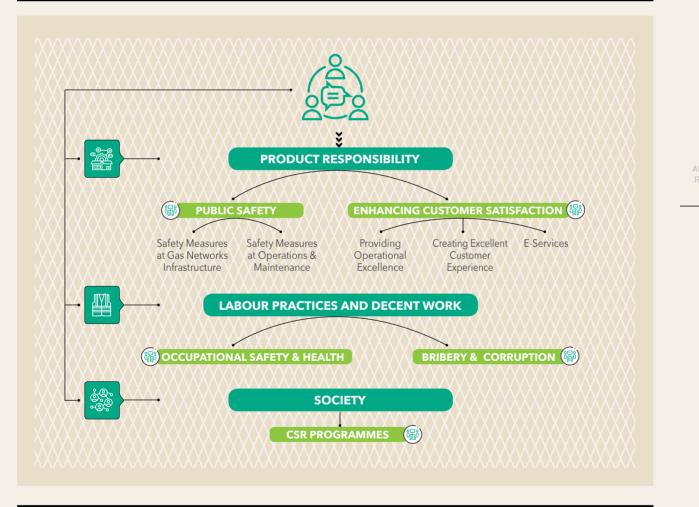




7.



At Gas Malaysia, we constantly take proactive measures to bring a positive impact on people, from our valued employees, to relevant stakeholders, to the communities in which we operate. As a result of our committed efforts, we have made significant constructive impact on many lives over the past 27 years. This culture of caring will continue, as the Group keeps up its efforts in reaching out to enrich more lives throughout our sustainable journey.

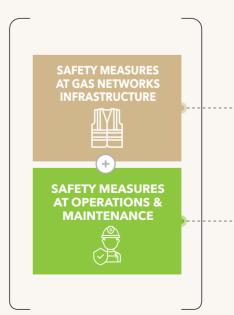


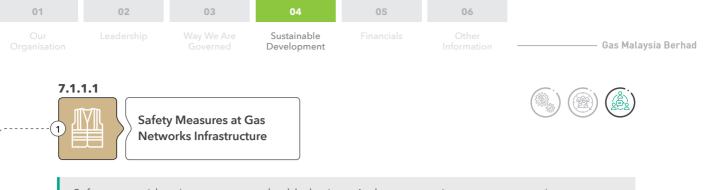


# 7.1 Product Responsibility



Public safety is of utmost importance to us and something that we will never compromise on under any circumstance. As part of our responsibility to the public, 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 our NGDS pipelines, right down to their operation and maintenance.





Safety considerations are embedded in everything 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, at the engineering stage 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 be protected against corrosion and over-pressurisation.

At the construction stage, we appoint competent contractors 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 carries out daily systematic operations and maintenance of gas facilities with an aim to provide the safe, stable and continuous supply of gas. To ensure the gas facilities are well maintained, periodic preventive maintenance and systematic troubleshooting are performed, including gas station inspection, 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 pipeline inspections are also carried out to detect abnormalities and monitor unauthorised third-party work within the vicinity of our gas facilities.

Additionally, all third party works within the vicinity of the gas facilities require permits and are supervised by our Operations & Maintenance team to prevent any damage to our gas facilities. There are also dedicated on-call emergency

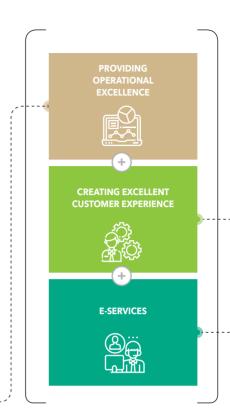
response teams on standby to physically respond to emergencies within 90 minutes of notification to minimise the risk to the public and limit the potential damage to property and the environment.

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

In addition, a joint emergency response drill was conducted in Ayer Keroh, Melaka, in collaboration with government agencies such as Jabatan Bomba dan Penyelamat Malaysia, Polis Diraja Malaysia and Jabatan Kesihatan Negeri Melaka. The aim of the drill was to gauge the effectiveness of the emergency response plan involving government agencies and Gas Malaysia when it came to handling gas related emergencies.



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



## 7.1.2.1

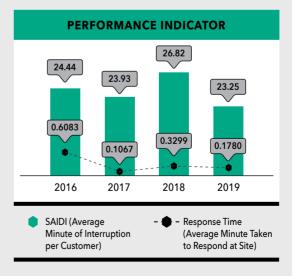


Providing Operational Excellence

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 general 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 eight branch offices throughout the Peninsula. These allow us to respond quickly and efficiently in the event of a service disruption.

In 2019, we registered a lower System Average Interruption Duration Index ("SAIDI"). We achieved 0.1780 minutes of interruption per customer compared with the preceding year of 0.3299 minutes of interruption per customer. The lower SAIDI score illustrates an impressive improvement to the Group's service record. It is also worth highlighting that the SAIDI score registered is within our targeted benchmark of under 1.5 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 23.25 minutes compared with the preceding year of 26.82 minutes. The response time depends on the distance from the incident site to the branch office. Nevertheless, since 2016 our score has always been far below our benchmark response time of 90 minutes.



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





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

- View account details whilst maintaining the security ٠ 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 for 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 of 31 December 2019, about 98.55% of our industrial and large commercial customers had registered with our E-Services, marking a 0.76% improvement compared with the previous year of 97.79%. In 2018 we initiated efforts to improve the interface speed of the portal to make it easier for our end users. As of the year-end of 2019, this had been successfully resolved.

### 7.2 Labour Practices and Decent Work

7.2.1

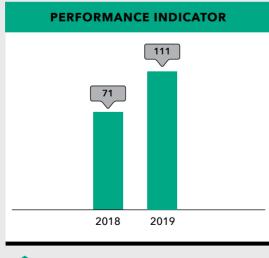
HEALTH, SAFETY & ENVIRONMENT (HSE)

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.

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

There are three key objectives under HSE. First, to maintain zero non-compliance with Occupational Safety & Health Act 1994, Environmental Quality Act 1974 and other related regulations. Second, to strive for zero loss workday, and third, to ensure effective implementation and continual improvement of HSEQ Management System (ISO 9001, ISO 14001 and ISO 45001).

In relation to the above mentioned key objectives, for the year under review, we conducted 111 inspections on our contractors working at our pipeline construction sites and fabrication yard.



No. of Inspections Conducted

# 7.2.2 BRIBERY & CORRUPTION

The Group is committed to maintaining the highest standards of integrity and professionalism in all business dealings. We firmly believe that 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. We entirely reject corruption of any form including bribery, and complying with the anti-corruption and governing laws.

To further strengthen our commitment, in 2019, the Board sanctioned for the Management to adopt the Corruption-Free Pledge initiative in an effort to ensure accountability and to hinder any form of corruption or misconduct. The observance of the Corruption-Free Pledge saw the involvement of all employees within the Group.

There was no incident of bribery and corruption reported in 2019.

The Whistleblowing Policy which was established in 2018, was implemented to provide employees and third parties who have dealing with the Group with proper internal procedures for disclosing cases of improper conduct. It also protects the whistle-blower from retribution as a consequence for making a disclosure.

There were no whistleblowing complaints reported due to improper conduct in 2019.



#### Gas Malaysia Berhad

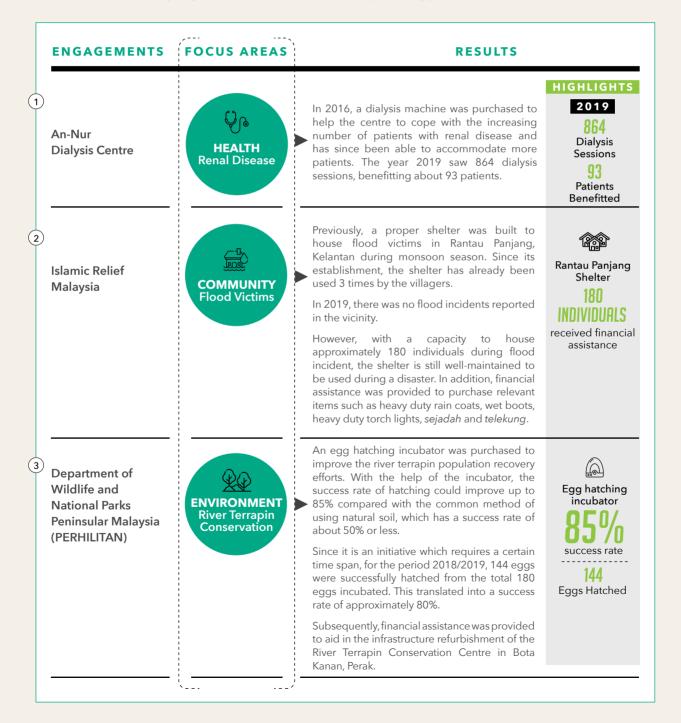


## 7.3 Society

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.

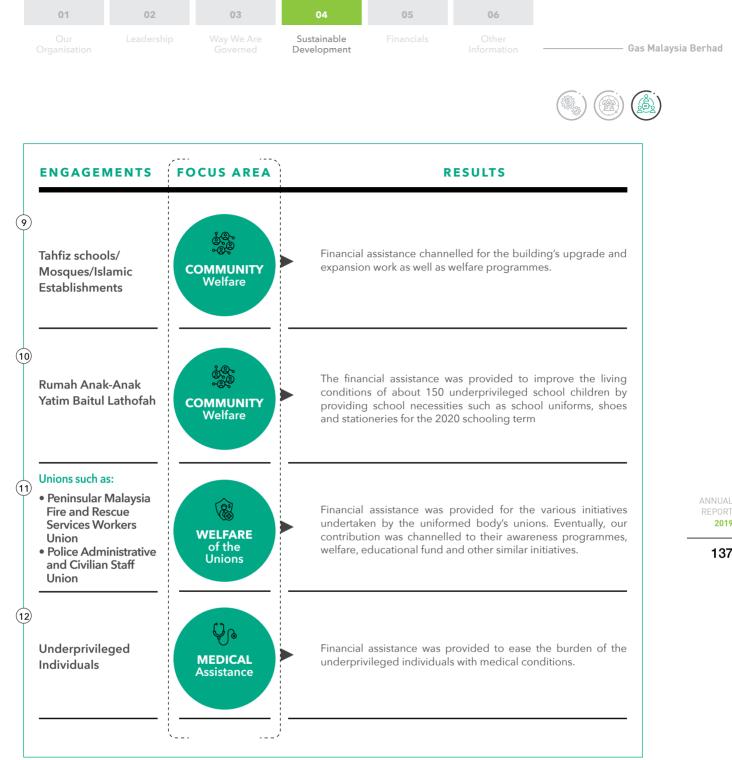
Listed below are our ongoing initiatives undertaken from the preceding year:



ANNUAL REPORT 2019 2019 also saw the introduction of several new initiatives to further expand on our CSR efforts. Listed below are the initiatives undertaken:

ENGAGEMENTS	FOCUS AREA	RESULTS	
MARA Education Foundation	EDUCATION	The financial assistance was provided to benefit up to 1,400 school students, from 14 MARA learning centres throughout the nation, who will be sitting for their Sijil Pelajaran Malaysia (SPM) examinations. The students will be assisted via tutoring by professional teachers from Maktab Rendah Sains MARA in preparation for their SPM examination.	HIGHLIGHT 2019 1,400 co Students 14 Learning centres
Program Sekolah Angkat Industri Pasir Gudang (PROSPAG)	ENVIRONMENT	The financial assistance was provided to purchase gas detectors for three selected schools. This would enable the schools to independently conduct air quality monitoring on a continuous basis for the safety of school children. This initiative is in response to the air pollution incident due to chemical waste, which took place in Pasir Gudang.	Gas Detectors Purchased <b>3</b> selected schools Pasir Gudang Johor Air Qualit Monitoring
Pertubuhan Kebajikan Mental Selangor	COMMUNITY	The financial assistance was provided to be us boxes of adult diapers for the daily necessition challenged patients.	
Yayasan Anak-Anak Yatim Wardatul Jannah	COMMUNITY	The financial assistance was provided to support of the orphans and the overall management cos	
GeoGlocal Societal Sdn Bhd	ENVIRONMENT Tiger Conservation	The financial assistance was provided to cons population of the Malayan Tiger.	erve the declinii

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### 8. **MOVING FORWARD**

We hope this Statement has conveyed the importance of sustainability to the Group as well as provided a clear overview of the efforts we have made to advance the Group's sustainability initiatives. Rest assured, the Group is interested in making profit responsibly, as we emphasise growth and development achieved in a sustainable manner.

As we move forward, our approach towards sustainability will keep evolving, guided closely by our valued stakeholders. Though we acknowledge there is still much to be accomplished as a corporate entity, given our role as a total energy solutions provider; we hope to take our sustainability efforts to a higher level.

2019