



**PETRONAS**

# NATIONAL INTEGRITY CONVENTION 2017

**The Collision of Interests Between  
Shareholders  
and Stakeholders. Are there Solutions in  
Sight?**

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# 1. STAKEHOLDER V SHAREHOLDER

## Stakeholder

Management to balance interest of all stakeholders even if there is no profitability

## Shareholder

Management to maximize returns in whichever means possible in order to reach its commercial target

# Shareholder's and Stakeholder's Values and Interests Compared



- 1 Organization are property of shareholders and their **interests take precedence** over all others
- 2 **Short term value creation** to maximize return for shareholders
- 3 Hard commercial **profitability**
- 4 **Single tiered** supervisory board



- 1 Organization **serves broader purpose** including creation of value for society
- 2 Profitability needed for survival but there are **other value-creation sources** too
- 3 Emphasis on **long term growth** and sustainability
- 4 **Two-tiered board** (separation of executive board and management committee)

# Introduction to PETRONAS

- Oil production began in Malaysia since 1900's
- At that time, oil companies operated under concession system where Government (State and Federal) only benefitted from royalties and taxes
- Oil crises in 1973 had led the Malaysian Government to realise the importance of managing its own resources
- As a result, the Petroleum Development Act (PDA) was enacted in 1974, PETRONAS was formed and took over as the sole custodian and management of petroleum resources in Malaysia



# Petroleum Development Act 1974

## Key Fundamentals of the PDA

The vesting of entire ownership, exclusive rights, powers, liberties and privileges is irrevocable and shall ensure for the benefit of PETRONAS-Section 1

for the business relating to exploration, exploitation, winning or obtaining petroleum, manufacturing and supply of equipment for the petroleum industry and downstream

Subject to the control and direction of the Prime Minister -Section 3

Prime Minister may make regulations in the marketing and distribution of petroleum and its production-Section 7 (b)

Establishment of the National Petroleum Advisory Council -Section 5

In return of the vesting of ownership and rights, PETRONAS shall make cash payments to the Federal and State Government-Section 4

Prime Minister's permission required for downstream activities-Section 6

## 2. PETRONAS POSITION

### As National Oil Company

**PETRONAS is an organization :**

- i) Incorporated under the Companies Act 1965;
- ii) PDPA 1974- Sole right over oil & gas resources in Malaysia;
- iii) Exclusive rights to explore, exploit win & obtain petroleum in Malaysia

### As Business Entity

**In conducting business, PETRONAS is guided by the following:**

- i) Vision and mission;
- ii) Shared values;
- iii) PETRONAS Cultural Beliefs;
- iv) Corporate agenda

# VISION & MISSION

## VISION

A leading Oil and Gas Multinational of Choice

## MISSION

- We are a business entity
- Oil and gas is our core business
- We add value to this resource
- We contribute to the well-being of society



# PETRONAS SHARED VALUES & CULTURAL BELIEFS



Loyalty
Integrity
Professionalism
Cohesiveness



Results Matter
Own it!
Focused Execution
Nurture Trust
Tell Me
Shared Success

# 3. COLLISION OF INTEREST?

As a National Oil Company

As Business Entity

Balanced

Through

Corporate Governance

- i) The composition of the Board members for non-listed companies;
- ii) Establishment of various committees;
- iii) Organizational transparency index

Robust Executive Structure

- i) PETRONAS' Line of Sight which was made effective in September 2017;
- ii) Limits of Authorities

Enforcement via robust system & processes

- i) Code of Conduct & Business Ethics;
- ii) Anti-bribery and Corruption Policy and Guidelines;
- iii) Competition Law Guidelines;
- iv) Economic Sanctions & Export Control Policy and Guidelines;
- v) Whistleblowing Policy

# Organizational Transparency

#1

PETRONAS scores the highest among the sample operate in oil, gas and energy sector.\*

PETRONAS	6.3
SUZLON ENERGY	5.8
PTT	5.4
LUKOIL	2.2
LDK SOLAR	1.3
SINOPEC GROUP	1.2
CNOC	1.1
SHUNFENG INTERNATIONAL CLEAN ENERGY	1.0

Anti-Corruption Program	88%
Organizational Transparency	100%
Country-by-Country Reporting	2%

\*2017 Edition of International's report on Transparency in Corporate Reporting: Assessing Emerging Market Multinationals

- PETRONAS maintained its index score at 6.3 out of possible 10.0  
(The average performance of companies overall is 3.4/10)
- Ranked No.9 among 100 major emerging market multinationals. The 8 Indian companies are all public listed companies
- PETRONAS scores the full 100% points for voluntary disclosure of organization transparency and 88% for anti corruption reporting, reflecting a very strong disclosure practice. The industry average is 47% and 48% respectively only
- The only 1 out of 18 State-owned companies (SOEs) scored 2 points for Country-by Country reporting. Overall SOEs achieve a paltry score of 0 point for



**PETRONAS**

**THANK YOU**