

Transcending. Next Level.



INTEGRATED REPORT 2022

PETRONAS Chemicals Group Berhad

TRANSCENDING. NEXT LEVEL.

Last year, we showcased how sustainability is a large part of our DNA. The landmark acquisition in 2022 takes us further into specialties and strengthens the Group's sustainability. Our cover reflects our ongoing value creation journey, a true embodiment of how we are Transcending. Next Level.





Dear Stakeholders,

At PETRONAS Chemicals Group Berhad, creating value for stakeholders is achieved through our Sustainability Agenda covering Economic, Environmental and Social pillars. Governance is an all encompassing factor in the agenda. The Company values the importance of transparency, accountability and responsibility, which are essential for building and maintaining trust.



INSIDE THIS REPORT

BASIS OF THIS REPORT

SECTION 1

- 2 Integrated Reporting Approach
- 3 Our Reporting Suite



LEADERSHIP MESSAGES

SECTION 3

- 16 Chairman's Statement
- 20 MD/CEO's Review
- 26 CFO's Review



PCG AT A GLANCE

SECTION 2

- 4 2022 Key Highlights
- 6 Overview of PCG
 - Statement of Purpose
 - Vision
 - Shared Values
 - Our Strategy
- 7 What We Do
- 7 Our Strengths
- 8 Our Approach to Sustainability*
- 8 Index Representation*
- 8 Strategic Alliances*
- 9 Awards and Recognitions*
- 9 Three Decades of Our Journey*
- 10 Integrated Product Value Chain
- 12 Our Presence
- 14 Group Structure



OUR PERFORMANCE

SECTION 4

- 30 **SEGMENTAL REVIEW**
 - Basic Chemicals & Derivatives
 - Specialty Chemicals
- 44 **FINANCIAL REVIEW**
 - Simplified Group Statement of Financial Position
 - Analysis on Financial Position
 - Analysis on Consolidated Statement of Profit or Loss
 - Analysis on Cash Flows
 - Reporting by Geographical Location
 - Group Quarterly Performance
 - Key Interest Bearing Assets and Liabilities
 - 5-Year Group Financial Summary
 - 5-Year Group Financial Highlights
 - Statement of Value Added
- 53 **SUSTAINABILITY REVIEW**
 - Sustainability Strategy
 - Sustainability Scorecard

HOW WE CREATE VALUE

SECTION 5

- 56 Operating Environment and Outlook
- 61 Stakeholder Engagement
- 65 Material Matters
- 66 Value Creating Business Model
- 69 Strategic Review
 - Operational Excellence
 - Commercial Excellence
 - Growth Delivery Excellence
- 76 Risk Overview



COMMITMENT TO STRONG GOVERNANCE

SECTION 6

- 88 Corporate Information
- 90 Board of Directors' Profile
- 95 Company Secretaries
- 96 Management Committee Profile
- 102 Corporate Governance Overview Statement
- 128 Nomination and Remuneration Committee Report
- 130 Board Audit Committee Report
- 138 Board Sustainability and Risk Committee Report
- 140 Statement on Risk Management and Internal Control

ADDITIONAL INFORMATION

SECTION 7

- 156 Top 10 Properties of PCG Group
 - 158 Analysis of Shareholdings
 - 161 Independent Limited Assurance Report
 - 163 Notice of 25th Annual General Meeting
 - 166 Administrative Guide for the 25th Annual General Meeting
 - 171 Glossary of Terms, Abbreviations and Acronyms
- Proxy Form



* This information is available in our corporate website via QR code generated on the respective pages.

NAVIGATION ICONS

Key Capitals

Natural	Human	Social & Relationship
Manufactured	Intellectual	Financial

Strategic Thrusts

OE Operational Excellence	CE Commercial Excellence	GE Growth Delivery Excellence
---------------------------	--------------------------	-------------------------------

Principal Risks

H Health, Safety and Environment Risk	CO COVID-19 Risk
S Strategic Investment Risk	M Market Risk
P Project Execution Risk	O Operational Risk
CY Cybersecurity Risk	TA Plant Turnaround Risk
SS Sustainability Risk	F Feedstock and Utilities Risk
	R Regulatory Risk



The coloured goals represent PCG's priority SDGs.

Material Matters

- Climate Change
- Environmental Stewardship
- Innovation & Product Stewardship
- New Plastics Economy (NPE)
- Workplace and Occupational Safety & Health (OSH)
- Supply Chain Management
- Community Engagement
- Talent Development
- Corporate Governance
- Strategy, Purpose & Financial Resilience
- Human Rights
- Cybersecurity & Digitalisation
- Plant Operations

Key Stakeholder Groups

- Employees
- Customers
- Suppliers & Vendors
- Business Partners
- Shareholders & Investment Community
- Government & Regulators
- Communities
- Media

BASIS OF THIS REPORT

INTEGRATED REPORTING APPROACH

PETRONAS Chemicals Group Berhad (PCG or the Group) is one of the largest companies listed on Bursa Malaysia by market capitalisation and our activities are of interest to a wide range of stakeholders. As part of our commitment to good governance practices and transparency, we ensure that our performance reporting is presented in a holistic and balanced manner. This is communicated through PCG's Integrated Report 2022, which also includes discussions surrounding sustainability and outlook to give our stakeholders insights into our future orientation over the short, medium and long term.

SCOPE AND BOUNDARY

This Integrated Report (IR) covers the reporting period of 1 January 2022 to 31 December 2022, unless otherwise stated. Information presented relates to the activities of the Group, comprising our subsidiaries, joint operations, joint ventures and associates. The subsidiaries included are based on the Malaysian Financial Reporting Standards (MFRS) 10 Consolidated Financial Statements and Companies Act 2016.


This report also adheres to the following local and international reporting frameworks:

KEY FRAMEWORKS APPLIED	IR	FR	SR
Integrated Reporting Framework (IRF) by Value Reporting Foundation (VRF) (previously known as International Integrated Reporting Council)	✓		
Malaysian Code on Corporate Governance (MCCG)	✓		
Main Market Listing Requirements (MMLR) issued by Bursa Malaysia	✓	✓	
Companies Act 2016 (CA 2016)	✓	✓	
Malaysian Financial Reporting Standards (MFRS)	✓	✓	
International Financial Reporting Standards (IFRS)	✓	✓	
Corporate Governance Guide - 4 th Edition issued by Bursa Malaysia	✓		
Global Reporting Initiative (GRI) Universal Standards 2021			✓
MMLR on Sustainability Reporting			✓
FTSE4Good Bursa Malaysia Index's Environmental, Social and Governance (ESG) indicators			✓
International Petroleum Industry Environmental Conservation Associations' (IPIECA) Oil and Gas Industry Guidance for the Oil and Gas Industry - 4 th Edition, 2020			✓
Dow Jones Sustainability Indices (DJSI)			✓
The United Nations Sustainable Development Goals (UN SDGs)			✓

INDEPENDENT COMBINED ASSURANCE STATEMENT

Assurance for this report is provided by our Board of Directors and supported by independent assurance by KPMG PLT.

 Read more on pages 116 to 119 for the Independent Auditors' Report in the standalone Financial Report

 Read more on pages 161 to 162 for the Independent Limited Assurance Report

BASIS OF THIS REPORT

LIMITED ASSURANCE STATEMENT

KPMG PLT has been engaged to provide assurance on the sustainability section in this report. The assurance is limited to environmental, occupational health and safety data, as listed in the following nine indicators:

1. Effluent Pollution Loading - Chemical Oxygen Demand (COD)
2. Scope 1 Greenhouse Gas (GHG) Emissions
3. Scope 2 GHG Emissions
4. Lost Time Injury Frequency (LTIF)
5. Total Recordable Occupational Illness Frequency (TROIF)
6. Total Non-Renewable Energy Consumption
7. Total Municipal Water Supplies (or from other water utilities)
8. Total Weight of Nitrogen Oxides (NOx) and Sulfur Oxides (SOx) Emissions
9. Tier 1 Process Safety Event (T-1 PSE)

MATERIALITY

The information presented in this report addresses matters that are most material to our business and stakeholders. We identify, prioritise and validate our material matters via a four-step materiality assessment.

FEEDBACK

PCG is committed to continuously improving our reporting quality, and we value input from our stakeholders in making these enhancements. Should you have any queries or feedback on this report, please contact us through the following:

Name : Zaida Alia Shaari
Position : Head of Investor Relations
Email : petronaschemicals_ir@petronas.com

FORWARD-LOOKING STATEMENTS

This report contains certain forward-looking statements relating to future performance. These statements and forecasts are based on current assumptions and circumstances, which could change, and hence involve uncertainty. Various factors could cause actual results to differ materially from those expressed or implied by these forward-looking statements.

BOARD RESPONSIBILITY STATEMENT

The Board acknowledges its responsibility in ensuring the integrity of this Integrated Report. It is in the Board’s opinion that this report addresses all the issues that are material to the Group’s ability to create value and fairly presents the integrated performance of PCG Group. This report has been prepared in accordance with the IFRS Foundation <IR> Framework. This report was approved by the Board on 23 February 2023.

DATUK IR. (DR.) ABDUL RAHIM HASHIM
Chairman

IR. MOHD YUSRI MOHAMED YUSOF
*Managing Director/
 Chief Executive Officer (MD/CEO)*

OUR REPORTING SUITE

PCG is a global integrated chemicals company with a strong network of stakeholders. These stakeholders and the trust they have in PCG are important to our long-term growth. To build on this trust, we strive to provide clarity on our business direction, strategies and performance while articulating our material risks.



Integrated Report (IR) 2022

PCG’s IR aims to provide our stakeholders with a comprehensive overview and a balanced assessment of our financial and non-financial performance.

In reading this report, stakeholders will better understand our business and sustainability strategies, performance, our approach to governance and risks and our future orientation. The report demonstrates our commitment to accountability and seeks to strengthen the confidence of our stakeholders.

The governance section presents detailed reporting of our Corporate Governance activities via the Corporate Governance Overview Statement, Nomination and Remuneration Committee Report, Board Audit Committee Report, Board Sustainability and Risk Committee Report and Statement on Risk Management and Internal Control.

Financial Report (FR) 2022

Our FR consists of the Directors’ Report, Audited Financial Statements and Independent Auditors’ Report. The FR provides detailed financial disclosures to our shareholders, investors, analysts and other interested parties.

Sustainability Report (SR) 2022

PCG’s SR details the disclosures of our performance in Economic, Environmental, Social and Governance (EESG) contexts. The report describes our initiatives and their outcomes that are aimed at creating positive and sustainable impacts for all our stakeholders.

2022 KEY HIGHLIGHTS

OUR VALUE CREATION



NATURAL CAPITAL

GHG Emissions Reduction*
More than

108,000 tonne CO₂e

* Cumulative emissions reduced since 2019

Energy Intensity:

17.08 GJ/tonne

2021: 15.76 GJ/tonne

Freshwater Withdrawal Intensity

3.89 m³/tonne

2021: 3.69 m³/tonne

Hazardous Waste 3R:

76%

2021: 75%

Wastewater Discharge
(COD Loading) Intensity

0.02 tonne/kilotonne

2021: 0.02 tonne/kilotonne

Air Emissions Intensity:

1.86 tonne/kilotonne

2021: 2.42 tonne/kilotonne



MANUFACTURED CAPITAL

Production Volume:

10.4^{**} million tpa

2021: 10.4 million tpa

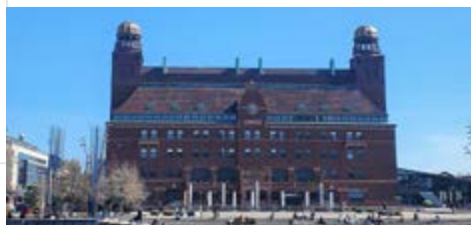
Sales Volume:

8.3^{**} million tpa

2021: 8.2 million tpa

** Including BRB Group & Perstorp Group

Acquisition of Perstorp Group, a niche, global specialty chemicals company based in Sweden



Launching of new BRB Group's Lube Oil Additives & Chemicals (LAC) plant



HUMAN CAPITAL

Women's Representation in Senior Leadership:

29%^{**}

2021: 18%

** Senior Management and above including BRB Group & Perstorp Group

PCG Women's Representation on the Board:

33%

2021: 22%

Average Training Days

10.2 man-days

on average per employee

2021: 3.0 man-days

2022 KEY HIGHLIGHTS

IN PRACTICE



INTELLECTUAL CAPITAL

Total No. of New Products:

15**

- Compacted NPK
- LL3870UA
- Viscotech 368L
- BRB SG 250
- BRB Siloen 882
- BRB 5022WR
- BRB Siloen HJS-DSG5
- BRB SF 1802
- BRB 6340 (reformulated and commercialised under same name)
- Si-COAT 460RC Silicone Roof Coating
- CSL 429 Construction adhesive and air barrier sealant
- Ymer™ 90
- Ymer™ 180
- Gastrivix™ AVI
- Isononanoic Acid (Iso-C9 Acid)

** Including BRB Group & Perstorp Group



SOCIAL & RELATIONSHIP CAPITAL

70%

total procurement spending for Malaysian business sourced from local suppliers
2021: 66%^

^ We have revised our 2021 figure due to recounting adjustment. The changes have been restated in our disclosed values in this year's report.

Social Impact Initiatives Reached:

>300,000 people

2021: ~295,000 people

Number of Mangrove Trees Planted:

3,550 trees

in collaboration with Sahabat Bakau
2021: 1,200 trees

Number of Volunteer Hours:

1,683 hours

2021: 732 hours



FINANCIAL CAPITAL

Revenue:

RM29.0 billion

2021*: RM23.0 billion

Total Assets:

RM55.4 billion

2021*: RM46.5 billion

Profit after Tax:

RM6.3 billion

2021*: RM7.3 billion

EBITDA:

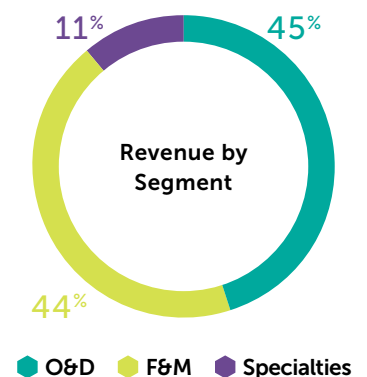
RM8.1 billion

2021*: RM8.3 billion

Total Dividend Payout:

RM3.3 billion

2021: RM4.5 billion



* Certain financial information and its corresponding financial ratios have been restated in line with amendments to MFRS 116 Property, Plant and Equipment



OVERVIEW OF PCG



To access more information on our product portfolio, log on to <https://www.petronas.com/pcg/our-business> or scan the QR code:

STATEMENT OF PURPOSE

A progressive energy and solutions partner enriching lives for a sustainable future

VISION

To be the preferred chemical company providing innovative customer solutions

PCG is the chemical arm of PETRONAS and Malaysia's leading integrated chemicals producer. We operate in the manufacturing, marketing and selling of a diversified range of petrochemicals. We were established more than 30 years ago, and publicly listed on 26 November 2010.

Our Operational Excellence and Commercial Excellence have propelled us to become one of the largest integrated chemicals producers in Southeast Asia. We currently operate from 19 manufacturing sites in Malaysia, the Netherlands, Sweden, Singapore, Germany, Italy, China, the United States of America (USA) and Canada. The Group's Growth Delivery Excellence has been a driving force in expanding into derivatives and specialty chemicals to future-proof the business.

As we realise our vision of becoming 'The Preferred Chemical Company Providing Innovative Customer Solutions', we remain focused on creating positive economic, environmental and social impacts. With sustainability at the centre of all our decisions, we are well-positioned to achieving net zero carbon emissions by 2050.

SHARED VALUES



Our shared values are deeply embedded in our culture to ensure we operate with integrity at all times while contributing to the well-being of people in every nation where we have a presence.

OUR STRATEGY

TWO-PRONGED STRATEGY

FIRST-PRONG

Sustain strength in basic petrochemicals through Operational Excellence & Commercial Excellence in Maximising Cash Generation from existing business

SECOND-PRONG

Selectively diversify into derivatives, specialty chemicals and solutions through Growth Delivery Excellence via Expanding Core & Stepping-out opportunities

MARKET CAPITALISATION:

As at 31 December 2022

RM68.8 billion

TOTAL ASSETS BASE:

RM55.4 billion

PRODUCTION CAPACITY:

15.4 million tpa

ONE OF THE

LARGEST

INTEGRATED CHEMICALS PRODUCERS IN SOUTHEAST ASIA

DOW JONES SUSTAINABILITY INDICES (DJSI) 2022:

TOP 10 COMPANIES

DJSI WORLD (CHEMICALS INDUSTRY)

9-YEAR CONSTITUENT OF

FTSE4GOOD


BURSA MALAYSIA INDEX

WHAT WE DO




OUR STRENGTHS

As Malaysia’s leading integrated chemicals producer, we believe that our strength is premised on our belief that long-term business success goes hand-in-hand with a strong respect for sustainable practices. While our Two-Pronged Strategy and Sustainability Agenda provide both the framework and context for this to happen, it is only through diligent execution that will see results. Over the years, we have been able to be resilient, agile and adaptable even during the most testing of times, as we consistently invested into strengthening our talents, ensured that we are doing the best we can to protect the environment and adequately managed our risks and opportunities through robust governance structures.




ECONOMIC

- Integrated manufacturing facilities and infrastructure
- World-class Health, Safety and Environment (HSE) standards and plant performance
- Diversified product portfolio to meet current and future needs
- Strong customer relationships
- Reputable industry and market leader
- Capacity growth and portfolio expansion into derivatives and specialty chemicals
- Commitment to sustainable investments
- Strong returns and capacity to fund future growth
- Attractive dividend policy with a payout ratio of around 50% of Group Profit After Tax and Non-Controlling Interests




ENVIRONMENTAL

- Established Net Zero Carbon Emissions (NZCE) 2050 roadmap
- International recognition for sustainable business practices
- Efficient resource management



SOCIAL

- Competent talent equipped with right competencies and leadership traits for growth and portfolio expansion
- Diverse and inclusive workforce creating a more progressive and creative work environment that delivers better results



GOVERNANCE

- Recognition of high standards of good corporate governance

OUR APPROACH TO SUSTAINABILITY

We have always recognised our responsibility to create positive impacts. Our rich history of success is due to a determination to deliver sustainable value that benefits our business and stakeholders. As part of our integrated approach, our strategic decisions are fully aligned with PCG's Sustainability Agenda.

At the core of our Sustainability Agenda is our aspiration to achieve net zero carbon emissions by 2050, drive the acceleration towards a circular economy, and create positive impacts to nature and society. We continue to refine and drive the implementation of our NZCE 2050 roadmap to achieve our short, medium and long-term decarbonisation goals. At the same time, we are transforming the way we conduct our business to achieve our sustainability goals across economic, environmental and social dimensions.

We have enhanced our sustainability governance by providing even greater oversight and steer on sustainability matters at the Board and Management level. Sustainable Development Steering Committee have also been established at all manufacturing facilities to ensure the focused implementation of PCG's Sustainability Agenda across the organisation.



STRATEGIC ALLIANCES

PCG is proud to have a strong network of strategic alliances which support our business.

In 2022, we successfully retained our long-standing and robust relationships with our partners. With the acquisition of Perstorp Group, we are delighted to welcome its joint ventures and associates.



To view the full list of our Strategic Alliances, please scan the QR code.

INDEX REPRESENTATION



- MSCI Asia Ex-Japan
- MSCI Asia Ex-Japan Chemicals



- FBM Emas Shariah Index
- FBM KLCI



FTSE4Good

FTSE4Good Bursa Malaysia Index

Member of

Dow Jones Sustainability Indices

Powered by the S&P Global CSA

Dow Jones Sustainability Indices

AWARDS & RECOGNITIONS

We are honoured to be the recipient of multiple awards during the year that recognise our accomplishments and contributions to the industry we operate in.

With 19 new awards for the Group, we are winners of platinum, gold and silver in various categories. These recognitions are a solid testament to our continuous pursuit of excellence to deliver value to our stakeholders.



To view the full list of our Awards & Recognitions please scan the QR code.



THREE DECADES OF OUR JOURNEY



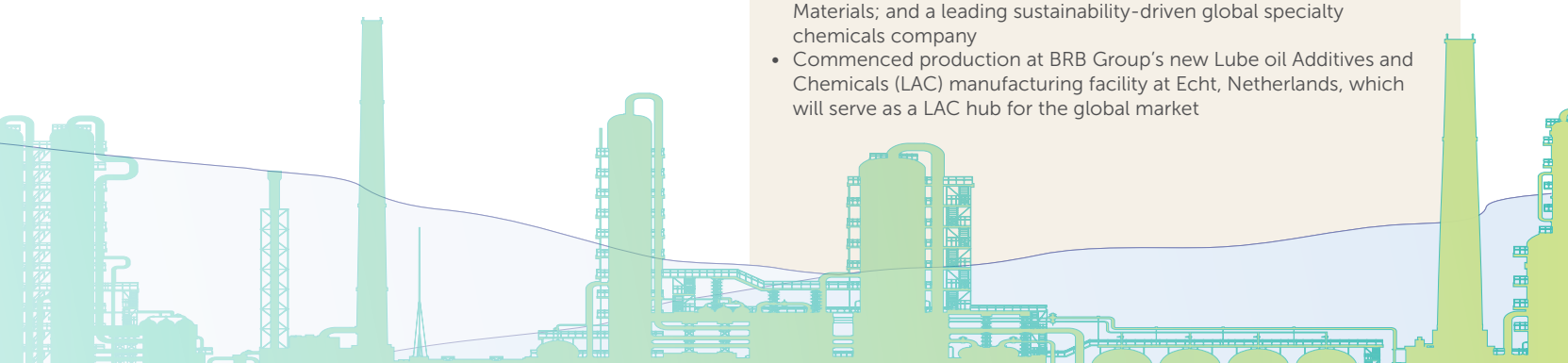
Follow our full story by scanning the QR code.

Over three decades of operations, PCG has come a long way in establishing our organisation and contributing to nation-building.

Our growth from one production site in East Malaysia to 19 world-class chemical manufacturing sites and seven R&D laboratories in Malaysia, the Asia-Pacific, Europe and North America stemmed from our perseverance and vision in providing innovative customer solutions and enriching lives.

2022

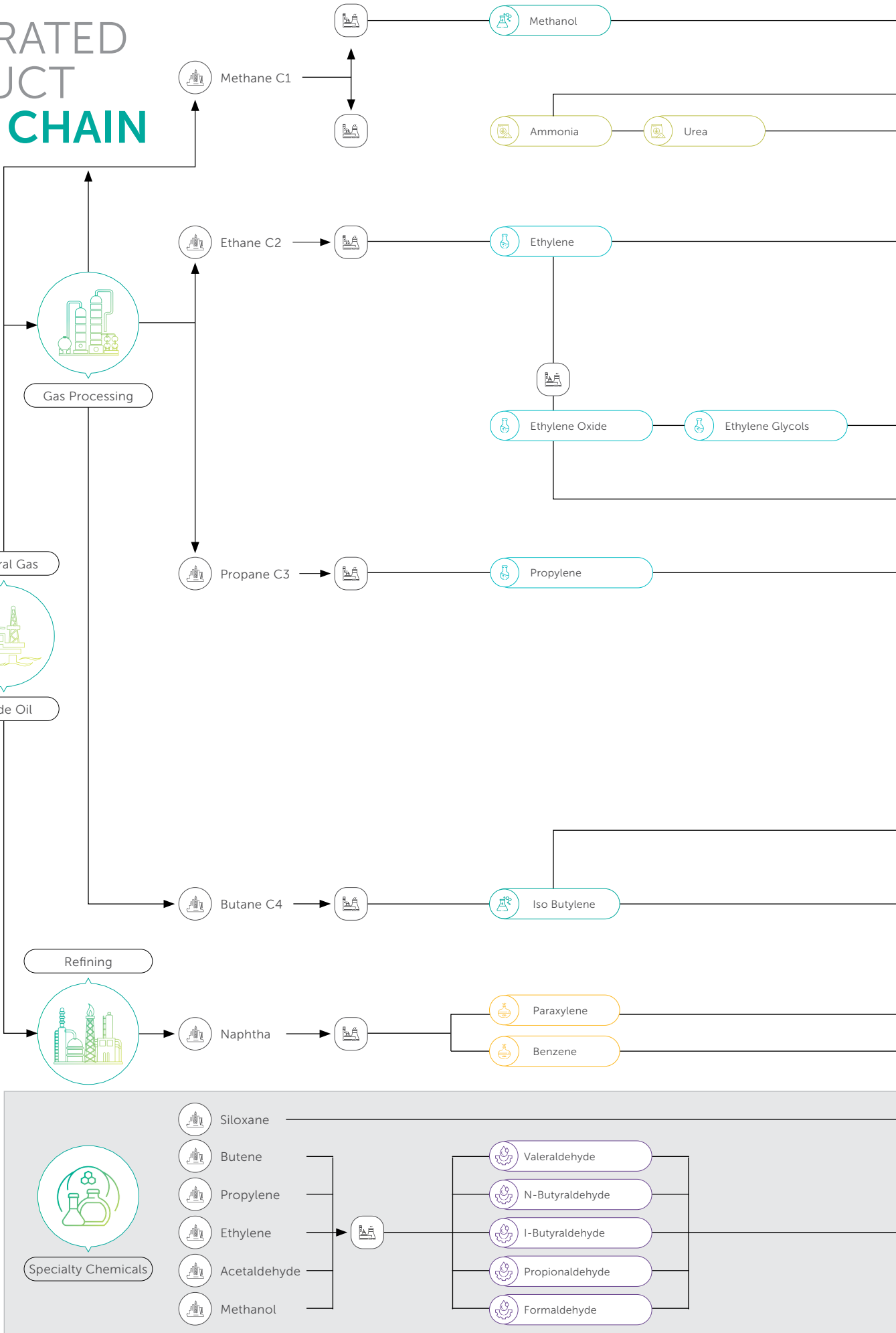
- Sanctioned the development and construction of a Melamine plant in PETRONAS Chemicals Fertilisers Kedah (PC FK) in Gurun, Kedah
- Incorporated BRB Group's subsidiary in South Korea
- Sanctioned the development and construction of an expansion of the 2-Ethylhexanoic Acid (2-EHA) plant in Gebeng, Pahang through our JV company - BASF PETRONAS Chemicals (BPC)
- Acquired Perstorp Group, a niche specialty chemicals player for Resins & Coatings, Engineered Fluids, Animal Nutrition, and Advanced Materials; and a leading sustainability-driven global specialty chemicals company
- Commenced production at BRB Group's new Lube oil Additives and Chemicals (LAC) manufacturing facility at Echt, Netherlands, which will serve as a LAC hub for the global market

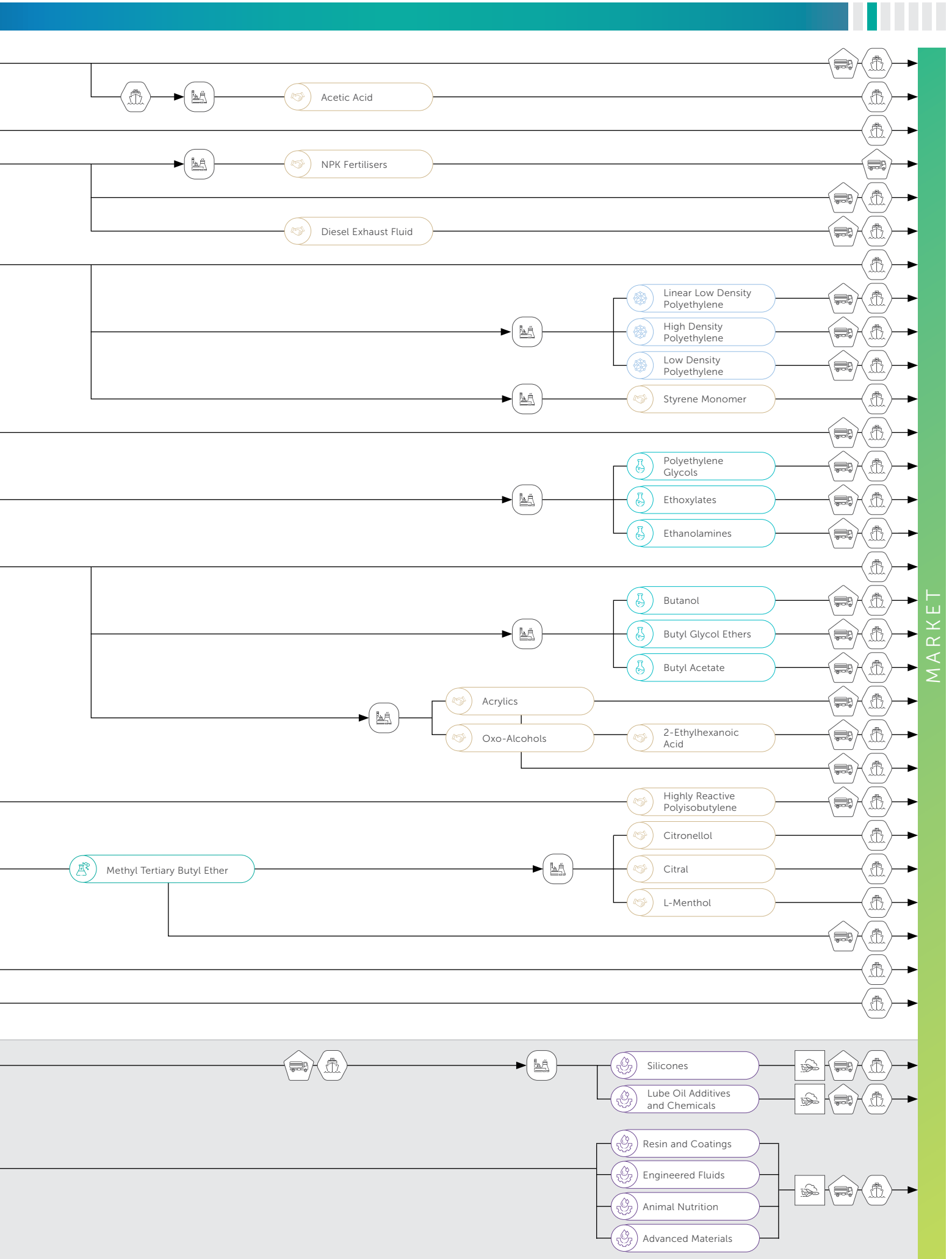


INTEGRATED PRODUCT VALUE CHAIN

- Resource
- Plant
- Air
- Land
- Sea

- Olefins, Glycols and Derivatives
- Methanol and MTBE
- Aromatic
- Ammonia and Fertilisers
- Polymers
- Products from Joint Ventures (JVs) and Associates
- Specialty Chemicals































OUR PRESENCE

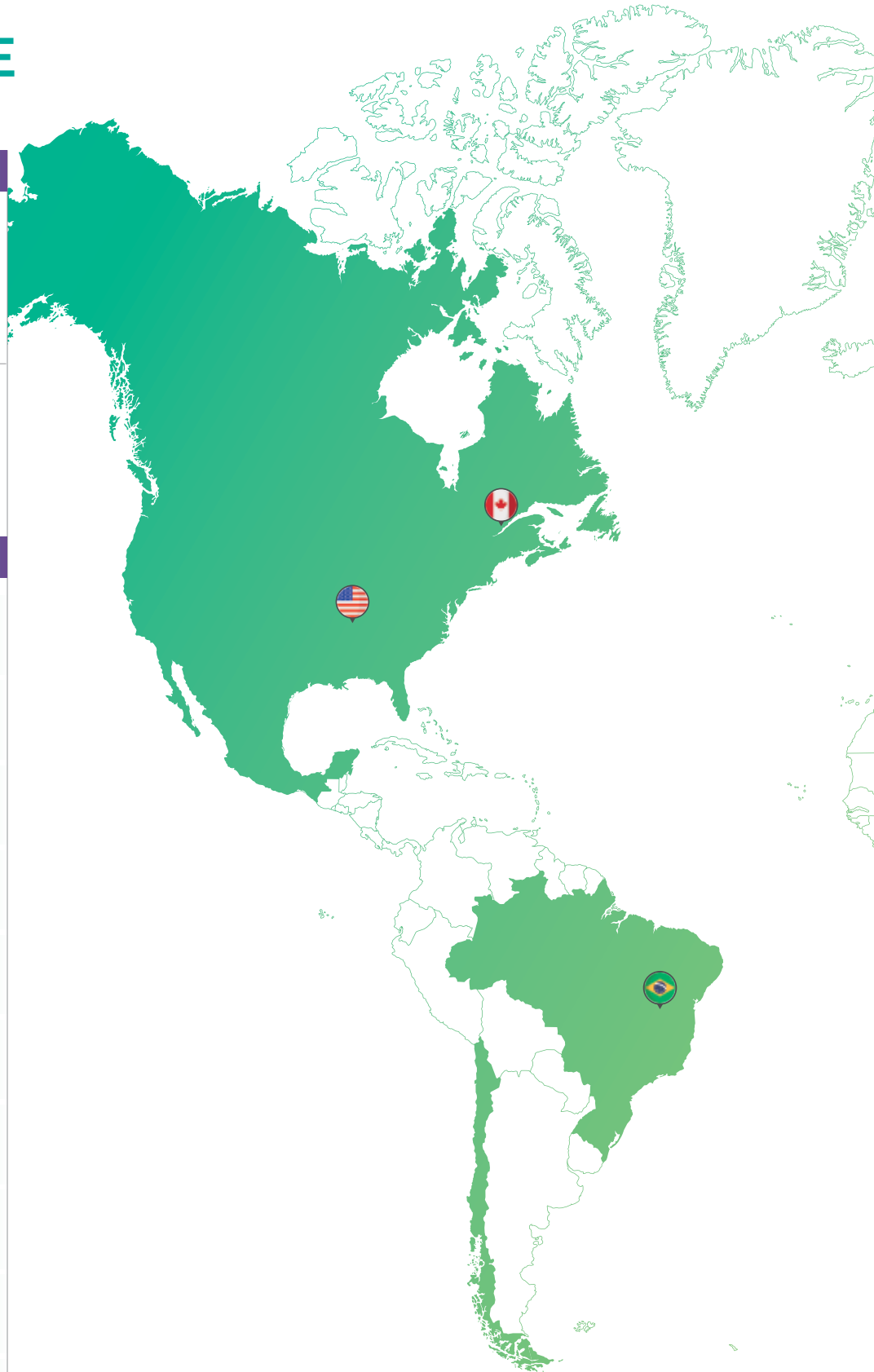
AS AT 31 DECEMBER 2022

SALES BY MARKETS





Malaysia 30%	Southeast Asia 35%
Northeast Asia 19%	Rest of the World 16%

SALES BY COUNTRY

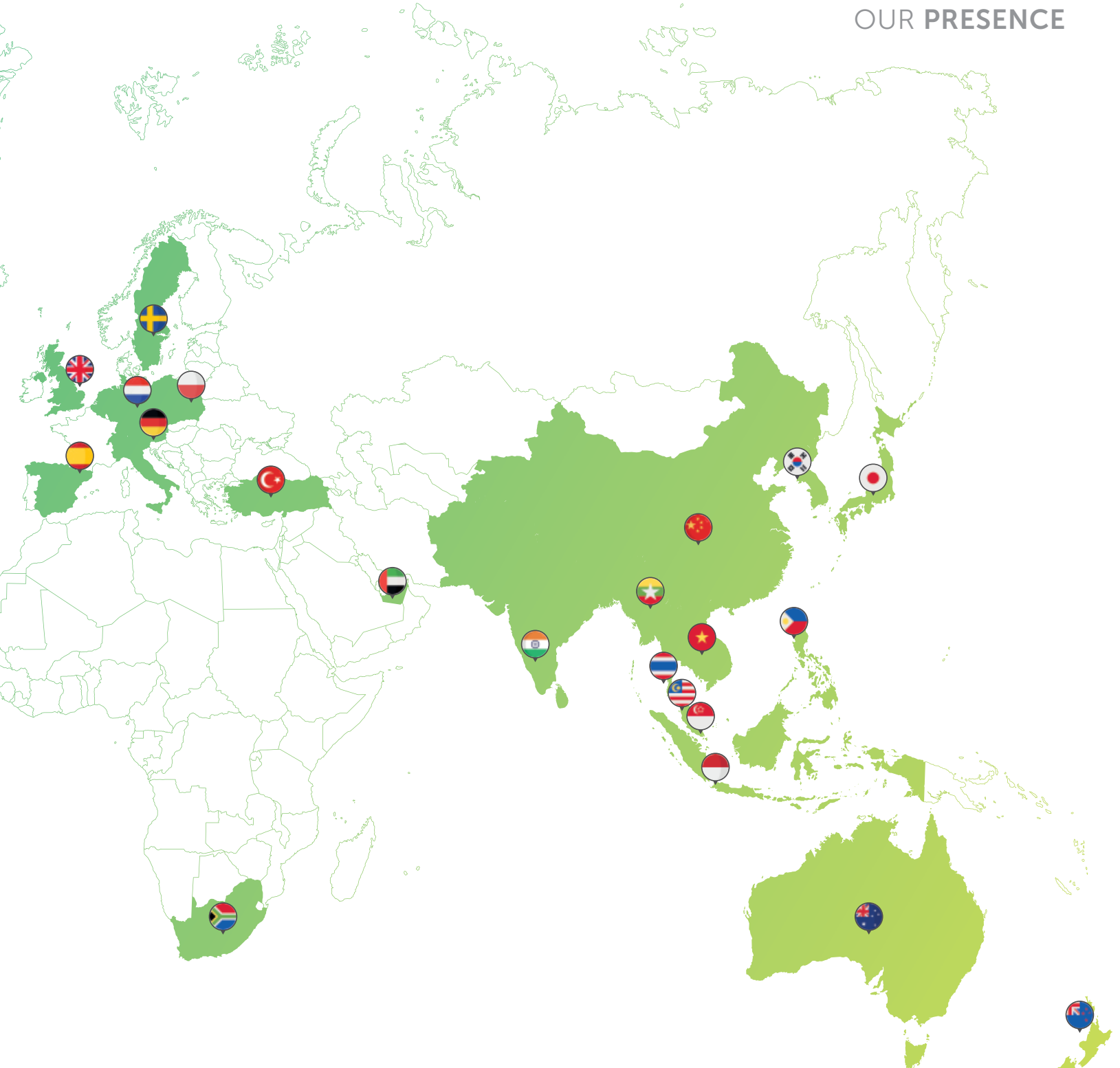
   	30.3% Malaysia
 	12.7% Thailand
  	11.5% China
 	10.6% Indonesia
	5.2% Australia
 	4.5% Japan
 	4.4% Philippines
  	4.2% India
  	3.8% Singapore
 	2.6% Vietnam
	1.4% New Zealand
	8.8% Rest of the world









































 To view our Malaysian operations please scan the QR code.

 Sales Office	 Plant	 Representative Office	 R&D Laboratory
--	---	---	--

OUR PRESENCE

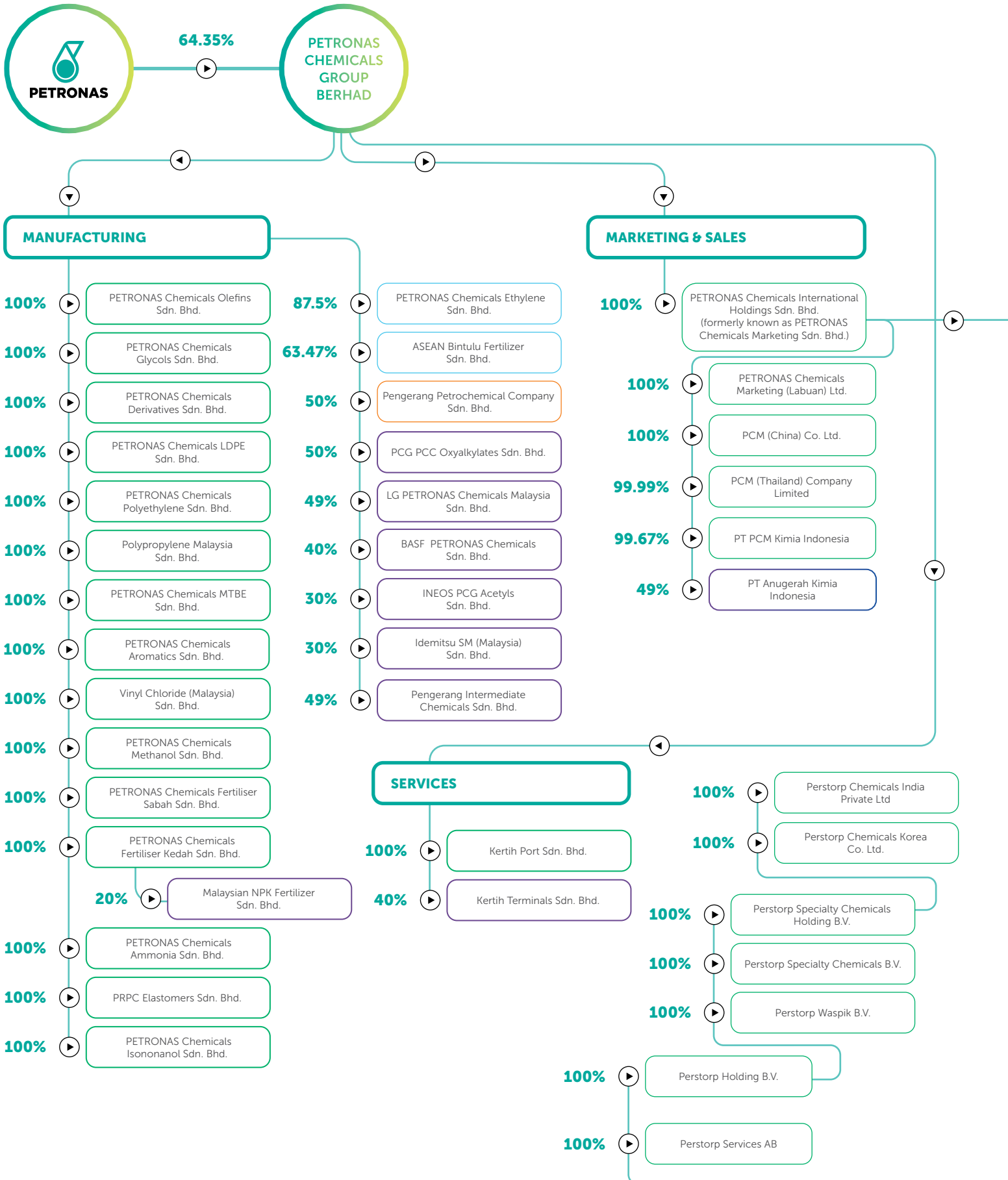


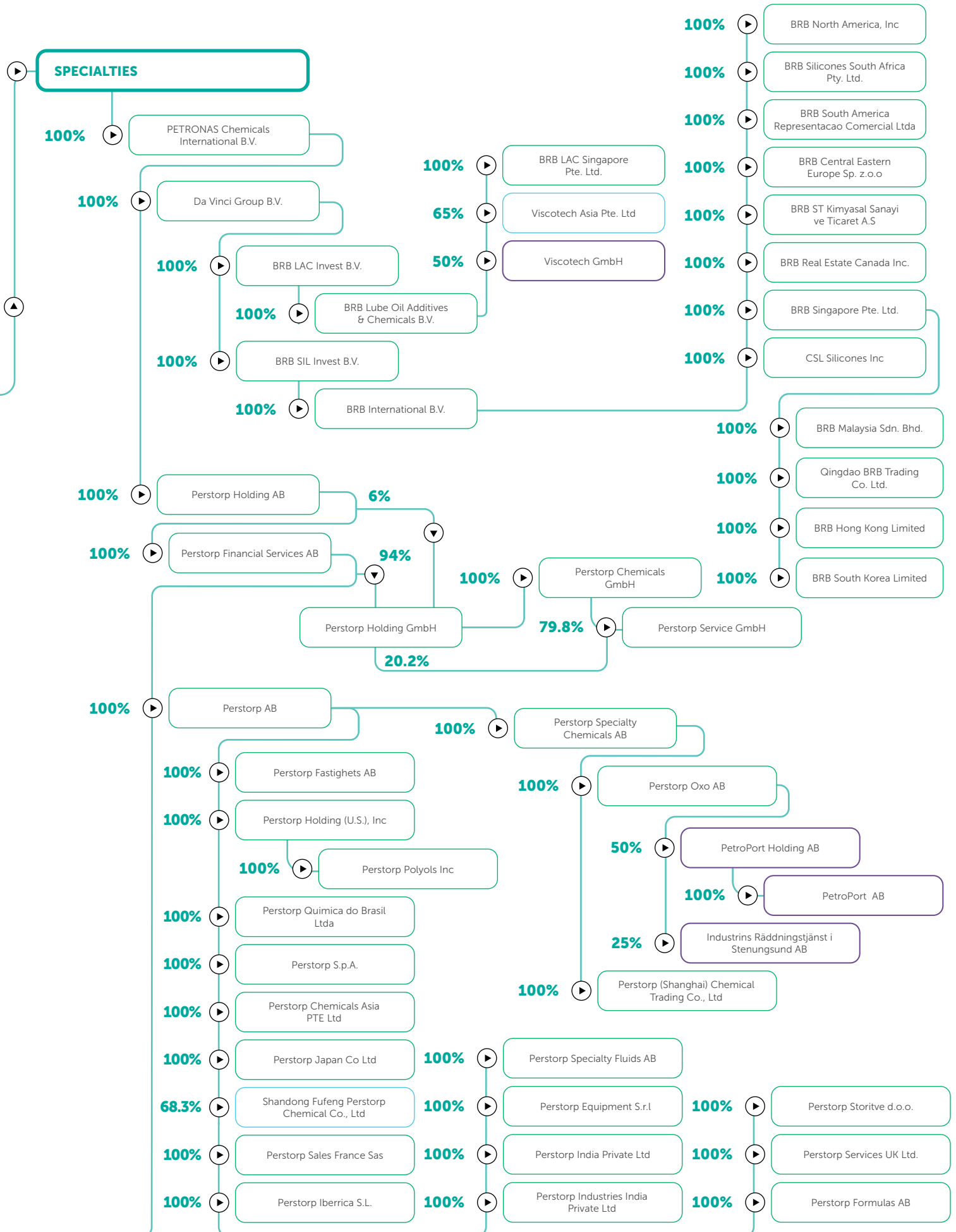
 Brazil 	 Germany  	 Poland 	 Spain 	 UAE 
 Canada  	 Italy  	 South Africa 	 Sweden   	 UK 
 France 	 Netherlands   	 South Korea 	 Turkey 	 USA  

GROUP STRUCTURE

AS AT 28 FEBRUARY 2023

◻ Wholly-owned subsidiaries
 ◻ Partly-owned subsidiaries
 ◻ Joint operation
 ◻ Joint ventures and associates





CHAIRMAN'S STATEMENT

DELIVERING OUR PURPOSE

**Datuk Ir. (Dr.)
Abdul Rahim Hashim**

Chairman



RM2.8 Billion

2019

Dear Stakeholders,

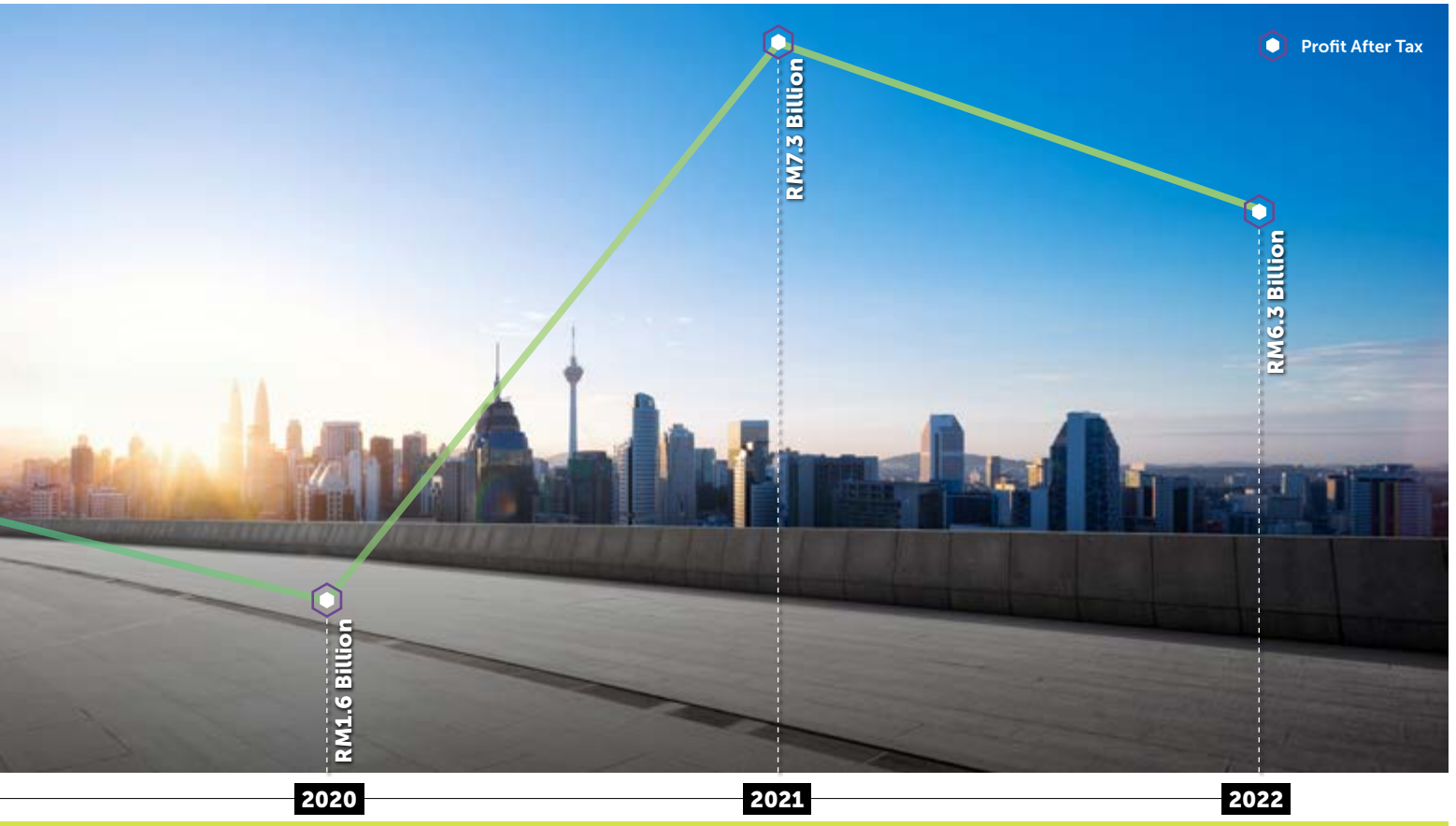
PCG has demonstrated resilience and strength in 2022 by successfully navigating challenges, advancing strategies and ultimately delivering value to our stakeholders. We have upheld our commitment to Operational Excellence and Commercial Excellence, both crucial ingredients that are vital to our growth journey. Most significantly, we were able to leapfrog PCG to the next level of growth with the successful acquisition of Perstorp Group, a niche, global specialty chemicals company based in Sweden. With sustainability deeply embedded in their operations, it not only advances PCG's value creation, but also injects greater pace into our sustainability journey.

OVERVIEW OF THE YEAR

The start of 2022 came with a sense of optimism as most countries opted to live with the pandemic, compared to the lockdown approach over the previous two years. Economic recoveries were well underway with countries restarting their engines as lockdown measures were eased in tandem with greater vaccination coverage. However, in February 2022, the Russia-Ukraine conflict created a new set of challenges for the world in both geopolitical and economic contexts, which continue to reverberate to this day.

The conflict was one of the factors, among others, that sent urea prices spiralling upwards given Russia's position as the world's largest urea exporter. Russia's suspension of exports of fertilisers from early March 2022 kept urea and other fertiliser prices at elevated levels. The conflict also increased energy and feedstock prices amid heightened supply concerns in Europe. This predicament led to some of Asia's petrochemical producers switching to alternative feedstock to mitigate high feedstock costs aggravated by volatile crude oil prices amid weak margins.

The higher energy and fertiliser prices as well as disrupted supply chains led to higher rates of inflation in more advanced economies that were already experiencing elevated rates of inflation as a result of the stronger economic growth post-pandemic. This also adversely affected the Asian market which experienced a surge in petrochemicals prices.



In response, central banks tightened monetary policy in a bid to stem inflationary pressures, the side effect of which was the slowing down of economic growth. The International Monetary Fund (IMF) reported the global GDP growth was at 3.4% in 2022, while the GDP growth across European countries was 3.5%, both lower than earlier forecasts. Growth in ASEAN was also affected by higher inflation, policy tightening in advanced economies and slower GDP growth in China, which will see growth in the ASEAN-5 area slow to 4.3% in 2023.

Even with the persistent challenges seen throughout the year, PCG continued to advance its value creation journey. Our resilience enabled us to record a strong set of results this year, with profit after tax (PAT) of RM6.3 billion. In addition to favourable product prices, our ability to continuously keep our plants operating while maintaining high safety standards contributed to this commendable performance.

The successful acquisition of Perstorp Group is a feather in the cap for PCG’s growth story in my view and gives us a timely leg up in the specialty chemicals space. This acquisition has not only helped us significantly move the needle in terms of where we want PCG to be over the



medium term, but also to grow, specifically in the Resins & Coatings, Engineered Fluids, Animal Nutrition and Advanced Materials market segments. Perstorp Group also has a strong pipeline of research and development projects and a range of innovative and sustainability-centred solutions that will help lower carbon intensity in certain product portfolios.

CHAIRMAN'S STATEMENT

GOVERNANCE

In the year under review, the Board agreed to expand the functions of the Board Risk Committee (BRC) to include sustainability oversight. Hence, the BRC was renamed the Board Sustainability and Risk Committee (BSRC) and will provide oversight on sustainability by assessing, evaluating and monitoring the implementation of PCG's economic, environmental, social and governance agenda.

Additionally, in line with our policy on Diversity and Inclusion to increase women leaders, our nine-member Board now has three women Directors which also puts us above the 30% requirement prescribed by the Malaysian Code on Corporate Governance.

SUSTAINED CLIMATE ACTION

Climate change and climate action are now a part of everyday conversation and are increasingly becoming critical components of business strategy across all industries in support of the broader agenda of sustainability. Sustainability has always been within PCG's DNA, and we remain deeply committed to ensuring that our growth initiatives are equally matched with efforts to mitigate our impact on the environment, while also contributing to socioeconomic progress.

Given the industry we operate in, this climate conversation requires more than just our attention; it requires concrete and purposeful action. For us, it cannot just be a tick-box exercise, considering that we are a global company with a global impact. This is why we benchmark ourselves against the best in the world. We must go beyond compliance, embedding sustainability in everything that we do.

In terms of climate focus, PCG established its Net Zero Carbon Emissions (NZCE) 2050 Roadmap in 2021 and we are aligned with PETRONAS Group's NZCE 2050 aspirations. In September 2022, we released our first standalone Task Force on Climate-related Financial Disclosures (TCFD) report, an important step in articulating the risks and opportunities posed by climate change for our business. In addition, PCG has commenced its Scope 3 emissions baselining exercise and its targeted to be completed by the second quarter of 2023. We aim to quantify our Scope 3 emissions, which will be used to identify emission-reduction opportunities across the supply chain.

GOING BEYOND COMPLIANCE

- ✓ Released our first standalone Task Force on Climate-Related Financial Disclosures Report
- ✓ Commenced Scope 3 emissions baselining exercise
- ✓ Forged a multitude of strategic partnerships in support of PCG's overall Sustainability Agenda
- ✓ Bolstered Board skill sets and capabilities with the recruitment of the Founder of Climate Governance Malaysia
- ✓ Maintained Top 10% position on the Dow Jones Sustainability Indices (DJSI) for Chemicals Industry
- ✓ Maintained inclusion in FTSE4Good Bursa Malaysia Index for nine consecutive years

This year has also seen us forging a multitude of strategic partnerships to develop the circular economy for plastics in support of PCG's overall Sustainability Agenda, which is aligned with and supports the United Nations Sustainability Development Goals.

The Board has also bolstered its skill sets with the recruitment of Datin Seri Sunita Mei-Lin Rajakumar as our newest Board member in July 2022. As the founder of Climate Governance Malaysia, the country chapter of the World Economic Forum's Climate Governance Initiative, the expertise, knowledge and experience she brings to PCG will certainly help to elevate our sustainability journey to the next level.

Our sustainability efforts continued to be recognised by external stakeholders as we remain as a constituent in the top 10% of the Dow Jones Sustainability Indices (DJSI) for the Chemicals industry. PCG is third and seventh on the Emerging Markets Index and World Index respectively with improved scores across economic, environmental, social and governance (EESG) dimensions. PCG skill sets maintained its inclusion in the FTSE4Good Bursa Malaysia Index for the ninth year despite stricter criteria that were introduced in the area of climate change.

CHAIRMAN'S STATEMENT

LOOKING AHEAD

The year ahead is likely to see continued inflationary pressures, an uncertain geopolitical landscape and persistent vulnerabilities in the global supply chain weighing on the global economy. The IMF has forecasted global inflation to slow to 6.6% in 2023 and 4.3% in 2024. Policymakers are expected to stay the course with tight monetary and fiscal policies to restore price stability and alleviate cost of living pressures.

Premised on our performance this year and the new platform of growth that we have created, the future remains bright and exciting for PCG. We will focus on our three strategic thrusts of Operational, Commercial and Growth Delivery Excellence to ensure our plants continue to deliver high utilisation rates while extracting more value by optimising the existing value chain and striving to rapidly turn the recent Perstorp Group acquisition into tangible value.

PCG also remains committed to future-proofing the business via the consistent development of our talent. We recognise that our people are our greatest assets and that they need to be equipped with a range of skills to take on future market realities, in line with PCG's own transformation. PCG is also practical in its talent development approach, understanding that we are a global business and that we may need to tap into external talent to protect and grow our value creation capabilities. In this context, we are firm believers in diversity and inclusion as we seek to increase the number of women



in senior leadership, increase multinational representation within senior leadership, respect and value differences in perspectives and provide space for young talents to develop further.

In the longer term, we believe that an accelerated pathway for PCG's growth can be achieved through organic and inorganic growth. To ensure we continue to thrive as a global player with global ambitions, the people of PCG must also be up to the task, by believing strongly in their abilities and capabilities to deliver on our goals and aspirations. I believe we certainly have the assets, the knowledge, breadth and depth of experience to excel on the global stage.

ACKNOWLEDGEMENTS

In closing, I would like to extend my sincere appreciation to my fellow Board members who have extended their unwavering support since my appointment as the Chairman in January 2022. I would also like to acknowledge that the Management team has been exemplary in its running of the Company. We are indeed fortunate to have a strong group of people at the helm who have instilled the same strength and focus in our employees, thus enabling the success seen this year and, hopefully, for many years ahead. To our employees, thank you for your dedication and commitment in driving our value creation objectives despite the various challenges.

Lastly, to our valued shareholders, customers, suppliers and other stakeholders, we at PCG would like to record our gratitude for your unwavering support. It is with your trust that we find purpose in making a difference and you truly inspire us as we continue on our journey of **Transcending to the Next Level**.

Datuk Ir. (Dr.) Abdul Rahim Hashim
Chairman

MD/CEO'S REVIEW

TAKING ACTION TODAY, BUILDING FOR TOMORROW

Ir. Mohd Yusri Mohamed Yusof

*Managing Director/
Chief Executive Officer
(MD/CEO)*



Dear Stakeholders,

I am pleased to report that PCG has produced a commendable set of results as we remained resolute in delivering our value creation objectives while charting sustainable growth trajectories.

In the first half of 2022, crude oil and petrochemical prices remained at elevated levels following a sharp rise in prices as the Russia-Ukraine conflict created immense uncertainty in energy and commodity markets. As the crisis dragged on, importers scrambled to find alternative sources to Russian oil following embargoes implemented by the European Union and the United States. China's persistent zero-COVID policy also added another element of uncertainty as the lockdowns weighed on consumer demand. For most of 2022, average prices of ammonia and urea were at premium levels whereas

prices of other chemicals were comparable to 2021. However, the prices of derivatives and other downstream products were pressured by the high costs of feedstock amid softened demand. With higher cost of operations stemming from increased costs of feedstock, energy and logistics, the industry was faced with compressed margins.

In the year under review, we demonstrated operational resilience through stable utilisation rates. Despite heavy turnaround activities in the first half of the year, production and sales volume were comparable to the previous year. Underpinned by higher product prices, we produced a solid financial performance which provided a strong base for our growth initiatives.

Against this backdrop, PCG delivered a solid performance in 2022, with Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) of RM8.1 billion.

We also progressed further in our Sustainability Agenda, forging new strategic partnerships focused on the circular economy that augur well for the Company as they will help us advance our low-carbon ambitions. Finally, PCG was able to realise a key growth objective with the landmark acquisition of Perstorp Group, a leading sustainability-driven company based in Sweden, which has now positioned us strongly in the specialty chemicals arena, essentially paving the way for PCG to move to the next stage of its growth journey.



DELIVERING ON OUR STRATEGY

Guided by PCG's Two-Pronged Strategy, we have continued to create meaningful and sustainable value for all our stakeholders. This strategy is underpinned by three strategic thrusts, namely Operational Excellence, Commercial Excellence and Growth Delivery Excellence. These thrusts represent PCG's mindset and approach to value creation. We are committed to ensuring a strong operational platform, generating and maximising revenue potential within existing businesses and then capitalising on new opportunities to diversify into other areas such as derivatives and specialty chemicals.

In 2022, the landmark acquisition of Perstorp Group marked a major milestone for PCG in establishing a key platform to diversify into specialty chemicals and capture new growth opportunities, while enabling us to future-proof our business against market cyclical volatility. It has also elevated our own sustainability journey, which will enhance our value creation abilities and catalyse PCG's growth.

OPERATIONAL EXCELLENCE

At PCG, we are committed to Operational Excellence as it is the core enabler of our business. This starts with our people, by making sure we prioritise their health and safety as it is key to improved plant reliability and performance. We advocate a strong generative HSE culture that instils discipline in compliance and promotes greater awareness. In 2022, our efforts resulted in ZERO Fatality, ZERO Major Fire and a better Lost Time Injury Frequency (LTIF) of 0.17 in comparison to the industry average of 0.22, as recorded by the International Association of Oil & Gas Producers (IOGP).

In demonstrating our commitment to HSE Excellence, we continue to strengthen our efforts to further enhance our HSE practices. For example, Focused Learning sessions were conducted for specific groups on lessons learnt based on past HSE incidents and the implementation of HSE best practices, especially during turnaround activities such as the usage of the artificial intelligence surveillance camera and drones. Efforts to strengthen HSE compliance among staff and contractors via continuous surveillance and campaigns will continue into 2023 to meet the aspiration of 'Strive for ZERO, ZERO is Possible'.

MD/CEO'S REVIEW

In the first half of 2022, we successfully completed major turnaround activities for several plants. In total, four plants were shut down comprising two Olefins and Derivatives (O&D) plants in the first quarter followed by two Fertilisers and Methanol (F&M) plants in the second quarter. However, we experienced operational challenges at ASEAN Bintulu Fertilizer (ABF), PC Methanol and PC Aromatics during post-turnaround start-up which delayed the resumption of production. Despite the heavy turnaround activity and challenges, PCG successfully delivered production volumes of more than 10 million tonnes per annum (tpa) in 2022 from its Malaysia and international operations.

To ensure sustainable plant efficiency and reliability, we intensified the implementation of our equipment reliability strategy. Digital monitoring tools were used to enhance visibility of potential threats to our critical equipment. The overall reliability improvement programme is monitored by special working groups comprising experts from relevant disciplines.

DELIVERING VALUE

In delivering Commercial Excellence, we collaborated and worked closely with all stakeholders to optimise value creation and fulfil our customers' needs through what was a challenging year. In the year under review, customer orders were consistently and continuously fulfilled, despite the heavy turnaround activities. PCG recorded sales volume of 8.3 million tpa, comparable to the previous year.

PCG also remains committed to meeting the needs of our customers through new and enhanced products and solutions. In the year under review, we launched a more cost-effective fertiliser, i.e., Compacted NPK, which is mainly targeted at the palm oil sector. In addition, we launched a new polymer grade for roto mould application that is suitable for complex design for caps and closure producers.

This year, we started offering Roundtable on Sustainable Palm Oil (RSPO) Certified product, Fatty Alcohol Ethoxylates, thus enabling us to support customers in their sustainability journey through the provision of responsibly-sourced bio-based feedstock.

DELIVERING GROWTH

We remain committed to staying on course with our growth ambition by extending our value chain and venturing into derivatives, specialty chemicals and solutions to future-proof the business against market cyclicalities and volatility. While we had looked forward to the commencement of



petrochemical operations at the Pengerang Integrated Complex (PIC), we regret that it has been delayed due to a fire incident in October 2022 involving PIC's utilities interconnecting pipeline. Fortunately, there was no damage to our petrochemical facilities. However, the integrated nature of the whole complex necessitated a temporary shut down to ensure the well-being of our employees, workers and surrounding communities. The repair work began immediately and was completed in December 2022. We have gradually resumed the start-up of the petrochemical plants following complete rectification of the affected pipeline. We target to achieve commercial readiness in the second half of 2023.

In the year under review, we achieved Final Investment Decisions (FID) on two projects. The first is the development of a melamine plant within the PETRONAS Chemicals Fertiliser Kedah (PC FK) complex in Gurun, Kedah. Aimed to optimise value of the facility, the plant is expected to come onstream in 2024. With a capacity of 60,000 tpa, PCG will be the sole melamine producer in Southeast Asia, a market with healthy demand growth which currently imports all its melamine from China. Currently, the project is in its construction phase.

Our second FID is an expansion of the 2-Ethylhexanoic Acid (2-EHA) plant in Gebeng, Pahang through our JV company, BASF PETRONAS Chemicals Sdn. Bhd. (BPC). The annual production capacity of the plant will increase from 30,000

MD/CEO'S REVIEW



to 60,000 metric tonnes by 2024. 2-EHA is a chemical intermediate used as a compound in the production of synthetic lubricants as well as oil additives. The project is currently in the engineering stage, and it is progressing according to project milestones.

We also made progress in growing our specialty portfolio with the launching of BRB Group's new lube oil additives manufacturing facility at Echt, Netherlands. This facility will serve as a Lube Oil Additives and Chemicals (LAC) hub for PCG to serve the global market. BRB Group expanded its presence with the operationalisation of its South Korean subsidiary and plans to set up another in the United Kingdom. Closer to home, we continued to maximise the production of the new silicone blending facility in Gebeng, Pahang. BRB Group also obtained halal certification in 2022, a significant step forward in our ability to tap into the halal market, especially in the personal care segment which is growing strongly.

Perstorp Group, our latest acquisition, has an industry-leading sustainability strategy and is renowned for its Pro-Environment products and solutions that are used by and required for the sustainable transformation of many industries and end-products. Perstorp Group's holistic and innovative approach is to become Finite Material Neutral by switching to abundant and/or renewable resources or closing loops by recycling or reusing finite materials. These approaches are in line with PCG's goal to make positive environmental and social contributions and we are confident that together we can accelerate our sustainability journey towards a circular economy.

In creating optionality for growth through internal Research & Technology and corporate venture capital (CVC), our first Bio-Monoethylene Glycol (Bio-MEG) pilot plant is currently in operation with samples being processed further to achieve polyester-grade Bio-MEG. We have also made progress in the CVC space with the inking of a Distribution and Manufacturing Service Agreement with Anuvia, a start-up company with technology to convert organic waste to bio-waste chemical fertiliser.

ADVANCING SUSTAINABILITY

As we push ahead with our Sustainability Agenda, we are cognisant of the dynamic environment that requires us to adapt to evolving stakeholder expectations, a maturing sustainability landscape and growth in our business. This is why we enhanced our Sustainability Agenda in the year under review, to ensure that we continue to address all topics that are material to PCG, and more importantly our stakeholders.

The enhancements will create a more strategic and forward-looking approach within the Sustainability Agenda. The Risk Management Committee was restructured to the Sustainability and Risk Management Committee to effectively steer the implementation of the enhanced agenda.

In the year under review, we pursued a climate-focused agenda with our operational units implementing initiatives to realise our Net Zero Carbon Emissions (NZCE) 2050 Roadmap. As at end 2022, through various efforts such as process optimisation and catalyst upgrades, we have achieved a reduction of more than 108,000 tCO₂e. This has surpassed our short-term target of reducing our Scope 1 and Scope 2 GHG emissions by 100,000 tCO₂e by 2024.

We also published our first Task Force on Climate-Related Financial Disclosures (TCFD) standalone report which outlined our long-term climate-related risks and opportunities.

Our climate ambitions are further supported by our efforts in preserving the biodiversity, where we collaborate with the Malaysian Nature Society (MNS) in mangrove conservation. One of the activities conducted in 2022 was the monitoring of mammals and birds in the impact radius area, which found several species of mammals and birds that are part of the International Union for Conservation of Nature Red List.

MD/CEO'S REVIEW

PCG is also closely monitoring climate risks that may impact our ability to create long-term value for our stakeholders. As climate change disrupts weather patterns, causing extreme weather events, there is increased risk of unpredictable water availability, contaminated water supplies and exacerbated water scarcity. As such, to address future water risks, we have piloted a project at our PC Methanol plant which has managed to reduce freshwater intake by 20%, with a target to reduce intake by more than 60% by 2027.

On the matter of plastic waste initiatives under PCG's New Plastics Economy (NPE) agenda, we continue to support the Malaysia Plastics Sustainability Roadmap 2021-2030. To accelerate our progress in this area, we established partnerships with both domestic and international organisations, which will also contribute to building long-term value from the transition towards a circular economy. In this context, PCG aspires to recover 100% of plastic waste equivalent to domestic polymer sales. Our efforts, which began in 2019, received a significant boost in 2022 with the signing of memoranda of understanding (MOU) with KDEB Waste Management, One Biosys Sdn. Bhd., Alam Flora Environmental Solutions Sdn. Bhd. (AFES) and E-Idaman to obtain plastic waste from these waste management companies.



This plastic waste will be reprocessed to produce circular polymers for food packaging, healthcare and industrial applications, thereby reducing the amount of plastic waste ending up in landfills. PCG also fosters collaborations to evaluate opportunities for the development of waste segregation facilities to improve plastic waste segregation. To further strengthen our efforts towards achieving circular economy, PCG signed an MOU with ExxonMobil to assess the potential for the industrial-scale implementation of advanced plastic recycling technology at a PETRONAS-owned facility.

In giving back to our communities, PCG activated its Community Relief Programmes targeting areas of our operations by contributing food aid to 1,450 B40 families as well as victims of climate-related disasters across selected regions in Malaysia.

We continuously strive to create a positive impact on the society and the environment by initiating community-driven programmes. This includes our Be Green programme, where we educate the public on responsible waste management, coupled with our Plastic, Sustainability & You module education series which has successfully reached over 300,000 stakeholders, including students as well as the community.

In addition, through SEEd.Lab, an end-to-end incubator programme powered by PETRONAS and Tata Consultancy Services (TCS), PCG has, jointly with other investors of the programme, contributed towards creating positive impacts on more than 13,000 lives through eight social enterprises, since its establishment in January 2020. The first of its kind in comprehensiveness in Malaysia, SEEd.Lab tackles social pain points by building self-sustaining social enterprises that forge solutions for specific beneficiaries within communities. Beyond monetary contributions, PCG helped SEEd.Lab's social enterprises by offering business and leadership mentorship.

Cognisant of the important role we play in helping to develop the nation's resources for the benefit of all stakeholders, we continue our collaboration with state governments where we have operations. In August 2022, Terengganu's state-owned company, Menteri Besar Terengganu (Incorporated) or MBI, signed a letter of expression with us and our partner, PCC SE, to acquire a 5% equity stake in our Oxyalkylates plant in Kerteh. In January 2023, we signed a Head of Agreement with the State of Sabah, through its wholly-owned company SMJ Sdn. Bhd. (SMJSB), to divest 25% of our subsidiary in Sabah, PETRONAS Chemicals Fertiliser Sabah Sdn. Bhd. (PC FSSB). These efforts represent our intention to work with the Terengganu and Sabah state governments to sustain and grow the petrochemicals business in their states.

In 2022, we adopted a Diversity & Inclusion (D&I) framework that focuses on the four key areas of Gender, Multinational, Culture and Age to provide a foundation for a more diverse and inclusive environment. We believe that diverse ideas, views and backgrounds create a more progressive and creative work environment that delivers better outcomes.

MD/CEO'S REVIEW

OUTLOOK

The resilience of our operations and the dedication of our people will remain crucial as we move forward to collectively address global challenges. High inflation is expected to continue into 2023 which could decelerate economic activities, dampen demand growth and pressure energy prices.

The global economy is expected to rebound in 2024 as supply chains normalise, inflationary pressures ease and pro-growth policies and fiscal measures continue to be implemented. The long term demand for petrochemicals is anticipated to remain strong, driven by world population and economic growth. The long-term prospects of the specialty chemicals market remain bullish, riding on the wave of continued growth driven by Asia as the next key market for chemicals.

PCG looks forward to another exciting year despite these uncertainties. We will make every effort to sustain HSE Excellence and maintain our world-class plant performance while maximising the value of our sales towards sustaining the business. In terms of growth, we anticipate commercialising our investments in specialty ethoxylates & polyols and nitrile butadiene latex (NBL) plants by the end of 2023 as well as fully integrating Perstorp Group into our operations. We also look forward to the commercial operations of our petrochemical plants at PIC.

From a sustainability perspective, PCG is committed to ensuring that our business practices are in line with global EESG practices, especially as the regulations surrounding sustainability disclosures and commitments become increasingly more stringent. We will also continue pushing beyond what is outlined in our NZCE 2050 roadmap, where we have started mapping out our Scope 3 emissions. This will enable us to strategise on further emissions reduction opportunities and aid efforts to reduce our environmental impact. In tandem with this, we will be transitioning to equity-based accounting which will help to capture our emissions data more comprehensively. I am also excited about the technologies that we have gained as a result of the Perstorp Group acquisition which when applied, will be a great help going forward in significantly lowering overall carbon emissions intensity.



ACKNOWLEDGEMENTS

In closing, I would like to convey my sincere gratitude to all our stakeholders for their unwavering and tireless support, and our Board of Directors for their continued guidance. Most importantly, my deepest appreciation to the employees of PCG for rising up and delivering when it mattered most. Your hard work, sense of duty and diligent work ethic have been the key to our Company's success. I would also like to extend my appreciation to our shareholders for believing in our growth strategies and providing resounding support in the acquisition of Perstorp Group. I believe we can achieve what we have set out to do because with the strength of our mindsets and the determination to accomplish, we are undoubtedly **Transcending to the Next Level.**

Ir. Mohd Yusri Mohamed Yusof

Managing Director/ Chief Executive Officer

CFO'S REVIEW

STRENGTHENING OUR RESILIENCE, DRIVING VALUE

Mohd Azli Ishak

Chief Financial Officer



Dear Stakeholders,

Amid a volatile market, PCG continued to deliver a strong set of financial results in the year under review, as we continued to make good on our promises to deliver value to our stakeholders. In 2022, we recorded commendable earnings while stepping out significantly into the specialties space with the acquisition of Perstorp Group. PCG also demonstrated operational resilience throughout the year as it rapidly recovered from heavy statutory plant turnaround activities, enabling us to achieve Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) of RM8.1 billion.

The focused execution of our strategies and efforts to strengthen our core business has clearly taken PCG to the next level. Besides ensuring stable plant operations, we have also responded to the uncertain global landscape with a disciplined approach towards cost optimisation and focused on consistent business growth, with a strong emphasis on advancing our sustainability journey. I would like to give credit to all PCG employees for their perseverance during challenging times, while demonstrating great resilience and stamina in weathering the uncertainties we have faced.

The price of crude oil rose to an average of USD101 per barrel in 2022 compared to USD71 per barrel in 2021. The increase in oil prices, as well as healthy demand for petrochemical products amid limited supply in certain markets, resulted in higher product prices. Capitalising on our Operational Excellence and Commercial Excellence, we achieved commendable results, despite the softening market in the second half of the year.

Our team sustained stable plant performance at a full-year plant utilisation (PU) rate of 89%, albeit lower than last year's 93%, mainly due to heavy turnarounds at our Malaysian facilities during the year. PCG recorded a comparable production volume of 10.4 million tpa against the year 2021 from its Malaysian and international operations this year. We ensured the timely delivery of products to achieve 8.3 million tpa in sales volume.

BRB Group delivered outstanding financial results in 2022 driven by a stronger market which provided an additional EBITDA of RM366 million to PCG, more than double of its annual target and the highest EBITDA since its inception more than 40 years ago.

The acquisition of Perstorp Group has further expanded our specialty chemicals offerings, bringing us closer to realising our mid-term goal of 30% additional revenue from non-traditional business by 2030. With Perstorp Group's revenue now contributing to the Group, we achieved a significant increase of 26% in revenue, from RM23.0 billion to RM29.0 billion in 2022. However, our cost of revenue increased by 40%, from RM14.4 billion to RM20.3 billion, mainly due to higher feedstock and fuel costs in line with higher energy prices. Feedstock costs remained the most significant component of the Group's cost of revenue, comprising approximately 48% of the total costs for the year.

PCG recorded EBITDA of RM8.1 billion, which declined from RM8.3 billion in 2021 mainly due to compressed margins. As a result, our EBITDA margin during the year stood at 28%. Along with the decrease in EBITDA, we saw a reduction in our profits mainly arising from a lower share of profits from our joint ventures and associates which were also not spared from the volatile market environment. Our Profit Before Tax (PBT) contracted from RM7.7 billion to RM6.7 billion while Profit After Tax (PAT) reduced from RM7.3 billion to RM6.3 billion.

The commissioning of our petrochemical plants at the Pengerang Integrated Complex (PIC) faced a setback following a fire incident within the complex in October 2022. Although the incident occurred outside of our facilities, the commissioning of our plants was delayed and this may pose risk to the project economics. To mitigate such risk, we continuously assess the progress of the project, its financial status and funding requirements in addition to ensuring safe and smooth operation of our petrochemical plants.



KEY ACHIEVEMENTS

Profit After Tax

RM6.3 billion

2021*: RM7.3 billion



Liquidity with CFO of

RM8.0 billion

2021*: RM8.2 billion



Dividend Payout Ratio

51.9%

2021: 61.0%



* Certain financial information and its corresponding financial ratios have been restated in line with amendments to MFRS 116 Property, Plant and Equipment

PRUDENT COST DISCIPLINE AND OPTIMISATION



Our capability to sustain our position as the nation's industry leader by continuing to take proactive measures that optimise cost and preserve the value

ACTIONS

- Exercised robust financial discipline and cost optimisation driven by value creation initiatives through Operational and Commercial Excellence
- Leveraged tools such as preventive maintenance through machinery monitoring and prescriptive and diagnostic measures
- Effective stakeholders management through contract negotiations to achieve better contract value

RESULTS

- Realised cost optimisation target of >100%

HEIGHTENED RISK MANAGEMENT AND GOVERNANCE



Our effective risk management has always been a pillar of good governance and integral to ensure business continuity

ACTIONS

- Enhanced the role of the Board Risk Committee (BRC) and Risk Management Committee to Board Sustainability and Risk Committee (BSRC) and Sustainability and Risk Management Committee (SRMC) respectively to add sustainability oversight by assessing, evaluating and monitoring the implementation of PCG's Economic, Environmental, Social and Governance (EESG) roadmap
- Continues to assess high-impact business matters with the assistance of the Board and BSRC, including proposals for acquisitions, portfolio rationalisation, joint ventures, alliances for strategic ventures, key capital projects, and new ventures to ensure PCG's steadfast growth
- Communicated and encouraged joint venture and associate companies to implement effective risk management

RESULTS

- Protect and add value to PCG through effective risk management practices embedded in business and operational processes
- Exploit growth and business opportunities via evaluation and effective decision-making processes supported by risk assessment including the acquisition of Perstorp Group
- Enhanced risk management system at BRB Group including establishment of risk profile and risk assessment in decision making

EFFECTIVE WORKING CAPITAL AND LIQUIDITY MANAGEMENT



Our working capital management initiatives focused mainly on effective inventory management, trade receivables & payables and liquidity management

ACTIONS

- Ensure efficient inventory management through planning and proactive monitoring, and implementation of Bottom-Up Stock Target (BUST) initiative to operate plants with an optimal stock level and ensure supply continuity to our customers
- Close tracking and monitoring of any potential overdue receivables
- Enhance scrutiny of payables deadlines and improve efficiency of the payment process to ensure timely payments within the agreed terms, thus safeguarding our creditors
- Prepare daily cash flow forecasts

RESULTS

- Maintained a timely monetisation of products, balanced with its availability, to meet customers' requirements
- Ensured timely receipt of payments and maintained a record with no outstanding receivables written-off
- Maintained sufficient cash for day-to-day business operations and potential growth requirements

EXTERNAL FINANCING



Our ability to secure financing amidst uncertainties is a testament to financial institutions' confidence in PCG, our financial strength and attractive growth projects

ACTIONS

- Obtained external financing to ensure sufficient cash availability to fund growth projects
- Despite lower gearing levels, we are cognisant that capital providers will evaluate potential borrowers on their Environmental, Social and Governance performance. At PCG, we continue to put sustainability and lowering emissions as a top priority to ensure that we will be able to tap the market with less difficulty should the need arises

RESULTS

- Secured external financing with competitive rates for BRB International B.V.

CFO'S REVIEW

STRONG SEGMENTAL PERFORMANCE RESULTS

Our basic petrochemicals portfolio comprises two main operating segments, namely Olefins & Derivatives (O&D) and Fertilisers & Methanol (F&M). PCG introduced Specialties as a new operating segment this year, which includes the newly acquired subsidiary, Perstorp Group and also BRB Group. F&M remained to be the highest contributor to the Group's performance.

OPERATIONAL AND COMMERCIAL PERFORMANCE

O&D

PU for O&D decreased by 8% as a result of statutory plant turnarounds and maintenance activities during the year which resulted in lower production and sales volume.

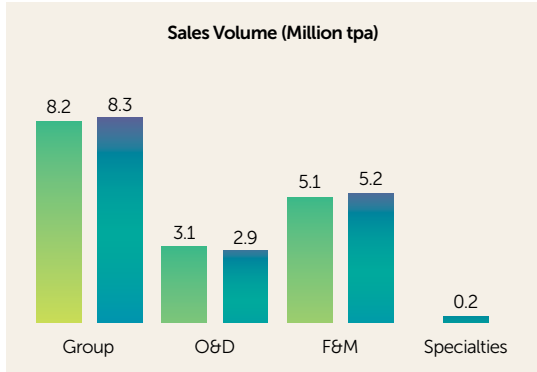
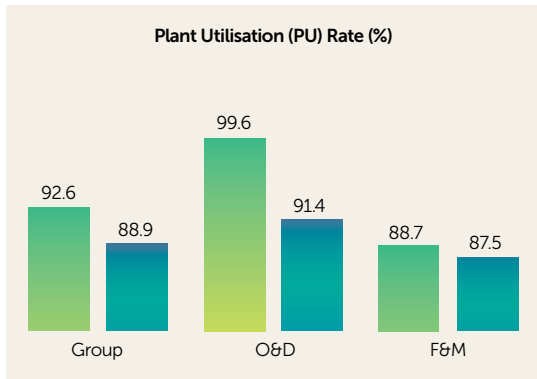
F&M

F&M recorded comparable PU rate, production and sales volume.

SPECIALTIES

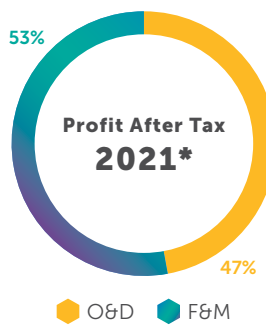
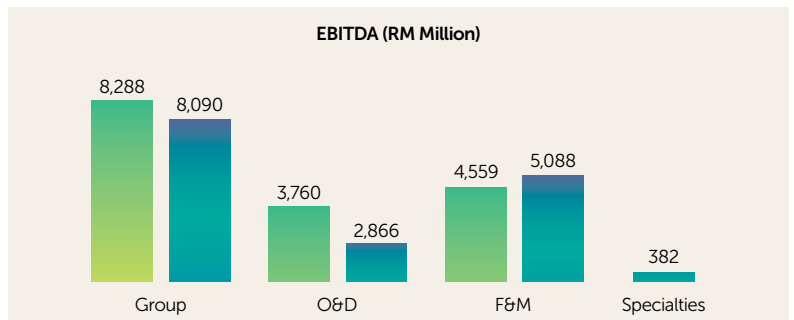
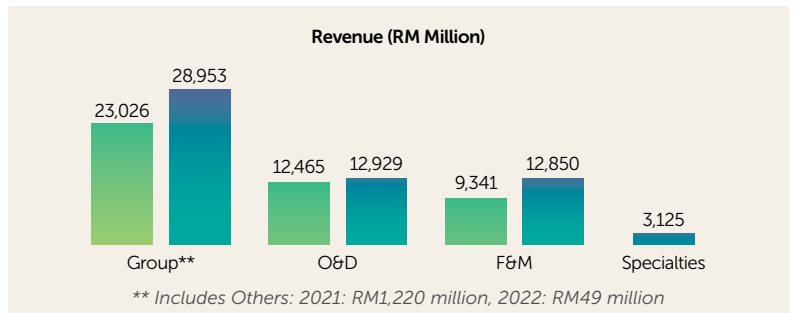
Specialties, which represent 2% of our total sales volume, is a new operating segment introduced during the year upon the acquisition of Perstorp Group.

2021 2022



FINANCIAL PERFORMANCE

2021* 2022



O&D

Average product prices for the O&D segment were higher, driven by strong crude oil prices leading to a 4% increase in revenue. EBITDA decreased by RM894 million or 24% from 2021 mainly due to lower sales volume. PAT decreased in line with the lower EBITDA; and due to lower share of profits from joint ventures and associates.



F&M

Average product prices for the F&M segment were higher, leading to 38% higher revenue compared to 2021. EBITDA rose by RM529 million or 12% from 2021 due to improved margins. PAT increased in line with the higher EBITDA.

SPECIALTIES

Specialties contributed to RM382 million and RM113 million of our EBITDA and PAT respectively, primarily due to the stellar performance by BRB Group as a result of improved margins; and the acquisition of Perstorp Group during the year.

* Certain financial information and its corresponding financial ratios have been restated in line with amendments to MFRS 116 Property, Plant and Equipment

CFO'S REVIEW

ROBUST BALANCE SHEET MANAGEMENT

Overall, our total assets grew by RM9.0 billion or 19% at RM55.4 billion. This was mainly driven by the acquisition of Perstorp Group which was fully financed by internal funds. While this has reduced our cash reserves, this capital investment has strengthened our cash generation. Our cash balance remained healthy at RM8.9 billion and we have ample credit headroom as gearing ratio remained stable at 7%. This puts us in a financially strong position to continue pursuing our growth strategies.

RETURNS TO SHAREHOLDERS

As per PCG's dividend policy, we maintained our commitment to a dividend payout ratio of around 50% of Group Profit After Tax and Non-Controlling Interests (PATANCI). The policy ensures attractive returns that meet shareholders' expectations while preserving cash to fund growth investments.

The Group declared dividends of 25 sen and 16 sen per ordinary share during the year, representing a dividend payout of 51.9% of PATANCI amounting to RM3.3 billion.

SUSTAINABILITY

Sustainability and discussions surrounding climate change continue to be a significant part of board room conversations globally as organisations sharpen their respective strategies to respond to this heightening risk. In this regard, the finance team is fully behind PCG's Sustainability Agenda of achieving the aspirations of the Net Zero Carbon Emissions (NZCE) 2050 Roadmap. With the NZCE pathway now outlined, it has given greater clarity on what is required to achieve a net zero carbon future. In relation to this, PCG has acted proactively in publishing its first standalone Task Force for Climate-related Financial Disclosures (TCFD) report in September 2022 which discusses our responses to disclosure recommendations under the TCFD.

The TCFD framework helps business organisations to identify climate-related risks and opportunities with



financial impacts. Adopting the TCFD recommendations will allow us to disclose our climate-related risks and opportunities while providing investors with a clear understanding of the potential financial implications of our transition to a low-carbon economy.

PCG's acquisition of Perstorp Group further solidifies our ambitions in achieving NZCE by 2050, as we are able to reduce our carbon footprint in the long run through the use of greener feedstock from Perstorp Group, in line with Perstorp Group's aspiration to become Finite Material Neutral.

OUTLOOK

As we enter into 2023 amidst volatile global economic conditions, we remain focused on driving PCG's strategic thrusts to accelerate growth and create stakeholders' value, whilst navigating market uncertainties. We are certainly looking forward to commercialising our operations at the PIC once all safety measures and other considerations are fulfilled. We will also be working hard in ensuring a smooth and seamless post-merger integration of Perstorp Group into PCG, which will contribute additional earnings, expand our global market presence and improve our product portfolio, especially within what is now an expanded specialty chemicals platform.

Building on the momentum from previous year, we target to deliver higher returns

to shareholders from our specialties segment as we anticipate an upward trajectory for the specialty chemicals market as Asia is expected to be the next key market.

In maintaining our license to operate, we are aware that it is a matter of time before carbon tax comes into play. If we do not respond, it will immediately erode our ability to deliver value to our stakeholders. Thus, this partly drives our need to lower emissions either through our own initiatives or through acquisitions like Perstorp Group with its pro-environment approach and low-carbon portfolios while accelerating our journey towards a circular economy. We are also gearing up in the anticipation of new standards by the International Sustainability Standards Board (ISSB) on general sustainability-related disclosures and climate-related disclosures.

We believe that there are opportunities for us to strengthen our balance sheet in driving our operations and flexibility to explore other growth plans. With statutory plant turnarounds and shutdowns planned in 2023, we will continue to prioritise cost discipline and optimisation, as well as Operational Excellence programme to sustain plant utilisation at above industry benchmark levels thus ensuring we remain competitive and resilient.

Mohd Azli Ishak
Chief Financial Officer

SEGMENTAL REVIEW

OVERVIEW

In the year under review, PCG's basic chemicals segment comprising Olefins & Derivatives (O&D) and Fertilisers & Methanol (F&M) maintained its strong commitment to Operational and Commercial Excellence.

We fostered close collaboration with key stakeholders across the value chain to deliver value for our customers throughout what has been a challenging year as a result of ongoing geopolitical issues, inflationary pressures and slowing economic growth.

In the first half of the year, both segments undertook major turnaround activities which were successfully completed. O&D completed turnaround activities at PC Derivatives and PC Aromatics, in Kerteh while F&M completed turnaround activities for PC Fertiliser Sabah and PC Methanol Plant 2 in Labuan.

O&D benefited from the higher product prices especially in the first half of the year, as a result of the rise in crude oil prices and rebound in petrochemical demand. F&M also benefited from higher product prices, particularly urea and ammonia, following the increase in natural gas prices and supply disruptions due to the Russia-Ukraine conflict.

Throughout the year however, tight COVID-19 lockdowns in China and ensuing supply chain disruptions continued to weigh on overall demand and impacted our business to a certain extent as freight

costs increased in tandem with limited vessel space. Nevertheless, we were able to mitigate these challenges due to our strong network of partners, as well as through further expansion of our China Domestic Distribution (CDD) programme. The CDD programme which covers domestic tank/warehouse leasing, inroad transportation and term contracts with customers minimised the impact of lockdowns which resulted in better delivery performance.

In 2022, both O&D and F&M segments introduced new or enhanced products, achieved stable plant utilisation rates, delivered a high order fulfilment rate and made further headway in our sustainability contributions to the Group.

Overall, due to the turnaround activities, plant utilisation rate and production volume for O&D segment were lower in 2022 which translated into lower sales volume for the segment. Meanwhile, F&M segment recorded comparable plant utilisation rate, production volume and sales volume. Besides heavy turnaround activities in 2022, each segment also experienced internal reliability challenges in the first half of 2022 which has been addressed resulting in improved plant utilisation above 90% in second half of 2022. On top of internal reliability challenges, some external challenges such as interruption in water supply and disruption in gas supply impacted our production volume. Nevertheless, with close coordination and collaboration, we managed to minimise the impact to our operations which testify to our strong stakeholder relationship.

BASIC CHEMICALS & DERIVATIVES



SEGMENTAL REVIEW

KEY TO SUCCESS

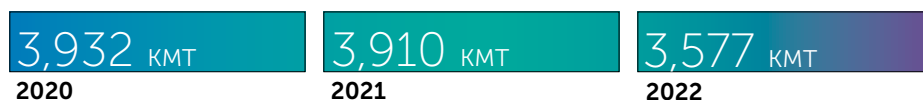
From a manufacturing perspective, we are guided by the overarching goal of maximising production while maintaining safe working environment for our staff and contractors working at our facilities. This manifests itself in many ways, anchoring on the HSE and Operational Excellence supported by simplification and efficiency improvement through digital tools as well as good collaboration with key relevant stakeholders including government agencies and contractors.

From the commercial perspective, we are focused on close collaboration and customer intimacy, as we seek to deliver innovative solutions, products and applications that bring added value to their businesses. Besides leveraging digitalisation to be more efficient in servicing our customers, we also go beyond just fulfilling their basic needs by engaging them through product stewardship. The outcomes of these engagements enable us to enhance our products according to customers' more specific requirements and needs, leading to additional value creation. This is also in line with our Enterprise Optimisation initiative to maximise value creation by finding the optimum state and sales mix based on the value and constraints of each product.

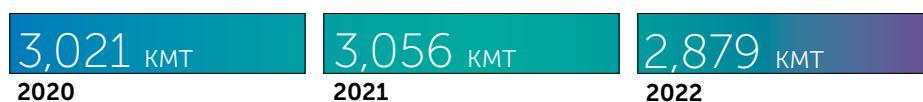
PERFORMANCE HIGHLIGHTS & ACHIEVEMENTS

O&D

Overall Production Volume



Overall Sales Volume*



* Inclusive of PIC volume

Revenue:

RM12.9 billion
2021: RM12.5 billion

Profit After Tax:

RM2.6 billion
2021: RM3.4 billion

EBITDA:

RM2.9 billion
2021: RM3.8 billion

Plant Utilisation



** Lower due to turnaround activities at PC Derivatives and PC Aromatics

Production Volume Breakdown



Sales Volume Breakdown





SEGMENTAL REVIEW

Performance Highlights & Achievements

F&M

Overall Production Volume

6,764 KMT 2020	6,478 KMT 2021	6,390 KMT 2022
-------------------	-------------------	-------------------

Overall Sales Volume

5,183 KMT 2020	5,145 KMT 2021	5,184 KMT 2022
-------------------	-------------------	-------------------

Revenue: RM12.9 billion 2021: RM9.3 Billion	Profit After Tax: RM4.1 billion 2021: RM3.9 Billion	EBITDA: RM5.1 billion 2021: RM4.6 Billion
---	---	---

Plant Utilisation

92.3% 2020	88.7% 2021	87.5% 2022*
---------------	---------------	----------------

* Lower due to turnaround activities at PC Fertiliser Sabah and PC Methanol Plant 2

Production Volume Breakdown

Methanol	2020	<div style="width: 80%; height: 15px; background-color: #FFD700;"></div>		1,992 KMT
	2021	<div style="width: 75%; height: 15px; background-color: #90EE90;"></div>		1,912 KMT
	2022	<div style="width: 70%; height: 15px; background-color: #008080;"></div>		1,854 KMT
Ammonia	2020	<div style="width: 90%; height: 15px; background-color: #FFD700;"></div>		2,329 KMT
	2021	<div style="width: 85%; height: 15px; background-color: #90EE90;"></div>		2,250 KMT
	2022	<div style="width: 75%; height: 15px; background-color: #008080;"></div>		2,166 KMT
Urea	2020	<div style="width: 95%; height: 15px; background-color: #FFD700;"></div>		2,443 KMT
	2021	<div style="width: 90%; height: 15px; background-color: #90EE90;"></div>		2,316 KMT
	2022	<div style="width: 85%; height: 15px; background-color: #008080;"></div>		2,370 KMT

Sales Volume Breakdown

Methanol	2020	<div style="width: 85%; height: 15px; background-color: #FFD700;"></div>		1,971 KMT
	2021	<div style="width: 80%; height: 15px; background-color: #90EE90;"></div>		1,982 KMT
	2022	<div style="width: 85%; height: 15px; background-color: #008080;"></div>		2,078 KMT
Ammonia	2020	<div style="width: 40%; height: 15px; background-color: #FFD700;"></div>		779 KMT
	2021	<div style="width: 45%; height: 15px; background-color: #90EE90;"></div>		825 KMT
	2022	<div style="width: 35%; height: 15px; background-color: #008080;"></div>		736 KMT
Urea	2020	<div style="width: 95%; height: 15px; background-color: #FFD700;"></div>		2,433 KMT
	2021	<div style="width: 90%; height: 15px; background-color: #90EE90;"></div>		2,338 KMT
	2022	<div style="width: 85%; height: 15px; background-color: #008080;"></div>		2,370 KMT



Life Cycle Assessment (LCA) enables accurate quantification of health and environmental impacts of products as well as identification of opportunities to reduce these impacts

SEGMENTAL REVIEW

OVERALL	
<p>HSE</p> <ul style="list-style-type: none"> • Zero fatality since 2019 • Zero Major Fire since 2019 • Maintained low LTIF (0.17 vs limit 0.22) • Maintained low Total Vehicle Accident Rate (TVAR) (0.08 vs limit 0.19) <p>Operational Excellence</p> <ul style="list-style-type: none"> • Secured reliable feedstock and utilities supply to our plants through effective collaboration with feedstock and utilities supplier • Realised RM25.0 million cost optimisation through the utilisation of digital tools PIVOT Advance Analytics and Asset Performance Management (APM) in managing plant reliability concern 	<p>Commercial Excellence</p> <ul style="list-style-type: none"> • Optimised sales portfolio mix and maintain high pricing excellence against market benchmark to maximise value • Maintained low TVAR and zero fatality since 2019, through implementation of Road Transport Operation Guideline (RTOG), Vehicle Acceptance Checklist (VAC), and Electronic Pre-Departure Checklist (ePDC) • Maintained competitive logistic costs through optimised cost-to-serve amidst rise in Very Low Sulphur Fuel Oil (VLSFO) price and limited vessel space across the Chemical segment <p>Sustainability</p> <ul style="list-style-type: none"> • Delivered GHG accumulated reduction initiative of 108,000 tCO₂e in 2022 ahead of plan target of 100,000 tCO₂e by 2024 • Completed 84% of Life Cycle Assessment (LCA) of our products and on track for full completion in 2023

Key Operational Excellence Achievements

O&D	F&M
<ul style="list-style-type: none"> • Successfully commissioned a 3.5km ethylene transfer line, enabling the increase of the export volume of ethylene which has helped to maximise the production of ethylene at PC Olefins and translated into PCG's highest ethylene production volume • Successfully delivered PC Derivatives turnaround activity ahead of plan • Optimised run length of PC Olefins and PC Ethylene beyond the normal three-year cycle for turnaround activities by conducting internal evaluations and closely collaborating with Department of Occupational Safety and Health (DOSH) to optimise statutory shutdown activities including participation in DOSH's risk-based Special Scheme of Inspection approach 	<ul style="list-style-type: none"> • Through the Additional Methanol Team (AMT) consist of multi-stakeholder from all value chain, we manage to eliminate multiple shutdowns of PC Methanol and PC Fertiliser Sabah (PC FS) through shutdown integration without compromising safety aspect and with full compliance to governance requirement • Successfully delivered PC Fertiliser Sabah turnaround activity ahead of plan • Effective collaboration with key stakeholders in resolving arising issues especially on the water supply issue at Labuan and Kedah

Key Commercial Excellence Achievements

O&D	F&M
<ul style="list-style-type: none"> • Launched LLDPE MI 7 for Caps & Roto Moulding application which is targeted to improve productivity for caps and closures producers due to the easy-to-process material • Amidst the pandemic-driven e-commerce boom in 2020, we commercialised PETRONAS Etilinas Alfatene PE3838MA, an innovative solution designed to enhance bubble wrap packaging for e-commerce and courier services. Sales of this product has grown steadily in Malaysia and in the region, which includes countries such as Thailand, Indonesia, Philippines and China. Sales volume in 2022 was 5,700MT compared to 4,000MT in 2021 and 220MT in 2020 • Expanded CDD programme for polymer to Shanghai and Ningbo, Eastern China. The polymer CDD programme was first established in Huangpu, Southern China in 2021 	<ul style="list-style-type: none"> • Launched Compacted NPK (CNPK) Fertiliser to the National Farmers Organisation for the palm oil sector and other crops in Northern Malaysia. The use of CNPK help to reduce labour, logistics and storage costs as it does not need to be applied as frequently as conventional fertiliser. This also marks our first foray into the palm oil sector as we saw an opportunity to assist our customers given the tight labour market the industry currently faces due to the lingering effects of the pandemic • Collaboration with strategic partners for differentiated/enhanced products such as Aireblue™, CRF Polymer Coated Urea and Ultra High Purity Methanol has provided an opportunity to address customer pain points, enhance technical capability on specialties (technical know-how) and penetrate new market segments. Year-to-date, the revenue contribution from these products have almost doubled to USD3.57 million (2021: USD1.81 million) • Expanded the China Domestic Distribution (CDD) programme for methanol with a new satellite tank in Fujian, Eastern China which saw the arrival of its maiden cargo of 21 KMT in October 2022. The Methanol CDD programme was first established in Taichang in 2020

SEGMENTAL REVIEW










SIGNIFICANT METRICS

In 2022, we leveraged our robust network of domestic and international value chain partners to sustain our sales volume and achieve 95% in Order Fulfilment Reliability (OFR). We also achieved the lowest number of customer complaints since 2019 as we improved our processes at product bagging lines and service providers.

In the year under review, we conducted 12 Felt Leadership sessions with our transporters which involves the management team conducting walkabouts to enforce PCG's mindset on safety policies and procedures such as our Road Transport Operational Guidelines (RTOG). As a result, we have seen improved safety performance in terms of lower Total Vehicle Accident Rate and zero fatalities recorded since 2019. RTOG contains comprehensive road safety modules to upskill logistics service providers to ensure our products are delivered to customers safely and on time.

DESCRIPTION	2020	2021	2022
Lost Time Injury Frequency (LTIF)	0.14	0.07	0.17
Felt Leadership Sessions	9	12	12
Total Vehicle Accident Rate (TVAR) <i>Note: Zero fatalities recorded since 2019</i>	0.13	0.20	0.08
Order Fulfillment Reliability (OFR) (%)	97	87	95
Customer Feedback (no. of complaints)	21	23	9
Product Stewardship & Technical Talks	14	12	13
Life Cycle Assessment (LCA) Completion (%)	56	65	84

SEGMENTAL REVIEW

Value Creation for Stakeholders		
Stakeholders	What They Expected	How We Created Value
Employees 	<ul style="list-style-type: none"> To be able to work and carry out their tasks in a safe and conducive environment 	<ul style="list-style-type: none"> Conduct periodic reach-out programmes to promote a safe working environment, generative culture and good mental health among employees
Customers 	<ul style="list-style-type: none"> To receive high-quality products and services in a timely manner To develop innovative solutions and collaborate with customers to co-create application solutions that meet their specific needs To receive attentive customer service To be given competitive product pricing and fair credit terms 	<ul style="list-style-type: none"> Optimised production volume through effective coordination with feedstock supplier to secure reliable and quality feedstock supply as well as the implementation of advanced digital tools to manage plant reliability Ensured timely product delivery to meet customer requirements Introduced innovative chemical solutions and co-created application solutions to support customers' business growth and ensured they were delivered on time Addressed customer pain points through effective customer feedback management Offered competitive product pricing based on international market prices, as well as fair credit terms based on risk assessments Educated customers through product stewardship and technical talks to promote safe handling of chemicals and maximise product value
Supplier & Vendors 	<ul style="list-style-type: none"> To ensure seamless operational business transactions To closely collaborate to enhance business performance 	<ul style="list-style-type: none"> Ensured close engagement to minimise operational disruptions and maintain reliable supply chain Reduced the number of safety incidents with advanced digital analytics and higher health and safety standards
Business Partners 	<ul style="list-style-type: none"> To form strategic partnerships with PCG to exchange ideas and expertise, as well as further expand their business towards a common goal 	<ul style="list-style-type: none"> Ensured good governance in all business projects Close collaboration and partnership to avoid value leakage
Shareholders & Investment Community 	<ul style="list-style-type: none"> Adequate, continuous and timely disclosure of information to make informed investment decisions Sustainable shareholder return through stable dividend payment Effective management of financial resources Successful execution of growth strategies 	<ul style="list-style-type: none"> Ensure continuous timely and transparent disclosure of corporate, financial and non-financial disclosure Ensure investors are provided adequate access to management and board to address key issues 51.9% dividend payout ratio 15.9% return on equity 79 sen earnings per share
Government & Regulators 	<ul style="list-style-type: none"> To ensure full compliance to all regulatory requirements related to plant operations and product specifications To adhere to rules and regulations set by local and foreign authorities in the countries we operate To ensure zero non-compliances 	<ul style="list-style-type: none"> Ensured full compliance with all regulations through periodic engagements with relevant authorities to ensure continued operations despite some deviations in our operations, in tandem with efforts to address the gaps as required by the authorities. We also frequently provide reports to relevant authorities as required by regulations Ensuring plant operations were equipped with reasonable safeguards and necessary monitoring tools Legally allowed to operate in various market locations Strengthened regulatory collaborations for better market growth Compliance to laws and regulations of the chemicals industry
Communities 	<ul style="list-style-type: none"> To ensure the surrounding environment and ecosystems are safe and free of industrial contamination 	<ul style="list-style-type: none"> Held frequent and periodic engagements with local communities to provide a more comprehensive understanding of the impacts of our operations. For example, all operating units will conduct a Control of Industrial Major Accidents Hazard (CIMAHA) briefing to local communities to ensure the surrounding communities are aware of our operations, hazards as well as how to react in the event of emergencies PCG also conducts Safe Handling of Chemicals for School. It is a lab safety programme which teaches basic first aid together with motivational talks as part of our effort in reaching out to schools regarding the topic of HSE We conduct effluent monitoring remotely at Kertih Integrated Petrochemical Complex (KIPC) to prevent any damage to the environment from our water discharge. The Parameter Drainage System helps us to monitor the critical parameters and visually monitor via live cameras located at all our final discharge points at KIPC

SEGMENTAL REVIEW

RISKS & OPPORTUNITIES			
RISKS	OPPORTUNITIES	ACTION TAKEN	RESULTS
Unsafe working environment exposes our employees and contractors to physical and chemical hazards, leading to potential injuries or fatality	<ul style="list-style-type: none"> Drive the implementation of HSE Excellence programmes at all levels including contractors to ensure safe working environment 	<ul style="list-style-type: none"> Intensified the implementation of Generative Culture to instill effective compliance to HSE requirement and excellence within staff which was also extended to contractors to ensure that we talk the same language when it comes to HSE 	<ul style="list-style-type: none"> Achieved LTIF of 0.17, which is better than the industry benchmark of 0.22
Unreliable and inconsistent production impacts sales volume and revenue growth	<ul style="list-style-type: none"> Deliver Operational Excellence through digital implementation in managing plant reliability issues 	<ul style="list-style-type: none"> Implemented digital solutions including Asset Performance Monitoring (APM) and Advance Analytics to improve in Equipment Reliability Strategy (ERS) 	<ul style="list-style-type: none"> Successfully addressed major plant threats and bad actors during recent ABF and PC Methanol Plant 2 turnaround which resulted in both plants operating at optimum level post turnaround
Unreliable feedstock, utilities and chemicals supply which may disrupt plant operation	<ul style="list-style-type: none"> Effectively collaborate with feedstock, utilities and chemicals suppliers 	<ul style="list-style-type: none"> Collaborated with suppliers via Additional Ethane Task Force (AET) and Additional Methanol Task Force (AMT) to drive reliable feedstock supply Collaborated with utility supplier for continuity of supply 	<ul style="list-style-type: none"> Securing reliable ethane supply from PCG which translate into highest ethylene production Coordinated and aligned successful shutdown activities for Sabah and Labuan Manage to sustain plant operations during water crisis (Gebeng, Labuan and Kedah)
Mismanagement of customer relationships may result in loss of customer loyalty and subsequently, tarnish the company's reputation	<ul style="list-style-type: none"> Reliable and timely delivery of products to customers promotes repeated purchases and customer loyalty Strong engagement with customers enables a better understanding of their product expectations Collaborations with customers provides us with better insight on current market needs Expansion of customer base and exploration of new markets through innovative products 	<ul style="list-style-type: none"> Established CDEx, a digital platform that provides visibility to customers on delivery updates Collaborated on product co-creation opportunities with selected customers Delivered customer-centric value propositions that meet customer needs 	<ul style="list-style-type: none"> Continue to achieve sales volume above 8 million tpa despite the challenges faced amidst the COVID-19 pandemic and the Russia-Ukraine conflict Achieved 5.4 sigma on customer feedback, exceeding the industry standard of 5.0 sigma
Prolonged logistics restrictions due to COVID-19	<ul style="list-style-type: none"> Strong engagement with vendors enables a better understanding of the current state of the shipping and logistic market 	<ul style="list-style-type: none"> Ensured close engagement to minimise operational disruptions and maintain reliable supply chain Looked for co-loading opportunities to ensure timely delivery to customers Expanded domestic delivery in big markets such as China with CDD 	<ul style="list-style-type: none"> OFR improved to 95% against 87% in 2021 despite prolonged logistics issues

SEGMENTAL REVIEW

Contribution to Sustainability

Collectively, both basic chemicals segments are committed to advancing PCG's Sustainability Agenda. On top of continuous effort in carbon emission reduction at our manufacturing plants at both segments, ongoing projects include conducting feasibility studies into renewable feedstock for key chemicals and potential utilisation of carbon dioxide as a chemical feedstock. We also completed LCA for 36 O&D products and 11 F&M products to determine their carbon footprint and other health and environmental impacts, making good progress to achieve full completion for all current products by 2023.

In addition, we collaborated closely with the Malaysian Plastics Manufacturers Association (MPMA) to launch Operation Clean Sweep (OCS) in Malaysia to drive industry efforts to reduce accidental loss of plastic to the environment. We also collaborated with MPMA to educate plastic players on upcoming sustainability efforts through webinars and provide inputs for the Malaysia Plastics Sustainability Roadmap 2021-2030 and Global Plastics Agreement driven by the Ministry of Natural Resources, Environment and Climate Change.

To drive sustainability efforts to transition to a more sustainable petrochemicals industry, PCG played a crucial role in organising the inaugural Petrochemicals Sustainability Conference 2022 (PSC 2022) as part of the steering committee and as a platinum sponsor. With the theme "Future Ready Petrochemicals", the conference brought together petrochemical producers, consumers, policy makers, and other stakeholders to discuss the pathways by which Malaysian and regional petrochemical companies and the petrochemical value chain can support global net zero ambitions and navigate climate-related transitions together. In showing our commitment and support, PCG's MD/CEO, Ir. Mohd Yusri was a panellist at the executive forum session that discussed the 'Future of Petrochemicals in a Sustainable World'.

O&D

- Started offering Roundtable on Sustainable Palm Oil (RSPO) Certified product, Fatty Alcohol Ethoxylates. This is part of our continuous effort to support customers in their sustainability journey through the provision of responsibly-sourced bio-based feedstock
- We have introduced two surfactant products, HC501 and HC701, that have a high Renewable Carbon Index and are suitable for a wide range of applications in household, industrial and institutional cleaning solutions, therefore helping to advance our customers in their respective sustainability journeys

F&M

- Played an active role at the Methanol Institute trade association for the global methanol industry, enabling us to drive sustainability initiatives related to low carbon Methanol
- Ultra-high Purity Methanol (UHPM) was launched in 2021 to address our customers' needs, serving as a low-carbon solution for stationary and mobile energy solutions for fuel cell applications. In 2022, we have continued to increase production capacity to cater to the high demand for UHPM which also supports efforts in reducing greenhouse gas emissions

Outlook

Looking ahead, we are seeing softened demand, particularly for polymer products, as high cost of energy persists. Potential recessions and high inflation in key economies around the world will also impact demand. Having declined to 2021 levels as at the end of 2022, the prices of olefins and derivatives are expected to moderate further until the easing of restrictions in China. New production coming on stream is also expected to weigh on prices. Urea prices are expected to remain firm as energy prices remain elevated due to the ongoing Russia-Ukraine war.

Southeast Asia will continue to be our primary export market as we enjoy a competitive edge in this region based on our strategic location which is nearer to our customers. At the same time, we have developed more inroads into China, and this looks to be a promising market given its sheer size and we are well-positioned to meet the demand especially with new volumes expected from the Pengerang Integrated Complex (PIC) in 2023. China's reopening will be a key factor to the recovery of the chemicals and polymers market going forward.

Although the chemicals market is subject to volatility of oil and gas prices, we will focus our efforts in realising value from our operations. Our expanding customer base, excellent delivery and rapidly growing portfolio of products put us on a stronger footing to chart through the unpredictable landscape. To better serve our customers, PCG will join the PETRONAS Group in the rollout of PETRONAS360 next year, which will bring all downstream products onto a single platform, therefore being able to serve our customers anytime.

We are also cognisant of the growing demand for low carbon products and will continue to conduct LCA studies to determine the carbon footprints of our products and identify opportunities to support our customers' respective decarbonisation journeys.

From a manufacturing perspective, we remain fully committed to being the best-in-class while prioritising the safety and health of our people at all times.

SEGMENTAL REVIEW

OVERVIEW

Since 2017, PCG has charted its growth trajectory via the Two-Pronged Strategy, with diversification into derivatives and specialty chemicals as anchors for growth. Specialty chemicals are differentiated chemical products that are sold on the basis of their performance or function in contrast to basic chemicals that are more commodity-based. It is further supported by intensive technical chemistry and application knowledge, alongside continuous product innovation. PCG has been actively pursuing growth in specialty chemicals to future-proof the business against the cyclical nature and volatility of the oil and gas industry.

In the year under review, PCG's specialties segment has made significant headway in its growth journey with the landmark acquisition of Perstorp Group, a global leader in sustainable specialty chemicals. The acquisition is in line with the second prong of PCG's two-pronged strategy to establish a key platform to diversify into the specialty chemicals industry. In addition, our silicone and lubricant additives business through BRB Group has also grown strongly and delivered its highest EBITDA to date.

While 2022 was a challenging year due to inflationary pressures, geopolitical instability and European energy crisis, we have continued to weather the storm and stayed on course to notch important wins in the specialty chemicals space. For example, BRB Group has launched its new lube oil additives manufacturing facility in Echt, Netherlands in November 2022, which will serve as a Lube Oil Additives and Chemicals (LAC) hub in Europe. In addition, BRB Group has expanded its regional presence as a reliable producer and supplier via the establishment of a subsidiary in South Korea, approval to set up another in the United Kingdom and appointment of new distributors in Africa.

With Perstorp Group now a part of PCG, we have significantly expanded our playground in specialty chemicals and equipped ourselves with exciting technologies to advance PCG's Sustainability Agenda. The top priority with Perstorp Group is on preserving and growing the business while ensuring a smooth post-merger integration to maximise the acquisition synergies.

SPECIALTY CHEMICALS



SEGMENTAL REVIEW

KEY TO SUCCESS

Several factors will ensure our success now and into the future. Firstly, the Perstorp Group acquisition has boosted our profile and footprint significantly and brought us much closer to the end-market as well as its opportunities and challenges. Our success will depend on our ability to create differentiated products to fulfil unmet market needs. This requires our capability in market intelligence, technology innovation, and close collaborations with our strategic customers and suppliers. Innovation, in particular, is a key area for specialty chemicals to compete and differentiate against the competitors, and this will be the focus area to be developed moving forward.

The market-facing and innovative commercial acumen are complemented by our focus on Operational Excellence in areas of procurement, supply chain, regulatory and product stewardship (including ecotoxicology), and digitalisation. Furthermore, sustainability is embedded across our product offerings, enabling us to become the preferred supplier of choice in supporting customers' efforts towards achieving their decarbonisation goals.

PERFORMANCE HIGHLIGHTS & ACHIEVEMENTS

BRB Group achieved record strong EBITDA in 2022



- New Lube Oil Additives and Chemicals (LAC) site in Echt, Netherlands opened in November 2022
- The silicone blending facility in Gebeng has obtained halal and kosher certification for its range of food grade, MeSTI certificate and free sale certificates (China). This equipped us with more robust offerings to customers and potential penetration into the food and beverages as well as personal care segments to capture growth opportunities in the region
- Introduced new and innovative products such as a new water-based silane/siloxane emulsion concentrate for water repellency for the construction market. In the personal care segment, a non-volatile silicone elastomer blend providing a superior sensory feel and a light silky non greasy touch was introduced
- In terms of digitalisation, we have standardised and optimised inventory and portfolio management, improved sourcing of single source products, in addition to gaining efficiencies in sales, operations and inventory planning resulting in better customer experience in a very short market

Perstorp Group delivered resilient results amidst the energy crisis faced in Europe

- Project Air achieved an important milestone in 2022 as the EU Innovation Fund granted EUR 97 million to support investments required to construct the facility. Project Air is led by Perstorp Group and is an industrial collaboration with German energy company, Uniper, to build a unique production facility for sustainable methanol
- Introduced Gastrivix™ Avi, a unique and innovative gut health solution for customers in the poultry space
- Expanded the range of Ymer™ product offerings for applications such as leather coating, floor coating, and wood coating
- Introduced Isononanoic Acid (Iso-C9 Acid), a critical building block for customers in the synthetic lubricant space
- Expanded the use of digitalisation to drive marketing, improve sales and pricing capabilities as well as optimise plant operations



WELCOMING PERSTORP GROUP

We are pleased to introduce PCG's newest subsidiary, Perstorp Group, a significant specialty chemicals player in Europe with footprint in America and Asia-Pacific. This is a landmark acquisition and a major milestone in PCG's history as we have simultaneously established a key platform in the specialty chemicals industry.

This acquisition represents the realisation of the second prong of our Two-Pronged strategy, which is to selectively diversify into derivatives, specialty chemicals and solutions. The addition of Perstorp Group immediately adds a broad range of specialty products with an established customer base in the specialty chemicals arena, which is complementary to the existing PCG portfolio.

Moreover, Perstorp Group will enable PCG to participate in markets segments such as resins and coatings, engineered fluids, animal nutrition and added advanced materials, which all have positive long-term growth outlooks. We have also gained a massive talent injection as well as technological platforms and sustainability-related advancements.

Post-acquisition, in addition to continue preserving and growing the business of Perstorp Group, there are future plans to combine the strength of PCG and Perstorp Group to enhance our collective position in Asia Pacific market and to grow our specialty chemicals market presence.

As a result of this acquisition, we have significantly advanced our

SUSTAINABILITY JOURNEY

as we gain access to Perstorp Group's Finite Material Neutral processes, methodologies and commercialised pro-environment solutions

Added

1,566
NEW EMPLOYEES

Added

2.6
MILLION METRIC TONNES
to our production capacity

Increased our
revenue potential by

28%
BASED ON


Perstorp Group's 2021
results

SUSTAINABILITY IN PERSTORP GROUP'S DNA

With the ambition to be Finite Material Neutral, Perstorp Group is fully committed to reducing its carbon footprint as well as its overall environmental impact. The concept centralises on ensuring that no resources are used at a rate greater than nature can replenish.

Becoming Finite Material Neutral includes:

- ✓ Using renewable, recycled or reclaimed raw materials and energy
- ✓ Having no waste from own processes or products
- ✓ Forged a multitude of strategic partnerships in support of PCG's overall Sustainability Agenda
- ✓ Continuously lowering the water footprint
- ✓ Using only metals and minerals that are recycled/reclaimed/responsibly sourced for catalysts

 For additional information on Perstorp Group's sustainability goals, targets and achievements, please refer to SR on page 60-61.





FOCUSING ON FOUR PRIMARY MARKET SEGMENTS

Perstorp Group targets to grow its operations by focusing on four market segments:

RESINS & COATINGS

Perstorp Group's essential building blocks and specialty products can be used and tailored to produce resins and coatings that perfectly satisfy the requirements of different segment needs and thousands of applications. Perstorp Group's innovative solutions are applied in alkyd resins, liquid saturated polyester, liquid unsaturated polyesters, powder polyesters, polyurethane dispersions, radiation curing, cationic curing, and intumescent carbon donors.

ENGINEERED FLUIDS

Perstorp Group is a one-stop centre for high quality building blocks for polyol ester base stock, with a complete range of polyol portfolio to choose from. The Polyol portfolio is second to none and Perstorp Group is the only supplier offering a complete range to choose from. Synthetic lubricants are used in aviation turbine oils, hydraulic fluids, metalworking fluids, refrigeration lubricants, transformer oils and di-electric fluids.

ANIMAL NUTRITION

Perstorp Group is a specialist in innovative organic acid based solutions for the agricultural industry, with a history dating back to the 1960s. Feed plays a vital role in all animal production systems and it can be as high as 70% of all costs related to farm management. Perstorp Group helps its customers to optimise their feed and feed raw materials and by extension of the performance and well-being of their animals. Perstorp Group's solutions improve gut health and performance, acidify feed, which helps animals to cope with heat stress as well as help to keep feed nutritious and safe from enteros, mycotoxins, moulds and yeasts.

ADVANCED MATERIALS

Perstorp Group provides focused and innovative chemistry related to polymers -polyurethane, PVC and polyesters. A leader in several areas of plastic materials to help formulators, compounders and converters to produce safer, more sustainable and higher performing plastics. Plastic materials are applied in bioplastics, heat resistant plastic, plasticisers, polymer additives, polyurethane elastomers, safety glass, and thermoplastics.

HIGHLIGHTS

MANUFACTURING

Successfully increased 2-EHA capacity by

15%

via a debottlenecking exercise at the Stenungsund plant.

PERSTORP GROUP'S NEW PENTA PRODUCTION SITE IN SAYAKHA, INDIA

is entering its last phase of construction and is set to deliver its first batch of product by June 2023.

Digitalisation of various manual operations via **ROBOTIC AUTOMATION PROCESS.**

COMMERCIAL

Introduced the MYPERSTORP ONLINE CUSTOMER PORTAL

where customers can manage the business and interactions they have with Perstorp Group as well as to place orders online.

Launched new products such as YMERT™ 90 AND YMERT™ 180, GASTRIVIX™ AVI AND ISONONANOIC ACID (ISO-C9 ACID)

to meet customer needs.

EMPLOYEES & COMMUNITIES

Established the PERSTORP YOUNG TALENTS PROGRAMME

to strengthen the talent pool and also introduced the Change Maker programme that taps on the expertise of our colleagues to accelerate digital transformation in Perstorp Group.

PERSTORP GROUP'S TECHNICAL GYMNASIUM

was recognised as having the best teaching team in Sweden by Teknikcollege, Sweden's largest collaboration platform for technically oriented education.

SUSTAINABILITY

PERSTORP GROUP HAS ESTABLISHED 2030 TARGETS

for Scope 1, 2 and 3 CO₂ emissions (approved by the Science Based Target initiative), freshwater and waste.

Reduction in Scope 3 emissions are largely driven by PERSTORP GROUP'S PRO-ENVIRONMENT SOLUTIONS

that are based on a traceable mass balance approach which shifts from using virgin fossil raw material to renewable or recycled materials, fully or partly in order to accommodate to the customers' needs.



SEGMENTAL REVIEW

RISKS & OPPORTUNITIES			
RISKS	OPPORTUNITIES	ACTION TAKEN	RESULTS
Unsafe working environment	<ul style="list-style-type: none"> Drive the implementation of HSE Excellence programmes at all levels 	<ul style="list-style-type: none"> Intensified the implementation of Generative Culture to instill effective compliance to HSE requirement and excellence within staff which was also extended to contractors 	<ul style="list-style-type: none"> Strengthened health and safety culture with increased risk awareness and team accountability
Unreliable and inconsistent production	<ul style="list-style-type: none"> Deliver Operational Excellence through digital implementation 	<ul style="list-style-type: none"> Defined the roadmap to leverage the data collected from plant operations globally, in addition to continuing the efforts to develop and deliver a simplified, digital environment for the operators in the control rooms 	<ul style="list-style-type: none"> Delivered business benefits through improvement in execution resulting in stabilised production and delivery to plan
Unreliable feedstock, utilities and chemicals supply (stability, quality, and cost)	<ul style="list-style-type: none"> Effectively collaborate with feedstock, utilities and chemicals suppliers 	<ul style="list-style-type: none"> Effectively collaborate with feedstock, utilities and chemicals suppliers 	<ul style="list-style-type: none"> Secured contingency volume through alternative feedstock such as LNG or C4 that can be used as fuel in steam production if natural gas is not available Minimal to zero disruptions to the manufacturing (both continuous and batch) processes of the products
Change in demand/customer behaviour	<ul style="list-style-type: none"> Reliable and timely delivery of products to customers Strong engagement with customers enables a better understanding of their product expectations Collaborations with customers provides better insight on current market needs 	<ul style="list-style-type: none"> Expanded the broad customer base to be more resilient to demand reductions, besides following the supply/demand changes in the market as key indicators for capacity planning as needed Improved customer satisfaction and complaints handling to become more customer driven and better understand customers' needs and painpoints 	<ul style="list-style-type: none"> Increased customer collaboration and customer satisfaction Strong customer satisfaction as proven by Net Promoter Score results globally*: <ul style="list-style-type: none"> - Account management: +35 - Delivery & logistics: +42 <p>* Score ranges from -100 to 100</p>
Missing out on business opportunities	<ul style="list-style-type: none"> Opportunities to undertake joint development research agreements with other counterparts 	<ul style="list-style-type: none"> Established Innovation function has a solid process in place to pick up trends and needs in the market at an early stage 	<ul style="list-style-type: none"> Strong near-term project pipeline with various opportunities to continue driving growth and expanding presence in existing and new markets
Negative variances in business development and competitive landscape	<ul style="list-style-type: none"> Expansion of customer base and exploration of new markets 	<ul style="list-style-type: none"> Ensured strategies are followed and investment criteria are met through strategic processes and frameworks 	<ul style="list-style-type: none"> Timely delivery of the investment projects to drive growth
Prolonged logistics restrictions due to COVID-19	<ul style="list-style-type: none"> Strong engagement with vendors enables a better understanding of the current state of the shipping and logistic market 	<ul style="list-style-type: none"> Ensured close engagement with suppliers, customers, and logistic providers to minimise operational disruptions and maintain reliable supply chain 	<ul style="list-style-type: none"> Minor impact to the manufacturing and shipping of the products

SEGMENTAL REVIEW

Contribution to Sustainability

Specialty chemicals, which are further down the chemicals value chain and closer to end users, are under greater scrutiny in the context of sustainability. The demand for sustainable products is stronger than ever as customers look for solutions that will help them fulfil their respective decarbonisation journeys.

In this context, Perstorp Group is driven by the ambition of becoming Finite Material Neutral which means that all energy, raw material and other resources used in, or flows through, the business are part of closed systems. That means no resources are used at a rate greater than nature can replenish. Based on a traceable mass balance concept, Perstorp Group has designed a portfolio of product, coined as "Pro-Environment" to reduce the carbon footprint throughout the value chain and to support sustainable sourcing of renewable and recycled raw materials. Pro-Environment products are chemically identical to their fossil counterparts, offering the same quality without compromising the performance, and are International Sustainability & Carbon Certification (ISCC) PLUS certified.

One of Perstorp Group's key sustainability initiatives known as Project Air is Finite Material Neutral and has secured funding of EUR 97 million from the European Union Innovation Fund to create the first-of-a-kind, large-scale production of sustainable methanol. The opportunities to use greener feedstock also provide PCG with a better approach to cut down carbon footprint in achieving our NZCE 2050 targets. The same can be said for silicone products sold by BRB Group, which are capable of providing significant GHG savings over the product life, contributing towards Scope 3 emissions reductions for customers and users in their net-zero journey.

Outlook

Looking ahead, in the short to medium term, the market remains uncertain with recessionary pressure looming, in line with tightening fiscal policies alongside the ongoing Russia-Ukraine conflict that continues to cast uncertainties onto the global economic equation. However, the long-term prospects of the specialty chemicals market remain bullish, riding on the wave of continued growth driven by Asia as the next key market for chemicals.

For PCG, there will be continued business growth with BRB Group opening a new subsidiary in the United Kingdom and Perstorp Group commissioning a new plant in Sayakha, India by the second quarter of 2023. The new plant will produce Pentaerythritol (Penta) as well as its renewable equivalent Voxtar™, offering customers a reduced carbon footprint. Designed to produce 40,000 tpa of Penta, the site will significantly expand Perstorp Group's production capacity.

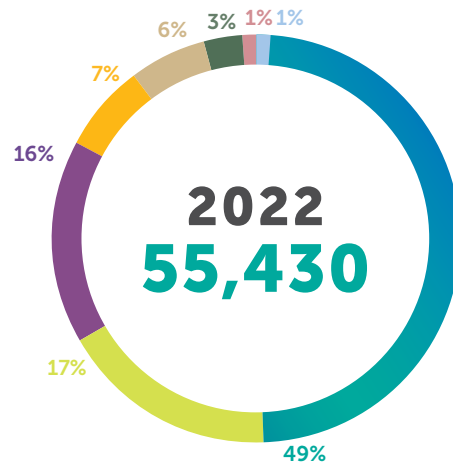
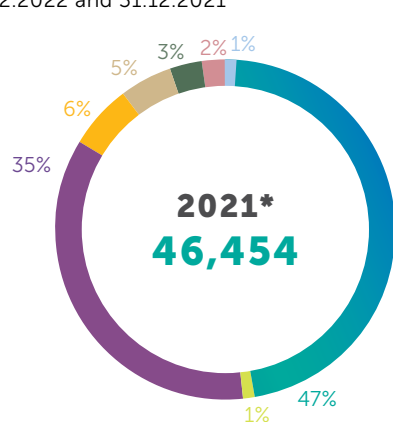
Overall, it is an exciting time for the specialty chemicals business. We have already taken a big step forward with the Perstorp Group acquisition and will focus on delivering the goal of preserving and growing the business alongside Post Merger Integration efforts to harvest synergies. Seeing the combined talents and capabilities along with our well-defined strategy, we are confident that we will achieve our aspiration to be a leading player in specialty chemicals and achieve our growth targets. We will also further cross-fertilise the synergies among Perstorp Group, BRB Group, and PCG to expand our product portfolio and market participation. To support this, we will continue to build capabilities across critical areas such as technology, innovation and market intelligence.



FINANCIAL REVIEW

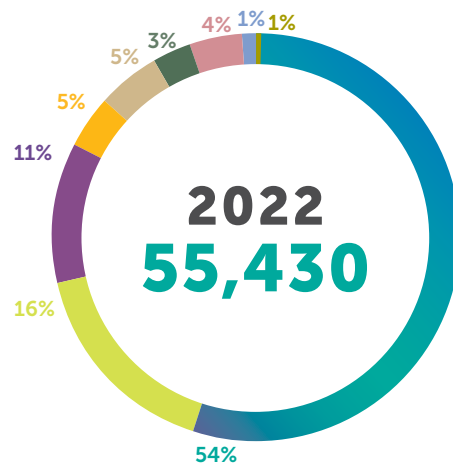
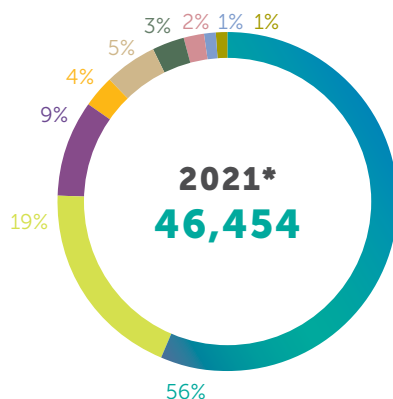
SIMPLIFIED GROUP STATEMENT OF FINANCIAL POSITION

TOTAL ASSETS (RM Million) as at 31.12.2022 and 31.12.2021*



- Property, plant and equipment
- Intangible assets
- Cash and cash equivalents
- Trade and other receivables
- Trade and other inventories
- Investments in JVs & associates
- Deferred tax assets
- Other assets

TOTAL EQUITY AND LIABILITIES (RM Million) as at 31.12.2022 and 31.12.2021*



- Reserves
- Share Capital
- Trade and other payables
- Other long-term liabilities and provisions
- Borrowings
- Lease liabilities
- Deferred tax liabilities
- Non-controlling interests
- Current tax payables

* Certain financial information and its corresponding financial ratios have been restated in line with amendments to MFRS 116 Property, Plant and Equipment

FINANCIAL REVIEW

ANALYSIS ON FINANCIAL POSITION

AS AT 31 DECEMBER 2022

RM Million	31.12.2021*	31.12.2022	Variance
ASSETS			
Property, plant and equipment	22,041	27,213	5,172
Investments in joint ventures and associates	1,480	1,665	185
Intangible assets	684	9,364	8,680
Long term receivables	-	284	284
Retirement benefits	-	88	88
Deferred tax assets	823	798	(25)
TOTAL NON-CURRENT ASSETS	25,028	39,412	14,384
Trade and other inventories	2,214	3,465	1,251
Trade and other receivables	2,737	3,619	882
Tax recoverable	85	46	(39)
Cash and cash equivalents	16,390	8,888	(7,502)
TOTAL CURRENT ASSETS	21,426	16,018	(5,408)
TOTAL ASSETS	46,454	55,430	8,976
EQUITY			
Share capital	8,871	8,871	-
Reserves	25,980	30,207	4,227
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	34,851	39,078	4,227
Non-controlling interests	535	655	120
TOTAL EQUITY	35,386	39,733	4,347
LIABILITIES			
Borrowings	2,156	2,489	333
Lease liabilities	1,389	1,688	299
Provisions	287	221	(66)
Retirement benefits	-	242	242
Other long-term liabilities and provisions	1,309	2,191	882
Deferred tax liabilities	974	2,364	1,390
TOTAL NON-CURRENT LIABILITIES	6,115	9,195	3,080
Borrowings	232	229	(3)
Lease liabilities	73	125	52
Trade and other payables	4,378	5,914	1,536
Current tax payables	270	234	(36)
TOTAL CURRENT LIABILITIES	4,953	6,502	1,549
TOTAL LIABILITIES	11,068	15,697	4,629
TOTAL EQUITY AND LIABILITIES	46,454	55,430	8,976
Net assets per share attributable to shareholders of the Company (RM)	4.36	4.88	0.52

Further expansion of our business in specialty chemicals via acquisition of Perstorp Group contributed to the Group's robust financial position with total assets which stood at **RM55.4 billion**.

Total assets as at 31 December 2022 increased by RM9.0 billion or 19.3% at RM55.4 billion from RM46.5 billion as at 31 December 2021. The increase in total assets was mainly attributable to:

- Increase in intangible assets by RM8.7 billion or >100.0% from the recognition of trademarks, patents & know-how and customer relations upon acquisition of Perstorp Group, as well as goodwill which reflects the synergy that Perstorp Group will contribute to the Group; and
- Increase in property, plant and equipment by RM5.2 billion or 23.5%, mainly in relation to the capital investment in Perstorp Group acquisition and the petrochemicals projects within PIC

Partially offset by:

- Decrease in cash and cash equivalents by RM7.5 billion or 45.8% mainly due to payment for acquisition of Perstorp Group

Liabilities increased by RM4.6 billion or 41.8% at RM15.7 billion. The increase in liabilities was mainly for trade and other payables and deferred tax liabilities resulted from the acquisition of Perstorp Group.

Net assets attributable to shareholders of the company increased by RM4.2 billion or 12.1% at RM39.1 billion as at 31 December 2022. This was mainly due to increase in retained profits from the profit generated during the year, partially offset by the dividend paid of RM3.8 billion.

* Certain financial information and its corresponding financial ratios have been restated in line with amendments to MFRS 116 Property, Plant and Equipment

FINANCIAL REVIEW

ANALYSIS ON CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2022

The Group generated a commendable profit of **RM6.3 billion** despite undergoing heavy turnarounds during the year.

PCG's **revenue** rose to RM29.0 billion, with an increase of 25.7% compared to RM23.0 billion in 2021, on the back of higher product prices in tandem with improved crude oil price following healthy demand and supply disruptions amidst the Russia-Ukraine conflict. Revenue also increased with the contribution of revenue from specialties mainly from Perstorp Group post its acquisition and BRB Group following higher product prices, as well as PIC Petchem following plants initial start-up during the year.

Cost of revenue increased by 40.4% mainly arising from higher feedstock and fuel cost in line with crude oil prices, amongst other market influences.

Gross profit was comparable with 2021 at RM8.7 billion.

Operating profit decreased by RM377 million or 5.4% at RM6.6 billion in 2022, mainly driven by higher operating expenditure with the inclusion of our newly acquired subsidiary, Perstorp Group.

This has resulted in higher cost over revenue by 8% at 79% in 2022.

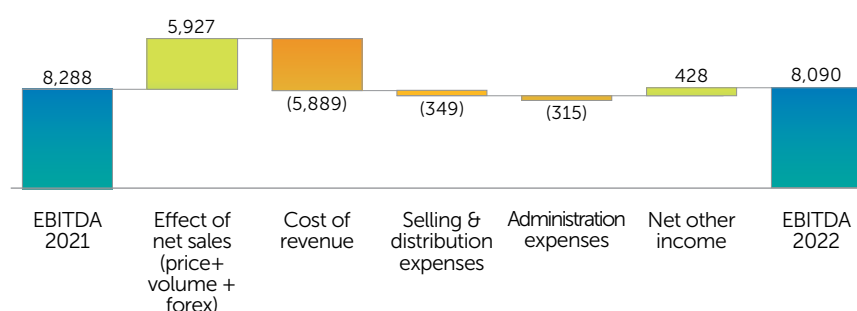
Lower **share of profits from joint ventures and associates** mainly due to weaker margins and lower sales volume.

PCG recorded **PBT** and **PAT** at RM6.7 billion and RM6.3 billion, respectively.

RM Million	For the year ended		
	2021*	2022	Variance
Revenue	23,026	28,953	5,927
Cost of revenue	(14,447)	(20,277)	(5,830)
Gross profit	8,579	8,676	97
Selling and distribution expenses	(1,091)	(1,436)	(345)
Administration expenses	(839)	(1,157)	(318)
Other expenses	(60)	(166)	(106)
Other income	422	717	295
Operating profit	7,011	6,634	(377)
Financing costs	(29)	(66)	(37)
Share of profit of equity-accounted JVs and associates, net of tax	729	165	(564)
Profit before taxation	7,711	6,733	(978)
Tax expense	(391)	(406)	(15)
PROFIT FOR THE YEAR	7,320	6,327	(993)
Profit attributable to:			
Shareholders of the Company	7,346	6,322	(1,024)
Non-controlling interests	(26)	5	31
PROFIT FOR THE YEAR	7,320	6,327	(993)

EBITDA Movement for the year (RM Million)

▼ 198



EBITDA in 2022 at RM8.1 billion has decreased as compared to RM8.3 billion in 2021, mainly due to compressed margin.

* Certain financial information and its corresponding financial ratios have been restated in line with amendments to MFRS 116 Property, Plant and Equipment

FINANCIAL REVIEW

ANALYSIS ON CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

RM Million	2021*	2022	Variance
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax	7,711	6,733	(978)
Adjustments for non-cash items	743	621	(122)
Changes in working capital	(188)	910	1,098
Cash generated from operations	8,266	8,264	(2)
Interest income received	117	247	130
Taxation paid	(197)	(462)	(265)
Net cash generated from operating activities	8,186	8,049	(137)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for acquisition of a subsidiary	-	(11,107)	(11,107)
Net purchase of property, plant and equipment	(1,539)	(1,881)	(342)
Investment in JVs and associates	(169)	(47)	122
Dividends received from JVs and associates	201	106	(95)
Others	(50)	(22)	28
Net cash used in investing activities	(1,557)	(12,951)	(11,394)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	(3,206)	(3,844)	(638)
Drawdown of borrowings	404	502	98
Repayment of borrowings	(268)	(347)	(79)
Payment of lease liabilities	(118)	(117)	1
Proceeds from shares issued to a non-controlling interest	4	-	(4)
Net cash used in financing activities	(3,184)	(3,806)	(622)
Net cash flows from operating, investing and financing activities	3,445	(8,708)	(12,153)
Effect of foreign currency translation differences	11	470	459
Net increase/(decrease) in cash and cash equivalents	3,456	(8,238)	(11,694)
Net foreign exchange differences on cash held	227	736	509
Cash and cash equivalents at beginning of the year	12,707	16,390	3,683
Cash and cash equivalents at end of the year	16,390	8,888	(7,502)

PCG maintains solid cash flows while cash and cash equivalents stood at **RM8.9 billion** as at 31 December 2022, upon payment for acquisition of Perstorp Group.

Net cash generated from operating activities was comparable with 2021 at RM8.0 billion.

Net cash used in investing activities increased by RM11.4 billion primarily due to payment for acquisition of Perstorp Group.

Net cash used in financing activities increased by RM0.6 billion at RM3.8 billion from RM3.2 billion as at 31 December 2021. This was mainly due to higher dividend paid of RM3.8 billion to the shareholders which includes higher second interim dividend for FY2021.

Free cash flow:

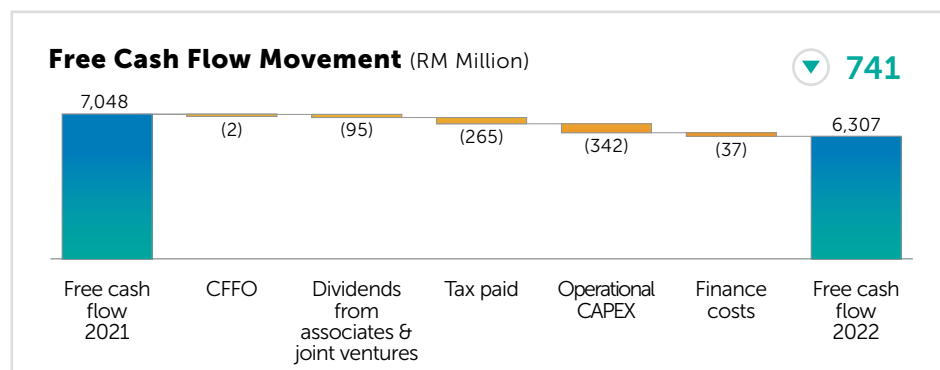
RM6.3 billion

2021: RM7.0 billion

Dividends paid:

RM3.8 billion

2021: RM3.2 billion

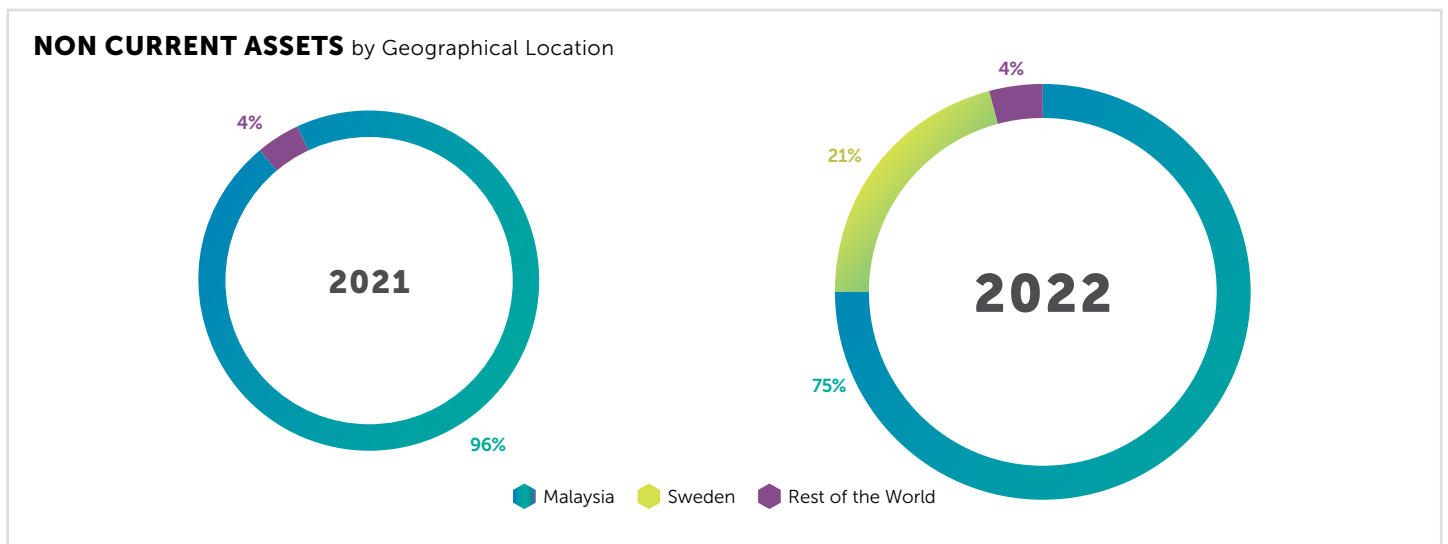
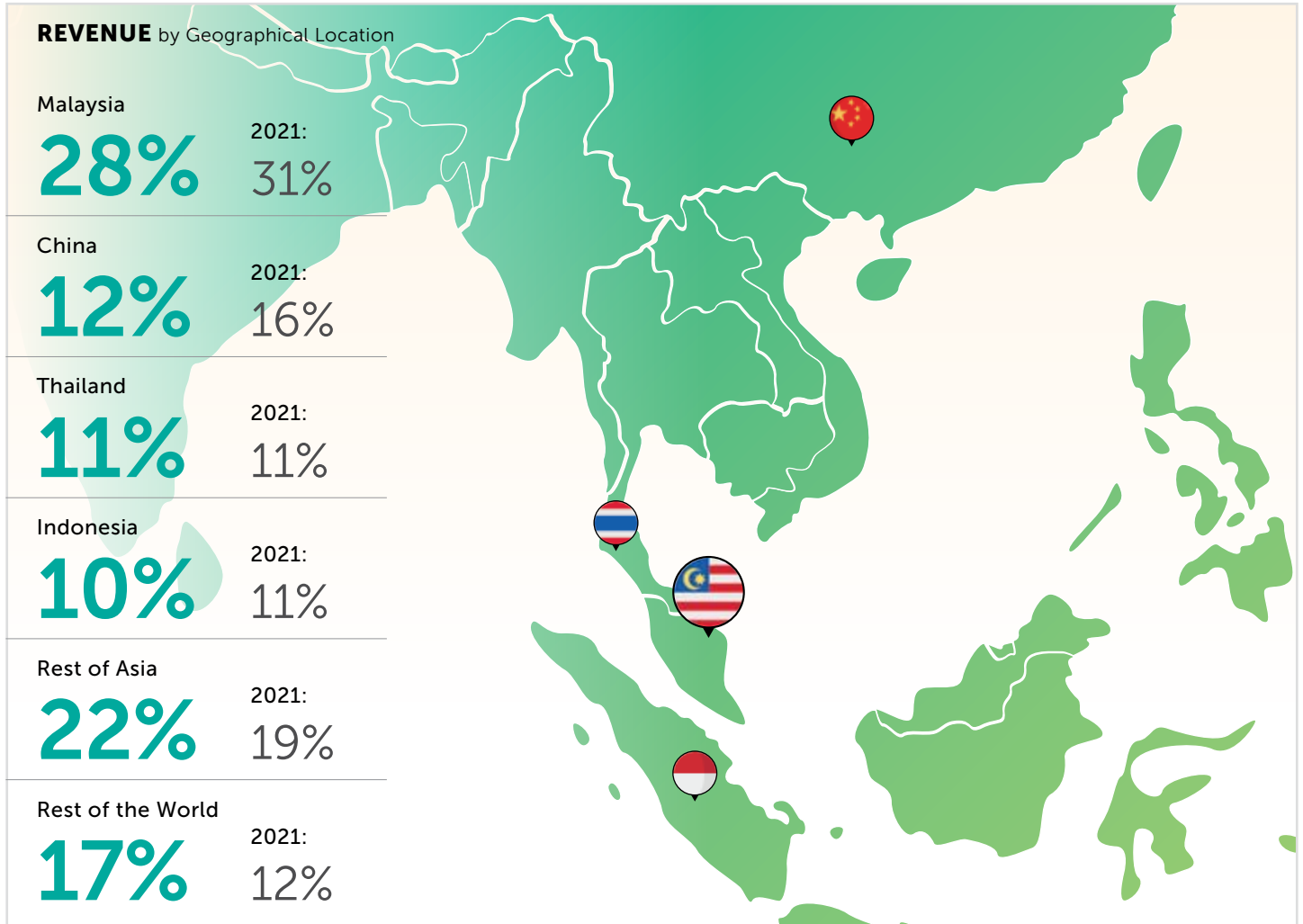


Free cash flow in 2022 at RM6.3 billion decreased as compared to RM7.0 billion in 2021. This was in line with higher operational CAPEX due to heavy plant turnaround activities as well as higher tax paid.

* Certain financial information and its corresponding financial ratios have been restated in line with amendments to MFRS 116 Property, Plant and Equipment

FINANCIAL REVIEW

REPORTING BY GEOGRAPHICAL LOCATION



FINANCIAL REVIEW

GROUP QUARTERLY PERFORMANCE

RM Million	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year 2022
Revenue	6,634	6,583	7,032	8,704	28,953
Operating profit	2,097	1,876	2,040	620	6,634
Profit before taxation	2,213	1,938	2,020	561	6,733
Profit for the period/year	2,072	1,872	1,898	484	6,327
Profit attributable to shareholders of the Company	2,076	1,869	1,895	481	6,322
Earnings per share (sen)	26	23	24	6	79
Dividends per share (sen)	-	25	-	16	41

RM Million	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year 2021*
Revenue	4,675	5,608	5,766	6,977	23,026
Operating profit	1,443	1,816	1,781	1,971	7,011
Profit before taxation	1,569	1,977	2,029	2,135	7,711
Profit for the period/year	1,466	1,856	1,963	2,035	7,320
Profit attributable to shareholders of the Company	1,461	1,860	1,964	2,061	7,346
Earnings per share (sen)	18	23	25	26	92
Dividends per share (sen)	-	23	10	23	56

* Certain financial information and its corresponding financial ratios have been restated in line with amendments to MFRS 116 Property, Plant and Equipment

KEY INTEREST BEARING ASSETS AND LIABILITIES

RM Million	2021			2022		
	As at 31 December 2021	Effective Interest Rate (%)	Interest Income/ Expenses	As at 31 December 2022	Effective Interest Rate (%)	Interest Income/ Expenses
Interest earning assets:						
Cash and bank balances	434	-	1	937	-	4
Fund investment	15,956	1.85	116	7,951	2.26	243
Interest bearing liabilities:						
Term Loans	2,295	1.47	32	2,617	4.85	71
Revolving credits	93	0.79**	-	101	0.70 - 0.90***	-
Lease liabilities	1,462	-	111	1,813	-	120

** Above EURIBOR

*** Above KLIBOR



FINANCIAL REVIEW

FIVE-YEAR GROUP FINANCIAL SUMMARY

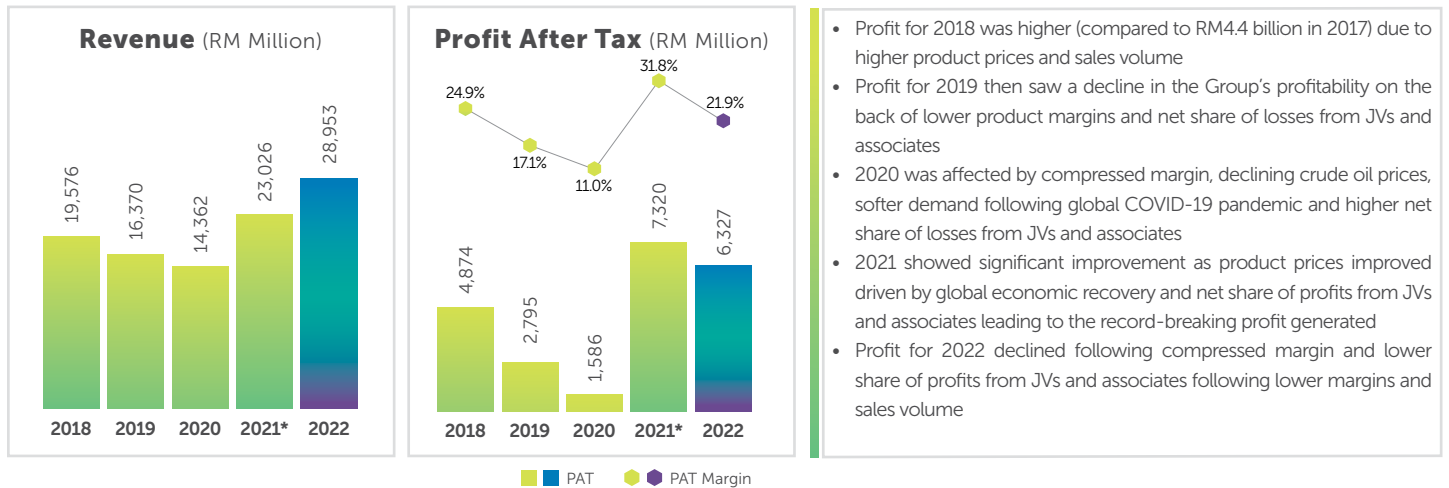
RM Million	2018	2019	2020	2021*	2022
Consolidated statement of income					
Revenue	19,576	16,370	14,362	23,026	28,953
By segment:					
Olefins and Derivatives	12,280	9,947	8,194	12,465	12,929
Fertilisers and Methanol	7,241	6,165	5,311	9,341	12,850
Specialties	-	-	-	-	3,125
Others	55	258	857	1,220	49
Cost of revenue	(12,702)	(11,914)	(10,837)	(14,447)	(20,277)
Gross profit	6,874	4,456	3,525	8,579	8,676
Selling and distribution expenses	(818)	(878)	(967)	(1,091)	(1,436)
Administration expenses	(694)	(754)	(718)	(839)	(1,157)
Other expenses	(200)	(107)	(68)	(60)	(166)
Other income	503	523	428	422	717
Operating profit	5,665	3,240	2,200	7,011	6,634
Financing cost	(17)	(31)	(27)	(29)	(66)
Share of profit/(loss) of equity accounted JVs and associates net of tax	108	(54)	(316)	729	165
Profit before taxation	5,756	3,155	1,857	7,711	6,733
Tax expense	(882)	(360)	(271)	(391)	(406)
Profit for the year	4,874	2,795	1,586	7,320	6,327
Profit attributable to the shareholders of the company	4,788	2,811	1,628	7,346	6,322
Consolidated statement of financial position					
Property, plant and equipment	19,080	20,482	20,987	22,041	27,213
Cash & cash equivalents	12,329	12,045	12,707	16,390	8,888
Total assets	37,365	38,863	39,829	46,454	55,430
Borrowings	2,072	1,875	2,192	2,388	2,718
Total liabilities	7,117	8,325	8,820	11,068	15,697
Share capital	8,871	8,871	8,871	8,871	8,871
Reserves	20,693	21,062	21,575	25,980	30,207
Total equity attributable to the shareholder of the company	29,564	29,933	30,446	34,851	39,078
Non-controlling interests	684	605	563	535	655
Total equity	30,248	30,538	31,009	35,386	39,733
Financial ratios (%)					
PAT margin	24.9	17.1	11.0	31.8	21.9
Return on equity	15.8	9.2	5.3	20.8	15.9
Return on asset	13.0	7.2	4.0	15.8	11.4
Cost over revenue	72.6	82.7	87.2	71.1	79.0
Dividend payout ratio	53.5	51.2	59.0	61.0	51.9
Gearing ratio	6.9	6.1	7.1	6.7	6.8
Share information					
Earnings per share (sen)	60	35	20	92	79
Dividend per share (sen)	32	18	12	56	41
Net asset per share (RM)	3.70	3.74	3.81	4.36	4.88
Closing share price (RM)	9.29	7.35	7.43	8.92	8.60
Number of ordinary shares (Million)	8,000	8,000	8,000	8,000	8,000
Market capitalisation (RM Million)	74,320	58,800	59,440	71,360	68,800

* Certain financial information and its corresponding financial ratios have been restated in line with amendments to MFRS 116 Property, Plant and Equipment

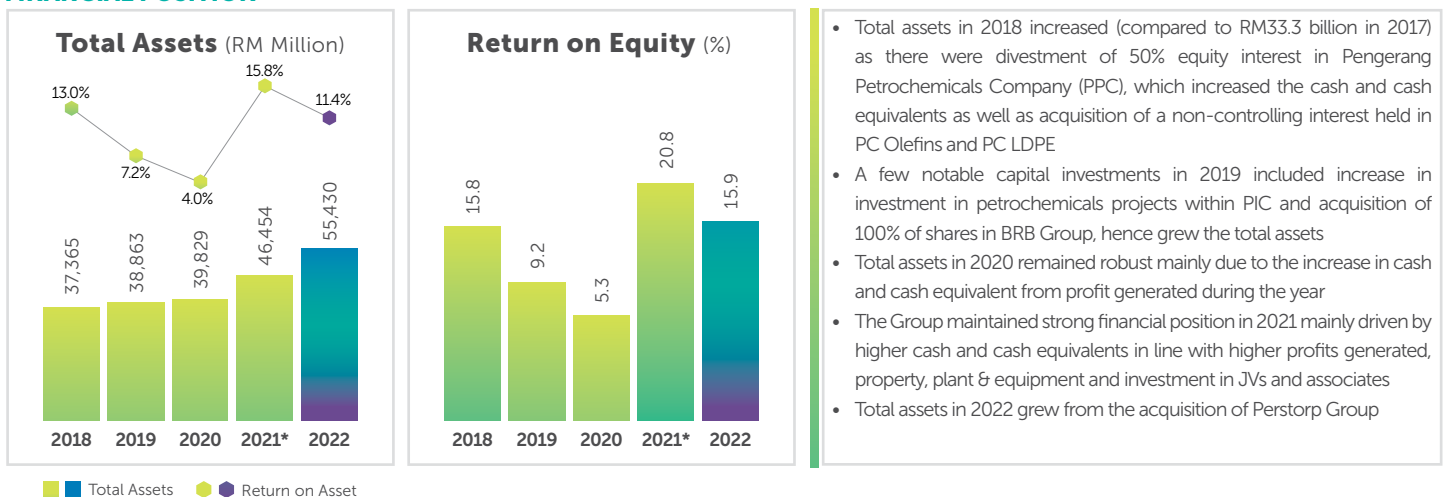
FINANCIAL REVIEW

FIVE-YEAR GROUP FINANCIAL HIGHLIGHTS

PROFITABILITY



FINANCIAL POSITION



SHARE AND RETURNS TO SHAREHOLDERS



* Certain financial information and its corresponding financial ratios have been restated in line with amendments to MFRS 116 Property, Plant and Equipment

■ Dividend ● Dividend payout ratio



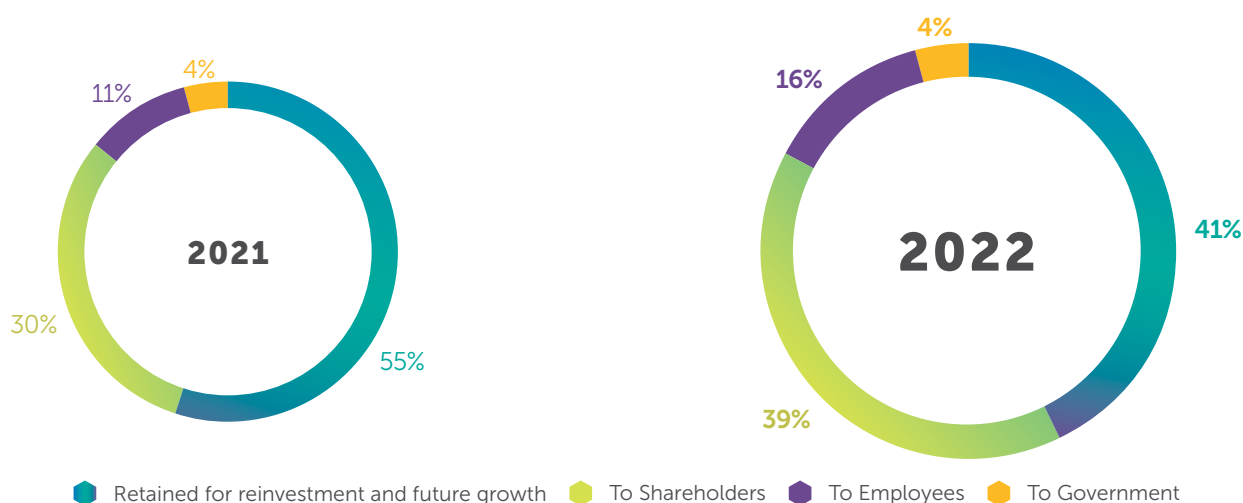
FINANCIAL REVIEW

STATEMENT OF VALUE ADDED

RM Million	2021*	2022
Revenue	23,026	28,953
Less: Purchase of goods and services	(13,527)	(19,702)
Value added by the companies	9,499	9,251
Net other income	362	551
Financing costs	(29)	(66)
Share of profits after tax of equity accounted JVs and associates	729	165
Value added available for distribution	10,561	9,901

DISTRIBUTION OF VALUE ADDED

RM Million	2021*	2022
<i>Distributed to:</i>		
To employees		
Employee costs	1,200	1,579
To government		
Taxation	391	406
To shareholders		
Dividends	3,200	3,840
Non-controlling interest	6	4
Retained for reinvestment and future growth		
Depreciation & amortisation	1,650	1,589
Retained profit	4,114	2,483
Value Distribution	10,561	9,901



* Certain financial information and its corresponding financial ratios have been restated in line with amendments to MFRS 116 Property, Plant and Equipment

SUSTAINABILITY REVIEW

SUSTAINABILITY STRATEGY

Sustainability is core to our business management and operations, as we seek to create value for people and planet. We are committed to support transitioning to a low-carbon economy through our Net Zero Carbon Emissions (NZCE) 2050 Roadmap.

Our Sustainability Agenda has been crucial in enabling us to drive sustainability across our organisation. Serving as the overarching framework, our Sustainability Agenda is anchored on the four key sustainability pillars - Economic, Environmental, Social and Governance (EESG) and consists of key focus areas. It is also mapped against 13 selected UN Sustainable Development Goals (UN SDGs), which encompassed all the four pillars.

We review our Sustainability Agenda from time to time to stay relevant and to align with the evolving developments of sustainability landscape. Refreshing our Sustainability Agenda also allows us to meet increasing stakeholder demands and improve our EESG ratings. As such, our robust Sustainability Agenda has led to the improvement of PCG's ranking on DJSI, which rose significantly from 81st in 2018 to top 10 in 2021. The top 10 ranking was maintained in 2022.

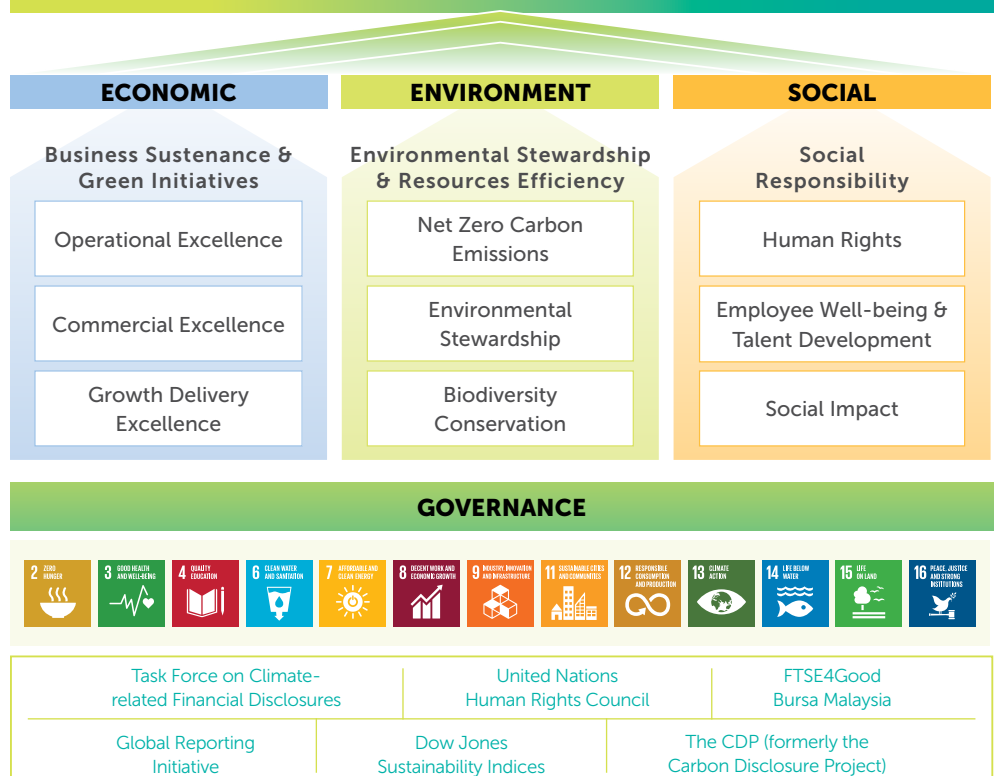
In 2022, we enhanced our Sustainability Agenda to adopt a more comprehensive sustainability approach. One of the main enhancements was the addition of "Sustainability at the Core" aspiration to better embed sustainability across our organisation. Our key focus areas were reviewed and consolidated to ensure that the Sustainability Agenda addresses all the key topics that are material to us and our stakeholders.

The enhancements included:

ENVIRONMENT	SOCIAL	GOVERNANCE
<ul style="list-style-type: none"> Consolidation of energy, waste and water to adopt a holistic approach for the Sustainability Agenda Realignment of New Plastics Economy (NPE) under Growth Delivery Excellence to drive growth in circularity Addition of Biodiversity Conservation as a focus area to meet increasing stakeholder expectations 	<ul style="list-style-type: none"> Addition of Employee Well-being and Talent Development as a focus area to meet increasing stakeholder expectation Elevating Corporate Social Responsibility to Social Impact to measure the direct outcome from Corporate Social Responsibility initiatives Restructuring of Social Risk Assessment to Human Rights to adopt a holistic approach for the Sustainability Agenda 	<ul style="list-style-type: none"> Addition of standards and ratings that PCG complies with, to demonstrate PCG's commitment and alignment to well-established standards

ENHANCING OUR SUSTAINABILITY AGENDA

SUSTAINABILITY AT THE CORE



SUSTAINABILITY REVIEW

SUSTAINABILITY SCORECARD

ECONOMIC



<p>Production Volume</p> <p>10.4** million tpa</p> <p>2021: 10.4 million tpa</p>	<p>Sales Volume</p> <p>8.3** million tpa</p> <p>2021: 8.2 million tpa</p>
<p>70%</p> <p>total procurement spending for Malaysian business sourced from local suppliers</p> <p>2021: 66%*</p>	<p>Plant Utilisation (PU)</p> <p>89%</p> <p>2021: 93%</p>
<p>15**</p> <p>Number of new products</p> <p>2021: 16</p>	<p>95%</p> <p>Order Fulfilment Reliability</p> <p>2021: 87%</p>
<p>12</p> <p>Number of Co-created Solutions</p> <p>2021: 16</p>	

* We have revised our 2021 figure due to recounting adjustment. The changes have been restated in our disclosed values in this year's report.

** including BRB Group & Perstorp Group

ENVIRONMENTAL

<p>AIR</p> <p>GHG Emissions</p> <p>7.05 million tonne CO₂e</p> <p>2021: 7.00 million tonne CO₂e</p>	<p>WASTE</p> <p>Hazardous Waste Generation</p> <p>29.4 kilotonne</p> <p>2021: 26.2 kilotonne</p>
<p>GHG Emissions Intensity</p> <p>0.70 tonne CO₂e/ tonne</p> <p>2021: 0.67 tonne CO₂e/tonne</p>	<p>Hazardous Waste 3R</p> <p>76%</p> <p>2021: 75%</p>
<p>Reduction of GHG Emissions</p> <p>more than 108,000 tonne CO₂e</p> <p>Cumulative reduction from numerous projects since 2019</p>	<p>ENERGY</p> <p>Energy Intensity</p> <p>17.08 GJ/tonne</p> <p>2021: 15.76 GJ/tonne</p>
<p>Air Emissions (NOx)</p> <p>18.51 kilotonne</p> <p>2021: 25.07 kilotonne</p>	<p>Energy Consumed</p> <p>104.90 million GJ</p> <p>2021: 102.27 million GJ</p>
<p>Air Emissions (SOx)</p> <p>0.19 kilotonne</p> <p>2021: 0.27 kilotonne</p>	<p>Energy Intensity Reduction</p> <p>3%</p> <p>from baseline year 2014</p>
<p>Air Emissions Intensity</p> <p>1.86 tonne/kilotonne</p> <p>2021: 2.42 tonne/kilotonne</p>	

SUSTAINABILITY REVIEW

SOCIAL

WATER

Freshwater Withdrawal

39.06
million m³
2021: 38.52 million m³



Freshwater Withdrawal Intensity

3.89
m³/tonne
2021: 3.69 m³/tonne



Wastewater Discharge (COD Loading)

204.2
tonne
2021: 171.4 tonne



Wastewater Discharge (COD Loading) Intensity

0.02
tonne/kilotonne
2021: 0.02 tonne/kilotonne



CONSERVATION

Mangrove trees planted

3,550
2021: 1,200





Social Impact Initiatives reached over

300,000
people
2021: ~295,000 people
Inclusive of NPE reach



World-Class Safety Performance

0.17
Lost Time Injury Frequency (LTIF)
compared to oil & gas industry benchmark of 0.22
2021: 0.07



Employee Training & Development

RM24.4
million invested
2021: RM6.9 million invested

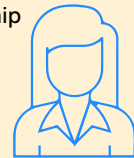
Number of Products Stewardship and Technical Seminars

13
2021: 12
Completed all High and Medium priority Global Product Strategy Safety Seminars




Women Representation in Senior Leadership

29%
2021: 18%




Female Workforce

22%
2021: 17%



Training Days

10.2
(man-days) On average per employee
2021: 3.0
(man-days) on average per employee




OPERATING ENVIRONMENT AND OUTLOOK

As a global integrated chemicals company, we pay close attention to our operating environment and the external factors that influence our business. Given how interconnected PCG is to the energy and commodities industry, and the global demand for our products—changes in the macro economy, geopolitical uncertainty and supply-demand cycles can impact our ability to create value. We consider these factors in our strategies to ensure we respond proactively and appropriately to mitigate any impact on our business.

ECONOMIC RECOVERY

OVERVIEW

The economies of nations around the world recovered* at varying speeds throughout the year as a result of the different approaches taken to managing the spread of COVID-19. Global economic growth was also moderated by the impact of the Russia-Ukraine war, China's internal policies amid surging commodities prices, rising inflationary pressure and record high debt levels. Commodity prices including chemicals remained at elevated levels while demand for commodity chemicals continued to be impacted by global economic activities.

The persistent effects of the La Niña weather phenomenon have added further economic uncertainty, bringing with it extreme temperatures and heavy rainfall which affected the output of agricultural sectors in some regions of the world, including in Southeast Asia. According to the Climate Prediction Centre in the United States, the La Niña phenomenon is expected to continue into early 2023.

* As per IMF and IHS economic reports

HOW IT IMPACTED OUR STRATEGY

Learning from the previous year, we deployed solutions to cushion the impact of the economic uncertainty. Through our operational and financial resilience, we overcame some disruptions and continued to progress with our Two-Pronged Strategy.

HOW WE RESPONDED

- Maintained our plant availability and executed major turnaround activities without any impact on schedule, while carefully managing COVID-19 impacts
- As integrated facilities, we optimised the availability of every molecule available while aligning with the overall value chain shutdown or slowdown activities throughout the value chain which yielded the highest ethylene production volume
- Implemented digital tools as part of our digital transformation journey for faster business decisions and more value creation while putting customer centricity as a priority
- Exercised discipline cost management and prudent spending



Employees

- Continued to provide Flexible Work Arrangements (FWA) to promote work-life balance throughout the organisation to nurture engaged employees
- Created conducive working environment through both virtual and physical employee engagements and initiatives that focused on mental health and well-being
- Resumed physical training for selected development programme and technical courses to ensure effective hands-on learnings



Customers

- Maintained competitive pricing by offering a good value proposition through alternative packaging, Just-in-Time inventory via sales through our local tankages, product bundling and after-sales service
- Launched new products which help to address the changing needs of customers' requirements and growing demand of increasing population



Suppliers & Vendors

- Worked closely with authorities and relevant stakeholders on possible diversion to alternative ports of destination when needed to ensure timely product delivery to customers



Government & Regulators

- Worked closely with authorities to adhere to Standard Operating Procedures and continued operations

OUTLOOK

A robust recovery continued to be observed in 2022, though the situation may turn bearish in 2023.

The reopening of China and the relaxation of its zero-COVID policy is positive for the chemicals sector, especially for polymers and olefins. Nevertheless, we remain cautious due to the dynamic changes in geopolitics and climate that can potentially affect the global economy. One factor that heightens uncertainty of the pace of recovery moving forward is the significant increase of prices and inflationary pressure. The potential economic impact due to global interest rate hikes to tame high inflation and the fear of a recession emphasises a need to collectively address global challenges.

OPERATING ENVIRONMENT AND OUTLOOK

ENERGY, MATERIALS & FEEDSTOCK PRICE UNCERTAINTIES

OVERVIEW

Russia-Ukraine conflict pushed energy and feedstock prices soaring as supply was disrupted. In 2022, oil prices surged further from USD87/barrel in January 2021 to their highest in June 2022 at USD124/barrel. In July, the crude oil prices decline but remained above USD90/barrel throughout the second half of 2022 due to the Russia-Ukraine war amidst robust demand and OPEC+ maintaining production cut. As Russia curtailed gas supply to Europe, European gas prices in 2022 jumped by 163% from 2021 levels.

Overall, petrochemical prices in 2022 fared better than 2021. Our key ethylene-based price products, Polyethylene (PE) and Mono-Ethylene Glycols (MEG) saw average prices improve by 9% in the first half of 2022 compared to 2021 levels in line with recovery in the global economy and the manufacturing sector supported by higher energy and feedstock prices. However, prices of crude oil and naphtha trended downward in the second half of 2022 but it showing sign of strengthening in early 2023 as demand catches up with supply, thus influencing the movement of petrochemical prices.

Urea prices soared by 31% from 2021 on strong demand from the agriculture sector and food security needs, tight supply from major exporters and high feedstock costs. Methanol price remained elevated but stayed at almost the same level as 2021.

Similarly, specialty chemicals have also not been spared by the uncertainties in the macro environment fueled by post pandemic risk of new variants, prolonged Russia-Ukraine conflict derailing recovery, and high inflation. This has led to higher energy, material and feedstock prices. However, with the value adding nature of specialty chemicals to our customer coupled with pricing excellence we managed to mitigate the impact of the volatile market.

HOW IT IMPACTED OUR STRATEGY

Higher raw material prices and logistics costs pushed cost of production higher. However, higher petrochemical prices in tandem with the elevated energy price and supply-demand imbalance also pushed our revenue to an all-time high. We are also taking the opportunity to conduct turnaround optimisation as well as shifting some of our products to premium market.

HOW WE RESPONDED

- Upheld our ability to maintain competitive costs and maximise value and production, resulting in commendable profits
- Continuously monitored, reviewed and managed our feedstock contracts to optimise feedstock value



Customers

- Deployed optimisation of logistics costs, such as product co-loading, contract optimisation for inland distribution and haulage service, time-charter, and the expansion of our China domestic distribution infrastructure for methanol and polymers



Suppliers & Vendors

- Close collaboration through regular coordination meetings to secure stable feedstock supply and maintain a high utilisation rate in our plants
- Coordinated shutdowns with feedstock suppliers to maximise end-to-end value chain from upstream to downstream
- Clear PETRONAS Standard Operating Procedures (SOPs) shared with vendors for better deployment of resources



Shareholders & Investment Community

- The Group declared two interim dividends of 25 sen and 16 sen per ordinary share during the year, representing a dividend payout of 51.9% of Profit After Tax and Non-Controlling Interests (PATANCI) amounting to RM3.3 billion

OUTLOOK

We have seen a rally of commodity prices, including chemical prices during most of the first half of 2022, while in the second half, chemical prices took divergent paths as ethylene prices traced the downward trend of crude oil and naphtha prices while urea prices were higher due to the ongoing Russia-Ukraine conflict.

While OPEC+ is expected to actively control its production, other major oil exporters may continue to increase output. Petrochemical prices are expected to move in tandem with crude oil prices amidst global economic uncertainties.

To stay resilient against market volatility, PCG will continue to diversify and extend further in the downstream value chain by venturing into derivatives and specialty chemicals. With more specialty chemicals in our portfolio, we will continue to move into segments with higher growth potential and less volatility in relation to crude oil prices.

OPERATING ENVIRONMENT AND OUTLOOK

INTENSIFIED SUSTAINABILITY

OVERVIEW

Continuing from 2021, the scrutiny and call for action by policymakers, regulators, financiers, investors, consumers and pressure groups on sustainable business practices has intensified further. As key economies begin translating their net zero commitments into policy and legislation, investments into low-carbon pathways have intensified and accelerated peak oil demand which will pose risks to an industry that generally operates on thin margins. For PCG, we aspire to leverage the opportunities brought about by these developments to continue delivering value to our stakeholders.

HOW IT IMPACTED OUR STRATEGY

The increasing importance of sustainability practices brings additional considerations to our strategies and plans, especially with our Sustainability Agenda. This includes more scrutiny from regulators, investors, customers and the public. At the same time, by deeply embedding sustainability commitments into our operations and portfolios, we become more resilient to market volatilities. With this in mind, we continue to take a proactive approach in embedding Sustainability at the Core of PCG.

HOW WE RESPONDED

- Detailed out executable action plans with all PCG operating units for their respective short, mid, and long-term Net Zero Carbon Emissions (NZCE) 2050 pathways
- Aligned with PCG operating units on operational optimisation to reduce Scope 1 & Scope 2 emissions as well as scaling up renewables and low-carbon solutions
- Continued dedication to sustainable development driven by the expansion of Economic, Environmental, Social and Governance (EESG) practices
- Continued to channel financial capital into sustainability initiatives, such as carbon emission reduction, New Plastics Economy (NPE) and community well-being
- Aligning with DJSI and FTSE4Good to assure our stakeholders that we are on the right track in materialising our Sustainability Agenda



Customers

- Collaborated with technology partners in producing circular and sustainable products



Shareholders & Investment Community

- Enhanced disclosure and direct engagements to discuss sustainability initiatives and progress



Government & Regulators

- Release of our inaugural Task Force on Climate-Related Financial Disclosures (TCFD) report in September 2022 which already met the Malaysian stock exchange's newest requirements for listed entities to report on TCFD-aligned disclosures before December 31, 2025



Communities

- Raised public awareness on environmental sustainability through educational programmes and modules

OUTLOOK

New regulations, investor expectations, fiscal policies, consumer behaviour and sustainability reporting requirements will remain at the forefront of our Sustainability Agenda. We remain committed to channelling our resources to enable us to operate in an environmentally and socially responsible manner. This includes assessing opportunities in sustainable chemicals, NPE, community well-being, and climate change mitigation and adaptation. Our continued dedication to sustainable development will be driven by our commitment to economic, environmental, social and governance (EESG) best practices.

OPERATING ENVIRONMENT AND OUTLOOK

SUPPLY CHAIN DISRUPTIONS

OVERVIEW

Alongside surging energy and materials costs, businesses must deal with continued supply chain constraints, labour issues and higher wage pressures. Any supply disruption can trigger price escalation. Supply-side strains arising from COVID-19-related shutdowns, export restrictions, inclement weather, and surging shipping and energy input costs have been compounded by Russia’s decision to invade Ukraine, which has disrupted global supplies of commodities including oil, gas, minerals, grains and fertilisers.

HOW IT IMPACTED OUR STRATEGY

The commodity chemicals market continued to be impacted by supply chain disruptions. Learning from the previous year, we deployed solutions to overcome the impact of global supply chain issues. Through our operational resilience, effective coordination with feedstock supplier, effective maintenance and spare parts management, as well as implementation of advanced digital tools in managing plant reliability and Commercial Excellence, we faced minimum disruptions.

HOW WE RESPONDED



Customers

- Deployed optimisation of logistics activities, such as product co-loading, contract optimisation for inland distribution and haulage service, time-charter, and overseas subsidiaries tank distribution
- Deployed digital tools where we also enhanced our marketing and sales productivity, quicken response time and improve integrated marketing communications with customers



Suppliers & Vendors

- Close collaboration through regular coordination meetings to secure stable feedstock supply and maintain a high utilisation rate in our plants
- Coordinated shutdowns with feedstock suppliers to maximise end-to-end value chain from upstream to downstream
- Effective adoption of PETRONAS SOPs by vendors for better deployment of resources
- Implemented advanced digital analytics to detect risky driving behaviours of our transporters since 2019 under PETRONAS’ Integrated Vision for Operational Excellence Transformation (PIVOT) Transport Safety. It is a transportation safety solution that is holistic and preventive, based on a vehicle monitoring system, driver behaviour analytics and an integrated and digitalised database

OUTLOOK

As the post-COVID-19 recovery continues, more countries are opening up their economies and with fewer disruptions expected, and the impact of supply constraints is expected to ease further moving forward. However, to remain resilient, PCG will be making sure that the overall supply chain ecosystem is more responsive and agile to manage unexpected disruptions while maintaining profitability.

OPERATING ENVIRONMENT AND OUTLOOK

ACCELERATED DIGITALISATION

OVERVIEW

Over the last few years, manufacturers and industrial organisations around the world have been investing more in digital programmes and initiatives to help accelerate IT-optimised smart manufacturing. Enhanced digitalisation of systems and technologies brings convenience and efficiency which enables new business models, revenue streams and value creation opportunities. COVID-19 and the post-pandemic era has led to a new norm as people, organisations, industry and governments have willingly adopted digitalisation and digital platforms to cope with the disruptions to our lives, societies, and businesses. As part of our Commercial Excellence initiatives, we continue to embark on digital solutions which provide convenience and a better customer experience.

HOW IT IMPACTED OUR STRATEGY

Digitalisation increases our risk and exposure towards cyber threats and attacks that may impact operations, delay delivery of customer products and lead to financial loss, reputational damage and regulatory impact.

Nonetheless, low utilisation of digital application tools could cause slower realisation of benefits and return on our investment as unreliable infrastructure and inefficient assets will lead to disruptions in our operations, product delivery and services.

Hence, it is our corporate responsibility to accelerate digital adoption and protect the business and stakeholders from any malicious cybercrime.

HOW WE RESPONDED

- In 2022, we accelerated our journey from a product-centric to a customer-centric business with our digital Customer Relationship Management (CRM) portal, PETRONAS360. With PETRONAS360, we envisioned to enable our frontliners to delight customers with bespoke and seamless experience. At the same time, we plan to further entice customer loyalty by liberating crucial information and serve customers all year round through the portal
- Through Cyber Security Business Impact Assessment and Legal & Regulatory Assessment (CSBIA-LRA), we identified top priority digital tools (business critical system assets) which we utilise to deliver reliable, efficient and effective services to customers
- We implemented digital tools such as Enterprise Optimisation, PIVOT to improve operational efficiency
- Leveraged digital tools on plant operations, such as Asset Performance Monitoring (APM) and Advanced Analytics (AA) which translate into total cost saving and avoidance of RM25 million
- Utilised the latest tracking technology to enhance fleet monitoring compliance and safety including utilisation of 24-hour CCTV and drones
- To increase cyber resilience and assurance, we have adopted and applied the Enterprise Cyber Security Governance Framework, established Cyber Security Operations Centre (SOC) that enables 24/7 monitoring of any cyber risks, vulnerabilities and attacks globally to protect our business systems and data
- Developing our people to be human firewall

OUTLOOK

Industries will continue to adopt digitalisation and accelerate smart manufacturing as technologies enable new business models, revenue streams and value creation opportunities. We are committed to expanding and prioritising digital tools and platforms to ensure operational efficiency and reliability and deliver reliable, efficient and effective services to customers and other stakeholders. In addition to the rollout of Commercial Excellence projects such as the Price Management Tool, Customer Delivery Excellence, PETRONAS 360, PIVOT Transport Safety and Enterprise Optimisation, we are also planning to implement price forecast advance analytics in 2023 to enhance our pricing capabilities.

STAKEHOLDER ENGAGEMENT



EMPLOYEES

Employees are the backbone of the Group. Their competencies, leadership and commitment are central to achieving our strategic priorities.

Number of Employees:

6,288



SHAREHOLDERS & INVESTMENT COMMUNITY

As essential providers of financial capital, we regularly engage with our shareholders and investors so that they can make fair and informed decisions.

Number of Shareholders:

18,901 (as at 31 December 2022)



CUSTOMERS

The trust and support of customers is the reason we exist. Our ability to deliver innovative products and solutions that meet their evolving needs is key to our sustainable growth.

Number of product stewardship and technical seminars:

13



GOVERNMENT & REGULATORS

With a wide international presence, we work closely with relevant authorities to navigate regulatory challenges, ensure consistent compliance and attract Foreign Direct Investments.

Number of Engagement Sessions:

58*

* Data only represent high level engagement in both local and international level



SUPPLIERS & VENDORS

A resilient value chain is essential for our continuous operations. Therefore, we create strong relationships with our suppliers and vendors that benefits everyone across the supply chain.

Percentage of local* suppliers and vendors:

80%

* local suppliers of Malaysian operations



COMMUNITIES

The long-term health of our business is linked to the health of the communities we serve. We strive to create meaningful and inclusive contributions for everyone impacted by our operations.

Number of volunteer hours

1,683



BUSINESS PARTNERS

We form strategic partnerships and joint ventures (JVs) with other industry players to exchange ideas and expertise, as well as further expand our business.

Number of JVs:

13



MEDIA

Our media partners help share essential and transparent information with our other stakeholders, such as the public, investors, regulators and others, protecting our business from misinformation and unfair perceptions.

Media mileage

RM18.7 million

STAKEHOLDER ENGAGEMENT

Our long history in the chemicals industry is built on the trust and support of our stakeholders. Therefore, an essential aspect of our sustainability efforts involves maintaining open communication with our key stakeholders to keep them informed and updated, while understanding how to create value for them in the many years to come. Our strategy and decisions are based on their feedback and expectations.

FREQUENCY OF ENGAGEMENT

Daily	Quarterly
Weekly	Annually
Monthly	Bi-Annually
Alternate Month	Bi-Monthly
As Required	

QUALITY OF ENGAGEMENT

No existing relationship

Relationship established, but much work to be done to improve the quality of relationship

Relationship established, value-generating connection, but with some room for improvement

Good-quality, mutually beneficial relationship, with some room for improvement

Strong relationship of mutual benefit

EMPLOYEES

ENGAGEMENT PLATFORM

- Virtual townhalls
- Digital communication
- Staff engagement and appreciation sessions
- HSE campaigns
- Organisational Culture Survey

CUSTOMERS

ENGAGEMENT PLATFORM

- Meetings with customers
- Customer satisfaction surveys
- Feedback management system
- Customer appreciation programmes
- Product stewardship seminars

WHY WE ENGAGE

We have 6,288 skilled and dedicated employees to drive our business objectives and execute our world class manufacturing operations.

KEY CONCERNS

- Health, safety and environment
- Cybersecurity
- Well-being and mental health
- Work-life balance
- Human rights

RESPONSE

- Implement more initiatives on employee's well-being and mental health
- Provide a safe working environment to our employees
- Offer flexible working arrangements

WHY WE ENGAGE

Our customers play an integral role in our business growth. In order to deliver quality value-added products, we need to understand their expectations which will, in turn, build customer loyalty.


KEY CONCERNS

- Product quality and delivery
- Plastic and waste management
- Product pricing and credit terms


RESPONSE

- Design distinct value propositions for each customer segment
- Integrate product stewardship into the Research & Development process to develop safe and sustainable products
- Collaborate with strategic partners to create high performance and competitive products

STAKEHOLDER ENGAGEMENT



SUPPLIERS & VENDORS



ENGAGEMENT PLATFORM

- Regular meetings ◆
- Day-to-day interactions ◆
- Forums ◆ ◆
- Site visits ◆



BUSINESS PARTNERS



ENGAGEMENT PLATFORM

- Periodic meetings ◆
- Day-to-day interactions ◆
- Strategic dialogues ◆
- Conferences and forums ◆



SHAREHOLDERS & INVESTMENT COMMUNITY



ENGAGEMENT PLATFORM

- Investors and analysts briefings ◆ ◆
- Meetings and conferences ◆ ◆ ◆
- Annual reports ◆
- Annual general meetings ◆
- Announcements via Bursa Malaysia ◆ ◆
- Company website ◆ ◆

WHY WE ENGAGE

Our suppliers and vendors support us in delivering high-quality products and services, which will in turn enable us to create value for our own products. This relationship means we also provide suppliers with the right support to thrive in the market.

KEY CONCERNS

- Health, safety and environment
- Human rights
- Ethical business practices
- Sustainability in supply chain

RESPONSE

- Implement stringent policies that protect suppliers' well-being
- Provide robust grievance mechanisms for suppliers
- Incorporate environmental and social standards in our procurement process
- Conduct governance-related sharing sessions

WHY WE ENGAGE

Our business partnerships - largely created through joint ventures, joint operations and associates - provide beneficial support to the growth of all respective businesses.

KEY CONCERNS

- Company performance
- Ethical business practices
- Good governance
- Continuous value creation

RESPONSE

- Closely monitor and build upon partnership benefits
- Strengthen good governance by leveraging each shareholders' governance practice
- Provide a reliable supply of feedstock to partner ventures

WHY WE ENGAGE

With the financial capital from our shareholders and investors enabling our sustainable growth, we are required to maintain their confidence in our ability to generate sustainable financial returns in a responsible manner.















KEY CONCERNS

- Sustainable value creation
- Company's operational, commercial and financial performance
- Growth project progress and deliverables
- Environmental management
- Corporate governance

RESPONSE

- Access to board members and senior management
- Increase communication frequency utilising available communication platforms such as conference calls, virtual conferences and one-on-one meetings
- Improve communication materials including easy website navigation
- Ensure compliance of disclosure guidelines
- Timely disclosure on key topics

STAKEHOLDER ENGAGEMENT

 <p>GOVERNMENT & REGULATORS</p>	 <p>COMMUNITIES</p>	 <p>MEDIA</p>
 <p>ENGAGEMENT PLATFORM</p> <ul style="list-style-type: none"> • Regular reporting to relevant agencies  • Joint working committee with state governments  • Regular meetings and briefings with agencies/regulators  	 <p>ENGAGEMENT PLATFORM</p> <ul style="list-style-type: none"> • Social Impact programmes  • Briefings and engagement with local communities  	 <p>ENGAGEMENT PLATFORM</p> <ul style="list-style-type: none"> • Virtual press conferences  • Press releases  
<p>WHY WE ENGAGE</p> <p>Our strong relationship with the government and regulators ensures that we operate within legal requirements and stay on top of any of the changing regulations.</p> <p>KEY CONCERNS</p> <ul style="list-style-type: none"> • Regulatory compliance • Environmental management <p>RESPONSE</p> <ul style="list-style-type: none"> • Establish transparent communication with relevant bodies • Collaborate with relevant agencies with common objectives 	<p>WHY WE ENGAGE</p> <p>Our operations may directly or indirectly impact communities; therefore, community engagement is important for us to understand their concerns. This will also highlight our social citizenship and instil public trust.</p> <p>KEY CONCERNS</p> <ul style="list-style-type: none"> • Safety of plant operations • Quality of air and water emissions • Jobs and other income-generating opportunities <p>RESPONSE</p> <ul style="list-style-type: none"> • Adopt stringent HSE best practices at PCG manufacturing plants • Regularly monitor air and water quality surrounding operations • Invest in community development programmes 	<p>WHY WE ENGAGE</p> <p>The media is an integral communication link between our business and our stakeholders. It is a key player when it comes to distributing significant information about our business and brand reputation.</p> <p>KEY CONCERNS</p> <ul style="list-style-type: none"> • Business performance • Environmental management and sustainability efforts • New innovation and technology <p>RESPONSE</p> <ul style="list-style-type: none"> • Foster open and transparent communication with the media • Provide a speedy response to media enquiries on business developments • Organise rapport-building activities

MATERIAL MATTERS

Material matters are key sustainability issues from the Economic, Environmental, Social and Governance pillars that are significant to our business, as well as stakeholders. Identifying material matters will enable us to better understand industry trends and challenges, apart from identifying the risks and opportunities of the material matters.

At PCG, we conduct an extensive materiality assessment involving internal and external stakeholders once every two years to ensure that our sustainability material matters remain relevant and timely. Our most recent in-depth materiality assessment, which included an online survey and interviews with stakeholders, was conducted in 2021*. As a result, 14 material matters were identified, of which five were of high priority.

In 2022, we reviewed the 14 material matters through a desktop validation to ensure that our material matters are updated from our last full materiality exercise in 2021. The material matters were aligned against local, regional and global industry peers, as well as national and international guiding principles such as Sustainability Accounting Standards Board (Chemicals), International Petroleum Industry Environmental Conservation Association (IPIECA) and UN Sustainable Development Goals (UN SDG). We also aligned our material matters against the 11 common material matters listed by Bursa Malaysia in its enhanced Main Market Listing Requirement’s sustainability disclosure requirements.

While the validation process showed that almost all of our material matters are aligned with industry peers and the selected guiding principles, we incorporated Customer Relationship Management into Innovation & Product Stewardship. This is because we go beyond providing the usual customer relationship management and are focused on providing innovative and bespoke products and solutions that meet customer needs. In conclusion, we retained 13 material matters, which were presented to the Sustainable Development Working Committee and the management before being endorsed by the Board.

* Read more about the process of our materiality assessment from pages 12 to 19 in PCG’s Sustainability Report 2022.



VALUE CREATING BUSINESS MODEL

STATEMENT OF PURPOSE

A progressive energy and solutions partner enriching lives for a sustainable future

VISION

To be the preferred chemical company providing innovative customer solutions

OUR CAPITALS

CAPITAL INPUTS

NATURAL

- Natural gas:**
 - Methane 109 million mmbtu
 - Ethane 1,243 ktpa
 - Propane 801 ktpa
 - Butane 272 ktpa
 - Heavy Naphtha 607 ktpa

MANUFACTURED

- 30 production plants owned
- Subsidiaries and representative offices in 29 countries

HUMAN

- 6,288 total number of employees
- RM24.4 million invested in employee training & development

INTELLECTUAL

- 7 Research and Development (R&D) laboratories
- 631 proprietary chemical formulations

SOCIAL & RELATIONSHIP

- 1,738 suppliers
- 1,683 volunteer hours for community engagements

FINANCIAL

- As at 1 January 2022*
- RM34.9 billion in shareholders' equity
 - RM16.4 billion in cash and cash equivalents
 - RM7.0 billion in free cash flow

* Certain financial information and its corresponding financial ratios have been restated in line with amendments to MFRS 116 Property, Plant and Equipment

ENABLE OUR BUSINESS TO CREATE

BUSINESS ACTIVITIES

MANUFACTURING

Our 19 world-class chemical manufacturing sites worldwide produce a range of commodities and specialty chemicals that are used by customers in different sectors - from agriculture to automotive, and packaging to personal care - to manufacture items that enhance our daily life.

[More Information on Pg 69.](#)

OPERATING ENVIRONMENT

- Economic Recovery
- Energy, Materials & Feedstock Price Uncertainties
- Intensified Sustainability
- Supply Chain Disruptions
- Accelerated Digitalisation

* Read more about Operating Environment on pg 56.

OUR STRATEGY

TWO-PRONGED STRATEGY

FIRST-PRONG

Sustain strength in basic petrochemicals
through Operational Excellence & Commercial Excellence in Maximising Cash Generation from existing business

SECOND-PRONG

Selectively diversify into derivatives, specialty chemicals and solutions
through Growth Delivery Excellence via Expanding Core & Stepping-out opportunities

Strategic Thrusts

OE OPERATIONAL EXCELLENCE

CE COMMERCIAL EXCELLENCE

GE GROWTH DELIVERY EXCELLENCE

COMMERCIAL

We market and sell integrated chemical solutions, including specialty products and chemical derivatives of the future. Through innovative products and solutions, we deliver best-in-class commercial value to our customers globally.

[More Information on Pg 71.](#)

PRINCIPAL RISKS

- | | | |
|--|------------------------------------|---------------------------------------|
| H Health, Safety and Environment Risk | S Strategic Investment Risk | SS Sustainability Risk |
| P Project Execution Risk | CY Cybersecurity Risk | |
| CO COVID-19 Risk | O Operational Risk | F Feedstock and Utilities Risk |
| M Market Risk | TA Plant Turnaround Risk | R Regulatory Risk |

GOVERNANCE

Supported by strong governance and effective Board leadership - **Robust Corporate Governance Ecosystem**

TRADE-OFFS

NATURAL CAPITAL

We have developed a comprehensive Net Zero Carbon Emissions (NZCE) 2050 Roadmap to demonstrate our unwavering commitment to climate action. While implementing this roadmap will require additional Financial Capital to reduce our emissions, we are confident that it will ultimately minimise future carbon costs and contribute to our long-term sustainability.

MANUFACTURED CAPITAL

Despite the initial impact of the Perstorp Group acquisition on our near-term Financial Capital, our expanded production capabilities and focus on sustainable products will not only replenish our Financial Capital, but generate significant long-term value. Additionally, it will not only strengthen our customer relationships, but also support investments that contribute to our Intellectual, Human, and Social & Relationship Capitals.

HUMAN CAPITAL

We prioritise the health and safety of our employees by investing in measures that promote a safe work environment, as well as adopting flexible working arrangements to support employee well-being. Additionally, we recognise the importance of investing in our employees' development to ensure they are prepared for the future. While these investments may impact our near-term Financial Capital, they ultimately lead to more productive and high-performing employees, strengthening our Human Capital and creating long-term value for the company.

SHARED VALUES

Our shared values are deeply embedded in our culture to ensure we operate with integrity at all times while contributing to the well-being of people in every nation where we have presence.



LOYALTY



INTEGRITY

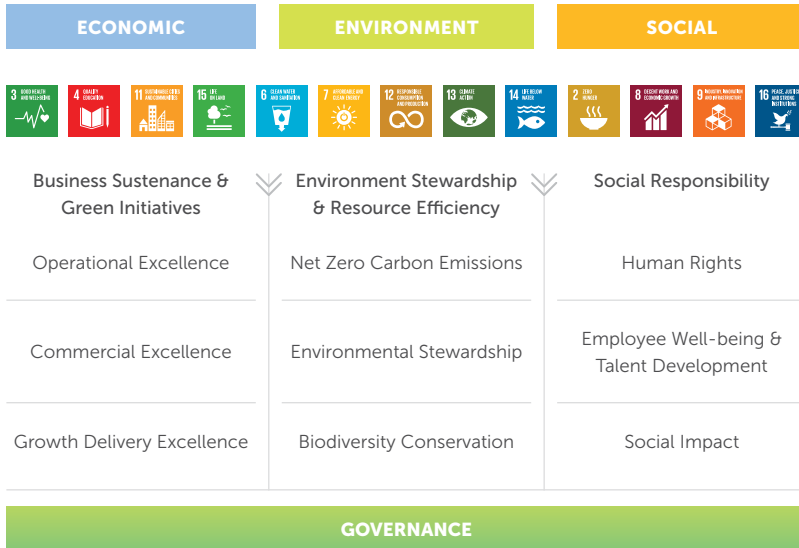


PROFESSIONALISM



COHESIVENESS

SUSTAINABILITY AT THE CORE



MATERIAL MATTERS



VALUE FOR OUR STAKEHOLDERS

OUTPUTS

OUTCOMES

PRODUCTION & SALES

- 10.4* million tpa production volume
 - 8.3* million tpa sales volume
 - 89% plant utilisation
- * including BRB Group & Perstorp Group

INNOVATION & TECHNOLOGY

- 15 new products
- 12 co-created solutions
- 283 technical solutions

ENVIRONMENTAL FOOTPRINT

- 0.70 tonne CO₂e/tonne GHG emissions intensity
- 29.4 kilotonne hazardous waste generation
- 0.02 tonne/kilotonne wastewater discharge intensity

NATURAL

- More than 108,000 tCO₂e reduced since 2019
- 17.08 GJ/tonne energy intensity

MANUFACTURED

- RM27.2 billion worth of property, plant and equipment

HUMAN

- Zero fatalities or major safety incidents
- 84% Employee Engagement Score
- 10.2 average training man-days per employee

INTELLECTUAL

- 13 product stewardship & technical seminars

SOCIAL & RELATIONSHIP

- 70% total procurement spending for Malaysian business sourced from local suppliers
- Over 300,000 community members reached

FINANCIAL

- RM8.1 billion in EBITDA
- RM3.3 billion dividend payout

INTELLECTUAL CAPITAL

Our customer-centric approach drove our focus on delivering innovative products and solutions, resulting in increased customer satisfaction and a rise in Social & Relationship Capital and trade off- Financial Capitals.

SOCIAL AND RELATIONSHIP CAPITAL

We are able to achieve positive results in both our Financial and Social & Relationship Capital through the timely delivery of products to our customers and our continued engagement in community development programs. Strengthened our branding as a responsible corporate citizen and acquired feedback and input to improve our Intellectual Capital.

FINANCIAL CAPITAL

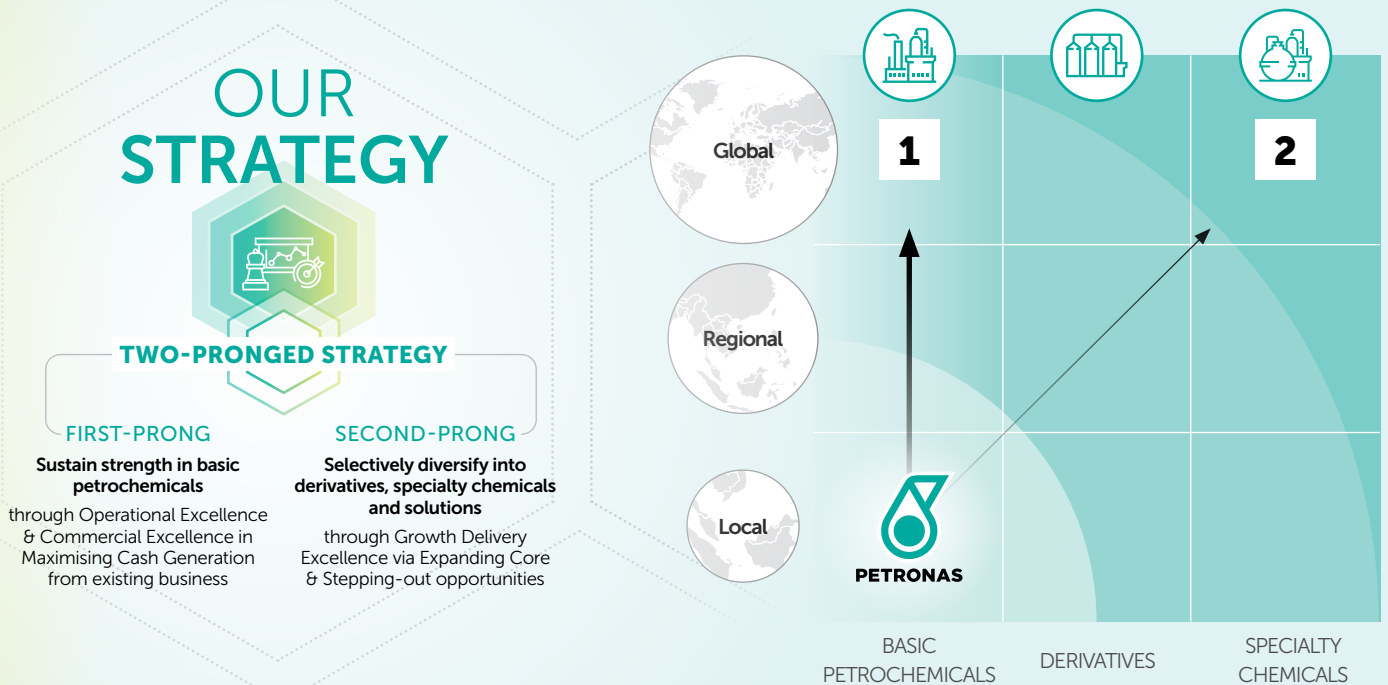
To achieve a balance between short-term financial interests and longer-term growth objectives, our business implements cost optimisation practices and discipline to efficiently manage working capital.

STRATEGY REVIEW

The Two-Pronged Strategy was formulated for PCG to remain competitive, resilient and adaptable. This proved crucial, especially in the past two years with the pandemic, on top of an already rapidly changing landscape and industry. With the aim towards delivering sustainable value to all our stakeholders, this strategy builds towards our growth aspirations while considering the external macro-environment, risks and opportunities and material matters.

TWO-PRONGED STRATEGY

Our strategy propels the Group towards achieving our vision of becoming The Preferred Chemical Company Providing Innovative Customer Solutions.



To further build resilience against market volatility and emerging risks, this strategy expands our value chain from basic petrochemicals into derivatives and specialty chemicals. Driving our strategy's success are the three strategic thrusts, executed through initiatives and propelled by performance targets.

Our Strategic Thrusts:

OE

OPERATIONAL EXCELLENCE

Achieve sustainable world-class plant performance focusing on:

- HSE Excellence
- Plant reliability & efficiency
- Plant turnaround excellence
- Optimise value chain
- Digital transformation & solutions

CE

COMMERCIAL EXCELLENCE

Increase value by looking through our customers' lens focusing on:

- Customer focus
- Sustain and enhance market position
- Marketing and sales capabilities
- Innovative solutions
- Innovation culture

GE

GROWTH DELIVERY EXCELLENCE

Diversify into higher value-adding products focusing on:

- Extend value chain
- Build specialty platform
- Create optionality for growth

STRATEGIC REVIEW

OPERATIONAL EXCELLENCE

Our core focus has always been delivering optimum productivity while ensuring our people and working environment remain safe. Delivering Operational Excellence is essential to ensure optimum cash generation from existing assets in supporting PCG's growth strategy while operating efficiently to support PCG sustainability journey. In 2022, we continued to record commendable Health, Safety and Environment (HSE) performance premised on our culture of HSE Excellence. We maintained our record of zero fatalities and to date, we managed to cumulatively reduce more than 108,000 tCO₂e of emissions from our operations.

PCG has also invested time and resources to improve plant reliability through effective execution of rectification of major plant issues and plant rejuvenation during our four planned turnarounds that were executed in 2022. We also strengthened our reliability strategy in addressing plant challenges and we are leveraging on digitalisation to provide fast and accurate analysis to improve plant reliability. In addition, we managed to optimise our operations through improved feedstock and utilities supply supported by our good collaboration with the key stakeholders within the supply chain.

Headline KPI	2018	2019	2020	2021	2022	2023 target	Mid-Term Target (2024-2027)
Number of Major Safety Incidents	1	0	0	0	0	0	0
Lost Time Injury Frequency (LTIF)	0.13	0.08	0.14	0.07	0.17	0.13	0.13
Number or Tier-1 Process Safety Event	1	2	3	1	1	0	0
GHG Emission (million tonne of CO ₂ e)	7.08	7.02	7.10	7.00	7.05	6.96	≤6.98

Headline KPI	2018	2019	2020	2021	2022	2023 target	Mid-Term Target (2024-2027)
Production Volume (million tpa)	10.4	10.4	10.7	10.4	10.4*	>10	>10
Plant Utilisation (%)	92	92	94	93	89	>90	>90

* including BRB Group & Perstorp Group

Health, Safety and Environment (HSE) Excellence

KEY INITIATIVES

- Ensuring strong commitment to HSE Excellence, particularly in the execution of turnaround activities which involves thousands of contracts workers who are new to our working environment. This was implemented through strict discipline and adherence to our HSE rules and regulations, as well as COVID-19 SOPs
- Continuing the Felt Leadership Programme, Focused Learning (Learning from Incidents) and adopting HSE Balance of Consequence, to ensure HSE goals are met
- Inculcating a culture of HSE Excellence by enforcing a robust HSE framework
- Improving our OSH and environmental practices via the Mandatory Control Framework

HOW WE HAVE PROGRESSED

- Recorded zero fatalities and fire incidents despite of heavy plant activities (Turnaround & planned maintenance) across the year
- Recorded a Lost Time Injury Frequency (LTIF) of 0.17 against industry benchmarks of 0.22
- Uninterrupted operations as 99% of our employees have been vaccinated and we maintained SOPs adhering to Ministry of Health (MOH) guidelines

Reliable Plant Performance

KEY INITIATIVES

- Intensified the monitoring and implementation of our equipment reliability strategy (ERS) which include our plant threats and bad actors' equipment through key reliability projects

HOW WE HAVE PROGRESSED

- All PCG's operating units were running at optimum at Plant Utilisation levels above 90% except for ASEAN Bintulu Fertilizer (ABF), PC Methanol and PC Aromatics (PCARO)
- Rectified most of the plant threats and commissioned new boiler unit at ABF to improve plant reliability
- Implemented Plant Asset Rejuvenation (PAR) projects at PC Methanol Plant 2 during turnaround in addressing major plant issues and bad actors identified prior to the turnaround activities
- PCARO key reliability challenges were addressed during the turnaround execution

Key Capitals



Material Matters



Key Stakeholder Groups



STRATEGIC REVIEW

Digitalisation Journey

KEY INITIATIVES

- Focus on ensuring reliable plant performance through our ERS and the establishment of a reliability improvement programme which leverages digital tools that give us visibility of potential threats to our critical equipment

HOW WE HAVE PROGRESSED

- Optimised chemical injection and operating parameters to address compressor fouling issue at PC Ethylene through PIVOT Advance Analytic (AA): CGC Fouling-Improved compressor reliability with early prediction through predictive analytics at most PCG facilities using PIVOT Advance Analytic (AA): Machinery Monitoring, Prescriptive, Diagnostic (MMPD). The above initiatives resulted in cost savings amounting to RM25.0 million

Reliable Feedstock Supply

KEY INITIATIVES

- Collaborated with feedstock and utilities suppliers through a range of targeted programmes to optimise feedstock and utilities supply availability to PCG assets, in line with production requirements and sales targets to ensure our commitment to customers are met. Continuous collaboration among members of the Additional Methanol Task Force (AMT) and Additional Ethane Task Force (AET) was crucial in our success here

HOW WE HAVE PROGRESSED

- Commissioned a 3.5 km ethylene transfer line, enabling the increase of the export volume of ethylene that has helped to optimise the production of ethylene at PC Olefin which allow our ethylene crackers to receive its highest amount of ethane feedstock supply and translated into PCG's highest ethylene production volume and value creation of USD21.0 million to PCG

Turnaround Excellence

KEY INITIATIVES

- Executed turnaround (TA) activities with enhancement on TA work process, contractor management and utilisation of digital tools
- Collaborated with Department of Occupational Safety and Health (DOSH) to optimise statutory shutdown activities including participation in DOSH's risk-based Special Scheme of Inspection and Self-Regulation approach

HOW WE HAVE PROGRESSED

- Safe execution of four statutory turnarounds with a total of 3.5 million man-hours
- Optimised run length of PC Olefin and PC Ethylene beyond the normal three-year cycle for turnaround activities

VALUE CREATED FOR STAKEHOLDERS

EMPLOYEES:

- Providing safe working environment to our staff and contractors is our utmost priority
- Ensure basic rights are given based on the principles of dignity, fairness, respect and equality to our people, contractors

CUSTOMERS:

- Reliable supply of products to meet customers' production requirements

BUSINESS PARTNERS:

- Due to the integrated nature of our operating units with our business partners (JVs), we are able to maximise the overall value chain through operational optimisation

GOVERNMENT & REGULATORS:

- Strengthened regulatory collaborations for better plant operation through
- Periodic engagements with relevant authorities at state and national levels
- Providing necessary and frequent reports to relevant authorities
- Ensuring plant operations were equipped with reasonable safeguards and necessary monitoring tools (e.g., PETRONAS Risk Based Inspection (PRBI), Continuous Emission Monitoring Systems (CEMS)

COMMUNITIES:

- Ensured the surrounding environment and ecosystems are free of industrial contamination through periodic engagements with local communities for a more comprehensive understanding of the impacts of our operations

LOOKING AHEAD

- To continue driving timely execution of reliability improvement projects in addressing plant challenges to achieve world class plant utilisation rate
- Ensure the safe execution of turnarounds by strengthening basics through enhancement of work process and contractor management supported by intensifying utilisation of digital tools in 2023
- Intensifying utilisation of digital tools in managing reliability programme as well as reporting and communication process
- Strengthening collaboration with stakeholders across value chain to optimise production volume
- Expanding our commitment to embedding sustainability within our operations with various initiatives to reduce our carbon emissions and reduction of water usage

STRATEGIC REVIEW

COMMERCIAL EXCELLENCE

We continue to deliver value to our customers through a diversified product portfolio, understanding what our customers want and more than ever, going the extra mile to ensure availability of our products. In the year under review, we achieved a very high order fulfilment reliability rate, received the fewest number of customer complaints and further strengthened our domestic distribution network in China. In addition, we have put customer centricity front and centre through co-creation initiatives and the introduction of various digitalisation initiatives to make the sales process more seamless and convenient.

Headline KPI	Target & Results	2019	2020	2021	2022	2023	Mid-Term Target (2024-2027)
Sales Volume (million tpa)	Target	8.0	8.3	8.1	8.2	10.2	>10
	Results	8.4	8.3	8.2	8.3		
Order Fulfilment Reliability (OFR) (%)	Target	95	95	95	95	95	95
	Results	97	97	87	95		
Number of new/enhanced products	Target	2	5	3	2	3	10
	Results	6	11	16	15		
Number of co-created applications solutions	Target	15	20	14	20	15	15
	Results	13	21	16	12		
Number of technical solutions	Target	100	350	200	200	200	200
	Results	183	545	301	283		

Sales Performance

KEY INITIATIVES

- Maximise sales volume for existing business
- Ensure timely product delivery to customers
- Maintain favourable customer feedback

HOW WE HAVE PROGRESSED

- Sustained our sales volume at over 8.3 million MT
- Achieved 95% in Order Fulfilment Reliability (OFR), an improvement from 2021's performance of 87%
- Achieved highest Customer Feedback (Sigma) at 5.4 sigma (against 6 sigma) with lowest number of complaints (9) since inception, as a result of process improvement at internal sites as well as our service providers
- Expanded the China Domestic Distribution (CDD) programme for methanol with a new satellite tank in Fujian, Eastern China which saw the arrival of its maiden cargo in October 2022. The Methanol CDD programme was first established in Taichang in 2020
- Expanded CDD programme for polymer to Shanghai and Ningbo, Eastern China. The polymer CDD programme was first established in Huangpu, Southern China in 2021

Promote Safe Handling of Chemicals & Reduce Our Carbon Footprint

KEY INITIATIVES

- Conduct Product Stewardship session & technical talks
- Key products Life Cycle Assessment (LCA)

HOW WE HAVE PROGRESSED

- Conducted 13 sessions, higher than the 12 sessions organised in 2021
- Completed 84% of LCA which is on track for full completion in 2023

Key Capitals



Material Matters



Key Stakeholder Groups



STRATEGIC REVIEW

Sustain Land Transport Safety

KEY INITIATIVES

- Conduct effective Felt Leadership sessions with transporters
- Continued implementation of Road Transport Operational Guidelines (RTOG)

HOW WE HAVE PROGRESSED

- Zero fatalities recorded since 2019
- Achieved Total Vehicle Accident Rate (TVAR) at 0.08, improvement from 2021's performance of 0.20

Address Customers Pain Points & Optimise Value

KEY INITIATIVES

- Drive Enhanced Product Development & Co-Created Solutions

HOW WE HAVE PROGRESSED

- Commercialised 12 new products
 - Launched the tolling of Compacted NPK (CNPK) Fertiliser with the National Farmers Organisation for supply to the palm oil sector and other crops in Northern Malaysia. The use of CNPK can help reduce labour, logistics and storage costs as it does not need to be applied as frequently as conventional fertiliser. This also marks our first foray into the palm oil sector as we saw an opportunity to assist our customers given the tight labour market the industry currently faces due to the lingering effects of the pandemic
 - LLDPE MI 7 for Caps & Roto Moulding (LL3870UA)- To provide solution to improve productivity for caps and closures producers due to the easy-to-process material
 - **BRB Group**
 - Si-COAT 460RC Silicone Roof Coating
 - CSL 429 Construction adhesive and air barrier sealant
 - Personal care
 - BRB SG 250
 - BRB 6340 (reformulated and commercialised under same name)
 - Water repellent
 - BRB Siloen 882
 - BRB 5022WR
 - BRB Siloen HJS-DSG5
 - Car care and home care
 - BRB SF 1802
 - Lube oil additives
 - Viscotech 368L
 - **Perstorp Group**
 - Resins & Coatings - Polyurethane Dispersion (PUD)
 - Ymer™ 90
 - Ymer™ 180
 - Synthetic Lubricants
 - Isononanoic Acid (Iso-C9 Acid)
 - Animal Nutrition
 - Gastrivix™ Avi
- Co-creation solutions: 12

Digitalisation Journey

KEY INITIATIVES

- Enhanced segmented/dynamic pricing and sales negotiation
- Implement digital solutions that improve efficiency and productivity

HOW WE HAVE PROGRESSED

- Finalisation of various digital project within Commercial
 - a. Pricing Management Tool (PMT)
 1. PMT system is a deal and pricing management tool that maximises potential value by utilising structured and standardised pricing policies, while enforcing governance and approval workflow
 2. PMT now caters to all products including those from the petrochemical plants in Pengerang Integrated Complex (PIC) and Oversea Subsidiary (OS). PMT was also upgraded from an On-Premise database to a Cloud-Server Database to ensure the system design meets Cyber Security Compliance Protocol
 - b. Customer Delivery Excellence (CDEx) : In 2020, we started with loading completion notifications via email to customers for inland deliveries enabling customers to be ready to receive their products. In 2022, CDEx provide the same visibility for customers with marine orders and later to be integrated with PETRONAS360 Customer Portal. The plan moving forward is to further enhance the system based on the feedback received from users to ensure seamless experience for customers
 - c. Expanded the scope of the Enterprise Optimisation (EO) project to other non-Kertih value chains under EO Phase 2. The EO project was first developed in 2019 for Kertih value chains to enable improved enterprise optimisation activities for optimum value creation based on prevailing feedstock availability, market information and manufacturing and commercial capability
- PETRONAS360 : In 2022, we started our journey from a product-centric to a customer-centric business with our digital Customer Relationship Management (CRM) portal, PETRONAS360. With PETRONAS360, we aspire to enable our frontliners to delight customers with a bespoke and seamless experience. At the same time, we plan to further improve customer loyalty through greater transparency and the ability to serve customers all year round through Customer Portal

These initiatives resulted in value creation of RM26 million

STRATEGIC REVIEW

VALUE CREATED FOR STAKEHOLDERS

EMPLOYEES:

- Provided flexible work arrangement for staff's work-life balance
- Management conducts regular engagements with individual departments for staff's mental health and well-being

CUSTOMERS:

- Timely product delivery to customers
- Introduced innovative chemical solutions and co-created application solutions to support customers' business growth
- Resolved customer pain points through effective feedback management
- Engaged customers through product stewardship and technical talks to promote safe handling of chemicals and maximise product value
- Competitive product pricing and fair credit terms

SUPPLIER & VENDORS:

- Reliable supply chain and minimal operational disruptions
- Lower number of safety incidents with advanced digital analytics

BUSINESS PARTNERS:

- Ensured good governance in all business projects
- Close collaboration and partnership to avoid value leakage

SHAREHOLDERS & INVESTMENT COMMUNITY:

- Timely and transparent disclosure of company performance
- Sustainable shareholder return through stable dividend payment

GOVERNMENT & REGULATORS:

- Strengthened regulatory collaborations through periodic engagements with relevant authorities at state and national levels
- Providing necessary and frequent reports to relevant authorities
- Ensuring commercial operations were equipped with reasonable safeguards and necessary monitoring tools (e.g., Product & Trade Regulatory Compliance Monitoring, Regulatory Threat Register)

LOOKING AHEAD

- Commercialise products from Pengerang Integrated Complex (PIC)
- Continue to drive the enhanced product development
- With rising sustainability requirements across markets, we will also support customers' business growth through low-carbon, sustainable solutions, which aligns with PCG's Sustainability Agenda

STRATEGIC REVIEW

GROWTH DELIVERY EXCELLENCE

Our growth journey has moved into the next stage of maturity following the landmark acquisition of Perstorp Group, a niche specialty chemicals player, which has strengthened PCG's overall earnings potential and future-proofed the business against the cyclical nature and volatility of our industry. This diversification play is very much a part of our business sustainability strategy. In the year under review, we have also extended our value chain by adding value to our existing molecules, created further options for growth and invested in advancing the circular economy as part of our Sustainability Agenda.

Extend Value Chain

KEY INITIATIVES

- Steered the execution of growth projects that had achieved Final investment Decision (FID)
- Evaluated opportunities to expand the value of molecules from existing business and value chain into higher-margin products

HOW WE HAVE PROGRESSED

- Ongoing projects under execution:
 - Specialty Ethoxylates & Polyols in Kertih, Terengganu and Nitrile Butadiene Latex in Pengerang, Johor: Currently in construction stage progressing as planned. They are also well on track for the plants to be ready for startup (RFSU) in second half of 2023
- Sanctioned the development and construction of:
 - A melamine plant in Gurun, Kedah, making PCG the sole melamine producer in Southeast Asia (SEA)
 - An expansion of 2-EHA plant in Gebeng, Pahang through our JV company - BASF PETRONAS Chemicals Sdn. Bhd. (BPC) with enhancements to produce better quality product and valuable by-products
- Both projects are currently in engineering and construction stage with both plants targeted to come on stream in 2024

Build Specialty Platform

KEY INITIATIVES

- Acquired specialty chemicals companies for portfolio diversification
- Continued to grow value contribution from acquired specialty chemicals companies

HOW WE HAVE PROGRESSED

- Completed the acquisition of specialty platform, Perstorp Group, a niche specialty chemicals player for Resins & Coatings, Engineered Fluids, Advanced Materials and Animal Nutrition in fourth quarter 2022
- Execution of Post-Merger Integration (PMI) is currently in progress
- Growth for BRB Group
 - Commenced operation of a new lube oil additives and chemicals (LAC) manufacturing facility at Echt, Netherlands, which will serve as a LAC hub for global market
 - Incorporated a South Korean subsidiary to capture the maximum value through full market presence with current BRB Group business portfolio and new portfolio from ongoing growth projects
 - Obtained Halal and Kosher certification for its range of food grade, MeSTI Certificate and Free Sale Certificates (China)
 - Secured board approval to establish a UK subsidiary

Key Capitals



Material Matters



Key Stakeholder Groups



STRATEGIC REVIEW

Create Optionality for Growth

KEY INITIATIVES

- Technology Research: Progressed with our bio-based chemicals projects and refined the technology development

HOW WE HAVE PROGRESSED

- Our first Bio-Monoethylene Glycol (Bio-MEG) pilot plant is currently in operation with on going refinement to improve product quality meeting customer's requirement for polyester grade
- Completed basic engineering design for a bio-based specialty surfactant pilot plant for continued research studies in enabling decision to proceed with the technology development at scale and commercialisation under BRB Group to further enhance Household, Industrial & Institutional (HI&I) and personal care product offerings. The pilot plant will be the first phase of PCG's Specialty Chemicals Technology Centre. Several technology development potential encompassing PCG, BRB Group and Perstorp Group portfolio have been identified to be part of the technology centre

KEY INITIATIVES

- Corporate Venture Capital (CVC): Assessed and evaluated potential disruptive technologies from start-up companies

HOW WE HAVE PROGRESSED

- Completed preliminary study to produce bio-waste chemical fertiliser leveraging Anuvia Plant Nutrient's novel technology, a start-up company based in Florida USA
- Completed the development of customer, solution and business validation inclusive of the execution of first and second phases of crop trials in Malaysia
- Signed Distribution and Manufacturing Service Agreement with Anuvia to initiate the market seeding programme in SEA as initial entry to build the market base, strengthen and sharpen route-to-market play

Invest in Sustainability

KEY INITIATIVES

- Conducted various feasibility studies for sustainability-related growth projects

HOW WE HAVE PROGRESSED

- Progressed to the next stage for the plastic waste chemical recycling plant, including:
 - Signed Memorandum of Understanding (MOU) for feedstock supply with KDEB, One Biosys, Alam Flora and E-Idaman
 - Signed MOU with ExxonMobil for potential technology licensing of advance plastic recycling plant and product off-take
- Completed preliminary study to diversify feedstock from sustainable source. Currently the project is under feasibility study which will include pre-screening of economics, market validation, business alignment as well as risk and uncertainties identification

VALUE CREATED FOR STAKEHOLDERS

EMPLOYEES:

- Strengthened employees capability in project management, project delivery and knowledge transfer between technology provider, business partner and our technical and commercial team

CUSTOMERS:

- Delivered innovative solutions and diversified product offerings to customers, including sustainable solutions that meet rising requirements/expectations

BUSINESS PARTNERS:

- Provided business development opportunities through collaborative partnerships and innovative solutions

SHAREHOLDERS &

INVESTMENT COMMUNITY:

- Created sustainable financial returns by investing our financial resources effectively in pursuing our growth plans

GOVERNMENT & REGULATORS:

- Advocated Foreign Direct Investment (FDI) by securing strategic collaborations with government bodies

COMMUNITIES:

- Created employment opportunities to the surrounding communities

LOOKING AHEAD

- Commercialise our investments in specialty ethoxylates & polyols and nitrile butadiene latex plants in 2023
- Continue progressing the engineering and constructions stage for melamine and 2-Ethylhexanoic Acid (2-EHA) plants as per milestone
- Commission Perstorp Group's investment in Pentaerythritol (Penta) plant in Sayakha, India by the second quarter of 2023
- Realise synergies and long-term value creation from acquired specialties assets
- Continue technology refinement study to improve Bio-MEG product quality to polyester grade and progress with the construction of bio-based specialty surfactant pilot plant under PCG's Specialty Chemicals Technology Centre first phase
- Continue with the final stage of feasibility study for the plastic waste to circular naphtha plant in Malaysia
- Continue to explore opportunities for sustainable growth in the derivatives, bio and specialty chemicals space in line with our aspiration
- Several opportunities to extend value chain are currently at various stages of feasibility studies

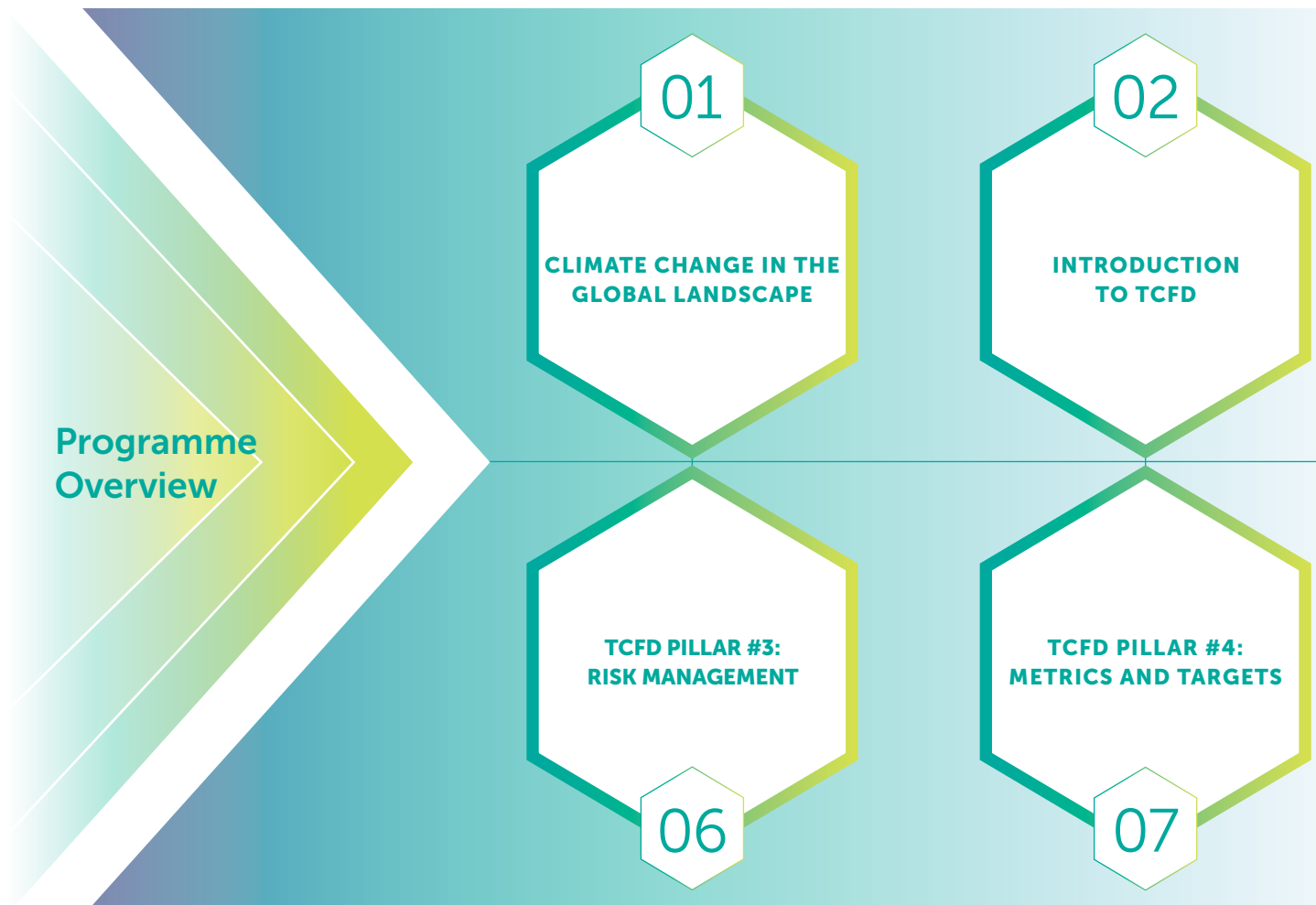
RISK OVERVIEW

PCG continues to navigate the challenges of operating a global integrated chemicals player with our well-established risk management framework, consisting of Enterprise Risk Management (ERM), Crisis Management (CM) and Business Continuity Management (BCM). These management frameworks have enabled the organisation to remain resilient through a host of uncertainties such as the pandemic and volatile market conditions. In addition, these frameworks and the risk appetite evaluations and specific deliberations on high impact business matters that we conduct have given us the latitude to pursue our growth agenda in a prudent and sustainable manner.

Besides addressing our risks and emerging risks in the year under review, PCG paid particular attention to advancing our Sustainability Agenda in the context of risk management and oversight. In May 2022, the Board of Directors endorsed the enhancement of the Board Risk Committee to the Board Sustainability and Risk Committee (BSRC), giving oversight of sustainability matters to the committee. Similarly at the management level, purview of sustainability matters has been embedded into the Sustainability and Risk Management Committee (SRMC), formerly known as the Risk Management Committee.

EMBEDDING CLIMATE-RELATED RISKS INTO RISK MANAGEMENT

Most significantly, the Group released its first standalone Task Force on Climate-Related Financial Disclosures (TCFD) report in September 2022, which articulates the risks and opportunities surrounding the impact of climate change on our business. To underscore our commitment to producing a report that meets the requirements of the TCFD, departments that were directly involved in producing the report attended a full-day practical workshop on TCFD conducted by an external subject matter expert. Members of the BSRC, SRMC as well as the HSE and Finance departments were primed on the various TCFD pillars, conducted simulated scenario analysis and were also given a deeper understanding on how PCG could better align its reporting practices with TCFD recommendations.



RISK OVERVIEW

KEY WORKSHOP OBJECTIVES



To enhance understanding of TCFD elements:

- Governance
- Strategy
- Risk Management
- Metrics and Targets



To present gap analysis on PCG's current TCFD disclosure

against leading peers, with recommendation of good practices.



Understand climate scenario modelling

to better manage identified risks and opportunities.



To gain an overview of the sustainability disclosure standards

outlined within the **Exposure Draft IFRS S1 and S2.**

03

CURRENT STATE OF PLAY

04

TCFD PILLAR #1: GOVERNANCE

05

TCFD PILLAR #2: STRATEGY

INSIGHTS FROM SCENARIO ANALYSIS

08

BREAKOUT ROOM SESSION

09

IFRS UPDATES

10



RISK OVERVIEW

IDENTIFYING OUR CLIMATE-RELATED RISKS

In preparing the TCFD report, our risk management approach comprised defining the range of scenarios and identifying the climate-related risks and opportunities that are relevant to the business, with inputs obtained from the Sustainable Development Working Committee (SDWC).

We then evaluated business impacts across different time horizons and scenarios, after which we identified potential strategic response measures.

The risks were identified and prioritised based on the following considerations:

1. The complexity, hazards and integrated nature of our manufacturing process;

2. The market environment and the cyclical nature of the chemicals industry;

3. Material topics identified by stakeholders;

4. PCG's growth agenda; and

5. Other external events that pose a significant impact on our business sustainability.

Some of the key climate-related risks we have identified include current and emerging regulations, technology, legal, market, reputation, and acute and chronic physical risks. Whether or not a risk poses a substantive financial or strategic impact on the business is evaluated based on the likelihood of occurrence and the impact of the risk. Impact is quantified and considered substantive when there may be a reduction of Profit Before Tax of more than 8% and requires intervention from the Board or the MD/CEO.

Identified risks are then evaluated based on their likelihood of occurrence and the impact they will have. The risks are then rated or classified as Very High, High, Medium, or Low. Subsequently, these risks are mapped into our Corporate Risk Profile and presented to the Board who will deliberate and provide their views. We then bring in our risk appetite metrics, which establishes the level of risk that PCG is willing to accept in pursuit of our strategy and objectives. Altogether, this determines our response to the risk, such as controls and assurance activities, to manage the risk.

Risks are presented to the Board on a quarterly basis for deliberation and risks that are rated Very High and High are discussed in detail at Board meetings in the context of mitigation updates and progress of implementation. Overall, climate change and circular economy are included under sustainability risk and rated High.

Following this comprehensive process, we have identified that emerging regulation on carbon pricing mechanisms as well as water scarcity pose the highest financial risk to PCG and we are moving towards mitigating the impact. Conversely, we have also identified a set of opportunities that can be realised by pursuing resource efficiency, investments in research & development, energy efficiency and development of low carbon products and services.

To read our inaugural TCFD report, please visit:

https://www.petronas.com/pcg/sites/default/files/2023-02/PCG%20TCFD%20Report%202022_Website.pdf

Details of our risk management framework and governance oversight structure can be found on pages 140 to 155, under the Statement on Risk Management and Internal Control (SORMIC).

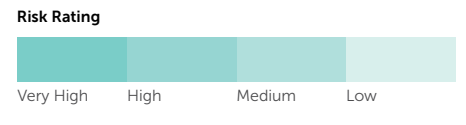
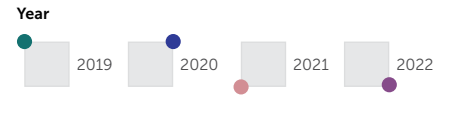
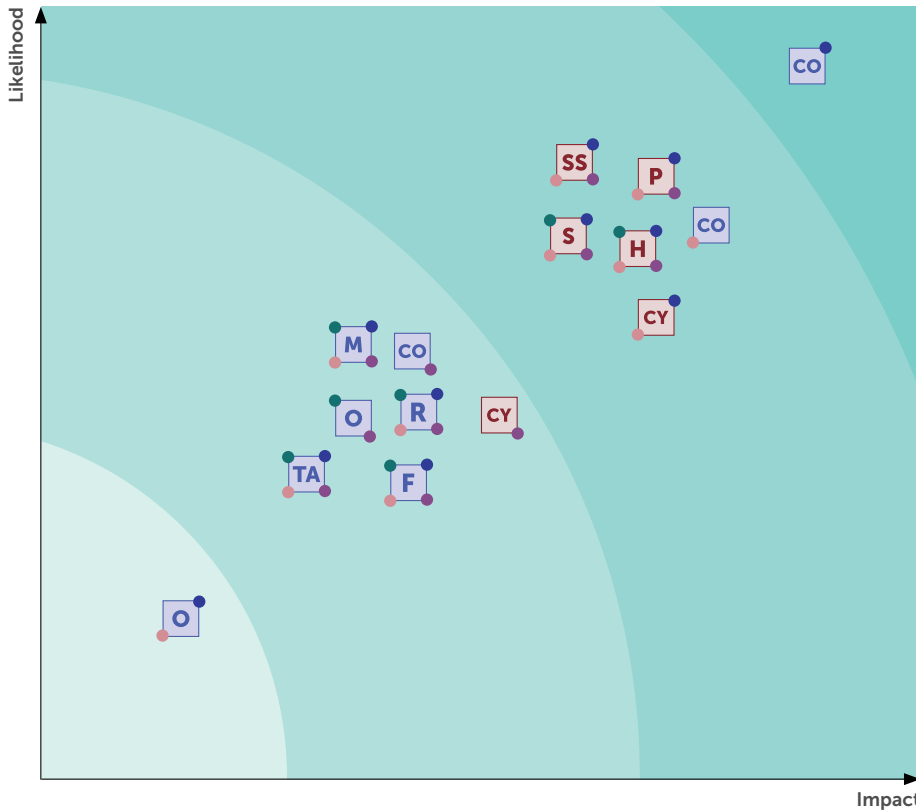
PRINCIPAL RISKS 2022

The principal risks that were identified during the year are aligned with our business strategies and material matters, ensuring that we are delivering value in the most prudent and sustainable manner underpinned by our strong governance practices.

During the year under review, the COVID-19 risk was revised from 'high' to 'medium' risk in alignment to Malaysia's transition into endemic, border reopening and adherence to PETRONAS Preparedness Response Team (PPRT) Directives. In addition, the improvement in risk rating was also attributed to PCG's robust financial, operational and commercial performance in FY2020 and FY2021.

RISK OVERVIEW

RISK MOVEMENT



Principal Risks

H Health, Safety and Environment	CO COVID-19
S Strategic Investment	M Market
P Project Execution	O Operational
CY Cybersecurity	TA Plant Turnaround
SS Sustainability	F Feedstock and Utilities
	R Regulatory

HEALTH, SAFETY AND ENVIRONMENT RISK

H

DESCRIPTION OF THE RISK

Exposure to HSE incidents is an intrinsic expectation in chemical manufacturing.

Major HSE breaches in our plants may impact our people and business, with the highest impact arising from process safety incidents such as chemical spills and fire.

IMPACT ON PCG

- Physical harm to employees, contractors and/or nearby communities
- Pollution and environmental degradation surrounding operations
- Asset damage that leads to plant slowdown or shutdown
- Legal litigation and stop-work orders by regulatory bodies
- High recovery costs from injuries and accidents
- Impact on PCG's reputation as a public listed company

MITIGATION MEASURES

- Tracked the compliance of the Felt Leadership Programme
- Institutionalised Rakan HSE programme throughout the Group
- Enforced 'Process Safety 8 Golden Rules' at PCG Operating Units (OPUs)
- Executed Balance of Consequences (BoC) for HSE non-compliance
- Strengthened the competency in Road Transport Operational Guidelines (RTOG) applications for the roles of PCG employees and transporters
- Implemented Focused Learning guidelines at PCG OPUs
- Monitored plant operations within operating limits as set by the Department of Environment (DOE), Malaysia

Strategy



Material Topics



Capitals



Stakeholders



RISK OVERVIEW

STRATEGIC INVESTMENT RISK

S

DESCRIPTION OF THE RISK

Growth projects and new business ventures carry risks such as low returns and loss of business opportunities.

As we extend our value chain into specialty chemicals, these risks become more prominent.

IMPACT ON PCG

- Diminishing financial capital and shareholder returns
- Unable to obtain margins as planned
- Missed business opportunities and loss of customers
- Inability to realise our business strategy to grow in specialty chemicals
- High employee turnover and costs from talent acquisition

MITIGATION MEASURES**Extend Value Chain (EVC)**

- Continuous and thorough scanning of the project and technology pool
- Executed project implementation in line with project management systems and plans for business and operational readiness
- Ensured robust talent management for critical positions, through early talent scouting from internal and external markets
- Conducted regular engagements and collaborations with relevant stakeholders for new investments

Merger & Acquisition (M&A)

- Reviewed inorganic growth strategy
- Developed supplementary pool of target companies aligned with PCG's growth strategy
- Developed and executed post-acquisition integration plans

Corporate Venture Capital (CVC)

- Collaborated with PETRONAS' capital ventures companies for quality deal flow and investment considerations within PCG's preferred segments
- Assessed opportunities of venture capital start-ups and conducted strategic fit assessment focusing on technology, market, and regulations
- Collaborated or partnered with technology start-up companies

Strategy



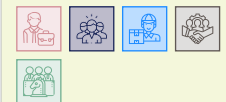
Material Topics



Capitals



Stakeholders



PROJECT EXECUTION RISK

P

DESCRIPTION OF THE RISK

Project delivery issues that impede the construction, operation, commercialisation and stabilisation of new plants may impact our value capture. For instance, as the petrochemical plants in Pengerang Intergrated Complex (PIC) gears up for commercialisation, it is critical to achieve operational and commercial readiness for smooth execution.

IMPACT ON PCG

- Lower returns to shareholders and investors
- Missed business opportunity and loss of customers
- Reputational damage based on poor project delivery

MITIGATION MEASURES

- Closely monitored and strengthened contractor management
- Secured minimum volume on a term basis
- Offtake products on equity or tender basis

Strategy



Material Topics






Capitals



Stakeholders



RISK OVERVIEW

SUSTAINABILITY RISK		SS
<p>DESCRIPTION OF THE RISK</p> <p>PCG is taking proactive steps to address sustainability related risk vis-à-vis climate change, Greenhouse Gas (GHG) emission and circular economy.</p> <p>This risk is likely to continue to exist if governments and businesses fail to enforce, enact or invest in effective climate change adaptation and mitigation measures, preserve ecosystems, protect populations and transition to a Net Zero Carbon economy.</p> <p>With global awareness of the circular economy increasingly shaping stakeholder expectations, aggressive environment pushes by policymakers and environmentalists may affect our business performance, reputation and long-term growth. For this PCG is embarking into circular economy and embracing these opportunities.</p>	<p>Strategy</p> <p>OE CE GE</p> <p>Material Topics</p>  <p>Capitals</p>  <p>Stakeholders</p> 	
<p>IMPACT ON PCG</p> <ul style="list-style-type: none"> Higher operational costs due to the development of costly low-carbon technology and increased cost of borrowing Asset damage due to physical risks such as extreme weather, flood and lightning Exposure to litigation, penalties and fines Loss of market share due to shifts in customer preferences Diminishing interest from investors and other financiers Reputational damage and loss of stakeholder trust 		
<p>MITIGATION MEASURES</p> <p>Climate Change</p> <ul style="list-style-type: none"> Developed and implemented the Net Zero Carbon Emissions (NZCE) 2050 Roadmap Established a baseline and periodically monitored GHG emissions intensity Embarked on sustainability-related projects Applied Internal Carbon Price (ICP) for all new projects Conducted product life cycle assessments for PCG products Conducted material physical and transition climate risk assessments following the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations Strategised crisis and business continuity management and other relevant responses Increased communication to broadcast various social contribution undertaken by PCG <p>Circular Economy</p> <ul style="list-style-type: none"> Collaborated with innovative technology providers Established partnerships and collaborations for an effective, sustainable waste recovery system Delivered an educational module on plastic and sustainability education to primary and secondary schools in Malaysia Enhanced awareness for environmental care through Reduce, Reuse, Recycle (3R) and Social Impact activities Collaborated with key stakeholders through circular economy initiatives 		



RISK OVERVIEW

CYBERSECURITY RISK		CY
<p>DESCRIPTION OF THE RISK We are at a high risk of cybersecurity threats due to a vulnerable operating technology (OT) environment coupled with enhanced digitalisation. Major infrastructure failure or cyber breaches may potentially cripple operations.</p>		<p>Strategy OE CE GE</p> <p>Material Topics </p> <p>Capitals </p> <p>Stakeholders </p>
<p>IMPACT ON PCG</p> <ul style="list-style-type: none"> Breaches in shareholder’s information/data Loss of critical business data Business disruption from critical system shutdowns Reputational damage and loss of stakeholder trust 		
<p>MITIGATION MEASURES</p> <ul style="list-style-type: none"> Established an Enterprise Cyber Security Governance framework Implemented Privilege Access Management (PAM) to ensure only authorised access allowed to the system Reinforced Cyber Defense via Enterprise-wide Incident Response Procedure (IRP), Security Operations Centre (SOC), Vulnerabilities Management, Data Leakage Protection, Forward Proxy and Network access control (NAC) Deployed Real-Time OT (RTOT) and OT Asset Management (OTAM) for all PCG facilities Structured Change Management and Awareness programme including the Human Firewall campaign, assessment and engagement via a digital platform such as myLearningX and SWITCH 		




COVID-19 RISK		CO
<p>DESCRIPTION OF THE RISK The prolonged COVID-19 pandemic has jeopardised value chain; escalation of emerging issues and uncertainties will continue to impact business continuity and delay the achievement of business targets.</p>		<p>Strategy OE CE GE</p> <p>Material Topics </p> <p>Capitals </p> <p>Stakeholders </p>
<p>IMPACT ON PCG</p> <ul style="list-style-type: none"> Low morale and engagement among employees Health-related issues from the virus outbreak Operational disruptions at manufacturing plants Reduced cash generation and revenue returns Lower shareholder returns 		
<p>MITIGATION MEASURES</p> <ul style="list-style-type: none"> Continuously monitored COVID-19 cases affecting our employees Readiness of crisis and business continuity plans Adopted Flexible Working Arrangements (FWA) Sustained plant operation and utilisation above 90% Rationalised plant turnaround schedule implementation during the pandemic situation Secured volume to non-traditional markets, increased allocations to current customers and diverted sales to China Monitored and assessed business performance 		




RISK OVERVIEW

MARKET RISK		M
<p>DESCRIPTION OF THE RISK</p> <p>The volatility of the chemicals market, including the impact of the prolonged pandemic, poses dynamic challenges to business sustainability.</p> <p>Adverse market conditions amidst lower global GDP growth, massive capacity addition and energy prices fluctuations, coupled with political tension, result in significant compressed margins.</p>	<p>Strategy</p> <p>OE CE GE</p>	
<p>IMPACT ON PCG</p> <ul style="list-style-type: none"> Inadequate cash generation and revenue from low sales/compressed margins Lower consumer demand due to cautious business and consumer sentiment Lower shareholder returns due to poor financial performance Plant slowdown/shutdown due to high inventory 	<p>Material Topics</p>	
<p>MITIGATION MEASURES</p> <ul style="list-style-type: none"> Maximised netback through geo sales mix, sales channel mix and sales contract mix Executed and sustained price excellence Added value through product improvement or new product development Improved value proposition for local distribution in overseas subsidiaries Optimised cost to serve 	<p>Capitals</p>	
	<p>Stakeholders</p>	




OPERATIONAL RISK		O
<p>DESCRIPTION OF THE RISK</p> <p>Our highly integrated operations expose our plants to an array of risks, as the plants are highly dependent on each other.</p> <p>The planning and execution of operation and maintenance activities will also significantly impact the value chain if not properly managed, as a failure of one or more plants in the value chain will create a knock-on effect.</p>	<p>Strategy</p> <p>OE CE</p>	
<p>IMPACT ON PCG</p> <ul style="list-style-type: none"> Inability to meet customers' demand Loss of production volume Increase in maintenance costs 	<p>Material Topics</p>	
<p>MITIGATION MEASURES</p> <ul style="list-style-type: none"> Implemented Operation Management, Asset Life Study, Bad Actor Management and Plant Reliability Threat programmes to optimise asset reliability and equipment performance Conducted regular maintenance and inspection programmes to minimise the risk of equipment failure and unplanned shutdowns Applied our human rights commitment to all employees, contractors and any third parties performing work on behalf of the Group Complied with all relevant labour laws that protect the right of employees, as well as provide competitive salaries and benefits Activated Business Recovery Plan (BRP) and Business Continuity Plan (BCP) for cases with prolonged interruption 	<p>Capitals</p>	
	<p>Stakeholders</p>	

RISK OVERVIEW

PLANT TURNAROUND RISK		TA
<p>DESCRIPTION OF THE RISK Ineffective execution of plant turnarounds (TA) lead to HSE, schedule, cost, and quality issues affecting plant operations as well as overall integrated product value chain and delivery to customers.</p>		<p>Strategy OE CE</p> <p>Material Topics </p> <p>Capitals </p> <p>Stakeholders </p>
<p>IMPACT ON PCG</p> <ul style="list-style-type: none"> Inability to meet customers' demand Loss of production volume Increase in maintenance costs 		
<p>MITIGATION MEASURES</p> <ul style="list-style-type: none"> Reviewed turnaround scoping and equipment criticality to optimise manpower and resources Executed turnaround intervention strategies, developed contingency plans and expedited material delivery Intensified and conducted compliance monitoring on turnaround governance requirements Recruited experienced manpower for effective turnaround execution Applied alternative technology to minimise HSE exposure and improve quality of work 		

FEEDSTOCK AND UTILITIES RISK		F
<p>DESCRIPTION OF THE RISK Our production plants require a reliable supply of feedstock and utilities to keep running. The continuity of our plants requires a consistent, timely and significant supply of feedstock and utilities.</p>		<p>Strategy OE CE</p> <p>Material Topics </p> <p>Capitals </p> <p>Stakeholders </p>
<p>IMPACT ON PCG</p> <ul style="list-style-type: none"> Inability to meet customers' demand Business disruption for suppliers and JV partners Loss of production volume and revenue Increase in production costs 		
<p>MITIGATION MEASURES</p> <ul style="list-style-type: none"> Collaborated with feedstock and utility suppliers for reliable supplies Leveraged our Value Optimisation Model to optimise molecules along the value chain in case of supply limitation Activated a Business Recovery Plan (BRP) and Business Continuity Plan (BCP) for cases with prolonged interruption 		

RISK OVERVIEW

REGULATORY RISK		R
<p>DESCRIPTION OF THE RISK</p> <p>Compliance is becoming increasingly challenging as we expand our footprint globally, with more stringent laws and regulations.</p> <p>The provision of the Malaysian Anti-Corruption Commission Act (2009) imposes corporate liability for any failure to prevent bribery and corruption.</p> <p>Any regulatory changes may impact our operations or future investment opportunities.</p>	<p>Strategy</p> <p>OE CE GE</p> <p>Material Topics</p>  <p>Capitals</p>  <p>Stakeholders</p> 	
<p>IMPACT ON PCG</p> <ul style="list-style-type: none"> • Non-compliance costs arising from penalties, summons and/or imprisonment • Legal action from affected stakeholders • Reputational damage and loss of stakeholder trust • Reduced profit and loss of business or market share 		
<p>MITIGATION MEASURES</p> <ul style="list-style-type: none"> • Implemented PETRONAS Legal Compliance Framework • Implemented Guidelines on Adequate Procedures based on TRUST principles for Corporate Liability • Adhered to PETRONAS' Human Rights Commitment, which is in line with the UN's Guiding Principles on Business and Human Rights • Conducted periodic engagements with local authorities, service providers and customers on laws and regulation updates • Updated legal register to reflect new regulatory requirements • Conducted regular communication on business activities to ensure constant compliance • Performed audit and assurance to evaluate the adequacy, effectiveness and compliance 		

TURNAROUND RISK ASSESSMENT PROCESS

At PCG, we also apply the risk management process to our turnaround activities given its importance to our business operations. To conduct turnarounds safely and successfully, we implement a Plan Execute Turnaround (PETA) management system which is essentially a detailed process workflow covering strategy, initiation, planning, execution and closing. Focus areas include Health, Safety and Environment (HSE), Quality, Contractor Management and Material Management.

Turnaround activities are complex and involve numerous stakeholders, processes and variables, thereby exposing it to 14 key turnaround risk elements. Therefore, we conduct a seven steps Turnaround Risk Assessment (TARA) to assess, identify and mitigate these risks to ensure that the turnaround activities are being executed successfully.

<p>Step 1: Operational Review</p> <p>We first conduct a review of business processes or guideline documents to determine key activities and functional expectations, thereby providing the scope for risk analysis.</p>
<p>Step 2: Identify Risk</p> <p>We then perform a "what-if" analysis on functional expectations and list out the expected consequences as well as "if-then" statements to describe risk events. Credible causes are defined using the 5M (Man, Machine, Medium, Mission and Management) model. From this, credible risk events with causes and consequences are then outlined.</p>
<p>Step 3: Assess Risk</p> <p>Risk is then quantified in terms of its probability and impact. A base risk rating is then determined using a risk matrix. Risk appetite is also determined. This process helps to produce a risk assessment ratings database.</p>
<p>Step 4: Analyse Risk Control Measures</p> <p>Risk appetite is then evaluated against base risk rating and if the base risk rating is greater than risk appetite, new mitigation options are developed, or existing ones enhanced.</p>
<p>Step 5: Make Control Decision</p> <p>A Cost Benefit Analysis is conducted to ensure the cost effectiveness of control measures. Mitigation measures are then harmonised by common characteristics, prioritised after which the most cost-effective option is selected. This gives PCG a list of preventive action plans.</p>
<p>Step 6: Implement Risk Control</p> <p>A single point of responsibility is defined and accountability and performance metrics are drawn up for all preventive action plans, serving as the implementation plan for mitigation activities.</p>
<p>Step 7: Supervise and Review</p> <p>The implementation plan is monitored and progress documented at predefined intervals. The residual risk rating is evaluated against the initial base risk rating. These actions help to assess the effectiveness of control options.</p>

RISK OVERVIEW

The top four elements that we have identified following the above process are:

Element	Key Issue	Mitigation	Result
HSE	Fatigue Management	Improvement on the gate access programming aligned with fatigue management record for all employees and contractors	No HSE incident related to fatigue management during the execution of TA
Objective, Target & Strategy	TA integration with value chain key activities	Alignment of shutdown integration was done at least a year before the actual execution of TA	All shutdown was conducted with full integration and eliminated multiple shutdown activities
	Unavailability of OEM and Licensor	Utilisation of digital tools and virtual discussion via on site camera if required	The activities which require OEM/ Licensor was done without any issue
Approval Process	Approval process of worklist and Emergent Work Request (EWR)	Enforcement of freeze date for all key activities for better focus and shall be deliberated at TA Steering Committee if any	All additional task list was evaluated at TA Steering Committee prior to the execution during TA
	Approval process for Work Permit for Sabah	Close collaboration with Sabah Immigration to ease the process of work permit application	All the manpower required for the activities, obtained the work permit timely
Contractor	<ul style="list-style-type: none"> Incompetent/ insufficient manpower to execute the TA Delay in work execution due to work quality 	<p>Implementation of Turnaround Main Mechanical and Maintenance Mechanical Static (TA4MS) on the contract management. Benefits for TA4MS are as follows;</p> <ul style="list-style-type: none"> Contractor knowledge and experience in managing daily maintenance helps to make the Integrated Planning more effective as well as smoothen work coordination during TA execution Contractors have more time to be familiar with specific plant requirement or practices Main Mechanical contractor appointment can be done at an early stage. Plants can perform situational assessment, identify the potential gaps and draft the mitigation plan accordingly Plants can make a strategic decision such as contractor allocation based on the latest/ current contractor performance at other plant's TA Long-term contract duration encourages contractors to invest in their equipment and new technology 	TA Mechanical Days was executed as planned for all TA

RISK OVERVIEW

EMERGING RISKS

PCG continuously scans the industry environment using the PESTEL (Political, Economic, Social, Technology, Environment, Legal) analysis framework alongside input from our engagements with stakeholders to identify emerging risks and economic, environmental, and social topics that might substantively affect the company's ability to create value over the medium and long term.

The establishment of emerging risks is pivotal for PCG's proactive risk strategic planning efforts to minimise the negative effects or capitalise on the potential opportunities that emerging risks may present. Failure to manage these emerging risks may lead to increased operational costs, higher financial losses, and severe reputational damages that could impact our business sustainability.

The Board and management team monitor emerging risks such as geopolitics, environment and economic, and their mitigations to protect the business.

Geopolitics

This risk entails the potential impact from the prolonged Russia-Ukraine conflict and escalating tensions in other region where PCG operates and do business. Some of the impacts include supply chain disruptions and delays, volatile energy prices, higher bunkering cost, insurance premium and laytime costs. Elevated raw material costs for items such as steel, aluminium and precious metals will also affect PCG's ongoing growth projects and plant operations. PCG mitigated the impact by factoring in the increase in logistics and insurance premiums, reviewing our procurement strategy to optimise cost and close monitoring of the situation that threatens our position. In terms of opportunities, this gives us the feasibility of supplying fertiliser on an adhoc basis to ease the shortage of supply from Russia and Europe as a result of the Russia-Ukraine conflict.

Environment

This risk entails the slower pace of the transition to net zero due to divergent interests at the country level, different accounting and reporting standards and low adoption rates by corporations. The impact will include a resurgence of coal consumption by developing countries as an alternative to the rising cost of cleaner energy. The prioritising of short-term goals, such as energy security over environmental concerns, may also slow the transition. PCG mitigated this by executing our GHG Reduction Pathways plan and by implementing the details in the NZCE 2050 roadmap which includes a clear energy transition pathway. This also gives us the opportunity to advocate for sustainability-related projects.

Economic

This risk entails the looming global recession impacting the ASEAN region as a result of higher commodity prices, rising interest rates, volatile currency and supply chain disruptions. The potential impact includes higher interest rate payments/cost of funds for future growth projects via external funding as well as lower revenue. We mitigated this by performing scenario planning and incorporating contingencies into plans and budgets, while enhancing market strategies to cushion the recession impact. In addition, we will continue to implement effective pricing and Foreign Exchange (FX) strategies to preserve product margin and perform overall revisions on procurement strategy to optimise costs. In terms of opportunities, this gives us the chance to reap FX gains from the USD to MYR conversion.

Risks and Opportunities Associated with the Perstorp Group Acquisition

In the year under review, PCG successfully completed the landmark acquisition of niche specialty chemicals company, Perstorp Group. The acquisition has helped to elevate our specialty chemicals portfolio and opens up a range of positive opportunities for PCG, but also comes with risks that are commensurate with such a large acquisition. Prior to the acquisition, we identified the risks and opportunities and put in place the appropriate mitigations to ensure the smooth integration of Perstorp Group with PCG's business.

 Detail of risks associated with the acquisition can be referred to pages 16 to 18, under Circular to Shareholders and Notice of Extraordinary General Meeting available online: <https://www.petronas.com/pcg/sites/pcg/files/EGM/Circular.pdf>

 For more information on Perstorp Group's risks and opportunities, kindly refer to Segmental Review Specialty Chemicals on pages 42 of this <IR>.

CORPORATE INFORMATION

AS AT 28 FEBRUARY 2023

BOARD OF DIRECTORS

DATUK IR. (DR.) ABDUL RAHIM HASHIM

Chairman
Non-Independent
Non-Executive Director

IR. MOHD YUSRI MOHAMED YUSOF

Managing Director/
Chief Executive Officer
(MD/CEO)

DATUK TOH AH WAH

Senior Independent
Non-Executive Director

YEOH SIEW MING

Independent
Non-Executive Director

SENIOR INDEPENDENT DIRECTOR

Datuk Toh Ah Wah

Email: petchem.sid@petronas.com

NOMINATION AND REMUNERATION COMMITTEE

Datuk Toh Ah Wah (Chairman)

Yeoh Siew Ming

Dr. Zafar Abdulmajid Momin

Farehana Hanapiah

BOARD AUDIT COMMITTEE

Yeoh Siew Ming (Chairman)

Datuk Toh Ah Wah

Dr. Zafar Abdulmajid Momin

Datin Seri Sunita Mei-Lin Rajakumar

BOARD SUSTAINABILITY AND RISK COMMITTEE

Warren William Wilder (Chairman)

Yeoh Siew Ming

Dr. Zafar Abdulmajid Momin

Datin Seri Sunita Mei-Lin Rajakumar

COMPANY SECRETARIES

Azira Marini Ab Rahim

(SSM Practising Certificate No. 201908001107) (LS0008959)

Kang Shew Meng

(SSM Practising Certificate No. 201908002065) (MAICSA 0778565)

REGISTERED OFFICE

Tower 1, PETRONAS Twin Towers,

Kuala Lumpur City Centre,

50088 Kuala Lumpur, Malaysia

Tel : +603 2051 5000

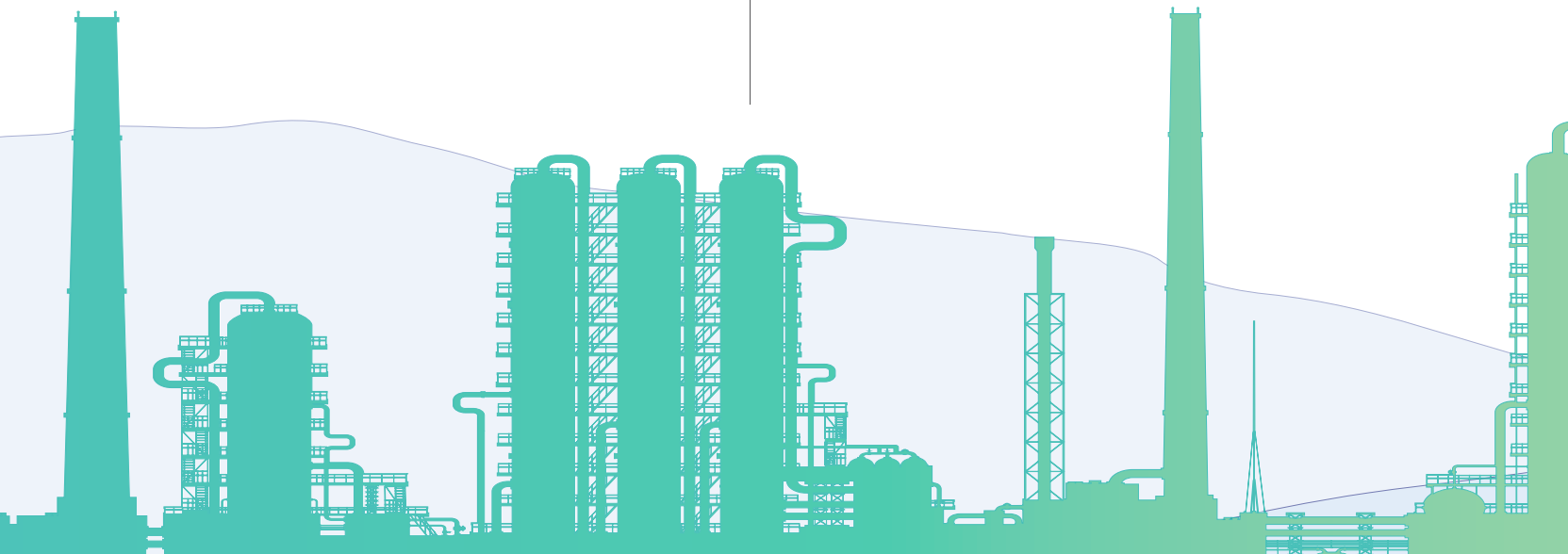
BUSINESS ADDRESS

Tower 1, PETRONAS Twin Towers,

Kuala Lumpur City Centre,

50088 Kuala Lumpur, Malaysia

Tel : +603 2051 5000



CORPORATE INFORMATION

AS AT 28 FEBRUARY 2023

WARREN WILLIAM WILDER

Independent
Non-Executive Director

DR. ZAFAR ABDULMAJID MOMIN

Independent
Non-Executive Director

DATIN SERI SUNITA MEI-LIN RAJAKUMAR

Independent
Non-Executive Director

DATUK SAZALI HAMZAH

Non-Independent
Non-Executive Director

FAREHANA HANAPIAH

Non-Independent
Non-Executive Director

STOCK EXCHANGE LISTING

Listed on Main Market of Bursa Malaysia Securities Berhad since 26 November 2010
Stock Name: PCHEM
Stock Code: 5183
Sector: Industrial Products & Services

REGISTRAR

Boardroom Share Registrars Sdn. Bhd.
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13, 46200 Petaling Jaya, Selangor, Malaysia
Tel : +603 7890 4700
Fax : +603 7890 4670
Email : BSR.Helpdesk@boardroomlimited.com

AUDITORS

KPMG PLT (LLP0010081-LCA & AF 0758)
Chartered Accountants
10th Floor, KPMG Tower
8, First Avenue, Bandar Utama,
47800 Petaling Jaya, Selangor, Malaysia
Tel : +603 7721 3388
Fax : +603 7721 3399
Website : <https://home.kpmg/my/en/home.html>

INVESTOR RELATIONS

Zaida Alia Shaari
(Head of Investor Relations)
Level 45, Tower 1,
PETRONAS Twin Towers,
Kuala Lumpur City Centre,
50088 Kuala Lumpur, Malaysia
Tel : +603 2392 3699
Email : petronaschemicals_ir@petronas.com

BANKING SERVICES PROVIDER

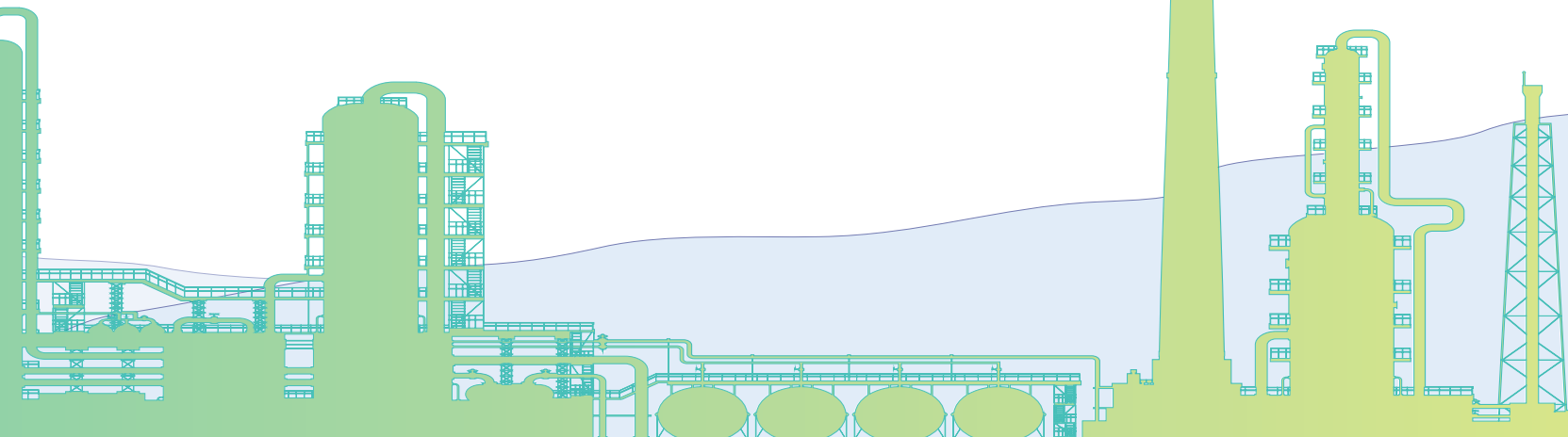
PETRONAS Integrated Financial Shared Service Centre (IFSSC)

WEBSITE

www.petronaschemicals.com



To view the full list of our Corporate Directory, please scan the QR code.



BOARD OF DIRECTORS' PROFILE

AS AT 28 FEBRUARY 2023



DATUK IR. (DR.) ABDUL RAHIM HASHIM

Chairman/Non-Independent Non-Executive Director



Nationality

69

Age

M

Gender

PRESENT DIRECTORSHIPS:

Listed entities:

- PETRONAS Chemicals Group Berhad (PCG)

Other public company:

- Malaysian Industry-Government Technology (MIGHT)

PRESENT APPOINTMENTS:

- Chairman of PCG
- Director of MIGHT
- Director of ICE Petroleum Engineering Sdn. Bhd.
- Director of ICE Wood Sdn. Bhd.

PAST EXPERIENCE:

- Board member of Deleum Berhad
- Vice Chancellor for Universiti Teknologi PETRONAS (UTP)
- Vice Chancellor of University Malaya
- The Honorary President of the IGU
- The President of the Asia Pacific Natural Gas Vehicle Association
- The President of the Malaysian Gas Association
- Various directorships in PETRONAS
- Various senior positions in PETRONAS

DATE APPOINTED TO THE BOARD

1 January 2022

LENGTH OF SERVICE

1 year and 2 months

ACADEMIC/PROFESSIONAL QUALIFICATION:

- Board of Engineers, Malaysia (BEM)
- Institution of Engineers, Malaysia (IEM)
- B.Sc. (Electronics & Electrical) Engineering, University of Birmingham
- Harvard Advanced Management Programme (AMP)



8/8

ATTENDANCE OF BOARD MEETINGS DURING THE FINANCIAL YEAR

BOARD SKILLS AND EXPERIENCE MATRIX



BOARD OF DIRECTORS' PROFILE



**IR. MOHD YUSRI
MOHAMED
YUSOF**



Nationality

56 Age

M Gender

Managing Director/Chief Executive Officer



**DATUK
TOH AH WAH**



Nationality

65 Age

M Gender

Senior Independent Non-Executive Director



PRESENT DIRECTORSHIPS:

Listed entities:

- PETRONAS Chemicals Group Berhad (PCG)

Other public company:

- Nil

PRESENT APPOINTMENTS:

- MD/CEO of PCG
- Board Member of various companies in PETRONAS

PAST EXPERIENCE:

- Board member of MISC Berhad
- Member, Nomination and Remuneration Committee, MISC Berhad
- Vice President, Refining and Trading, Downstream Business, PETRONAS
- Head, Manufacturing, PCG
- MD/CEO, PETRONAS Chemicals Derivatives Sdn. Bhd.

DATE APPOINTED TO THE BOARD

1 January 2022

LENGTH OF SERVICE

1 year and 2 months

ACADEMIC/PROFESSIONAL QUALIFICATION:

- Bachelor of Science in Chemical Engineering, Oklahoma State University, USA
- Advanced Management Programme, The Wharton School, University of Pennsylvania, USA
- Registered Professional Engineer (PE), Board of Engineers Malaysia
- Chartered Fellow of Institution of Chemical Engineers (IChemE)

ATTENDANCE OF BOARD MEETINGS DURING THE FINANCIAL YEAR

8/8



PRESENT DIRECTORSHIPS:

Listed entities:

- PETRONAS Chemicals Group Berhad (PCG)

Other public company:

- Nil

PRESENT APPOINTMENTS:

- Chairman of Nomination and Remuneration Committee, PCG
- Member of Board Audit Committee, PCG
- Trustee of CHOICE Foundation

PAST EXPERIENCE:

- Chairman of Board, Carlsberg Brewery Malaysia Berhad (Carlsberg Malaysia)
- Member of Board Audit Risk Management Committee, Carlsberg Malaysia
- Chairman of Board Nomination Committee, Carlsberg Malaysia
- Chairman of Board Remuneration Committee, Carlsberg Malaysia
- Director, CTBAT International Company Limited (Hong Kong)
- Independent Non-Executive Director, Tien Wah Press Holdings Berhad
- Managing Director (MD), British American Tobacco Malaysia Berhad
- Area Director of the Indonesia Cluster and the Regional Project Manager of British American Tobacco Asia Pacific Region Limited, Hong Kong
- MD/CEO, Pakistan Tobacco and Area Director, South Asia Area (Covering Pakistan, Bangladesh and Sri Lanka)
- MD, British American Tobacco New Zealand
- Business Development Director China for British American Tobacco Asia Pacific North
- Various senior management positions with British American Tobacco (Malaysia) Berhad

DATE APPOINTED TO THE BOARD

13 June 2014

LENGTH OF SERVICE

8 years and 8 months

ACADEMIC/PROFESSIONAL QUALIFICATION:

- Bachelor of Commerce, Concordia University, Canada

ATTENDANCE OF BOARD MEETINGS DURING THE FINANCIAL YEAR

8/8

BOARD OF DIRECTORS' PROFILE



**YEOH
SIEW MING**



Nationality



Age



Gender

Independent Non-Executive Director



**WARREN
WILLIAM
WILDER**



Nationality



Age



Gender

Independent Non-Executive Director



PRESENT DIRECTORSHIPS:

Listed entities:

- PETRONAS Chemicals Group Berhad (PCG)

Other public company:

- Nil

PRESENT APPOINTMENTS:

- Chairman of Board Audit Committee, PCG
- Member of Nomination and Remuneration Committee, PCG
- Member of Board Sustainability and Risk Committee, PCG
- Training Faculty of Deloitte University Asia Pacific
- Member of Sunway College Academic and Industry Advisory Board

PAST EXPERIENCE:

- Partner of Deloitte Southeast Asia
- License liquidator for voluntary and court appointed liquidations and conflict resolutions.
- Served in the following committees in Deloitte Southeast Asia:
 - Partners' Admission Committee
 - Board Nomination Committee
 - Compensation Committee for South East Asia CEO and Chairman of the Board
 - Operational Excellence Committee
- Facilitator of Unleash Global Innovation Lab for United Nation's Sustainable Development Goals
- Council Member of Malaysian Institute of Certified Public Accountants
- Held various management positions throughout her career with Deloitte

DATE APPOINTED TO THE BOARD

15 May 2019

LENGTH OF SERVICE

3 years and 9 months

ACADEMIC/PROFESSIONAL QUALIFICATION:

- Fellow Member of Association of Chartered Certified Accountants
- Member of the Malaysian Institute of Accountants
- Member of Malaysian Institute of Certified Public Accountants

ATTENDANCE OF BOARD MEETINGS DURING THE FINANCIAL YEAR

8/8



PRESENT DIRECTORSHIPS:

Listed entities:

- PETRONAS Chemicals Group Berhad (PCG)

Other public company:

- Nil

PRESENT APPOINTMENTS:

- Chairman of Board Sustainability and Risk Committee, PCG
- Director of Texas Petrochemicals Company

PAST EXPERIENCE:

- Vice President of Chemicals, Saudi Aramco
- President and Chief Executive Officer, Polymer, Crackers of Reliance Industries Ltd
- Managing Director and Chief Executive Director of Titan Chemicals
- Senior Vice President of Olefins, Polyethylene of Westlake Chemical
- Vice President of Koch Industries
- Manager of Planning and Analysis of Union Pacific Corporation
- Refinery Process Engineer, Marine Fuels and Marine Lubricant Sales Coordination, Ship Chartering, Crude Oil Coordinator in Exxon Corporation

DATE APPOINTED TO THE BOARD

1 July 2018

LENGTH OF SERVICE

4 years and 8 months

ACADEMIC/PROFESSIONAL QUALIFICATION:

- Master of Business Administration (MBA) Finance, University of Chicago, United States of America (USA)
- Bachelors of Chemical Engineering (Honours), University of Washington, Seattle, USA

ATTENDANCE OF BOARD MEETINGS DURING THE FINANCIAL YEAR

8/8

BOARD SKILLS AND EXPERIENCE MATRIX



BOARD OF DIRECTORS' PROFILE

C G R E N L O M E C F A R M S C S T H

**DR.ZAFAR
ABDULMAJID
MOMIN**



Nationality

64 Age

M Gender

Independent Non-Executive Director

G R L R F A R M S C S

**DATIN SERI
SUNITA MEI-LIN
RAJAKUMAR**



Nationality

54 Age

F Gender

Independent Non-Executive Director



PRESENT DIRECTORSHIPS:

Listed entities:

- PETRONAS Chemicals Group Berhad (PCG)

Other public company:

- Nil

PRESENT APPOINTMENTS:

- Member of Nomination and Remuneration Committee, PCG
- Member of Board Audit Committee, PCG
- Member of Board Sustainability and Risk Committee, PCG
- Adjunct Associate Professor, Department of Strategy & Policy, NUS Business School, National University of Singapore
- School Advisory Committee, Opera Estate Primary School, Singapore

PAST EXPERIENCE:

- Independent Non-Executive Director, Mapletree Logistics Trust (Singapore)
- Board Director, Center for Non-Profit Leadership (Singapore)
- Partner and Managing Director (MD), The Boston Consulting Group (Singapore, Dubai); Head of Asia Pacific Industrial Goods Practice, Pioneering Partner of Dubai/Abu Dhabi Offices
- Partner & MD, A.T Kearney (Singapore); Head of Asia Pacific Automotive Practice
- Senior Partner & MD of L.E.K Consulting (Singapore); Head of Southeast Asia
- Executive Vice President, Alghanim Industries (Kuwait); CXO and board director roles across functions and business units
- Various general management positions at United Technologies Corporation, Otis Asia Pacific Operations (Singapore)
- Various technical management positions at General Motors (USA)
- Adjunct Associate Professor, Nanyang Business School, Nanyang Technological University (Singapore)
- Adjunct Associate Professor, Malaysia Institute for Supply Chain Innovation (MIT/MISI Initiative) (Malaysia)

DATE APPOINTED TO THE BOARD

1 July 2018

LENGTH OF SERVICE

4 years and 8 months

ACADEMIC/PROFESSIONAL QUALIFICATION:

- Doctorate of Philosophy in Business (General Management), Singapore Management University, Singapore
- Master of Business Administration, Kellogg School of Management, Northwestern University, Chicago, United States of America (USA)
- Master of Science in Mechanical Engineering, Purdue University, USA
- Bachelor of Mechanical Engineering, College of Engineering, Pune University, India

ATTENDANCE OF BOARD MEETINGS DURING THE FINANCIAL YEAR

8/8



PRESENT DIRECTORSHIPS:

Listed entities:

- PETRONAS Chemicals Group Berhad (PCG)
- Dutch Lady Milk Industries Berhad

Other public company:

- MCIS Insurance Berhad
- Zurich General Insurance Malaysia Berhad
- Climate Governance Malaysia Berhad
- HSBC Bank Malaysia Berhad

PRESENT APPOINTMENTS:

- Member of Board Audit Committee, PCG
- Member of Board Sustainability and Risk Committee, PCG
- Chairperson, Independent Non-Executive Director, Dutch Lady Milk Industries
- Chairperson (Audit Committee), Independent Non-Executive Director, Zurich General Insurance Malaysia Berhad
- Independent Non-Executive Director, Chairperson (Nominations Committee and Remuneration Committee), Member of Strategic Capability Committee, MCIS Insurance Berhad
- Chairperson, Board of Director of Climate Governance Malaysia Berhad
- Independent Non-Executive Director, Chairperson (Audit Committee and Member of Nomination and Remuneration Committee), HSBC Bank Malaysia Berhad
- Adjunct Professor, Climate Governance and Sustainability, UNITAR International University

PAST EXPERIENCE:

- Chairperson (Audit Committee and Board Risk Management Committee), MCIS Insurance Berhad
- Independent Non-Executive Director, Berjaya Corporation Berhad
- Chairperson (Board of Directors), Independent Non-Executive Director, Caring Pharmacy
- Chairperson (Audit Committee), Independent Non-Executive Director, Hai-O Enterprise
- Chairperson (Board of Directors), Independent Non-Executive Director, Turiya
- Chairperson (Audit Committee), Independent Non-Executive Director, Hibiscus Petroleum Berhad

DATE APPOINTED TO THE BOARD

1 July 2022

LENGTH OF SERVICE

8 months

ACADEMIC/PROFESSIONAL QUALIFICATION:

- Degree of Law (LLB Hons), University of Bristol, United Kingdom
- Chartered Accountants, Institute of Chartered Accountants of England and Wales

ATTENDANCE OF BOARD MEETINGS DURING THE FINANCIAL YEAR

4/4

Sec 6 Commitment to Strong Governance

BOARD OF DIRECTORS' PROFILE



DATUK SAZALI HAMZAH



Nationality

56 Age

M Gender

Non-Independent Non-Executive Director



FAREHANA HANAPIAH



Nationality

54 Age

F Gender

Non-Independent Non-Executive Director



PRESENT DIRECTORSHIPS:

Listed entities:

- PETRONAS Chemicals Group Berhad (PCG)
- PETRONAS Dagangan Berhad (PDB)

Other public company:

- Nil

PRESENT APPOINTMENTS:

- Executive Vice President and Chief Executive Officer, Downstream Business, PETRONAS
- Member of Executive Leadership Team, PETRONAS
- Non-Independent Non-Executive Director, PDB
- Chairman/Director of various companies within PETRONAS

PAST EXPERIENCE:

- MD/CEO of PCG
- Board member of Institution of Chemical Engineers United Kingdom, Malaysian Branch
- MD/CEO, PETRONAS Penapisan (Melaka) Sdn. Bhd.
- Senior General Manager of Group Technology Solutions, PETRONAS
- Head of Project Management and Delivery, PETRONAS
- Various senior management positions through roles in the refinery and petrochemical business within PETRONAS

DATE APPOINTED TO THE BOARD

8 May 2014

LENGTH OF SERVICE

8 years and 9 months

ACADEMIC/PROFESSIONAL QUALIFICATION:

- Chartered Fellow of Institution of Chemical Engineers (ICHEME)
- Bachelor of Chemical Engineering, Lamar University United States of America (USA)
- Advanced Management Programme, the Wharton School, University of Pennsylvania, USA
- Senior Management Program, London Business School, London, United Kingdom

ATTENDANCE OF BOARD MEETINGS DURING THE FINANCIAL YEAR

8/8



PRESENT DIRECTORSHIPS:

Listed entities:

- PETRONAS Chemicals Group Berhad (PCG)

Other public company:

- Nil

PRESENT APPOINTMENTS:

- Member of Nomination and Remuneration Committee, PCG
- Senior Vice President, Group Human Resource Management PETRONAS
- Directors, various companies within PETRONAS

PAST EXPERIENCE:

- General Manager of Corporate Planning
- Head of Commercial and Joint Venture Development for PETRONAS' megaproject RAPID
- Chief Executive Officer of PETRONAS Leadership Centre
- Head of Human Capital Expertise

DATE APPOINTED TO THE BOARD

1 June 2022

LENGTH OF SERVICE

9 months

ACADEMIC/PROFESSIONAL QUALIFICATION:

- Bachelor of Commerce and Administration (Accounting), Victoria University of Wellington, New Zealand
- Advanced Management Programme, Harvard Business School

ATTENDANCE OF BOARD MEETINGS DURING THE FINANCIAL YEAR

4/4

BOARD SKILLS AND EXPERIENCE MATRIX



COMPANY SECRETARIES

AZIRA MARINI AB RAHIM

Company Secretary

 Nationality

44 Age

F Gender



DESCRIPTION OF ROLES:

- She has been the Company Secretary of PCG since August 2021 and acts as an advisor to the Board, particularly with regards to corporate governance & compliance to the regulatory requirements.
- Responsible for provision of secretarial and governance advisory services to PCG and its Group of companies and ensuring the interest and reputation of PCG is protected.

QUALIFICATIONS:

- Degree in Corporate Administration (Company Secretarial Practices), UiTM, Shah Alam, Malaysia
- Degree in Legal Studies, UiTM, Shah Alam, Malaysia

KANG SHEW MENG

Company Secretary

 Nationality

62 Age

M Gender



DESCRIPTION OF ROLES:

- He is a Joint Company Secretary of PCG since 2010 and acts as an advisor to the Board particularly with regard to compliance to the regulatory requirements.

QUALIFICATIONS:

- Fellow of the Institute of Chartered Secretaries and Administrators
- Master in Law (International Business Law) from Staffordshire University
- Diploma in Commerce (Business Management)

ADDITIONAL INFORMATION OF THE BOARD OF DIRECTORS:

- Family Relationship: None of the Directors has any family relationship with any Director and/or major shareholder of PCG
- Conflict of Interests: None of the Directors has any conflict of interests with PCG
- Conviction for Offences: None of the Directors has any conviction for offences, other than traffic offences, if any, for the past five years
- Public Sanction or Penalty: None of the Directors has any sanction or penalty imposed on them by any regulatory bodies during the financial year ended 31 December 2022
- Directorship Appointment: None of the Directors has more than five directorships in listed issuers

MANAGEMENT COMMITTEE PROFILE

IR. MOHD YUSRI MOHAMED YUSOF

Managing Director/Chief Executive Officer (MD/CEO)



SKILLS & EXPERIENCES:

1989

- Joined PETRONAS as an Environmental Executive and progressed through various roles in engineering, operations, and plant management

2011

- Appointed as CEO of PETRONAS Chemicals Ethylene

2012

- Appointed as CEO of PETRONAS Chemicals Olefins, Glycols, and Derivatives (PC OGD)

2014

- Appointed as Head of Manufacturing, PCG and as a member of PCG Management Committee

2017

- Appointed as Vice President, Refining and Trading, PETRONAS and as a member of PETRONAS Downstream Executive Leadership Team

2022

- Appointed as Senior Vice President, PETRONAS and MD/CEO, PCG, and as a member of PETRONAS Downstream Executive Leadership Team



Nationality

56

Age



Gender

DESCRIPTION OF ROLES:

- Responsible for the overall operational, commercial, financial and sustainable management of PCG and its subsidiaries.
- Sits on the Board of PCG and several PETRONAS companies.

QUALIFICATIONS:

- Bachelor of Science in Chemical Engineering, Oklahoma State University, USA
- Advanced Management Programme, The Wharton School, University of Pennsylvania, USA
- Registered Professional Engineer (PE), Board of Engineers Malaysia
- Chartered Fellow of Institution of Chemical Engineers (ICHEME)

Yusri has no family relationship with any director and/or major shareholder of PCG, nor any conflict of interest with the Group. He has not been convicted for any offence within the past five years, other than traffic offences, if any, nor had any public sanctions or penalty imposed by any regulatory body during the financial year.

MOHD AZLI ISHAK

Chief Financial Officer



SKILLS & EXPERIENCES:

2000

- Joined KPMG in Audit & Advisory

2003

- Joined Group Finance, PETRONAS and held various roles in financial due diligence, project financing, debt restructuring and corporate bond issuance

2007

- Appointed as Manager (JV Management), Vice President Office - Petrochemical Business, PETRONAS, and jointly led the initial public offering of PCG in 2010

2011

- Joined Merger & Acquisition, PETRONAS and held several senior managerial roles in acquisition, divestment and corporate strategy projects within PETRONAS Group. Appointed as Head (Merger & Acquisition) in 2018. Assumed additional role as Head of PETRONAS Ventures in 2020, managing PETRONAS' USD350 million corporate venture capital fund and investments in start-ups

2021

- Appointed as Chief Financial Officer of PCG



Nationality

44

Age



Gender

DESCRIPTION OF ROLES:

- Responsible for the management of all financial and fiscal aspects of PCG and its subsidiaries as well as risk management, supply chain management, investor relations and information systems.
- Sits on the Board of several PETRONAS companies.

QUALIFICATIONS:

- Bachelor of Commerce in Accounting and Finance, Monash University, Melbourne, Australia
- Fellow of the Chartered Accountants Australia and New Zealand
- Member of the Malaysian Institute of Accountants

Mohd Azli has no family relationship with any director and/or major shareholder of PCG, nor any conflict of interest with the Group. He has not been convicted for any offence within the past five years, other than traffic offences, if any, nor had any public sanctions or penalty imposed by any regulatory body during the financial year.

MANAGEMENT COMMITTEE PROFILE

ZAMRI JAPAR

Chief Manufacturing Officer



SKILLS & EXPERIENCES:

1992

- Joined PETRONAS as Executive (Production Planning & System Engineering) and progressed through various roles in plant operations, technical services, and improvement projects

2006

- Seconded as Operational Leader at DOW Light Hydrocarbon Ethylene Plant, Terneuzen, The Netherlands

2008

- Appointed as Senior Manager (Olefins) at PETRONAS Chemicals Olefins Sdn. Bhd.

2013

- Appointed as CEO of PC MTBE Sdn. Bhd.

2015

- Appointed as Head (Plant Intervention and Transf.) at PETRONAS Chemicals Group Berhad (PCG)

2017

- Appointed as CEO of PETRONAS Chemicals Olefins, Glycols, and Derivatives (PC OGD)

2021

- Appointed as Senior General Manager (Plant Division) at Malaysian Refining Company Sdn. Bhd.

MAR 2022

- Appointed as CEO (Pengerang Refining Company Sdn. Bhd. and Pengerang Petrochemical Company Sdn. Bhd. (collectively known as PRefChem))

NOV 2022

- Appointed as Chief Manufacturing Officer at PCG



Nationality

54

Age

M

Gender

DESCRIPTION OF ROLES:

- Responsible for PCG's overall Operational Excellence
- Sits on the Board of several PETRONAS companies

QUALIFICATIONS:

- Bachelor of Science in Chemical Engineering, University of Rhode Island, USA

Zamri has no family relationship with any director and/or major shareholder of PCG, nor any conflict of interest with the Group. He has not been convicted for any offence within the past five years, other than traffic offences, if any, nor had any public sanctions or penalty imposed by any regulatory body during the financial year.

SHAKEEL AHMAD KHAN

Chief Commercial Officer



SKILLS & EXPERIENCES:

1995

- Joined PETRONAS Penapisan (Melaka) Sdn. Bhd. as a Chemist

1999

- Joined Crude Oil Group of PETRONAS and held various positions including Executive (Trade Evaluation), Executive (Pricing/Costing) and later appointed to Manager (Business Planning and Development)

2006

- Appointed as Marketing Manager at Lubricant Business, PETRONAS

2008

- Returned to Crude Oil Group of PETRONAS as Head (Trading - Asia Pacific /Far East)

2012

- Joined PETRONAS Chemical Group Berhad and held various senior managerial positions including, Manager (Commercial - Urea & other fertiliser), Head of Marketing & Sales for Ammonia and Fertiliser, Head (Marketing & Sales - Polymer)

2020

- Appointed as Chief Commercial Officer, PCG



Nationality

53

Age

M

Gender

DESCRIPTION OF ROLES:

- Responsible for PCG's overall Commercial Excellence. He is the CEO of PETRONAS Chemicals International Holdings Sdn. Bhd. (formerly known as PETRONAS Chemicals Marketing Sdn. Bhd.) and PETRONAS Chemicals Marketing (Labuan) Ltd
- Sits on the Board of several PETRONAS companies

QUALIFICATIONS:

- Bachelor of Science (Hons) Chemistry, Universiti Sains Malaysia, Pulau Pinang

Shakeel has no family relationship with any director and/or major shareholder of PCG, nor any conflict of interest with the Group. He has not been convicted for any offence within the past five years, other than traffic offences, if any, nor had any public sanctions or penalty imposed by any regulatory body during the financial year.

MANAGEMENT COMMITTEE PROFILE

IR. YAACOB SALIM

Head of Strategic Planning & Ventures

SKILLS & EXPERIENCES:
1998

- Various technical and managerial positions in multinational companies in the chemical and petrochemical industry.

2006

- Joined Group Technology Solution, PETRONAS as Senior Manager Technical Assurance, later held various senior managerial positions including, Front-End Management and Project Management within PETRONAS Group of Companies

2011

- Appointed as Chief Executive Officer, PTSSB JLT (Dubai), a subsidiary of PETRONAS Technical Services Sdn. Bhd.

2012

- Appointed as Chief Executive Officer, Primesourcing International Sendirian Berhad

2015

- Appointed as Deputy Project Director, PETRONAS Refinery & Petrochemical Corporation

2020

- Appointed as Head of Strategic Planning, Business Planning & Development, PETRONAS Refinery & Petrochemical Corporation

2021

- Appointed as Head of Strategic Planning and Ventures, PCG



Nationality



56 Age



Gender

DESCRIPTION OF ROLES:


- Responsible for PCG's overall strategic planning, business & project development and ventures management.
- Sits on the Board of several PETRONAS and PCG Group of Companies.

QUALIFICATIONS:

- Bachelor of Mechanical Engineering, University of Texas at El Paso, USA
- Master of Business Administration, Heriot-Watt University
- Registered Professional Engineer with the Board of Engineers, Malaysia

Yaacob has no family relationship with any director and/or major shareholder of PCG, nor any conflict of interest with the Group. He has not been convicted for any offence within the past five years, other than traffic offences, if any, nor had any public sanctions or penalty imposed by any regulatory body during the financial year.

DR. YUEN-YUEN DEBBIE CHIU

Head of Specialty Chemicals

SKILLS & EXPERIENCES:
1994

- Joined Union Carbide Corporation as Technical Support Leader and Flexible Packaging Technology Manager, Project Scientist

2001

- Appointed as Product Manager and Client Interfacing, Licensing Business at Univation Technologies (JV of Dow and ExxonMobil)

2003

- Appointed as Associate Director, Process Fundamental R&D and New business Development

2006

- Appointed as R&D/TS&D Director, Dow Fiber Solutions

2009

- Appointed as Global R&D Director, Energy Storage Device Materials

2011

- Joined as Vice President, Performance Plastics at LCY Chemical, Taipei, Taiwan

2016

- Joined as APAC CTO and Managing Director of EPS Business at Sherwin-Williams, Shanghai, China

2022

- Joined PCG as Head of Specialty Chemicals



Nationality



58 Age



Gender

DESCRIPTION OF ROLES:

- Responsible for PCG's overall specialty chemicals business
- Sits on the Board of several PETRONAS companies.

QUALIFICATIONS:

- Bachelor of Science in Chemical Engineering, National Taiwan University, Taipei, Taiwan
- Master of Science in Chemical Engineering and Statistics, The Ohio State University, Ohio
- Doctor of Philosophy (Ph.D.) in Chemical Engineering, The Ohio State University, Ohio
- MBA majoring in Marketing, Rutgers University, New Jersey

Debbie has no family relationship with any director and/or major shareholder of PCG, nor any conflict of interest with the Group. She has not been convicted for any offence within the past five years, other than traffic offences, if any, nor had any public sanctions or penalty imposed by any regulatory body during the financial year.

MANAGEMENT COMMITTEE PROFILE

FAUZAMSAARI GERAN

Head of Health, Safety & Environment



SKILLS & EXPERIENCES:

1995

- Joined MTBE/ Polypropylene (M) Sdn. Bhd. and held various positions including Executive (Mechanical) and Executive (Rotating)

2005

- Joined ASEAN Bintulu Fertilizer Sdn. Bhd. and held various managerial roles including Manager (Mechanical), Senior Manager (Engineering), and Senior Manager (Maintenance)

2014

- Appointed as Senior Manager (Technical Services) at PETRONAS Chemicals Ammonia Sdn. Bhd.

2020

- Appointed as Head of Health, Safety & Environment, PCG



Nationality



50

Age



Gender

DESCRIPTION OF ROLES:

- Responsible for PCG's overall HSE performance, process safety and sustainable development.

QUALIFICATIONS:

- Bachelor of Science in Mechanical Engineering, University of Oklahoma, USA

Fauzamsaari has no family relationship with any director and/or major shareholder of PCG, nor any conflict of interest with the Group. He has not been convicted for any offence within the past five years, other than traffic offences, if any, nor had any public sanctions or penalty imposed by any regulatory body during the financial year.

SR AMINUDIN YAHIA

Head of Project Directorate



SKILLS & EXPERIENCES:

1998

- Joined PETRONAS Gas Berhad (PGB) as a Maintenance Civil Executive in Plant Operation Division and further took on various roles as Executive of Project in Kuantan-Kertih Railway Project and Executive of Project Control in Technical & Facilities Development Division (TFDD)

2008

- Appointed as Manager of Project Control in PGB for Plant Rejuvenation & Revamps 2 & 4 Project

2012

- Appointed as Manager of Project Control in Pacific Northwest LNG Project, Canada

2015

- Appointed as Manager of Cost Engineering, PCG

2018

- Appointed as Manager of S&PC (Small & Plant Change) Project Engineering in PETRONAS and consequently as Manager of Project in Project Delivery & Technology Division (PD&T)

2021

- Appointed as Manager of Front-End Engineering, PCG

2022

- Appointed as Head of Project Directorate, PCG



Nationality



48

Age



Gender

DESCRIPTION OF ROLES:

- Responsible for championing and steering the project delivery, project management services and project governance through planning and execution of all PCG brownfield and greenfield projects.

QUALIFICATIONS:

- Bachelor of Science in Quantity Surveying, University Teknologi Malaysia (UTM)
- Professional Certificate in Management from the University of Melbourne
- Certified Cost Professional (CCP) from The Association for the Advancement of Cost Engineering, International (AACEI)
- Professional Quantity Surveyor (PQS) from Board of Quantity Surveyor Malaysia

Aminudin has no family relationship with any director and/or major shareholder of PCG, nor any conflict of interest with the Group. He has not been convicted for any offence within the past five years, other than traffic offences, if any, nor had any public sanctions or penalty imposed by any regulatory body during the financial year.

MANAGEMENT COMMITTEE PROFILE

NUR NADIA MOHD NORDIN

Head of Legal


SKILLS & EXPERIENCES:
2002

- Joined PETRONAS NGV Sdn. Bhd. as Legal Advisor

2005

- Appointed as Executive, Senior Legal Officer for PETRONAS (Gas Business)

2008

- Appointed as Manager, Legal Counsel for PETRONAS (Gas Business)

2010

- Appointed as Manager, Legal Counsel for Malaysia LNG Sdn. Bhd.

2011

- Returned to PETRONAS as Senior Legal Counsel in Corporate Services

2013

- Appointed as Senior Legal Counsel in PETRONAS (Downstream Marketing & Special Project)

2018

- Appointed as Head, Legal and Company Secretary of PETRONAS Dagangan Berhad

2020

- Appointed as General Counsel for Special Venture & Corporate under Legal Petrochemical

2022

- Appointed as Head, Legal of PETRONAS Chemicals Group Berhad



Nationality

48

Age

F

Gender

DESCRIPTION OF ROLES:

- Responsible for PCG's legal affairs
- Sits on the Board of several PETRONAS companies

QUALIFICATIONS:

- Bachelor of Laws, University of Kent, United Kingdom
- Admitted as Advocate & Solicitor of the High Court of Malaya

Nur Nadia has no family relationship with any director and/or major shareholder of PCG, nor any conflict of interest with the Group. She has not been convicted for any offence within the past five years, other than traffic offences, if any, nor had any public sanctions or penalty imposed by any regulatory body during the financial year.

JAMILAH UJANG

Head of Human Resource Management


SKILLS & EXPERIENCES:
1997

- Joined PETRONAS Gas Berhad as Executive Chemist

2001

- Joined Gas District Cooling (M) Sdn. Bhd. as a Quality Assurance Executive, and held various roles in Manpower Planning and Capability Development

2005

- Joined PETRONAS Carigali Sdn. Bhd., and held Managerial roles in Talent Development and Talent Sourcing

2012

- Appointed as Senior Manager (Capability - Petroleum Engineering & Drilling) and held various Managerial roles in People Management, Leadership and Employee Performance Management in PETRONAS Upstream Business

2016

- Returned to PETRONAS Carigali Sdn. Bhd. as HR Business Partner for Malaysia Asset Division, Upstream Business

2017

- Appointed as HR Business Partner for Development & Production Sector (Malaysia & International Assets), PETRONAS Carigali Sdn. Bhd.

2019

- Appointed as HR Business Partner for Upstream Operation 1, PETRONAS Carigali Sdn. Bhd.

2020

- Appointed as Head of Human Resource Management, PETRONAS Chemical Group (PCG)



Nationality

49

Age

F

Gender

DESCRIPTION OF ROLES:

- Responsible for PCG's talent strategy, drive the solutioning of organisational HR matters and deliver integrated HR solutions.

QUALIFICATIONS:

- Bachelor of Science (Hons) in Chemistry, University of Malaya

Jamilah has no family relationship with any director and/or major shareholder of PCG, nor any conflict of interest with the Group. She has not been convicted for any offence within the past five years, other than traffic offences, if any, nor had any public sanctions or penalty imposed by any regulatory body during the financial year.

MANAGEMENT COMMITTEE PROFILE

NORFAILA HASSAN

Head of Strategic Communications & Administration



SKILLS & EXPERIENCES:

1997

- Joined Leo Burnett Advertising as an Executive Client Servicing for various industries ranging from FMCG, automotive to retail, etc including PETRONAS

2000

- Joined PETRONAS Dagangan Berhad and held various positions in advertising and promotion unit and e-business project implementation

2006

- Appointed as Head of Brand Communication at PETRONAS and held various managerial positions in the areas of Brand Strategy, Brand Performance and Brand Management for the Downstream Marketing operating units

2015

- Appointed as Head of Group Strategic Communications for PETRONAS Lubricants International Group

2016

- Returned to PETRONAS as Head of Brand Management, Downstream Business

2020

- Appointed as Head of Strategic Communications & Administration, PCG



Nationality



Age



Gender

DESCRIPTION OF ROLES:

- Responsible for strategising, planning, development and implementation of all PCG's corporate and product branding, stakeholder and media management, communication and reputation management as well as administration.

QUALIFICATIONS:

- Bachelor of Mass Communication (Advertising), Institut Teknologi Mara

Norfaila has no family relationship with any director and/or major shareholder of PCG, nor any conflict of interest with the Group. She has not been convicted for any offence within the past five years, other than traffic offences, if any, nor had any public sanctions or penalty imposed by any regulatory body during the financial year.

CORPORATE GOVERNANCE OVERVIEW STATEMENT



Dear Shareholder,

On behalf of the Board, I am pleased to present the Corporate Governance Overview Statement for the financial year ended 31 December 2022. This Statement sets out our approach to effective corporate governance and outlines key areas of focus of the Board and its activities undertaken during the year as we continue to drive long-term value for all our stakeholders.



GOVERNANCE AND THE DELIVERY OF STRATEGY

Pages between 110 and 139 describe the Board and Board Committees key activities during the year.

In line with the Board reserved matters, we considered and approved key strategic acquisitions, disposals and developments. When debating these transactions we considered the potential impacts on the Company's stakeholders including job creation in the local communities, how they fit within our two-pronged strategy, and sustainable returns for investors in line with our Sustainability Agenda.

As part of our continual and regular reviews of our governance processes to support our growth strategy, we have enhanced our Board Charter and Board Committees terms of reference, to be in line with the Malaysian Code on Corporate Governance (MCCG), whilst also adopting a fit and proper policy in compliance with Main Market Listing Requirements (MMLR).

During the year under review, there were three Board Strategic Conversations held where the Board discussed the strategic growth and projects for the Group.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG)

The Board increased its oversight of environmental, social and governance factors in 2022, with climate change, and diversity and inclusion being areas of increasing focus. As a result of this increased focus, sustainability oversight was placed under the purview of the Board Risk Committee. Subsequently, the committee changed its name to the Board Sustainability and Risk Committee (BSRC). During the year under review, among the agendas deliberated and endorsed by the Committee were the enhanced Sustainability Agenda, Task Force on Climate-Related Financial Disclosures (TCFD) and relevant Global Reporting Initiative (GRI) disclosures.

The TCFD is accessible on the Company's corporate website and the Group's GRI disclosures can be found in our Sustainability Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT



BOARD EVALUATION

I am pleased to report that the Board evaluation this year confirmed that we continue to operate as a very effective and highly performing Board. With the addition of two new female Non-Executive Directors, who add both Sustainability and Human Resource expertise, we have the right composition, experience, skills and diversity on the Board to support the strategic ambition of the Group as we emerge from the pandemic. Full details of the evaluation and the outcomes can be found on page 113.



STATEMENT OF COMPLIANCE

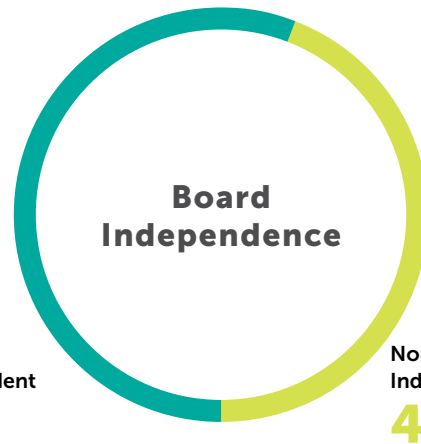
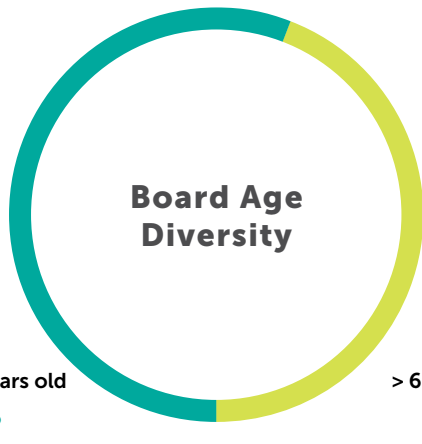
The MCCG sets out the principles and intended outcomes relating to good governance of Malaysian listed companies. The Board is committed to good governance and we are pleased to confirm that for the year under review, the Company has complied with most of the principles and intended outcomes of the MCCG. Details of our approach to corporate governance and compliance with the MCCG is found in our Corporate Governance Report, which is available through our website, and throughout this Governance section of this report.



CORPORATE GOVERNANCE OVERVIEW STATEMENT

BOARD AT A GLANCE

Our Board continues to keep in view the changing corporate governance landscape and is committed in ensuring it provides effective leadership.



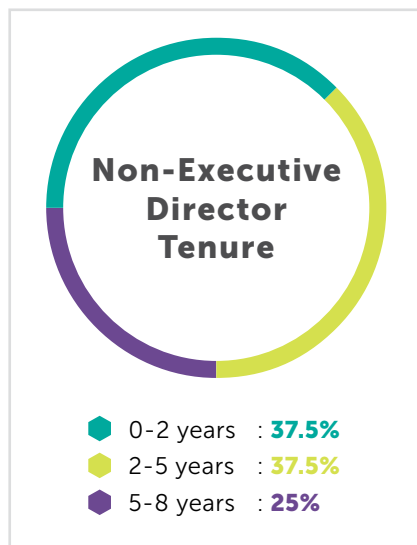
The non-executive directors have committed their time to perform their duties.

111
Board Hours

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board remains satisfied that it has the appropriate balance of skills, experience, independence and knowledge that can support its strategic growth agenda.

<p>Industry Background:</p> <ul style="list-style-type: none"> ■ Oil and Gas ■ Petrochemical <p>International Experience:</p> <ul style="list-style-type: none"> ■ Global ■ Regional <p>Functional Experience:</p> <ul style="list-style-type: none"> ■ Engineering ■ Logistics ■ Legal/Regulatory ■ Commercial/Marketing ■ Operations ■ Economics ■ Finance ■ Audit ■ Risk Management ■ Sustainability ■ Corporate Strategy ■ Technology ■ Human Resource ■ Project Management ■ Shipping 	<p>Datuk Ir. (Dr.) Abdul Rahim Hashim ■ ■ ■ ■ ■ ■ ■ ■</p> <p>Ir. Mohd Yusri Mohamed Yusof ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■</p> <p>Datuk Toh Ah Wah ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■</p> <p>Yeoh Siew Ming ■ ■ ■ ■ ■ ■ ■</p> <p>Warren William Wilder ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■</p> <p>Dr. Zafar Abdulmajid Momin ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■</p> <p>Datin Seri Sunita Mei-Lin Rajakumar ■ ■ ■ ■ ■ ■ ■ ■ ■</p> <p>Datuk Sazali Hamzah ■ ■ ■ ■ ■ ■ ■ ■</p> <p>Farehana Hanapiah ■ ■ ■ ■ ■ ■ ■ ■ ■</p>
---	---



Independent Non-Executive Director (INED)

Datuk Toh Ah Wah	8 years 8 months	■
Yeoh Siew Ming	3 years 9 months	■
Warren William Wilder	4 years 8 months	■
Dr. Zafar Abdulmajid Momin	4 years 8 months	■
Datin Seri Sunita Mei-Lin Rajakumar	8 months	■

Non-Independent Non-Executive Director (NINED)

Datuk Ir. (Dr.) Abdul Rahim Hashim	1 year 2 months	■
Datuk Sazali Hamzah	8 years 9 months	■
Farehana Hanapiah	9 months	■

The tenure of an Independent Non-Executive Director is not more than 9 years.



CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS

BOARD LEADERSHIP

The Group is led by an effective and entrepreneurial Board, whose role is to promote the long-term sustainable success of the Group, generating value for shareholders and contributing to wider stakeholders. The Board has ultimate responsibility for the overall leadership of the Group. In this role, it oversees the development and delivery of the Group's strategies.

As at the date of this Statement, the Board comprises nine Directors: the Non-Executive Chairman; the MD/CEO; five Independent Non-Executive Directors and two Non-Independent Non-Executive Directors. The size of the Board allows time for constructive debate and challenge on key elements of the Group's performance and strategic projects and enables all Directors' views to be heard.

The Board monitors operational and financial performance against agreed goals and objectives and ensures that appropriate controls and systems exist to manage risk and that there are the necessary financial resources and people with the necessary skills to achieve the strategic goals the Board has set. The Non-Executive Directors have a broad range of business, financial and international skills and experience, which provide appropriate balance and diversity to support the Group's strategic growth.

The Directors' profiles appear on pages 90 and 94.

BOARD MEETINGS

The Board maintains a formal schedule of matters reserved for its approval. These matters include approving the Group's strategy and budget, material corporate transactions, authorisation of capital expenditure above delegated authority limits, risk management, dividends, appointing new directors, Sustainability Agenda and significant communication to shareholders. All matters are approved by a quorum of directors as stipulated in the Company's Constitution and during the year under review, all Board reserved matters were approved unanimously by the Board with 100% attendance as depicted in the governance structure.

The full schedule of matters reserved for the Board can be found in our Board Charter, which is available online at <https://www.petronas.com/pcg/about-us/governance>

Pre-scheduled Board and Board Committee meetings dates and attendance are circulated to the Board and Management prior to the commencement of the year to assist the Directors in planning their schedule for the year.

Agendas are prepared in consultation with the Chairman and MD/CEO and Board Papers are distributed at least five business days before meetings.

While a decision of the Board and Board Committee only requires a majority of votes of the Directors, all decisions made are on a consensus basis. In case of a tied vote, the Chairman has a second or casting vote. During the year under review, the Chairman did not need to use his casting vote to pass any resolution. All directors provide a declaration of interest on transactions that are to be entered into by the Company at the commencement of meetings. Directors who have interest in transactions must disclose the extent and nature of their interest and must abstain from deliberations and voting on the transaction as he/she is an interested party.

DIVISION OF RESPONSIBILITIES BETWEEN THE BOARD AND MANAGEMENT

The Board discharges its responsibilities directly and some functions are delegated to its Committees. Execution of the strategy and day-to-

day management of the Company's business is delegated to the MD/CEO and he is assisted by the senior leadership teams with the Board retaining responsibility for overseeing, guiding and holding management to account.

SUPPLY AND ACCESS TO INFORMATION

The Board has full and timely access to all relevant information to enable it to discharge its duties. Under the direction of the Chairman, the Company Secretary is responsible for ensuring a good flow of information within the Board and its Committees and between the Management team and Non-Executive Directors, as well as facilitating induction and assisting with professional development as required. The Board and its Committees are supplied with high quality information and that all papers and information are delivered timely and securely through an electronic platform.

The Company Secretary is responsible for advising the Board, on all corporate governance matters, and each Director has access to the advice and services of the Company Secretary. The Board, collectively or individually, in furtherance to their duties, may seek independent professional advice at the Company's expense.

BOARD DIVERSITY, SKILLS AND EXPERIENCE

The Group is committed to a diverse Board comprising directors from different backgrounds with relevant experience, perspectives, skills and knowledge. We believe that diversity, including gender, amongst directors and employees contributes towards a high performing and effective Board and business as well as promotes the Group's ongoing success. We strive to maintain the optimal balance, using a meritocratic appointment process.

In addition to the Board Diversity Policy, the Board had adopted the PETRONAS Diversity & Inclusion statement during the year, setting the baseline and long term targets across the four focus areas which are gender, multinational, age and culture.

The Board continues to focus on diversity when recommending new candidates for Board memberships. In connection with its effort to create and maintain a diverse Board, the Board would:

1. Review succession plans to ensure an appropriate focus on diversity
2. Identify specific factors for consideration in the recruitment and selection process
3. Adhere to the recruitment and sourcing process that seeks to include diverse candidates, including women in any director search
4. Assess the appropriate mix of diversity including gender, age, skills, experience and expertise required on the Board and address gaps, if any

A copy of the Board Diversity Policy is available at the Company's corporate website, <https://www.petronas.com/pcg/about-us/governance>

CONFLICT OF INTEREST

A well-established process is in place whereby the Board reviews and monitors potential conflicts of interests on a quarterly basis. Directors holding significant commitments outside of the Group are required to disclose them prior to appointment and on an ongoing basis when there are any changes. Actual and potential conflicts of interest are updated in a register which is maintained by the Company Secretary and reviewed annually. In addition, all Directors are required to declare their interest on a quarterly basis and is tabled to the Board for notation.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

ROLES AND RESPONSIBILITIES

<p>Division of Responsibility</p> <p>The roles of Chairman and MD/CEO are held separately by Datuk Ir. (Dr.) Abdul Rahim Hashim and Ir. Mohd Yusri Mohamed Yusof respectively, with clear written guidelines on the division of responsibilities to ensure balance of authority, increased accountability, and a greater capacity for independent decision-making. The clear hierarchical structure with its focused approach facilitates efficiency and expedites informed decision-making. Their specific roles are further defined in our Board Charter, which can be viewed in the Company's corporate website https://www.petronas.com/pcg/about-us/governance</p>	<p>Chairman</p> <p>Responsible for the orderly conduct and function of the Board.</p>	<p>Non-Independent Non-Executive Directors (NINEDs)</p> <p>Provide in-depth knowledge and insight from PETRONAS' perspective.</p>	<p>Independent Non-Executive Directors (INEDs)</p> <p>Provide independent judgement and views.</p>	<p>MD/CEO</p> <p>Responsible for the overall operations of the business, organisational effectiveness and implementation of the Group's strategies and policies.</p>
<p>Senior Independent Director (SID)</p> <p>Datuk Toh Ah Wah, being the SID, acts as a point of contact between the INEDs and the Chairman on sensitive issues and is available for confidential discussion with other NEDs who may have concerns which they believe have not been considered by the Board as a whole. He has also been identified as a designated contact to whom shareholders' concerns or queries may be raised, as an alternative to the formal channel of communication with shareholders. Datuk Toh Ah Wah has significant influence within the Board and was able to deliver his role as a SID of PCG.</p> <p>All queries which require SID's attention can be emailed to petchem.sid@petronas.com</p>				

QUALIFIED AND COMPETENT COMPANY SECRETARIES

Our Secretaries, Azira Marini Ab Rahim and Kang Shew Meng, are qualified to act as company secretary in accordance with Section 235 of the CA 2016. The Secretaries act as advisors to the Board, particularly with regard to the Company's Constitution, policies, corporate governance and procedures and its compliance with regulatory requirements, codes, guidelines and legislations. The Company Secretaries ensure that discussions and deliberations at the Board and Board Committee meetings are well documented and subsequently to ensure action items remain as matters arising in the minutes of meetings until they are resolved and completed. The Company Secretaries constantly keep abreast of the evolving regulatory changes and developments in corporate governance through continuous training. During the year under review, the Company Secretaries have attended the following trainings:

Name	Development Programme Attended	Organiser	Date (2022)
Azira Marini Ab Rahim	PETRONAS Board Conversation Series. Vision 2050 - Time to Transform	Peter Bakker, CEO, World Business Council for Sustainable Development	24 March
	Compliance with Guidelines for the Reporting Framework for Beneficial Ownership of Legal Persons	Companies Commission of Malaysia (CCM)	26 April
	PETRONAS Board Conversation Series 02/22: A session with United Nations Environment Programme World Conservation Monitoring Centre (UNEP-WCMC)	PETRONAS	31 May
	SSM National Conference 2022 on "Corporate Governance and Sustainability Needed now than ever"	CCM	26-27 July
	PETRONAS Board Conversation Series: A session with Dr. Fiona Wild, Vice President, Sustainability and Climate Change at BHP	PETRONAS	29 August
	PETRONAS Board Conversation Series: A Session with John Morrison	PETRONAS	30 November
Kang Shew Meng	SSM National Conference 2022 on "Corporate Governance and Sustainability Needed now than ever"	CCM	26-27 July
	Seminar on "MBRS - Annual Return"	CCM	13 December
	In-house training on "Capital reduction"	In-house	23 December

In this regard, both the Company Secretaries are qualified and competent in their roles. The Board is satisfied with the performance and support rendered by the Company Secretaries to the Board in discharging their functions.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

OUR GOVERNANCE STRUCTURE

The Board has three main Committees: the Nomination and Remuneration Committee, the Board Audit Committee, and the Board Sustainability and Risk Committee. The terms of reference for each Board Committee can be found at <https://www.petronas.com/pcg/about-us/governance>

The day-to-day operational management of the Business is delegated by the Board to the MD/CEO, who uses several Committees to assist him in this task: the Management Committee; the People Development Committee; the Project Steering Committee; Sustainability and Risk Management Committee (SRMC); Digital Steering Committee and Tender Committee.

Furthermore, the Internal Audit Department, which is an independent department, reports directly to the Board Audit Committee.

BOARD

The Board is collectively responsible for effective oversight of the Company and the helming of the Company's strategic direction and objectives, business plan, viability, and governance structure that will help achieve strategic growth and deliver sustainable shareholders value.

BOARD MEETING ATTENDANCE FOR 2022

Board of Directors	Datuk Ir. (Dr.) Abdul Rahim Hashim	Ir. Mohd Yusri Mohamed Yusof	Datuk Toh Ah Wah	Yeoh Siew Ming
	<i>Non-Independent Non-Executive Chairman</i>	<i>Executive Director (MD/CEO)</i>	<i>Senior Independent Non-Executive Director</i>	<i>Independent Non-Executive Director</i>
Total Meetings Attended	8/8	8/8	8/8	8/8

BOARD COMMITTEE & AGM/EGM MEETING ATTENDANCE



Chairman

Yeoh Siew Ming
Attendance **4/4**

Members

Datuk Toh Ah Wah
Attendance **4/4**

Dr. Zafar Abdulmajid Momin
Attendance **4/4**

Datin Seri Sunita Mei-Lin Rajakumar**
Attendance **2/2**



Chairman

Warren William Wilder
Attendance **7/7**

Members

Yeoh Siew Ming
Attendance **7/7**

Dr. Zafar Abdulmajid Momin
Attendance **7/7**

Datin Seri Sunita Mei-Lin Rajakumar**
Attendance **3/3**



INTERNAL AUDIT DEPARTMENT (IAD)

Terms of reference is accessible to the public on the Company's corporate website at <https://www.petronas.com/pcg/about-us/governance>

MANAGEMENT COMMITTEE

People Development Committee

Project Steering Committee

Sustainability Governance

PCG's sustainability governance prioritises transparency and accountability when delivering our sustainability strategies. The Board is ultimately responsible for monitoring the Group's sustainability practices and considers the integration of Economic, Environmental and Social factors as a fiduciary duty. The BSRC oversees the Group's sustainability commitments and

CORPORATE GOVERNANCE OVERVIEW STATEMENT

BOARD AUDIT COMMITTEE (BAC)

Oversees, assesses and reviews our financial and narrative reporting, internal controls and risk management. This includes internal and external audit and finance, control and compliance-related programmes.

BOARD SUSTAINABILITY AND RISK COMMITTEE (BSRC)

Ensures that the Group has in place sound and robust sustainability and risk management frameworks. Oversees and provide advisory on the implementation of sustainability and risk management activities, performance and compliance.

NOMINATION AND REMUNERATION COMMITTEE (NRC)

Ensures that the Board, its Committees and the Management team have the appropriate skills, knowledge, diversity and experience to operate effectively and to oversee the delivery of the strategy. Determines the reward strategy for the Executive Directors and Management to align their interests with those of shareholders and employees.

Warren William Wilder
Independent Non-Executive Director



Dr. Zafar Abdulmajid Momin
Independent Non-Executive Director



Datin Seri Sunita Mei-Lin Rajakumar**
Independent Non-Executive Director



Datuk Sazali Hamzah
Non-Independent Non-Executive Director



Farehana Hanapiah***
Non-Independent Non-Executive Director



Noor Ilias Mohd Idris*
Non-Independent Non-Executive Director



Freida Amat*
Non-Independent Non-Executive Director



NRC

Chairman
Datuk Toh Ah Wah
Attendance **6/6**

Members
Yeoh Siew Ming
Attendance **6/6**
Dr. Zafar Abdulmajid Momin
Attendance **6/6**
Farehana Hanapiah***
Attendance **2/3**

AGM & EGM

Chairman
Datuk Ir. (Dr.) Abdul Rahim Hashim
Attendance **2/2**

Members
Ir. Mohd Yusri Mohamed Yusof
Attendance **2/2**
Datuk Toh Ah Wah
Attendance **2/2**
Yeoh Siew Ming
Attendance **2/2**
Warren William Wilder
Attendance **2/2**

Dr. Zafar Abdulmajid Momin
Attendance **2/2**
Datin Seri Sunita Mei-Lin Rajakumar**
Attendance **1/1**
Datuk Sazali Hamzah
Attendance **2/2**
Farehana Hanapiah***
Attendance **1/1**
Noor Ilias Mohd Idris*
Attendance **1/1**
Freida Amat*
Attendance **1/1**

All directors complied with the minimum attendance requirement as stipulated in the MMLR, of which being present not less than 50% of the Board meetings held during the financial year.

100%

*Retired at the 24th AGM held on 21 April 2022. **Appointed on 1 July 2022. ***Appointed on 1 June 2022.

Sustainability and Risk Management Committee (SRMC)

Digital Steering Committee

Tender Committee

goals as well as opportunities. The SRMC, a management level committee chaired by the MD/CEO, supports the BSRC in managing risks and guiding management on sustainability matters impacting the business. Chaired by the Head of Health, Safety and Environment, with a direct report to the MD/CEO, the Sustainable Development Working Committee drives the Group's Sustainability Agenda and reports directly to the SRMC.



CORPORATE GOVERNANCE OVERVIEW STATEMENT

FOCUS AREAS FOR THE BOARD DURING 2022

STRATEGY

PROGRESS OF GROWTH PROJECTS

Updates regarding the Company's strategic direction, achievements and challenges in pursuing our Two-Pronged Strategy via extend value chain, build specialty platform and create optionality for growth were periodically presented to the Board for guidance and directions on the way forward.

During the year under review the Company has approved:

1. The development and construction of Melamine plant, in Gurun, Kedah
2. Acquisition of 30% Interest in PCARO from a JV partner
3. Acquisition of 100% Interest in Perstorp Group
4. Establishment of new sales office in United Kingdom

The landmark acquisition of Perstorp Group, a global leader in sustainable specialty chemicals, has given PCG's specialties segment a significant boost in its growth journey.

GROUP STRATEGIC INITIATIVES AND PLANS

The Board deliberated on strategic initiatives and provided the relevant feedback and directions. During these sessions, the Board also oversaw the conduct of the Company's business and execution of the initiatives against the 2022 target.

The Board had also deliberated and approved PCG's five-year business plan and budget. Projections presented to the Board were prepared against market forecasts. Strategic targets and Key Performance Indicators (KPIs) of the Company's three strategic pillars - Operational Excellence, Commercial Excellence and Growth Delivery Excellence - as well as future growth projects and financial forecasts, were also presented to the Board for their deliberation. The Board also deliberated PCG's resource allocation plans and potential challenges towards achieving PCG's aspirations.

BOARD STRATEGIC CONVERSATION (BSC) AND SITE VISITS

During the year under review, strategic sessions with the Management Committee of PCG were successfully held. During these sessions, the Board deliberated on ways to sustain the Group's competitive advantage to ensure robustness of its commodities portfolio to drive sustainable developments and build a specialty chemicals platform.

Additionally, the Board together with the Senior Management had participated in two site visits to the Company's plants during the period under review for better understanding of the Company's operations as well as to foster camaraderie.

FINANCIAL

GROUP'S PERFORMANCE ON QUARTERLY BASIS

The Board was updated on a quarterly basis regarding performance against business plan targets. Performance is measured and tracked against the approved KPIs. The MD/CEO and Key Management's KPIs and their performance were presented to the Board to oversee, measure and track against the approved KPI targets for the year in achieving the Company's aspiration and objective.

SUSTAINABILITY

PCG SUSTAINABILITY AGENDA

In line with the Board's increased focus on sustainability, the Board had reviewed Carbon Footprint Assessment (CFA) implementation on PCG capital projects, the enhancement of PCG's Sustainability Agenda. The Board was also apprised on Bursa Malaysia's amendments to the MMLR on the new enhanced sustainability reporting requirements.

RISK

MANAGEMENT OF PRINCIPAL RISKS

The Board deliberated and approved principal risks that may significantly impact business goals and targets. The Board constantly monitors the agreed mitigations to manage or reduce the likelihood and impact of these principal risks. Key risk indicators which provide early warnings of risk manifestation were also reported to the Board.

In addition, various emerging risks or opportunities resulting from the complex internal and external environment that we operate in were also identified and reported to the Board and determined if it should be included as one of the principal risks under the PCG Corporate Risk Profile.

To ensure that risks undertaken in pursuit of business objectives are acceptable, the Board evaluates new and ongoing initiatives against the Company's risk appetite which sets key operational boundaries as any breach of risk appetite may jeopardise business sustainability.

In achieving comprehensive risk-based decision making, the Board also deliberated on the risks related to high impact business matters such as projects' Final Investment Decisions, project financing and joint venture arrangement, in order to assess the feasibility and commerciality of these projects and investments.

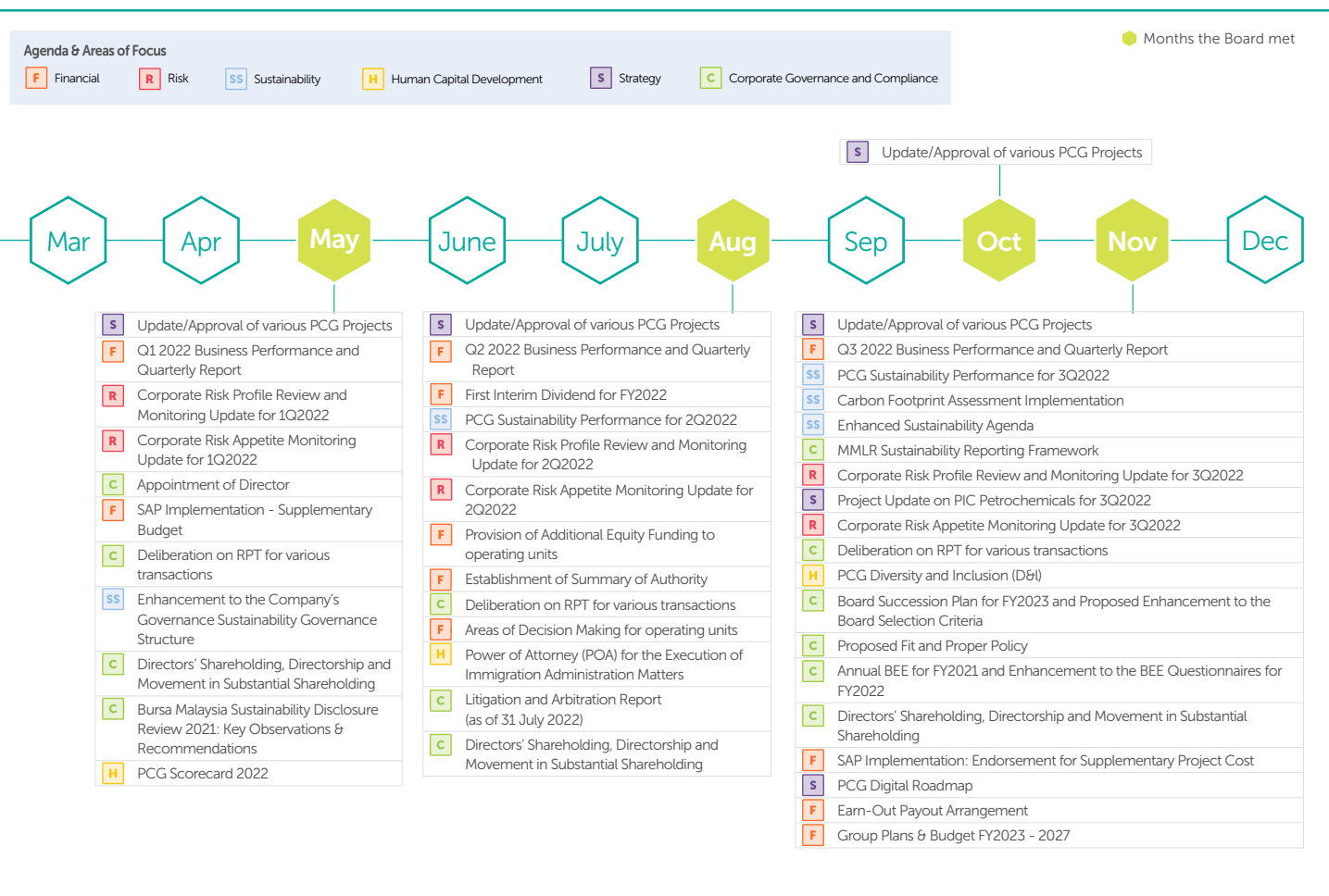
FY2022 BOARD AGENDA



BOARD FOCUS AREAS FOR FY 2023

- To maintain majority independent directors on the Board following the retirement of SINED envisaged in June 2023
- Aggressive efforts to reduce our GHG emissions from current operations and growth projects in order to operationalise 20% reduction by 2030
- Sustain HSE Excellence and continuous concerted efforts to meet "ZERO is Possible" aspiration as well as ensure compliance to cyber security & five Critical Laws
- Maximise additional EBITDA creation from Operational and Commercial Excellence
- Strengthen specialty chemicals platform

CORPORATE GOVERNANCE OVERVIEW STATEMENT



CORPORATE GOVERNANCE AND COMPLIANCE

During the year under review, the Board reviewed the Board Charter and terms of reference of NRC, BAC and BSRC to be in line with the amended MCCG which came into effect on 28 April 2021.

In addition, the Board had also approved the following to be implemented across the Group :

1. PETRONAS Directors' Fit and Proper policy
2. PETRONAS Diversity & Inclusion statement

IMPLEMENTATION AND MONITORING OF SUCCESSION PLANNING

The Board ensures that there is an appropriate succession plan for members of the Board and Senior Management.

For more information please refer to NRC at pages 128 to 129.

REVIEWED AND MONITORED THE PERFORMANCE OF RELATED PARTY VENDORS

The Board through its BAC reviewed the performance of the related party vendors in respect of the work or services performed during the period from 1 January 2021 until 31 December 2021. A total of 37 assessments were conducted by PCG on all appointed related party vendors within the PCG Group.

RELATED PARTY TRANSACTIONS (RPT) AND RECURRENT RELATED PARTY TRANSACTIONS (RRPT)

The Board through its BAC reviewed the RPT and RRPT within the PCG Group, in accordance with the PCG's Guidelines and Procedures on Related Party Transactions and Conflict of Interest Situations, to ensure all transactions are at arm's length and were carried out on normal commercial terms and not to the detriment of the minority shareholders. During the period from 1 January 2022 until 31 December 2022, while there were no RPT contracts, there were 15 RRPTs contracts entered by PCG Group which were reported to BAC on a quarterly basis.



CORPORATE GOVERNANCE OVERVIEW STATEMENT

BOARD RE-ELECTION

In accordance with the MMLR and Article 107 of the Company's Constitution, one-third of the Directors of the Company for the time being shall retire by rotation at an Annual General Meeting (AGM) of the Company provided always that all Directors, shall retire from office at least once in every three years but shall be eligible for re-election at the AGM. A Director retiring at the AGM shall hold office until the close of the meeting whether adjourned or not. Additionally, pursuant to Article 100 of the Company's Constitution and the CA 2016, Directors appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the conclusion of the next AGM and shall be eligible for re-election.

Taking into consideration the relevant requirements, the Directors' rotation list was presented to the NRC for endorsement prior to recommendation to the Board. The affected Directors are required to give their consent on their re-election prior to PCG's Board meeting.

In assessing the candidates' eligibility for re-election, the NRC considers their competencies, commitment, contribution, fitness and propriety, performance based on the Board Effectiveness Evaluation (BEE), fit and proper declaration, and their ability to act in the best interest of PCG. The Board at its meeting held on 23 February 2023 endorsed the recommendation of the NRC for the following Directors to be considered for re-election pursuant to the following relevant Articles of PCG's Constitution at the Company's forthcoming 25th AGM.

Article 107:

- Datuk Toh Ah Wah
- Yeoh Siew Ming

Article 100:

- Farehana Hanapiah
- Datin Seri Sunita Mei-Lin Rajakumar

APPOINTMENT OF NON-EXECUTIVE DIRECTORS

Appointments to the Board are the responsibility of the Board as a whole, acting on the advice and recommendations of the NRC. The Board is mindful of the need to promote diversity in appointments to the Board. Appointments are made on merit against objective criteria and align to corporate strategy. Appointments have due regard to our Fit and Proper Policy with consideration to the benefits of diversity and ensuring the Board has the appropriate mix of personality, skills, and experience in accordance with the approved selection criteria.

The policy on Board appointments involves the NRC developing an appropriate specification that identifies the required skills and experience for the role and, when needed, engaging external recruitment consultants, to lead the recruitment process and identify suitable candidates. During the year under review the appointment of Datin Seri Sunita Mei-Lin Rajakumar was made based on candidates sourced by an external consultant aligned with the Company's strategic direction which focused on sustainability. Interviews with the shortlisted candidates are held and after consideration by the NRC, a recommendation is made to the Board to appoint the preferred candidate. The Committee is satisfied that this constitutes a formal, rigorous and transparent process for the appointment of new Directors to the Board embracing a full evaluation of the skills, knowledge and experience required of Directors.

BOARD APPOINTMENT PROCESS BASED ON BOARD SUCCESSION PLANNING FRAMEWORK

- 1 Circumstances giving rise to the appointment of Directors
- 2 Deliberate selection criteria by combining competencies and attributes required
- 3 Search for candidates internally/externally
- 4 Assess and shortlist the potential candidates in consultation with the NRC
- 5 To perform background check and fit and proper criteria
- 6 Interview candidates
- 7 NRC to endorse candidate for Board approval
- 8 Board Approval
- 9 Orientation/Induction
- 10 Continuous Training & Annual Performance Assessment

CORPORATE GOVERNANCE OVERVIEW STATEMENT

BOARD INDEPENDENCE

The Board acknowledges the important contributions that INEDs make to good corporate governance. All Directors, regardless of their independent status, are required to act in the best interest of the Company and to exercise unfettered and independent judgement.

During the year under review, Datin Seri Sunita Mei-Lin Rajakumar was appointed as an INED, and thus fulfilling the requirement for the Board composition to comprise a majority INEDs.

As part of the BEE process, the NRC and Board assessed the independence of the INEDs and was satisfied with the level of independence demonstrated by all the INEDs. The INEDs continuously bring sound, independent and objective judgement to Board deliberations through active participation in discussions and decision-making and their ability to act in the best interests of the Group.

As at the date of this Statement, none of the NEDs has served the Board for more than nine (9) years.

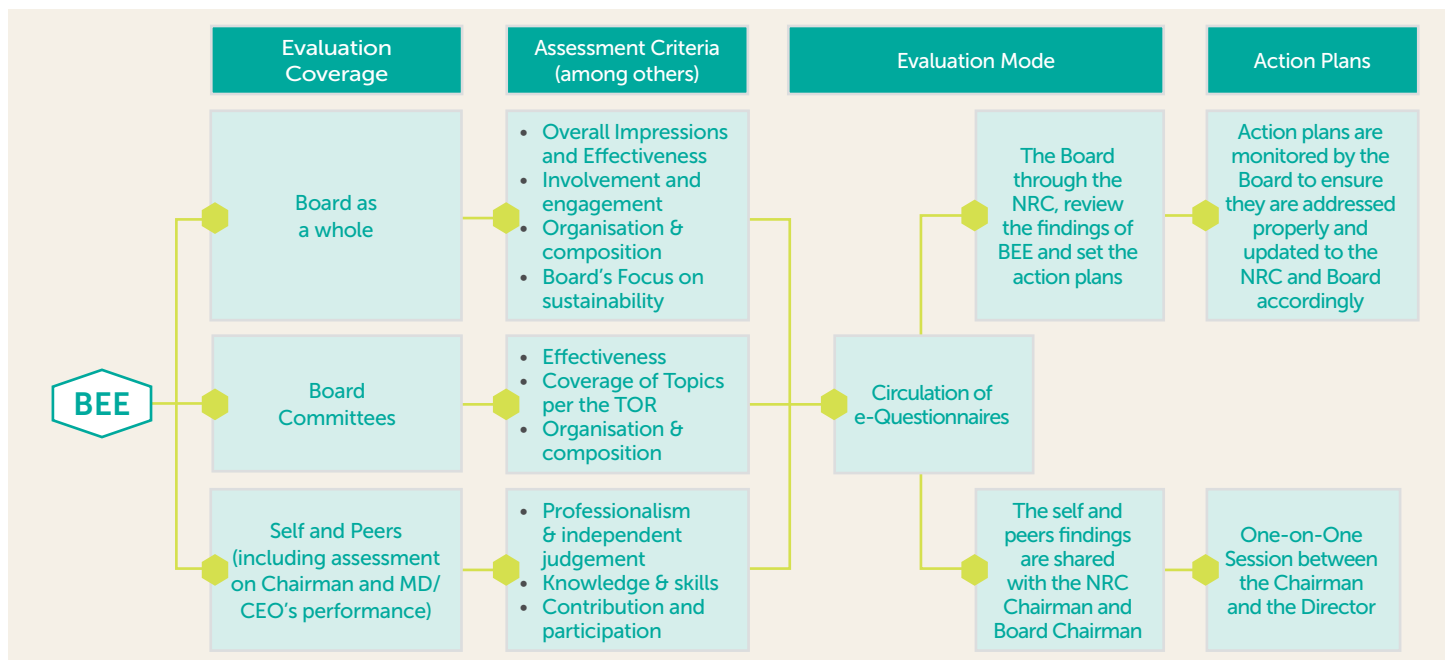
BOARD EFFECTIVENESS EVALUATION 2022

The Board Effectiveness Evaluation (BEE) is to evaluate the performance of Board/Board Committees/Members of the Board as well as identifying any gaps or areas of improvement, where required.

Every year, under the purview of the NRC, a formal evaluation is undertaken to assess the effectiveness of the following:

1. The Board as a whole and the Board Committees
2. Contribution of each individual Director
3. Independence of Independent Directors

During the year under review, the BEE was conducted internally through a digital platform, and the questionnaires were enhanced to assess the Board's performance in addressing Company's material sustainability risks and opportunities in line with MCCG requirements. The indicators for the performance of the Board and Board Committees which included among others, the composition, planning process, conduct of meetings, communication with the Management and stakeholders as well as strategy and planning for the Group were used for the Directors to provide their ratings.



BOARD'S EFFECTIVENESS REVIEW AND PERFORMANCE

The outcome of the 2022 BEE indicated that the Board is committed to the highest standards of good governance and continues to be seen as an excellent Board with strong support from the Management. Key take-aways included the need to focus on Board composition, stakeholder engagement, succession planning, governance capability and sustainability by the Group.

The 2022 BEE revealed that the current composition of the Board is well-balanced, high performing, effective and equipped with the relevant skills and areas of expertise to navigate PCG especially in its growth strategy and sustainability journey.



CORPORATE GOVERNANCE OVERVIEW STATEMENT

CONTINUING DEVELOPMENT AND TRAINING

All new Directors appointed to the Board received a comprehensive onboarding programme, conducted by members of the Management Committee covering key areas of the business, an overview of the Group's financial risk management processes, the internal audit function, innovation and technology, critical legal areas and the corporate governance framework within the Group. The Directors were also updated on ongoing and potential projects undertaken by the Group. This programme helps the new Directors to familiarise themselves with the Group's businesses. During the year under review, the newly appointed directors i.e. Datuk Ir. (Dr.) Abdul Rahim Hashim, Ir. Mohd Yusri Mohamed Yusof, Datin Seri Sunita Mei-Lin Rajakumar and Farehana Hanapiah had attended the comprehensive onboarding programme.

In line with Paragraph 15.08 of the MMLR, the Directors acknowledge the importance and value of attending conferences, training programmes and seminars in order to keep themselves abreast with the development and changes in the industry in which the Group operates, as well as to update themselves on new statutory and regulatory requirements. All Directors also have attended and participated in programmes, conferences and forums that covered the areas of environmental, social, governance, sustainability, financial, relevant industry updates and global business developments which they considered as useful in contributing to the effective discharge of their duties as Directors.

During the year under review the Directors have attended at least one sustainability training while the BAC members attended relevant accounting and auditing standards trainings in line with Practice 9.5 of the MCCG.

The Directors' participation in seminars and training programmes in various capacities such as delegates and/or speakers are specified in more detailed below:

Director	Trainings Programmes / Conferences Attended	Organiser	Date (2022)
Datuk Ir. (Dr.) Abdul Rahim Hashim	Onboarding for Chairman PCG	PCG	11 January
	PETRONAS Board Conversation Series. Vision 2050 - Time to Transform	Peter Bakker, CEO, World Business Council for Sustainable Development	24 March
	PETRONAS Board Conversation Series 02/22: A session with United Nations Environment Programme World Conservation Monitoring Centre (UNEP-WCMC)	PETRONAS	31 May
	Sustainability and Its Impact on Organisations: What Directors Need to Know	Asia School of Business	6 July
	Risk Management in Technology (RMiT): Sharing of Insights and Discussion on the Strategic Aspects of IT Risks	Asia School of Business	20 July
	Petrochemicals Sustainability Conference (PSC) 2020	Malaysian Petrochemical Association (MPA)	13 & 14 September
	Conversation with Chairmen: Climate Governance: A Standing Item in Board Agendas	Institute of Corporate Directors Malaysia	12 August

Director	Trainings Programmes / Conferences Attended	Organiser	Date (2022)
Datuk Ir. (Dr.) Abdul Rahim Hashim	PETRONAS Board Conversation Series: A session with Dr. Fiona Wild, Vice President, Sustainability and Climate Change at BHP	PETRONAS	29 August
	Task Force on Climate-Related Financial Disclosures (TCFD)	Ernst & Young	29 August
	PETRONAS Board Conversation Series: A Session with John Morrison	PETRONAS	30 November
	Ir. Mohd Yusri Mohamed Yusof	Onboarding for SVP & CEO PCG	PCG
Onboarding Session to the new Chairman of Project Execution Committee, PRefChem		Legal, PRefChem	7 February
BCG Sharing Session - Perspectives on Decarbonization for PCG		Boston Consulting Group	2 March
World Petrochemical Conference		IHS Markit	22 - 25 March
NRC Dialogue & Networking		ICDM	15 April
BCG Sharing Session - Perspectives on Decarbonization for PCG		Boston Consulting Group	10 May
PETRONAS Board Conversation Series 02/22: A session with United Nations Environment Programme World Conservation Monitoring Centre (UNEP-WCMC)		PETRONAS	31 May

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Director	Trainings Programmes / Conferences Attended	Organiser	Date (2022)
Ir. Mohd Yusri Mohamed Yusof	PRefChem Directors Legal Awareness Session	Legal, PRefChem	28 June
	BCG Sharing Session - Factory of the Future	Boston Consulting Group	26 August
	PETRONAS Board Conversation Series: A session with Dr. Fiona Wild, Vice President, Sustainability and Climate Change at BHP	PETRONAS	29 August
	Task Force on Climate-Related Financial Disclosures (TCFD)	Ernst & Young	29 August
	Petrochemicals Sustainability Conference 2022	MPA	13 & 14 September
	Top Leaders Dialogue 2022 Session #2	PETRONAS	12 - 14 October
	AOB's Conversation with Audit Committees	Securities Commission	17 November
	PETRONAS Board Conversation Series: A Session with John Morrison	PETRONAS	30 November
Datuk Toh Ah Wah*	Sustainability & Its Impact on Organisations - What Directors need to know?	Asia School of Business	21 March
	PETRONAS Board Conversation Series. Vision 2050 - Time to Transform	Peter Bakker, CEO, World Business Council for Sustainable Development	24 March
	Sustainability in the Energy Sector	Asia School of Business	12 April
	Executive Master Class - Developing Malaysia's Roadmap to Net Zero	MICPA Malaysia & KPMG	27 April
	Complimentary Webinar: Latest Development in Corporate Reporting	Malaysian Institute of Accountants (MIA)	1 June
	The Audit Committee: Unpacking the Roles of the Committee & Honing Its Effectiveness in Discharging Its Responsibilities Holistically	MIA	20 June
	PETRONAS Board Conversation Series: A session with Dr. Fiona Wild, Vice President, Sustainability and Climate Change at BHP	PETRONAS	29 August

Director	Trainings Programmes / Conferences Attended	Organiser	Date (2022)
Datuk Toh Ah Wah*	Task Force on Climate-Related Financial Disclosures (TCFD)	Ernst & Young	29 August
	Governance in Audit Conference 2022	Malaysian Institute of Corporate Governance	6 September
	Credible Sustainability Program for Board of Directors	Earth on Board Pte. Ltd.	2 & 3 November
	PETRONAS Board Conversation Series: A Session with John Morrison	PETRONAS	30 November
	AOB's Conversation with Audit Committees	Securities Commission	6 December
	Yeoh Siew Ming*	PETRONAS Board Conversation Series. Vision 2050 - Time to Transform	Peter Bakker, CEO, World Business Council for Sustainable Development
Sustainability (e-learning)		PETRONAS	2 April
COBE (e-learning)		PETRONAS	3 April
Complimentary Webinar 'Executive Masterclass: Developing Malaysia's Roadmap to Net Zero'		MICPA-KPMG	27 April
Cooperative Tax Compliance : A Tax Audit Journey		KPMG	18 May
Audit Committee Conference 2022		MIA	23 & 24 May
2022 Board and Audit Committee Priorities		KPMG	31 May
PETRONAS Board Conversation Series 02/22: A session with United Nations Environment Programme World Conservation Monitoring Centre (UNEP-WCMC)		PETRONAS	31 May
Complimentary Webinar: Latest Development in Corporate Reporting		MIA	1 June
Assessing Organisation Culture		Asia School of Business	22 June
Indoor Air Quality (e-learning)		PETRONAS	18 August
PETRONAS Board Conversation Series: A session with Dr. Fiona Wild, Vice President, Sustainability and Climate Change at BHP		PETRONAS	29 August
Task Force on Climate-Related Financial Disclosures (TCFD)		Ernst & Young	29 August

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Director	Trainings Programmes / Conferences Attended	Organiser	Date (2022)
Yeoh Siew Ming*	Petrochemicals Sustainability Conference (PSC) 2020	MPA	13 & 14 September
	Credible Sustainability Program for Board of Directors	Earth on Board Pte. Ltd.	9 & 10 October
	PETRONAS Board Conversation Series: A Session with John Morrison	PETRONAS	30 November
	AOB's Conversation with Audit Committees	Securities Commission	6 December
	PETRONAS Board Excellence ("PBE") Programme: "Roundtable - Conscious Inclusion at the Board"	PETRONAS	14 December
Warren William Wilder	World Petrochemical Conference	IHS Markit	22 - 25 March
	PETRONAS Board Conversation Series 02/22: A session with United Nations Environment Programme World Conservation Monitoring Centre (UNEP-WCMC)	PETRONAS	31 May
Dr. Zafar Abdulmajid Momin*	PETRONAS Board Conversation Series. Vision 2050 - Time to Transform	Peter Bakker, CEO, World Business Council for Sustainable Development	24 March
	Complimentary Webinar 'Executive Masterclass: Developing Malaysia's Roadmap to Net Zero'	MICPA-KPMG	27 April
	PETRONAS Board Conversation Series 02/22: A session with United Nations Environment Programme World Conservation Monitoring Centre (UNEP-WCMC)	UNEP-WCMC	31 May
	Complimentary Webinar: Latest Development in Corporate Reporting	MIA	1 June
	PETRONAS Board Conversation Series: A session with Dr. Fiona Wild, Vice President, Sustainability and Climate Change at BHP	PETRONAS	29 August
	Task Force on Climate-Related Financial Disclosures (TCFD)	Ernst & Young	29 August

Director	Trainings Programmes / Conferences Attended	Organiser	Date (2022)
Dr. Zafar Abdulmajid Momin*	Annual Asia Pacific Petroleum Conference 2022	S&P Global	26 - 28 September
	CGI Global Summit 2022: Ambition to Action	CGI Global Summit	12 & 13 October
	Credible Sustainability Program for Board of Directors	Earth on Board Pte. Ltd.	2 & 3 November
	PETRONAS Board Conversation Series: A Session with John Morrison	PETRONAS	30 November
	AOB's Conversation with Audit Committees	Securities Commission	6 December
Datin Seri Sunita Mei-Lin Rajakumar*	Onboarding for Director of PCG	PCG	8 August
	5th International Sustainable Energy Summit 2022 launch	The Sustainable Energy Development Authority (SEDA) Malaysia	29 August
	Task Force on Climate-Related Financial Disclosures (TCFD)	Ernst & Young	29 August
	PETRONAS Board Conversation Series: A session with Dr. Fiona Wild, Vice President, Sustainability and Climate Change at BHP	PETRONAS	29 August
	Petrochemicals Sustainability Conference (PSC) 2020	Malaysian Petrochemical Association (MPA)	13 & 14 September
	Royal Award for Islamic Finance	Bank Negara Malaysia (BNM) and the Securities Commission Malaysia (SC)	4 October
	Credible Sustainability Program for Board of Directors	Earth on Board Pte. Ltd.	9 & 10 October
	Global Summit <ul style="list-style-type: none"> "Zero ambitions: what is the role of boards on climate?" "What gets measured: how investors approach climate and metrics" "Sustainable financing, sustainable future?" 	Climate Governance Initiative (CGI)	12 October
	Finding Common Values: Plurality in the Emerging New World Order	Global Institute for Tomorrow (GIFT)	13 October

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Director	Trainings Programmes / Conferences Attended	Organiser	Date (2022)
Datin Seri Sunita Mei-Lin Rajakumar*	BC Sekhar Memorial Lecture	Malaysian Scientific Association	21 October
	Islamic Finance for Board of Directors (IF4BOD) Training Programme: <ul style="list-style-type: none"> Understanding Unique Risks in Islamic Practical Application of Risk Management of Islamic Finance Risk Mitigation Measures via Shari'ah Panel Discussion : What's Next for Islamic 	ISRA Consultancy Sdn. Bhd.	9 & 10 November
	PETRONAS Board Conversation Series: A Session with John Morrison	PETRONAS	30 November
	PETRONAS Board Excellence ("PBE") Programme: "Roundtable - Conscious Inclusion at the Board"	PETRONAS	14 December
	Ascend: Transformational Leadership Programme - Cohort 2	PETRONAS	16 February
Datuk Sazali Hamzah	CERAWEEK, Houston USA	IHS Markit	7 - 11 March
	PETRONAS Board Conversation Series. Vision 2050 - Time to Transform	Peter Bakker, CEO, World Business Council for Sustainable Development	24 March
	PETRONAS Ascend Leadership Programme Cohort 2 - Ascend Challenge Session	PETRONAS	20 May
	World Economic Forum Davos Switzerland	World Economic Forum	23 - 26 May
	PETRONAS Board Conversation Series 02/22: A session with United Nations Environment Programme World Conservation Monitoring Centre (UNEP-WCMC)	UNEP-WCMC	31 May
	Top Leaders Dialogue 2022 - Session #1	PETRONAS	16 June

Director	Trainings Programmes / Conferences Attended	Organiser	Date (2022)
Datuk Sazali Hamzah	PETRONAS Board Conversation Series: A session with Dr. Fiona Wild, Vice President, Sustainability and Climate Change at BHP	PETRONAS	29 August
	Task Force on Climate-Related Financial Disclosures (TCFD)	Ernst & Young	29 August
	46 th IPA Convex "Addressing the Dual Challenge: Meeting Indonesia's Energy Needs While Mitigating Risks of Climate Change" - Jakarta, Indonesia	Indonesia Petroleum Association	21 - 23 September
	Top Leaders Dialogue 2022 - Session #2	PETRONAS	13 & 14 October
	PETRONAS Board Conversation Series: A Session with John Morrison	PETRONAS	30 November
Farehana Hanapiah	MHB Leadership Talk Series #1	MHB, MISC	18 February
	Microsoft HR Submit 2022 Fireside Chat: New Era of Work	Microsoft	24 February
	PETRONAS Board Conversation Series: A session with Mr Peter Bakker, CEO of World Business Council for Sustainability	PETRONAS	24 March
	Ascend Leadership Program Cohort #1	PETRONAS	26 April
	Top Leaders Dialogue 2022 - Session #1	PETRONAS	16 June
	Onboarding for Director of PCG	PCG	17 June
	PETRONAS Board Conversation Series: A session with Dr. Fiona Wild, Vice President, Sustainability and Climate Change at BHP	PETRONAS	29 August
	Task Force on Climate-Related Disclosures (TCFD)	Ernst & Young	29 August
	Bursa Malaysia Mandatory Accreditation Programme (MAP)	ICDM	20 - 22 September

* BAC Members



CORPORATE GOVERNANCE OVERVIEW STATEMENT

DIRECTOR'S INDEMNITY

PCG continues to provide and maintain indemnification for its Directors throughout the year under review as allowed under the CA 2016. To the extent it is insurable under the Directors' and Officers' Liability Insurance (D&O) procured by the Company, Directors and Officers are indemnified against any liability incurred by them in discharging their duties while holding office as Directors and Officers of the Company.

All Directors may opt to obtain D&O insurance to provide insurance protection (to the extent it is insurable) against unindemnified liabilities by the Company or uninsured circumstances. The premium to be paid by all Directors is determined by the insurance company.

DIRECTORS' REMUNERATION

Our approach on Directors' fees which is aligned to our strategic objectives, allows us to attract, motivate and retain high calibre talent. The design of our fees structure complies with regulatory requirements, embraces market practices and trends, and provides attractive and balanced rewards.

The Board has established a formal and transparent Directors' Remuneration Framework which comprises special fees, retainer fees, meeting allowances and benefits in-kind. In compliance with Section 230(1) of the CA 2016, the resolution on the payment of the following Directors' fees from the 24th AGM until the forthcoming AGM was tabled for shareholders' approval:

	Director's Fee (per annum) (RM)	Attendance Fee		Fuel (per annum)* (RM)
		BOD (RM)	Committee (RM)	
Chairman	288,000	3,500	3,500	6,000
NINEDs	144,000	3,500	3,500	
INEDs	144,000	3,500	3,500	6,000
INED - Special Skill	144,000	3,500+ (Special Fee = Between 1 to 5 times multiple of meeting attendance fee)		

* NINED who are employees of PETRONAS are not eligible for Fuel Allowance

The Director's fees and meeting allowances for NINEDs who are employees of PETRONAS, are paid directly to PETRONAS. The fees and allowances for NEDs will remain until further review by the Board and are subject to the approval of the shareholders of PCG. The Company also reimburses all expenses incurred by the Directors, where relevant, in the course of carrying out their duties as Directors.

The breakdown of the detailed Directors' remuneration is disclosed in the Corporate Governance Report 2022, which is accessible to the public at Company's corporate website, www.petronaschemicals.com. Ir. Mohd Yusri Mohamed Yusof, the MD/CEO of the Company was not entitled to receive directors' fee or meeting allowances. During the year under review, he was remunerated an amount of RM1,625,514 as MD/CEO of PCG.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

SENIOR MANAGEMENT'S SHAREHOLDINGS

Save as disclosed below, none of the key Senior team held shares in the Company during the financial year:

Name	Held by whom	Direct Interest				
		Opening balance/ Date of Appointment	Bought	Sold	Closing balance	% of shareholdings
Ir. Mohd Yusri Mohamed Yusof	Self	23,000	-	-	23,000	0.00

SENIOR MANAGEMENT'S REMUNERATION

The remuneration philosophy reflects the Group's commitment to be compliant with the best practices in the areas of remuneration, retention and reward to ensure that the Group attracts and retains exceptional talent. The remuneration packages and incentives are regularly evaluated against market-related surveys.

PETRONAS REMUNERATION PHILOSOPHY AND GUIDING PRINCIPLES

PHILOSOPHY

PETRONAS is committed to providing reward programmes that nurture a healthy and appreciative working environment in order to attract, retain and motivate talent to sustain a high-performance culture.

PRINCIPLES

ADAPTABLE REWARDS

We ensure that rewards are aligned with business goals, and adaptable to changes in business outlook and strategy.

EQUITABLE REWARDS

We ensure that rewards commensurate with accountabilities, competencies and performance of our talents.

SUSTAINABLE REWARDS

We ensure that rewards are market-competitive and cater to diverse workforce needs while complying with relevant statutory requirements.

The Senior Management are employees of PETRONAS who are seconded to the Company. Their remuneration has been benchmarked with the industry and is aligned with the market.

The Board acknowledges that there is a departure from Practice 8.2 of the MCCG (disclosure on a named basis the top five Senior Management's remuneration components). This is in line with PETRONAS approved Group Positioning. As of now, PCG does not have any plan to fully disclose the detailed remuneration of the Senior Management.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT

Financial Reporting

Policies and procedures governing the financial reporting process and preparation of the financial statements are owned by the Chief Financial Officer and are clearly and transparently communicated through the Group Policies system. In order to assess the financial statements, the Board Audit Committee regularly reviews reports from members of the finance team and external auditors who are invited to attend the Committee's meetings. When conducting its review, the Committee considers material accounting assumptions and estimates made by management, any significant judgements or key audit matters identified by the external auditor, compliance with relevant accounting standards and other regulatory reporting requirements, including the Malaysian Code on Corporate Governance, and the accounting policies and procedures applied.

Internal Audit Function

The internal audit function provides independent and objective assurance, advice and insight on the Group's governance, risk management and internal control processes. The audit results include opinion on the adequacy and effectiveness, audit finding's root cause, implications and the recommended sustainable actions to be undertaken by Management.

Closure of audit issues are implemented by the Management and the status is reported to the Board Audit Committee.

Risk Management and Internal Controls

The Board acknowledges its responsibility for ensuring the maintenance of a sound system of internal controls and risk management, in accordance with the guidance set out in the Financial Reporting Council's Guidance on Risk Management, Internal Control and Related Financial Business reporting, and in the MCCG itself. The Management team has established an organisational structure with clear operating procedures, lines of responsibility and delegated authority which was reviewed by the Board.

The Board reviews and monitors the risk profile, mitigation action and risk appetite on a quarterly basis.

The Board also ensures control systems (including internal financial control) are sound and intact to safeguard Company's asset and investment.

The SORMIC provides an overview of the risk management and internal controls within the Group and further details can be found on pages 140 to 155 of the report.

Code of Conduct and Business Ethics

The Group adopts and practises the PETRONAS Code of Conduct and Business Ethics (CoBE) which emphasises and advances the principles of discipline, good conduct, professionalism, loyalty, integrity and cohesiveness that are critical to the success and well-being of the Group. The CoBE contains detailed policy statements on the standards of behaviour and ethical conduct expected of each individual of the Group. The Group also requires that contractors, sub-contractors, consultants, agents and representatives, and others performing work or services for or on behalf of the Group to comply with the relevant parts of the CoBE when performing such work or services. The CoBE expressly prohibits improper solicitation, bribery and other corrupt activities not only by employees and directors but also by third parties performing work or services for or on behalf of companies in the Group. The CoBE is accessible to the public on the Company's corporate website at <https://www.petronas.com/pcg/about-us/governance>

Corporate Liability

Taking cognisance of the introduction of corporate liability in the recent amendment to the Malaysian Anti-Corruption Commission Act 2009 (MACC Act 2009), which came into force on 1 June 2020, the Company has taken proactive actions to ensure that it has adequate procedures in place designed to prevent associated persons from undertaking conduct that would trigger the liability under the newly introduced Section 17A of the MACC Act 2009. The corporate liability provision criminalises a company based on illegal actions taken by the employee, for the benefit of the company unless the company can demonstrate presence of adequate procedures by the company to prevent such illegal actions. The Company implemented its anti-bribery and corruption programmes and controls around the T.R.U.S.T values and principles, guided by the Guidelines on Adequate Procedures issued by the Prime Minister's Department.

Throughout the year in review, groupwide communications were high on the agenda with tone from the top messaging from the top management of PETRONAS. It plays an instrumental role in raising awareness of transparency and integrity by promoting awareness campaigns entitled "Leaders Speak Integrity" to all PETRONAS employees including the employees of PCG, with key emphasis on the efforts and commitment in implementing best practices and integrity in its day-to-day operations and business transactions.

For more details on the ABC Manual, please refer to the Company's corporate website at <https://www.petronas.com/pcg/about-us/governance>

Anti-Bribery and Corruption Policy and Guidelines

With the adoption of the PETRONAS Anti-Bribery and Corruption Policy and Guidelines (ABC Manual), PCG also practices a zero-tolerance policy against all forms of bribery and corruption. The ABC Manual elaborates upon those principles and provides guidance to employees on how to deal with improper solicitation, bribery and other corrupt activities and issues that may arise in the course of conducting business. The ABC Manual is also applicable to all employees, directors, contractors, sub-contractors, consultants, agents, representatives and others.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Whistleblowing Policy

The Company has adopted the PETRONAS Whistleblowing Policy which provides an avenue for the Group's employees and members of the public to disclose any improper conduct in accordance with the procedures as provided under the policy.

The Whistleblowing Policy was further enhanced in 2021 to comply with Guidelines on Adequate Procedures under Section 17A(5) of the MACC Act 2009. The Whistleblowing Policy is designed to assure staff and members of the public that any disclosures made are secure and dealt with confidentially, where our accessible whistleblowing channels are operated with the highest standards of integrity and accountability.

The Whistleblowing Policy provides clarity on the oversight and responsibilities of the whistleblowing process, the reporting process, protection to whistleblowers and the confidentiality afforded to whistleblowers globally.

The policy and procedures are accessible to the public on the Company's corporate website at <https://www.petronas.com/pcg/about-us/governance>. To lodge a report for any improper conduct, please email whistle@petronas.com.

Further details on the Whistleblowing Policy can be found on page 153 under the SORMIC.

AN ECOSYSTEM OF INTEGRITY AND ACCOUNTABILITY

Trading on Insider Information

On a quarterly basis, the Company Secretary issues a Notice of Closed Period to Directors, Management Committee and relevant senior management of PCG Group, highlighting the requirements with regard to dealing in the Company's shares during "Closed Period"/"Outside Closed Period" as they are in possession of price sensitive information relating to PCG. During the year under review, there were no trading activities undertaken by the Board nor the Principal Officers of the Company during the Closed Period. The above information was presented to the Board on a quarterly basis, for notation.

Related Party Transactions and Conflicts of Interest

All RPTs including RRPTs entered into by the Company, or its subsidiaries are reviewed by the BAC in accordance with the PCG's Guidelines and Procedures on Related Party Transactions and Conflict of Interest Situations. The Company has established its Guideline and Procedures on RPT and conflict of interest situations to strengthen its internal control. Further refinement on process flows and procedures through RPT Assessment checklist have been incorporated for each step of approval, monitoring and reporting of RPTs/RRPTs prior to endorsement by the Board Audit Committee. During the year under review, the Company organised RPT and COI awareness sessions to Business Units across the Group, including the newly acquired Perstorp Group which was attended by more than 200 participants. The SORMIC provides a comprehensive overview of the Group's policies and procedures on RPTs and RRPTs. Further details on SORMIC can be found on pages 140 to 155 of this report.

Selection of Vendors

The Group adopts and adapts the PETRONAS tendering process and governing principles that are embedded in the PETRONAS Procurement Standard for vendors' selection. Generally, the main selection criteria are based on technically acceptable and commercially attractive bids.

Tender Committees have been established to carry out independent review on evaluation of bidders' proposals and to ensure tendering activities are carried out in accordance with the established guidelines and procedures. Only with the endorsement of the Tender Committees will the award recommendation be forwarded to the approving authority for consideration and approval.

The tendering process mainly involve the following:

- Tender Plan Approval
- Technical Evaluation
- Commercial Evaluation
- Award Recommendation

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE C :**INTEGRITY IN CORPORATE REPORTING
AND MEANINGFUL RELATIONSHIP WITH
STAKEHOLDERS**

The Board receives customer insights and information through Board reports from the MD/CEO and management teams, as well as during strategy and business presentations.

Our MD/CEO maintains oversight of the management of our key customers and regularly updates the Board on these interactions with customers and his engagement with policy makers and regulatory bodies.



Employees leverage on collaborations and partnerships with various non-governmental organisations and local government agencies to carry out impactful long-term initiatives.

Our Social Impact programmes are strategically planned and implemented to align with and support PCG's Sustainability Agenda. PCG's community engagements are anchored on Education, Community Well-being & Development and Environment, which are also the three focus areas of the PETRONAS Social Impact Management Framework.

EFFECTIVE COM

CORPORATE GOVERNANCE OVERVIEW STATEMENT



Shareholder and Investor engagements are primarily through the Board, MD/CEO, CFO and the Investor Relations team, who maintain regular dialogue with our shareholders.

The Group responds to queries from shareholders and potential investors regarding their areas of interests. Feedback and suggestions are highlighted to the Board. The Directors attend the AGM/EGM to allow shareholders to ask questions directly. Analysts notes and reports from brokers and advisers are also shared to keep the Board informed of shareholders' views.



Supply chain integrity is essential to being a sustainable business and our supplier relationships provide valuable insights to the Board.

Site and purchasing teams engage and partner with suppliers on a wide range of matters, from product stewardship and ethical sourcing to regulatory compliance and operational improvements. The Board understands these issues through Board reports and engagement with our operations and functional teams.

MUNICIPATION



CORPORATE GOVERNANCE OVERVIEW STATEMENT

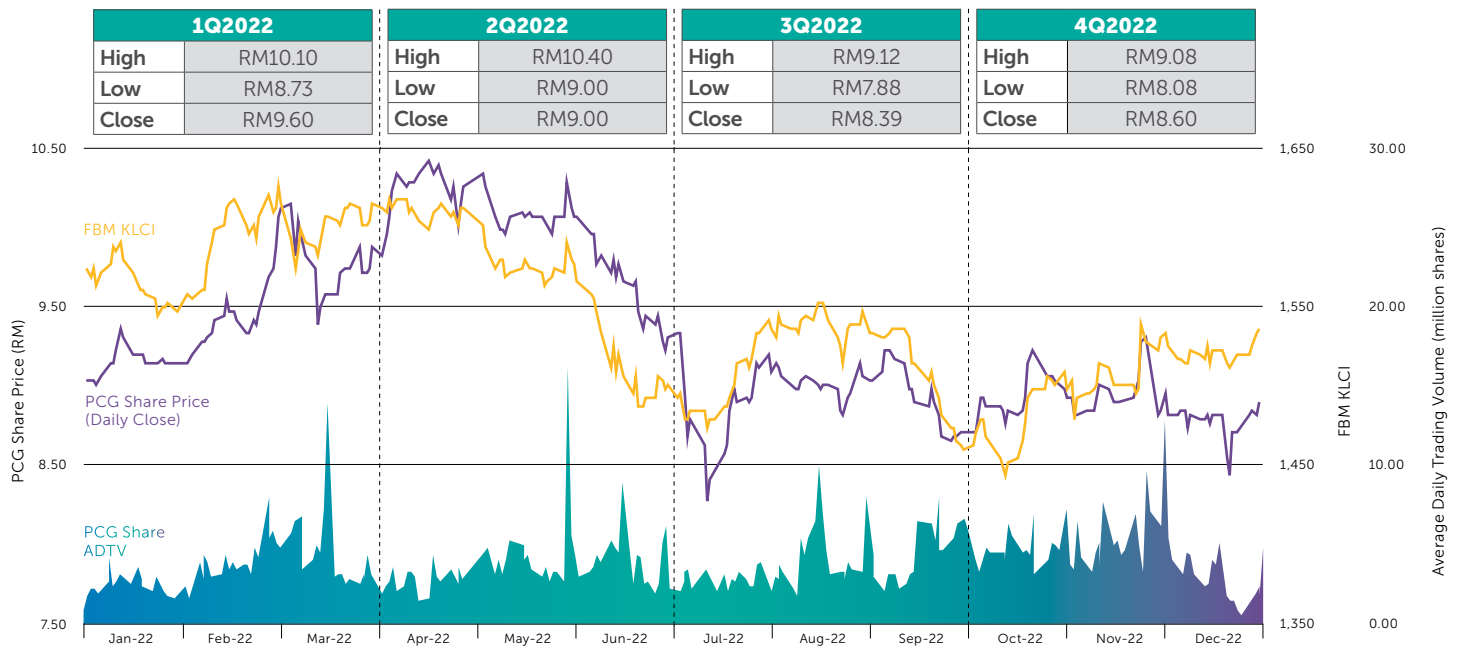
The Board is committed to maintaining regular dialogue with investors and communicating in a clear and transparent manner. The investor engagement programme is planned and implemented by the Investor Relations Department and is a comprehensive programme consisting of, but not limited to, hosting quarterly results analyst briefings, site visits and company visits by analysts and investors, going on non-deal roadshows, and attending investment conferences.

The engagement activities within the investor relations programme are selectively led by the MD/CEO and the Chief Financial Officer. Board members are occasionally invited to participate in engagements with key shareholders where their areas of expertise are discussed. During quarterly analyst briefings, other members of the senior management are also present to address matters related to operations, market trends, growth projects, sustainability as well as other relevant issues. Recordings and transcripts of the briefing are made available on our corporate website within a few days, ensuring all investors have equal access to management insights. The Board is regularly updated through quarterly Board papers, management presentations and email

correspondence. Besides providing a communication channel between PCG and its shareholders, the investor relations team provides the management and Board investors' feedback, capital market views and sentiments, relative share price performance as well as suggestions to improve corporate disclosures. This gives the Board insight into investors' concerns and requirements, helping the Board make informed decisions in shaping the future direction of the Group. Outside of formal events, the investor relations team are in regular communication with stakeholders via meetings, telephone calls and email correspondence.

Our AGM traditionally offers the opportunity for shareholders to engage directly with the Board. Although COVID-19 prevention measures prevented us from hosting a physical AGM in 2022, shareholders are provided a channel to send in their questions and comments prior to the AGM as well live during the AGM proceedings. As it was not possible to conduct this in the usual way in 2022 due to COVID-19 restrictions, we hosted a virtual AGM Question and Answer session offering investors the opportunity to engage directly with the Board. In addition to retail and institutional shareholders, potential investors,

FY2022 SHARE PRICE PERFORMANCE



- At the start of FY2022 PCG share price opened at RM8.76 and ended 10% higher at the end of the first quarter, following strong FY2021 financial results, and expectations of positive FY2022 earnings performance
- The rise in share price reflected bullish outlook on crude oil prices and expectations of higher earnings in the Fertilisers & Methanol segment, amid the Russia-Ukraine geopolitical conflict
- Tracking closely the movements in crude oil prices, share price continued to outperform the FBM KLCI in the second quarter despite the slowing momentum
- With rising inflation, concerns of a global economic recession dominated the market
- Foreign shareholding started to reduce in June
- Global and regional equity markets declined in third quarter due to worries over tighter monetary policies
- Fears of a global economic recession led to sharp drop in crude oil prices, Outlook on petrochemicals consequently declined on soft demand and low product prices. Share price declined to a 15-month low of RM7.88 in July
- Positive market sentiments were triggered towards the end of December with the announcement of China's border reopening
- PCG share price remained range bound in the fourth quarter despite the higher trading activities that saw further exit of foreign funds
- PCG share price closed at RM8.60 on the last day of trading on 30 December 2022

CORPORATE GOVERNANCE OVERVIEW STATEMENT

analysts, investment banks and stockbrokers, the team's engagements also extends to other capital market participants such as Bursa Malaysia, Securities Commission, Minority Shareholder Watch Group and Malaysian Institute of Corporate Governance. In view of the growing importance of Sustainability and EESG matters, several engagements were held in FY2022 between PCG and senior officers of large and notable shareholders such as Employee Provident Fund, Permodalan Nasional Berhad and Blackrock. A key topic of discussion is the alignment of future sustainability policy and plans between PCG and its investors.

DIVIDEND

Our dividends are paid within 30 days upon the date of declaration. All shareholders are treated equally and paid within the prescribed timeline as follows;

Second Interim Dividend for FY2021:

Declaration date: 24 February 2022
Entitlement date: 14 March 2022
Payment date: 25 March 2022

First interim dividend for FY2022:

Declaration date: 22 August 2022
Entitlement date: 8 September 2022
Payment date: 21 September 2022

March 2022 (2nd Dividend) payment for 2021.

359

Engagements (FY21: 279)

CHANNELS

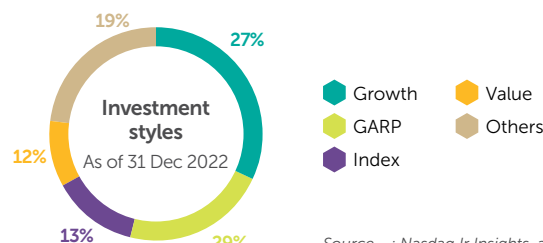
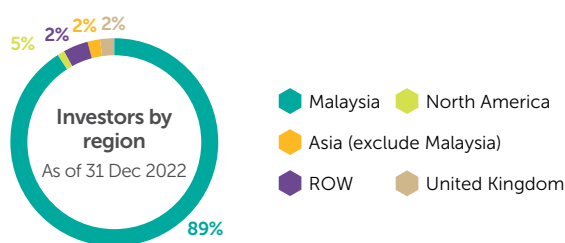
- Annual General Meeting
- Quarterly Analyst Briefings
- Conferences and Roadshows
- Corporate Meetings
- Emails and Telephone Calls

OWNERSHIP BY NON-MALAYSIANS

As at Financial Year Ended 31 December		2018	2019	2020	2021	2022
Foreign shareholding (%)		11.5	9.5	7.3	9.4	10.6

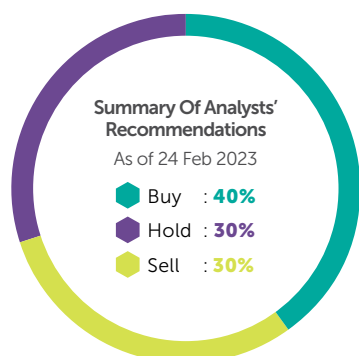
As at month end in FY2022		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Foreign shareholding (%)		9.7	9.8	11.9	12.4	12.5	12.2	11.6	11.4	11.4	11.2	11.3	10.6

Foreign shareholding reached a 5-year historical high in FY2022, peaking at 12.5% in May. This is attributed to the positive outlook on the Group's performance as well as earnings prospects amid the high prices of urea, polymers and other chemical products in our portfolio. In the second half of the year, as the global market was wrought with volatile commodities market, increasing inflationary pressures, slowing economic growth and prolonged Zero-Covid policy in China, foreign shareholding gradually reduced. Taking opportunity to realise some gain on stronger share price, sell-down by several foreign investors were noted during the second half of the year. The foreign shareholding recorded as at the end of FY2022 is 10.6%.



Source : Nasdaq Ir Insights, as at 31 Dec 2022

ANALYST COVERAGE



Source : Bloomberg

No.	Research House
1.	Affin Hwang Investment Bank Berhad
2.	AmlInvest Bank Berhad
3.	BIMB Securities Sdn. Bhd.
4.	Bank of America Securities
5.	CGS-CIMB Securities
6.	CLSA Securities (M) Sdn. Bhd.
7.	Citi Investment Bank
8.	Goldman Sachs Investment Banks
9.	Hong Leong Investments Bank Berhad
10.	JP Morgan Securities

No.	Research House
11.	KAF Equities Sdn. Bhd.
12.	Kenanga Investment Bank Berhad
13.	MIDF Amanah Investment Bank Berhad
14.	Macquarie Securities
15.	Maybank Investment Banking Group
16.	Morgan Stanley Asia (Singapore) Pte.
17.	Nomura Securities Malaysia Sdn. Bhd.
18.	RHB Investment Bank
19.	TA Securities Holdings Berhad
20.	UBS Securities (Thailand)

CORPORATE GOVERNANCE OVERVIEW STATEMENT

KEY CONCERNS

VALUE PROPOSITION:

Commendable performance in challenging market conditions affirms the company's strong fundamentals, strength and resilience. The company is realising its strategy to diversify into specialty chemicals with the acquisition of Perstorp Group, bringing it closer to its near term target to obtain additional 30% from non-traditional business, and subsequently future proof the company's earnings growth and stability. PCG is led by highly experienced and qualified talents with the strategic mindset to take the company forward towards long-term sustainability and value creation. The company has ensured a consistent dividend payout ratio, paying above our dividend policy of about 50% profit after tax and minority interest annually.

MANAGING PERFORMANCE:

The company continues to demonstrate strong operational capability by maintaining commendable plant utilisation rate, despite undertaking four plant turnarounds this year. The ability to offer a diverse range of products, proximity to key markets and strong market knowledge allows us to be responsive and agile in navigating market changes and dynamics. Changes in energy prices due to supply-demand dynamics, economic movements and growth ultimately impacts petrochemical product prices. As such we must optimise our operational and commercial performance while maintaining strict financial prudence.

PROJECT DELIVERABLES:

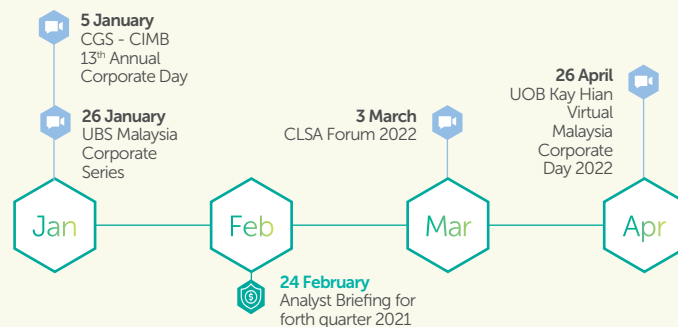
The petrochemical plants in Pengerang Integrated Complex (PIC) is targeted to achieve commercial readiness in the second half of 2023. The nitrile butadiene latex plant, in Pengerang and specialty ethoxylates and polyols plant in Kertih are both expected to come on stream in 2023. In 2022 we announced the building of a Melamine plant in Gurun, Kedah, to address the rising demand for melamine within the region. We also signed an agreement with our joint venture (JV) company, BASF PETRONAS Chemicals Sdn. Bhd. (BPC) to acquire its Maleic Anhydride (MAAn) plant located in Gebeng, Kuantan to repurpose the plant and upgrade the facility to produce MAAn targeted for food and pharmaceutical industries, subject to fulfilment of certain conditions for final approval.

MANAGING ESG:

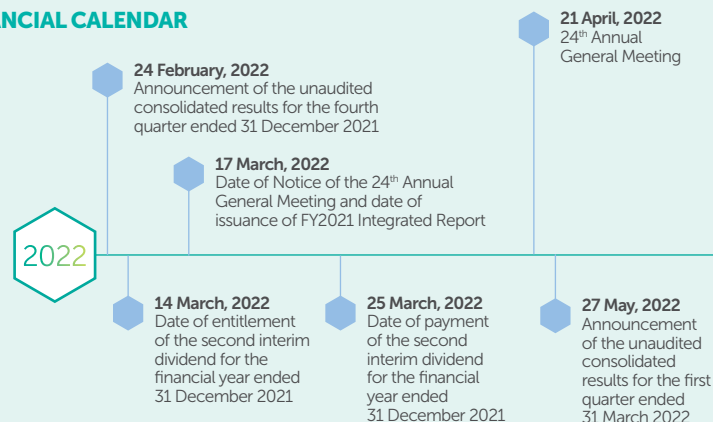
Our Sustainability Strategy takes into consideration our material matters and is aligned to the Group's Two-Pronged Strategy which is built on the three pillars of Economic, Environmental and Social (EES). The Economic pillar refers to our business sustenance and green initiatives which are supported by our three strategic thrusts of Operational Excellence, Commercial Excellence and Growth Delivery Excellence. The Environmental pillar is anchored on environmental stewardship and resource efficiency, within which we look to address our emissions, energy optimisation, water conservation as well as biodiversity conservation. The Social pillar looks after our employees and other stakeholders through fair labour practices, employee development and the effects of our Social Impact programmes. All of which is underpinned by a strict Governance code overseen by our Board of Directors.

EVENTS

INVESTOR RELATIONS CALENDAR



FINANCIAL CALENDAR



RELATIONSHIP WITH EXTERNAL AUDITORS

EXTERNAL AUDITORS

Through the BAC, the Company maintains a professional and transparent relationship with its external auditors, KPMG PLT. The BAC met the external auditors twice during the year under review to assess the scope and adequacy of the Group's audit plan, process and audit findings. At the meetings, the external auditors highlighted to both the BAC and the Board on matters that warrant their attention.

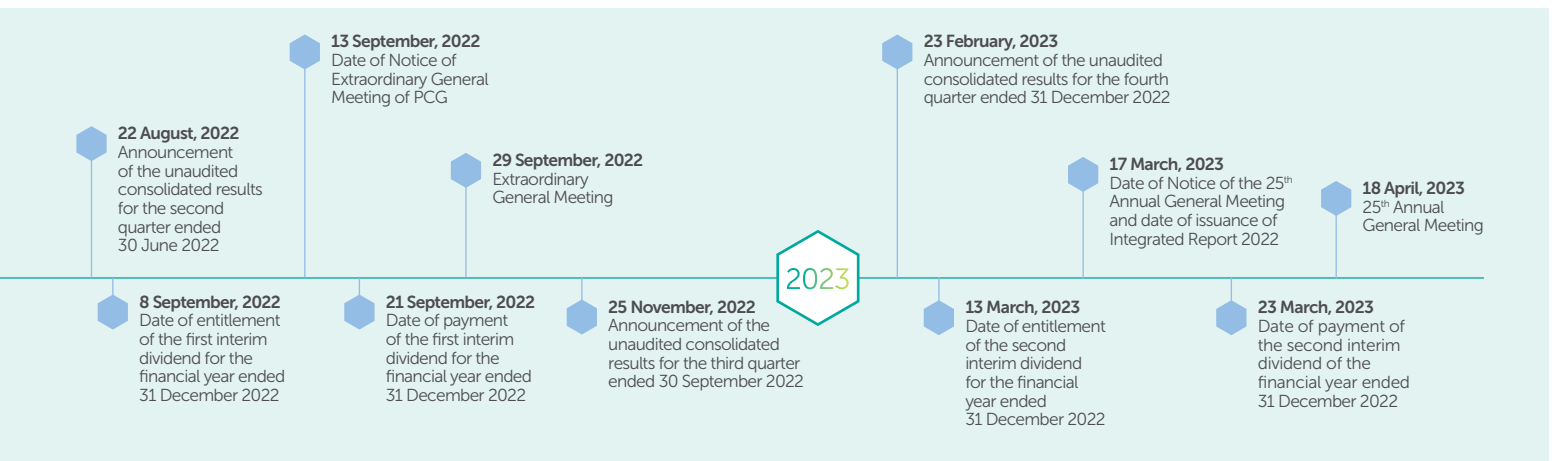
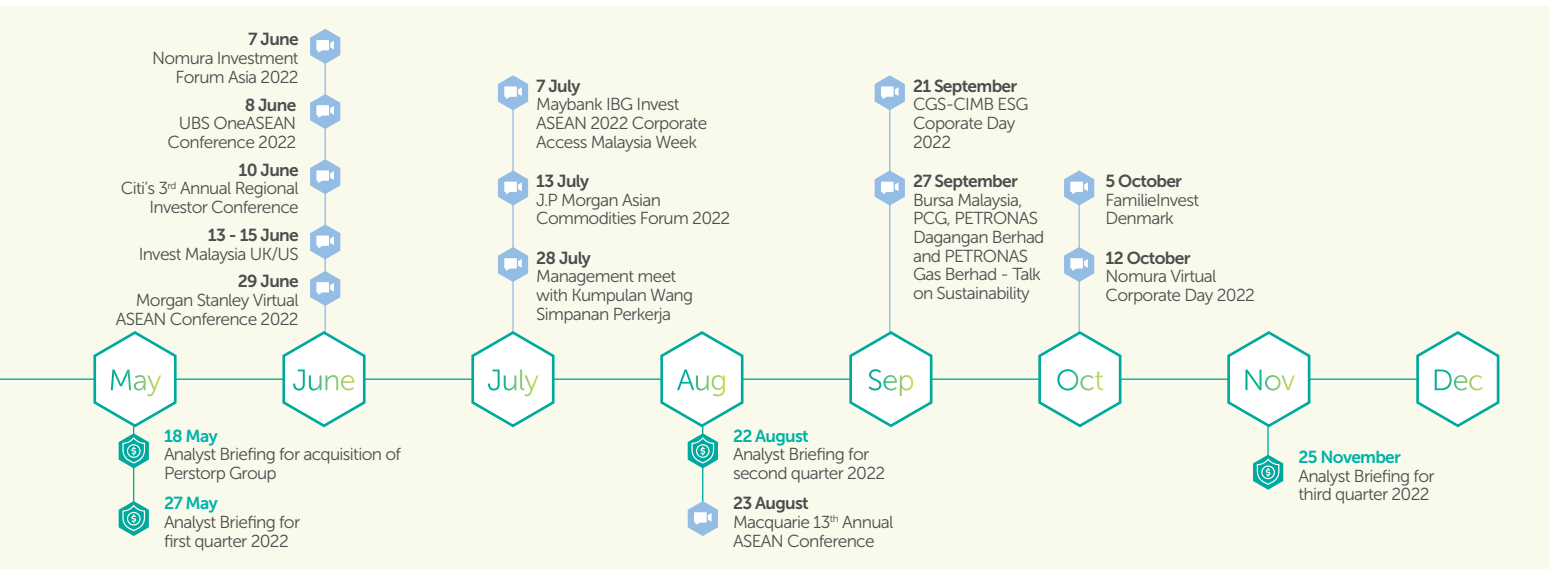
DIRECTORS' RESPONSIBILITY STATEMENT

The Directors have provided assurance that the financial statements prepared for each financial year give a true and fair view of the state of affairs of the Company and the Group as at the end of financial year and of the results and cash flow of the Company and the Group for the financial year as required by the CA 2016. The Statement of Responsibility by Directors for the audited financial statements of the Company and Group is as outlined on page 4 of the Financial Report.

 Details of the Company and the Group's financial statements was set out in the Financial Report.

I N V E S T O R

CORPORATE GOVERNANCE OVERVIEW STATEMENT



STATEMENT BY THE BOARD ON COMPLIANCE

The Board has deliberated, reviewed and approved this Statement and is satisfied that the Group has fulfilled its obligations under the relevant paragraphs of the MMLR of Bursa Malaysia, CA 2016, MCCG, CG Guide - 4th edition issued by Bursa Malaysia Berhad and other applicable laws and regulations throughout the financial year ended 31 December 2022. The Board is of the view that the Company has adopted the practices and applied the key Principles of the MCCG for the year under review. Details of how the Company has applied the MCCG Principles and complied with its Practices are set out in the CG Report. The explanation for the departures is further elaborated in the CG Report.

ADDITIONAL COMPLIANCE INFORMATION - MATERIAL CONTRACTS

There were no material contracts or loans entered into by the Company or its subsidiaries involving Directors' or major shareholders' interests, either still subsisting at the end of the year ended 31 December 2022 or entered into since the end of the previous period, except as disclosed in the Audited Financial Statements.

This statement is made in accordance with the resolution of the Board of Directors dated 23 February 2023.

DATUK IR. (DR.) ABDUL RAHIM HASHIM
Chairman

NOMINATION AND REMUNERATION COMMITTEE REPORT



Datuk Toh Ah Wah

Chairman



Our role is to ensure the Board comprises individuals with the necessary skills, knowledge and experience to effectively discharge its responsibilities and to oversee all aspects of succession planning, remuneration and performance of Directors and Senior Management.

Terms of Reference

Composition

Roles

Page **109**

<https://www.petronas.com/pcg/about-us/governance>

Chairman

6/6
(100%)

Datuk Toh Ah Wah
Senior Independent Non-Executive Director

Members

6/6
(100%)

Yeoh Siew Ming
Independent Non-Executive Director

6/6
(100%)

Dr. Zafar Abdulmajid Momin
Independent Non-Executive Director

2/3
(67%)

Farehana Hanapiah*
Non-Independent Non-Executive Director

* Appointed on 1 June 2022

FUNCTIONS OF THE NRC AND RELATED ACTIVITIES IN 2022

Board Succession Plan

The Nomination and Remuneration Committee (NRC) has the responsibility in ensuring appropriate succession planning for Directors and reviewing the Board's required mix of skills and experience, which includes review of the tenure of Independent Directors on the Board and proposals for retirement and/or re-election of Directors.

During the year under review, there were changes made to our Board composition. Farehana Hanapiah was appointed on 1 June 2022 as a Non-Independent Non-Executive director, whilst Datin Seri Sunita Mei-Lin Rajakumar was appointed on 1 July 2022 as an Independent Non-Executive Director where the NRC had engaged a third party consultant to source for a suitable candidate taking into consideration the Group's strategy vis a vis sustainability. With these appointments, PCG has applied with the recommended practices of the MCCG, in respect of majority independent Directors and 30% women Directors on the Board. The Company, through an external consultant is currently sourcing for a replacement for Datuk Tok Ah Wah, who will be retiring in June, 2023.

MD/CEO and Senior Management Succession Plan

The NRC is tasked to oversee the development of a succession plan for the MD/CEO and Senior Management. During the year under review, the NRC continued with its focus on the Senior Management positions of the Company and conducted all relevant reviews and assessments for the positions. The NRC is satisfied that there is a sufficient talent pool of potential successors for PCG's Senior Management and that for critical positions, external talents will be recruited if there are no suitable internal talents. The NRC also highlighted to the Board the importance of an effective and robust human capital strategy to support business growth and sustainability.

Directors' Re-election and Re-appointment

Taking into consideration the relevant requirements, the Directors' rotation list was presented to the NRC for endorsement prior to recommendation to the Board. The affected Directors were also required to give their consent on their re-election prior to PCG's Board meeting.

The Company's Constitution permits the Board to appoint a person to be a director of the Company at any time either to fill a casual vacancy or as an addition to the existing directors. A candidate who has been appointed as director must seek re-election at the next AGM.

The Company's Constitution further provides for rotation of Directors, whereby one-third of the Directors are to retire at every AGM. In line with Article 107 of the Company's Constitution, Datuk Toh Ah Wah and Yeoh Siew Ming are the Directors representing one-third and have been longest in office since their last election. These Directors are recommended for re-election by the NRC and the Board, and have given their consent for the re-election at the 25th AGM.

There were two new appointments since the last 24th AGM namely Datin Seri Sunita Mei-Lin Rajakumar and Farehana Hanapiah, both of whom shall retire and shall be considered for re-election pursuant to Article 100 of the Company's Constitution. These Directors are recommended for re-election by the NRC and the Board, have given their consent for the re-election at the 25th AGM.

MD/CEO and Senior Management Performance Appraisal

During the year under review, the NRC deliberated on the MD/ CEO and the following Senior Management's 2022 scorecard and their performance against the set targets:

- Chief Financial Officer
- Chief Commercial Officer
- Chief Manufacturing Officer
- Head of Strategic Planning & Ventures
- Head of Internal Audit

NOMINATION AND REMUNERATION COMMITTEE REPORT

NRC's Effectiveness Review and Performance

Based on the Board Effectiveness Evaluation 2022 (BEE 2022) findings, the Board believes that the NRC has effectively performed its duties and functions during the year, thus providing a valuable contribution to the Board. The Board is satisfied with the performance and effectiveness of the NRC in providing sound advice and recommendations to the Board, particularly on managing competencies and succession planning for Directors and Senior Management. Full details of the evaluation and the outcomes can be found on page 113.

Summary of Activities of the NRC

The following activities were carried out in 2022:

- 1 Reviewed performance of the MD/CEO and Key Senior Management
- 2 Reviewed the Directors' training requirements
- 3 Reviewed the NRC Report for inclusion in the 2021 Integrated Report
- 4 Reviewed the evaluation of the assessment on the effectiveness of the Board as a whole, the Committees of the Board, as well as the contribution of each individual Director through a BEE exercise conducted by external independent consultant
- 5 Reviewed the NRC Terms of Reference
- 6 Reviewed the succession planning for the CEO and Key Senior Management
- 7 Reviewed the manpower cost for MD/CEO of PCG FY2022
- 8 Chit Chat session with the Head of Sustainability Development and Head of Specialty Chemicals candidates
- 9 Reviewed Board Succession Planning
- 10 Reviewed the actions taken by the Company to address the agreed areas of improvement arising from the BEE 2021
- 11 Realignment of PCG High Level Structure
- 12 Nomination of additional independent non-executive director
- 13 Update on trainings attended by PCG Directors for 2022
- 14 Reviewed PCG Diversity and Inclusion (D&I) statement
- 15 Reviewed proposed Fit and Proper Policy

NRC Priority Areas in FY2023

In addition to the matters which are under the purview of NRC, the following activities are the priority areas in 2023 which is in line with the key highlights of the BEE 2022 results:

- 1 Striving to maintain majority Independent Directors on the Board
- 2 Succession Planning for Directors and Senior Management
- 3 Onboarding of Head of Sustainability Development
- 4 Development plan for successor of key Senior Management position

DATUK TOH AH WAH

Chairman,

Nomination and Remuneration Committee

BOARD AUDIT COMMITTEE REPORT



Yeoh Siew Ming
Chairman



We play an important part in the governance of the Company with our principal activities focused on the integrity of financial reporting, quality and effectiveness of internal and external audit, risk management and the system of internal control.

Terms of Reference	Composition	Roles
--------------------	-------------	-------

<https://www.petronas.com/pcg/about-us/governance>

Attendance	
Chairman	
4/4 (100%)	Yeoh Siew Ming Independent Non-Executive Director
Members	
4/4 (100%)	Datuk Toh Ah Wah Independent Non-Executive Director
4/4 (100%)	Dr. Zafar Abdulmajid Momin Independent Non-Executive Director
2/2 (100%)	Datin Seri Sunita Mei-Lin Rajakumar* Independent Non-Executive Director

* Appointed on 1 July 2022

HOW THE COMMITTEE OPERATES

The Board Audit Committee (BAC) conducted four meetings during the year under review. The Company Secretary acts as a secretary to the BAC. The Managing Director/Chief Executive Officer (MD/ CEO), Chief Financial Officer and Head of Internal Audit Division (IAD) were also invited by the BAC to provide input and advice, appropriate information as well as clarification to relevant items on the agenda.

The Head of IAD presents the internal audit reports and its activities to the BAC. In this regard, relevant members of the Management are invited to apprise the BAC on specific issues arising from the audit findings. The external auditors also attend the BAC meeting to present the external audit plan for the year as well as the outcome of the statutory audit conducted on the Company and its subsidiaries. In addition, the BAC held two private sessions with the external auditors during the year under review (i.e., on 15 February 2022 and 15 August 2022 respectively), without the presence of the Management.

The agenda and meeting papers encompassing qualitative and quantitative information relevant to the business of the meetings are distributed to the BAC members via a secured collaborative software no less than five business days prior to the date of each meeting. The online accessibility assists in facilitating the BAC members to read and review documents or communicate with other BAC members at any time.

The BAC's Circular Resolutions are also circulated to the BAC members via e-Signature tool for approval. Deliberations during BAC meetings include financial performance review of the Company, interim financial reporting to Bursa Malaysia, year-end statutory audits, assessment of Related Party Transactions (RPTs) and Recurrent Related Party Transactions (RRPTs) proposed to be entered into by the Company and its subsidiaries, status of open audit findings together with the agreed corrective actions.

Minutes of the BAC meeting are tabled for confirmation at the next BAC meeting, after which they are presented to the Board for notation. In addition to communicating to the Board on matters deliberated during the BAC meeting, the BAC Chairman also recommends to the Board the approval of annual financial statements, annual assessment of External Auditors, revision to the BAC internal and external governance process as recommended by MCCG and quarterly financial results.

CONTINUOUS TRAINING

The BAC members acknowledge the need for continuous education and training. During the year under review, all members of the BAC attended training on the development in accounting and auditing standards, practices and rules, in line with Practice 9.5 of MCCG.

BOARD AUDIT COMMITTEE REPORT

BAC'S ACTIVITIES IN 2022

1 Financial Reporting

- a. Reviewed the quarterly results for announcements to Bursa Malaysia before recommending the same for the Board's approval, upon being satisfied that it had complied with applicable approved MFRS issued by the Malaysian Accounting Standards Board (MASB), MMLR and other relevant regulatory requirements.
- b. Reviewed the Company and the Group's annual and quarterly management accounts.
- c. Reviewed the audited financial statements of the Company and the Group prior to submission to the Board for the Board's consideration and approval, upon the BAC being satisfied that, inter alia, the audited financial statements were drawn up in accordance with the provisions of the Companies Act 2016 (CA 2016) and the applicable approved MFRS issued by the MASB.
- d. Reviewed specific key areas affecting the Company and the Group's financial results, and endorsed recommendations made by the Management. The key areas deliberated included assessments on the following areas:

No.	Key Areas Deliberated
1.	Impairment indicators of non-current assets (i.e., property, plant and equipment and intangible asset) and detailed impairment testing. <ul style="list-style-type: none"> • The review of internal and external factors that may give rise to impairment indication (and if indication exists the review and deliberation of the impairment assessment including key assumptions used, controls put in place by Management such as Segregation of Duties, consultation with the Subject Matter Experts and proper sign-off in deriving the recoverable amount. This includes the review of Management's impairment assessment on Pengerang Petrochemical Company and PETRONAS Chemicals Aromatics Sdn. Bhd.
2.	Recognition of deferred tax assets and the probability of their future utilisation.
3.	Carrying values of inventories and any write-off thereon.
4.	Updates on Amendment on MFRS for FY2022 and FY2023.
5.	Review of the Summary of Authority for Legal and Corporate Secretarial Services.
6.	Deferral of payment for feedstock supplied to Pengerang Refining Company and services at Pengerang Petrochemical Complex.
7.	Change in ownership in PCG subsidiaries.
8.	Updates on Sabah State Sales Tax legislation and regulations as well as the impact to financial statements.
9.	Recognition for acquisition of a subsidiary i.e. Perstorp Group following the requirement of accounting standards. This include recognition upon transfer of control as well as approach and methodology on indicative purchase price allocation arising from acquisition of a subsidiary.
10.	Earn-out costs arising from acquisition of a subsidiary in 2019.

- e. The BAC had reviewed and deliberated the above key areas and was satisfied with the various actions taken by the Management in addressing the issues raised by the external auditors. The BAC noted that Management also held frequent engagements with the external auditors in improving the internal control processes for the Group.

2 Internal Control

- a. Reviewed the effectiveness of the system of internal controls, taking into account the findings from internal and external audit reports.
- b. Reviewed the Summary of Authority for Legal and Corporate Secretarial Services to reflect the current business requirements and processes, alignment with any new framework and guidelines with the right balance between business agility and control for an effective decision-making process.



BOARD AUDIT COMMITTEE REPORT

BAC'S ACTIVITIES IN 2022 (CONTINUED)

3 Corporate Governance

- a. Reviewed the Corporate Governance Overview Statement and BAC Report for inclusion in the 2021 Integrated Report.
- b. Revised the BAC terms of reference as to incorporate the relevant changes based on Malaysian Code on Corporate Governance (MCCG) vis-à-vis the Chairman of the Board shall not be a member of the Audit Committee and on the requirement of a former partner of the Company's external auditors to observe a cooling-off period of at least three years before being appointed as a member of the BAC.

4 Internal Audit

- a. Reviewed and approved the changes of Annual Audit Plan FY2022 on quarterly basis to ensure the proposed audit activities are carried out as per emerging and relevant risks as well as business strategies.
- b. Reviewed and approved the risk based Annual Audit Plan FY2023 and budget to ensure comprehensiveness of audit coverage, resource and competencies to execute the internal audit functions effectively.
- c. Reviewed and deliberated on audit reports which included opinion on the adequacy and effectiveness of PCG's governance, risk management and internal controls, audit findings' root causes, implications and the recommended corrective actions to be undertaken by the Management. The BAC also provided suggestions for improvement to reinforce the oversight role and to ensure that Management holds individuals accountable for their internal control, risk management and governance responsibilities.
- d. Monitored the implementation of the agreed corrective actions on audit issues taken by Management until duly resolved on a quarterly basis.
- e. Reviewed the performance of IAD for FY2021 with regards to its independence, objectivity and effectiveness in providing assurance on PCG's governance, risk management and internal controls and approved the Key Performance Indicators of IAD for FY2022.
- f. Reviewed IAD's Quality Assurance and Improvement Programme activities.
- g. The Chairman of the BAC held private meetings and discussions at least once every quarter with the Head and senior auditors of IAD on internal audit reports, selected audits' scopes, resource adequacy and capabilities and any related matters.

5 RPT and Conflict of Interest (COI)

- a. Reviewed all RPTs/RRPTs in accordance with the PCG Guidelines and Procedures on RPTs/RRPTs and COI, to ensure the transactions are at all times carried out at arm's-length basis and are not to the detriment of minority shareholders.
- b. Reviewed and deliberated on the RPTs/RRPTs reports on a quarterly basis.
- c. Reviewed and deliberated performance of RPTs/RRPTs vendors for 2021.

6 External Audit

- a. Reviewed with the external auditors, audit strategies and scope for the statutory audit of the Company and Group's financial statements for the financial year ended 31 December 2022.
- b. Reviewed with the external auditors the results of the statutory audit and the audit report.
- c. Reviewed the proposed fees for the statutory audits.
- d. Reviewed the fees of total non-audit work carried out by the external auditors with the main objective of ensuring there is no impairment to independence and objectivity. In relation to this, the BAC noted the assurance provided by the external auditors confirming their independence throughout the year under review.
- e. During the year under review, PCG engaged the external auditors for certain non-audit services. Total fees paid to the external auditors are detailed out in the next page:

BOARD AUDIT COMMITTEE REPORT

	2022		2021	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
KPMG PLT				
Audit Fees				
Statutory Audit	1,518	317	1,359	192
Non-audit Fees				
Half-yearly Limited Review	191	191	185	185
Audit of non-financial information for Integrated Report	130	130	130	130
Review of the quarterly Consolidated Results Report for announcement to Bursa Malaysia	32	32	31	31
Review of Statement on Risk Management and Internal Control	27	27	26	26
Verification of Investment Tax Allowance of PC Fertiliser Sabah	20	-	-	-
Professional services in relation to acquisition of a subsidiary	120	-	-	-
	520	380	372	372
Overseas affiliate of KPMG PLT				
Audit Fees				
Statutory audit	178	-	172	-
Non-audit Fees				
Audit of report required for application of Government incentive in Netherlands for BRB Group	-	-	341	-
Consultancy/advisory	433	-	-	-
	433	-	341	-
Other Auditors				
Audit Fees				
Statutory audit	7,676	37	2,345	28
Non-audit Fees				
Tax services for overseas subsidiaries	4,441	-	4,622	-
Due diligence and cost verification services	3,874	-	3,121	3,121
Audit of report required for application of Government incentive in the Netherlands for BRB Group	159	-	747	-
Tax due diligence and advisory carve-out at BRB Group	-	-	308	-
IFRS convergence from Dutch Generally Accepted Accounting Principles (GAAP) for BRB Group	332	-	208	-
Accounting services	890	-	143	-
Review of Transfer Pricing documentation	1,023	9	74	-
Half-yearly Limited Review	357	7	29	7
Business and legal advisory for incorporation of JV entity	159	159	-	-
	11,235	175	9,252	3,128
Total Statutory Audit Fees	9,372	354	3,876	220
Total Non-audit Fees	12,188	555	9,965	3,500
% of Non-audit Fees over Statutory Audit Fees	>100%	>100%	>100%	>100%
% of Non-audit Fees over Statutory Audit Fees by KPMG PLT	34%	>100%	27%	>100%



BOARD AUDIT COMMITTEE REPORT

External Audit

In ensuring that the external auditors' independence is not impaired, the Audit Engagement Partner in charge of the Company will be rotated every seven years and is required to observe a cooling-off period of five years before being re-appointed (in line with the MIA's requirements).

During the year under review, a new audit engagement partner, Chua See Guan, was appointed in place of the previous partner, Thong Foo Vung, who has served the Group for seven years.

Internally, the external auditors conduct an Independent Partner Review in order to preserve their independence. The external auditors had also provided their written assurance to the BAC that in accordance with the terms of all relevant professional and regulatory requirements, they had been independent throughout the audit engagement.

The BAC had also carried out an assessment on the performance, suitability and independence of the external auditors based on the following four key areas, and will continue to do so on an annual basis:

- Quality of engagement team and services
- Adequacy of resources
- Quality of communication and interaction
- Independence, objectivity and professional scepticism

Annual Reporting

The BAC reviewed its report for the financial year ended 31 December 2022 to ensure that they were prepared in compliance with the relevant regulatory requirements and guidelines.

Internal Audit Function

The BAC is supported by an in-house internal audit function to undertake independent, objective assurance and advisory activities designed to add value and improve Group's operations. IAD helps Group accomplish its objectives by bringing a systematic, disciplined approach to evaluate design and improve the effectiveness of its governance, risk management and internal control processes.

The Head of IAD reports functionally to the BAC and administratively to the MD/CEO to ensure impartiality and independence in execution of the role as outlined in the Audit Charter approved by BAC. Dewi Izza Suhana Radin Amir is the Head of IAD and Fellow Chartered Accountant of the Institute of Chartered Accountants in England and Wales (ICAEW).

She also holds a Bachelor of Arts in Accounting and Financial Management and Economics from the University of Sheffield, United Kingdom.

The IAD is governed by the Internal Audit Charter (the Charter) which defines the responsibilities, authority and scope of work of IAD within the Group. The Charter is aligned with the standards and principles as outlined in the Institute of Internal Auditors' International Professional Practices Framework (IPPF).

The conduct of IAD activities is also guided by established procedures, guidelines and COSO Internal Control Integrated Framework; a comprehensive, structured and widely used auditing approach, in conducting the audit activities through the five COSO components:

- Control Environment
- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring Activities

In maintaining independence and objectivity of IAD, internal auditors declared that they are free from any relationship or conflict of interest through annual declaration. In the event of potential conflict of interest occur after annual declaration has been made, internal auditors shall immediately report to Head of IAD and will not be assigned an audit scope that would lead to a conflict of interest.

The IAD continues to adopt a risk-based approach to ensure that the Annual Audit Plan is prioritised based on the Group's principal risks covering critical areas and functions to support business strategic objectives. In deriving the plan, the IAD gather inputs from various sources including:

- Group & PETRONAS Downstream risk profiles and emerging risks identified thereon;
- Group business objectives and strategies;
- Materiality/criticality of business operations;
- Maturity of internal controls of the auditable areas; and
- Feedback from relevant stakeholders i.e., BAC, Senior Management, selected directors of PCG OPU, Joint Venture companies and partners, external auditor and internal audit fraternity.

The IAD continuously assessed emerging risks or areas that would warrant an audit and changes to the Annual Audit Plan during the year under review. These were presented to the BAC for approval.

BOARD AUDIT COMMITTEE REPORT

During the year under review, the IAD performed audit engagements as per the approved Annual Audit Plan and presented the following reports to the BAC:

- 1 Audit on PCG Sustainability Related Projects
- 2 Audit on Group Commercial Value Chain for Olefins and Derivatives
- 3 Shareholders' audit on Kertih Terminal Sdn. Bhd
- 4 Shareholders' audit on PT Anugerah Kimia
- 5 Audit on Inland Transport Safety Management at PCG
- 6 Audit on Overall Governance on Project Titanium
- 7 Shareholders' audit on Ineos PCG Acetyls Sdn. Bhd.
- 8 Shareholders' audit on Pengerang Petrochemical Company Sdn. Bhd.-Overall Governance
- 9 Shareholders' audit on BASF PETRONAS Chemicals Sdn. Bhd.
- 10 Audit on PCM Thailand
- 11 Audit on PCG IT Governance and Cybersecurity-Operations Technology
- 12 Shareholders' audit on Pengerang Petrochemical Company Sdn. Bhd.-Finance, Plant Operations and Maintenance
- 13 Audit on PETRONAS Chemicals Isononanol Sdn. Bhd.
- 14 Audit on PCG Talent Management
- 15 Review on Overall Governance of BRB Group
- 16 Audit on Implementation of Turnaround at PETRONAS Chemicals Fertiliser Sabah Sdn. Bhd.
- 17 Review on Overall Governance of CEO Office

The internal audit reports highlighted to the BAC on the opinion of the adequacy and effectiveness of Group's governance, risk management and internal controls, audit findings' root causes, implications and the recommended corrective actions to be undertaken by the Management. The Management is responsible to ensure that the agreed corrective actions are implemented and closed satisfactorily within the agreed time frame. The status of the agreed corrective actions was tracked on a monthly basis until duly resolved. All agreed corrective actions status were verified by IAD prior to reporting to the BAC on a quarterly basis.

The Quality Assurance and Improvement Programme (QAIP) continues to be applied to assess the quality of audit processes. It is an ongoing and periodic assessment that covers the entire spectrum of Internal Audit activities. The QAIP assesses the efficiency and effectiveness of the IAD processes and opportunities for continuous improvement through internal and external assessments. The results and updates of QAIP are reported to the BAC.

The IAD has adequate and sufficient resources to implement its Approved Audit Plan. There is a total of 16 internal auditors in the Group with diverse backgrounds and disciplines such as accounting, finance, plant operations and procurement. The IAD staff's various professional qualifications and certifications is as shown below:

- 1 ICAEW/ACCA/MICPA: 4
- 2 Masters: 1
- 3 Certified Internal Audit: 2
- 4 Certified Fraud Examiner: 1
- 5 COSO Certificate: 6
- 6 Engineer's Certificate of Competency (Steam) DOSH: 2
- 7 Certified Environmental Professional in the Operation of Industrial Effluent Treatment System, DOE: 1

Note:

- Association of Chartered Certified Accountants (ACCA)
- Malaysian Institute of Certified Public Accountants (MICPA)
- Department of Occupational Safety and Health Malaysia - Ministry of Human Resource (DOSH)
- Department of Environment - Ministry of Environment and Water (DOE)



BOARD AUDIT COMMITTEE REPORT

During the year under review, the IAD was supported by line resource from business and subject matter experts from partners, PETRONAS Group, specifically on Environment, Climate Change, IT General Control, Enterprise Risk Management and HSE related areas.

The Group continues its commitment to equip the internal auditors with adequate knowledge to discharge their duties and responsibilities through continuous trainings on business acumen and best industry practices from in-house, external accredited training providers and professional certifications. Continuous on-the-job learning also acts as a platform to assess the capability and competency of the internal auditors.

Annually, the competency of internal auditors was assessed through individual competency assessment to determine the learning and development needs. The functional competencies assessment is part of PETRONAS capability development programme for internal auditors, which takes into consideration the core competencies as stipulated by Internal Audit Competency Framework issued by the Institute of Internal Auditors.

The total costs incurred by the internal audit function of the Group for 2022 was RM6.0 million.

RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST SITUATIONS

During the year under review, the BAC reviewed all RPTs/RRPTs and Conflict of Interest (COI) situations based on the Guideline and Procedures of RPT and COI (the Guideline). This Guideline lays out the principles and procedures which govern the activities on RPTs/RRPTs and COI situations across the PCG Group in complying with the applicable MMLR and other laws and regulations. The BAC is satisfied that the Guideline has put in place adequate procedures and processes to identify, monitor and track all RPTs/ RRPTs in a timely and orderly manner to ensure that the RPTs/ RRPTs are at all times, carried out in the best interests of the Group, are fair, reasonable and on normal commercial terms and are not to the detriment of the minority shareholders. The BAC has, from time to time reviewed any RPTs that have arisen within the Group in accordance with the Guideline. The procedures and processes will also be reviewed from time to time based on the recommendations from the Management.

PCG forms part of the integrated oil and gas value chain of the PETRONAS Group. The transactions such as the supply of raw materials are vital to PCG's operations, and alternative supplies will not be readily available as the PETRONAS Group is a major supplier and at times, the sole supplier of such raw materials.

BOARD AUDIT COMMITTEE REPORT

Due to the integrated nature of PCG's business operations with the PETRONAS Group, the Company has been granted a waiver from complying with the requirement of Paragraph 10.09 of the MMLR including having to seek shareholders' approval in relation to the supply, sale, purchase, provision and usage of certain goods, services and facilities which form part of the PETRONAS Group integrated operations. The waiver is of particular significance to ensure PCG does not experience any disruption to its operations. The RRPTs that were waived by Bursa Malaysia from complying with the requirement of Paragraph 10.09 of the MMLR are as follows:

Transacting Parties	Nature of transactions	For Year Ended 31 December 2022 RM'000
PCG and PETRONAS and its subsidiaries (PETRONAS Group)	INTEGRATED OPERATIONS OF OUR GROUP	
	i. Supply of fuel and feedstock (such as ethane, propane, butane, dry gas, naphtha, natural gas) by PETRONAS Group	10,361,048
	ii. Supply of utilities, electricity and water by PETRONAS Group	148,656
	iii. Upgrading and pipeline works on the Labuan Gas Terminal by PETRONAS Chemicals Methanol Sdn. Bhd.	Nil
	iv. Grant to PETRONAS Group for the right of usage of facilities and passage of commodities to facilitate the receipt and distribution of petrochemicals and related products	7,808
	v. Provision of operating and maintenance services by PETRONAS Group	3,549
	vi. Purchase of marine diesel oil from PETRONAS Group	50,979
	SERVICES RENDERED WITHIN THE PETRONAS GROUP	
	vii. Provision of vessel screening services by PETRONAS Maritime Services Sdn. Bhd.	Nil
	viii. Provision of freight, transportation and warehousing services by MISC Berhad and its subsidiaries (MISC Group)	Nil
	OTHERS	
	ix. Sales of petrochemical products and other related products to PETRONAS Group	926,069
x. Supply of products from Pengerang Refining Company Sdn. Bhd. (PRC) to PCG Group	258,637	
xi. Supply of products by PCG to PRC	Nil	
xii. Terminal Usage Agreements between PCG and Pengerang Terminals (Two) Sdn. Bhd.	Nil	

The BAC is satisfied that during the year under review, all the RPTs/RRPTs were fairly concluded on prevailing market rate/prices, had been carried out at arm's length basis and normal commercial terms/conditions, applicable industry norms and not detrimental to the interests of PCG and its minority shareholders. The RPTs/RRPTs were reported to the BAC on a quarterly basis.

BAC EFFECTIVENESS REVIEW AND PERFORMANCE

For the year under review, the Board assessed the performance of the BAC through an annual BEE. The Board agreed that BAC continued to support the Board in reviewing financial and audit matters, contributing to the overall effectiveness of the decision-making process by the Board for the Company and the Group. The PCG Board is satisfied that the BAC has discharged its functions, duties and responsibilities in accordance with the BAC Terms of Reference (TOR). Full details of the evaluation and the outcomes can be found on page 113.

REPORTING TO THE EXCHANGE

For the year under review, the BAC is of the view that the Company is in compliance with the MMLR and as such, the reporting to Bursa Malaysia under Paragraph 15.16 of the MMLR is not required.

YEOH SIEW MING

Chairman,

Board Audit Committee

BOARD SUSTAINABILITY AND RISK COMMITTEE REPORT



Warren William Wilder
Chairman



We advise and support the Board on all matters pertaining to the sustainability and risk management, including group-level risk appetite and mitigation of all material risks arising from the Group's activities.

Terms of Reference	Composition	Roles
--------------------	-------------	-------

Page **108**

<https://www.petronas.com/pcg/about-us/governance>

Chairman

7/7
(100%)

Warren William Wilder
Independent Non-Executive Director

Members

7/7
(100%)

Yeoh Siew Ming
Independent Non-Executive Director

7/7
(100%)

Dr. Zafar Abdulmajid Momin
Independent Non-Executive Director

3/3
(100%)

Datin Seri Sunita Mei-Lin Rajakumar*
Independent Non-Executive Director

* Appointed on 1 July 2022

HOW THE COMMITTEE OPERATES

The Board Sustainability and Risk Committee (BSRC) conducted seven meetings during the year under review. The Company Secretary acts as a secretary to the BSRC. The Managing Director/Chief Executive Officer (MD/ CEO), Chief Financial Officer, Head of HSE and Head of RMD were also invited by the BSRC to provide input and advice, appropriate information as well as clarification to relevant items on the agenda.

The Head of HSE reports on the Sustainability Agenda and its implementation whilst the Head of RMD presents the risk management reports including updates on risk monitoring and also the corporate risk profile to the BSRC. Relevant employees are invited to apprise the BSRC on specific issues arising from the strategic or high business impact proposals. The agenda and meeting papers encompassing qualitative and quantitative information relevant to the business of the meetings were distributed to the BSRC members via a secured collaborative software no less than five business days prior to the date of each meeting. The online accessibility assists in facilitating the BSRC members to read and review documents or communicate with other BSRC members at any time. Minutes of the BSRC meeting are tabled for confirmation at the next BSRC meeting, after which they are presented to the Board for notation.

BSRC'S ACTIVITIES 2022

The following activities were carried out in 2022:

1 SUSTAINABILITY

Based on increasing demand on clear oversight over an organisation's sustainability governance by stakeholders, enhancement of the sustainability governance structure has been endorsed to amplify focus and accelerate PCG's Sustainability Agenda. In effect to this, Board Risk Committee has been revised to BSRC, and Risk Management Committee to Sustainability and Risk Management Committee. Subsequently, the Terms of Reference for these Committees has been revised to reflect the added purview on sustainability. The BSRC deliberated climate change and circular economy, adoption of TCFD recommendations, and other related ESG topics such as Bursa Malaysia revised MMLR, carbon footprint assessment and PCG enhanced Sustainability Agenda. In relation to sustainability-related regulations and guidelines, PCG is guided by established global standards (GRI) in materialising our sustainability aspirations.

During the year under review, the BSRC also deliberated on the Carbon Footprint Assessment (CFA) requirements and implementation for PCG's capital and growth projects and endorsed the enhanced PCG Sustainability Agenda and proposed recommendations in adhering to the revised MMLR requirements on the Sustainability Reporting Framework.

BOARD SUSTAINABILITY AND RISK COMMITTEE REPORT

2 CORPORATE RISK PROFILE

Reviewed and endorsed the PCG Corporate Risk Profile for the Board's approval. Subsequently on a quarterly basis, the BSRC deliberated risk mitigations implementation and key risk indicators to ensure its adequacy and effectiveness. Additional mitigations to strengthen the management of risks were recommended for further action.

During the year under review, the BSRC endorsed 11 principal risks to the Board. Five of these are critical risks that require continuous monitoring. In May 2022, the BSRC also endorsed for Pandemic COVID-19 to be revised from critical to non-critical risk in alignment to Malaysia's transition into endemic, border reopening and adherence to PETRONAS Preparedness Response Team (PPRT) Directives. In addition, the improvement in risk rating was also attributed to PCG's robust financial, operational and commercial performance in FY2020 and FY2021.

3 EMERGING RISKS

Considered the emerging risks which manifest from internal or external environment that could potentially impact delivery of business objectives. The external factors include but are not limited to geopolitical tensions, socio-economic issues, technology developments and environmental concerns. The emerging risks were then assessed to determine whether it should be included in the PCG Corporate Risk Profile.

During the year under review, BSRC continued to deliberate on risks in line with the Statement on Risk Management and Internal Control (SORMIC). On 14 November 2022, BSRC has endorsed three emerging risks to the Board, namely Geopolitics, Environment and Economy.

4 RISK APPETITE

Deliberated and endorsed the development of risk appetite and its thresholds with addition of PCG growth projects to be monitored and updated under Project Delivery focus areas. Subsequently on a quarterly basis, the BSRC reviewed any breach of risk appetite thresholds for specific action to ensure risks undertaken in pursuit of strategic and business objectives were consistently within the approved levels.

5 HIGH IMPACT BUSINESS MATTERS

Reviewed and deliberated on the risks related to strategic and high impact business matters such as projects' Final Investment Decisions, project financing and joint venture arrangement to assess the feasibility and commerciality of these projects and investments. For the financial year 2022, the BSRC reviewed 15 proposals with high business impact including the acquisition of the entire equity interest in Perstorp Group by PCG.

6 CRISIS AND BUSINESS CONTINUITY IMPLEMENTATION

Reviewed PCG's integrated approach in managing risks focusing on three areas namely, Enterprise Risk Management, Crisis Management and Business Continuity Management.

ANNUAL REPORTING

The BSRC reviewed the BSRC Report and SORMIC for the financial year ended 31 December 2022 to ensure that they were prepared in compliance with the requirements and guidelines of the MMLR of Bursa Malaysia.

BSRC EFFECTIVENESS REVIEW AND PERFORMANCE

For the year under review, the Board assessed the performance of the BSRC through an annual BEE. The Board believes that the BSRC has effectively performed its duties and functions during the year, thus providing valuable contribution to the Board in deliberating strategic and high business impact proposals. The PCG Board is satisfied that the BSRC has effectively discharged its functions, duties and responsibilities in accordance with the BSRC TOR. Full details of the evaluation and the outcomes can be found on page 113.

WARREN WILLIAM WILDER

*Chairman,
Board Sustainability and Risk Committee*



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

PCG HAS A RISK MANAGEMENT FRAMEWORK AND INTERNAL CONTROL SYSTEMS IN PLACE TO ENSURE THE SMOOTH RUNNING OF OUR BUSINESS.

THIS STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL IS MADE IN ACCORDANCE WITH PARAGRAPH 15.26(B) OF BURSA MALAYSIA'S MAIN MARKET LISTING REQUIREMENTS (MMLR) WHICH REQUIRES THE BOARD OF DIRECTORS OF PUBLIC COMPANIES TO PUBLISH A STATEMENT ABOUT THE STATE OF RISK MANAGEMENT AND INTERNAL CONTROL OF THE LISTED ISSUER AS A GROUP.

PCG'S SUSTAINABILITY STRATEGY TAKES INTO CONSIDERATION EFFECTIVE RISK MANAGEMENT PRACTICES, INTERNAL CONTROL AND COMPLIANCE WITH OBJECTIVES TO CREATE VALUE FOR OUR STAKEHOLDERS AND SAFEGUARD THE EXISTING PORTFOLIOS AS WELL AS MOVING FORWARD TO CAPITALISE ON OPPORTUNITIES FOR GROWTH.

Risk management is integrated into our business planning, capital allocation, investment decisions, internal control and day-to-day operations to enhance ownership and agility in managing risks. We believe our internal control systems are appropriate for the Group given the size, diversity and complexity of our operations.

Key elements of the risk management and systems of internal control are set out below.

BOARD ACCOUNTABILITY

The Board acknowledges the importance of maintaining a sound internal control system and robust risk management practices for good corporate governance with the objective of safeguarding the shareholders' investment and the Group's assets. The Board further affirms its overall responsibility for reviewing the adequacy and integrity of the Group's risk management and internal control systems.

The Group has established a process for identifying, evaluating, treating, monitoring and managing critical risks that may materially affect the achievement of our corporate objectives. The Board monitors the critical risks regularly.

MANAGEMENT RESPONSIBILITY

The Management is accountable to the Board to ensure effective implementation of risk management and internal controls. The Management formulates and endorses the risk management policy, frameworks and guidelines including their implementations across the Group. The Management reviews PCG's risks and recommend additional course of action to mitigate the identified risks.

The Management also assigns accountabilities and responsibilities at appropriate levels within PCG and ensures that all the necessary resources are efficiently allocated to manage risks.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

1 RISK GOVERNANCE AND OVERSIGHT

Our risk oversight structure facilitates the flow of risk information for effective risk management implementation oversight at all levels. It assigns clear roles and responsibilities, and facilitates the implementation of risk policy, procedures and methodologies. The structure also consists of different layers of responsibilities, as explained below:

RISK OVERSIGHT STRUCTURE		
BOARD OF DIRECTORS		
Responsible for the overall effective oversight of PCG Group’s risk management to safeguard PCG’s assets, reputation and deliver sustainable shareholders’ value		
Board Committee Level	BOARD SUSTAINABILITY AND RISK COMMITTEE (BSRC)	
	<ul style="list-style-type: none"> Responsible for guidance and oversight of PCG Group risk management Review and endorse the Group’s risk profile and risk appetite Deliberate risk assessment for high impact business matters Review the Group’s Sustainability Agenda, commitment, strategy and goals, the risks as well as opportunities 	
Management Level	SUSTAINABILITY AND RISK MANAGEMENT COMMITTEE (SRMC)	
	<ul style="list-style-type: none"> Responsible for ensuring the adequacy and effectiveness of sustainability and risk management systems and its implementation Deliberate and recommend sustainability and risk performances to be reported and escalated to the BSRC and Board 	
Operational Level	MANUFACTURING	COMMERCIAL
	Responsible for the manufacturing risk management	Responsible for the commercial risk management

The Board amplified its oversight on environmental, social and governance factors in 2022, with a focus on climate change, GHG emission, diversity and inclusion. The Board Risk Committee assumed the purview of the sustainability oversight function accordingly, changing its name to the Board Sustainability and Risk Committee, which deliberates on sustainability matters as well as risk and opportunities for high impact business decision proposals, such as mergers and acquisitions, portfolio rationalisation and key capital projects.

The key activities of the Board and BSRC are set out in the Corporate Governance Overview Statement on pages 102 to 127 and Board Sustainability and Risk Committee Report on pages 138 to 139 of this Integrated Report.

The SRMC, chaired by MD/CEO, is accountable to the Board to ensure effective implementation of risk management and internal controls. The Management formulates and recommends the risk management policy and internal control systems including their implementations across the Group. The SRMC deliberates PCG’s risks and recommends additional course of action to mitigate the identified risks. The MD/CEO assigns accountabilities and responsibilities at appropriate levels within PCG and ensures that all the necessary resources are efficiently allocated to manage risks.

The Risk Management Department (RMD), led by the Head of Risk Management, is accountable and responsible for the implementation of risk management practices and culture through the development and execution of risk policy, frameworks and guidelines in line with good corporate governance. The Head of Risk Management, as Secretary of SRMC, provides updates on PCG’s overall risk management implementation during the quarterly SRMC meetings.

In addition to our risk oversight structure, our risk management is supported by the 3 Lines of Defence Model that distinguishes the three groups which are involved in effective risk management.



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

3 LINES OF DEFENCE		
FIRST LINE OF DEFENCE	SECOND LINE OF DEFENCE	THIRD LINE OF DEFENCE
BUSINESS LINE (RISK OWNER)	RISK MANAGEMENT AND RESPECTIVE SMEs FROM RISK FOCUS AREAS	INTERNAL AUDIT
Own and manage risks directly within respective area. Conduct self-assessment and corrective action.	Implement and review risk management and control systems for reporting to the Management and the Board as well as attest on compliance with internal controls	Provide independent and objective assurance on the overall adequacy, integrity and effectiveness of risk management and internal control systems.



RISK POLICY

The PCG Risk Policy is a statement of the overall intention and direction of the Group on risk management. Through this Policy, we continuously strive to implement risk management best practices and incorporate risk based decisions to protect and create value, thus strengthening our position as a risk resilient organisation.

The Policy emphasises the role of all employees, who are responsible and accountable for managing risks related to their actions and decisions.

PETRONAS Chemicals Group is committed to become a risk resilient organisation

PETRONAS Chemicals Group shall continuously strive to implement:

- Risk management best practices to protect and create value within the set boundaries
- Risk based decision making by providing a balanced and holistic view of exposure to achieve business objectives

Managing risk is everyone's responsibility



PETRONAS RESILIENCY MODEL

PCG has adopted the PETRONAS Resiliency Model (PRM) in managing risk with three key areas namely, Enterprise Risk Management (ERM), Crisis Management (CM) and Business Continuity Management (BCM).

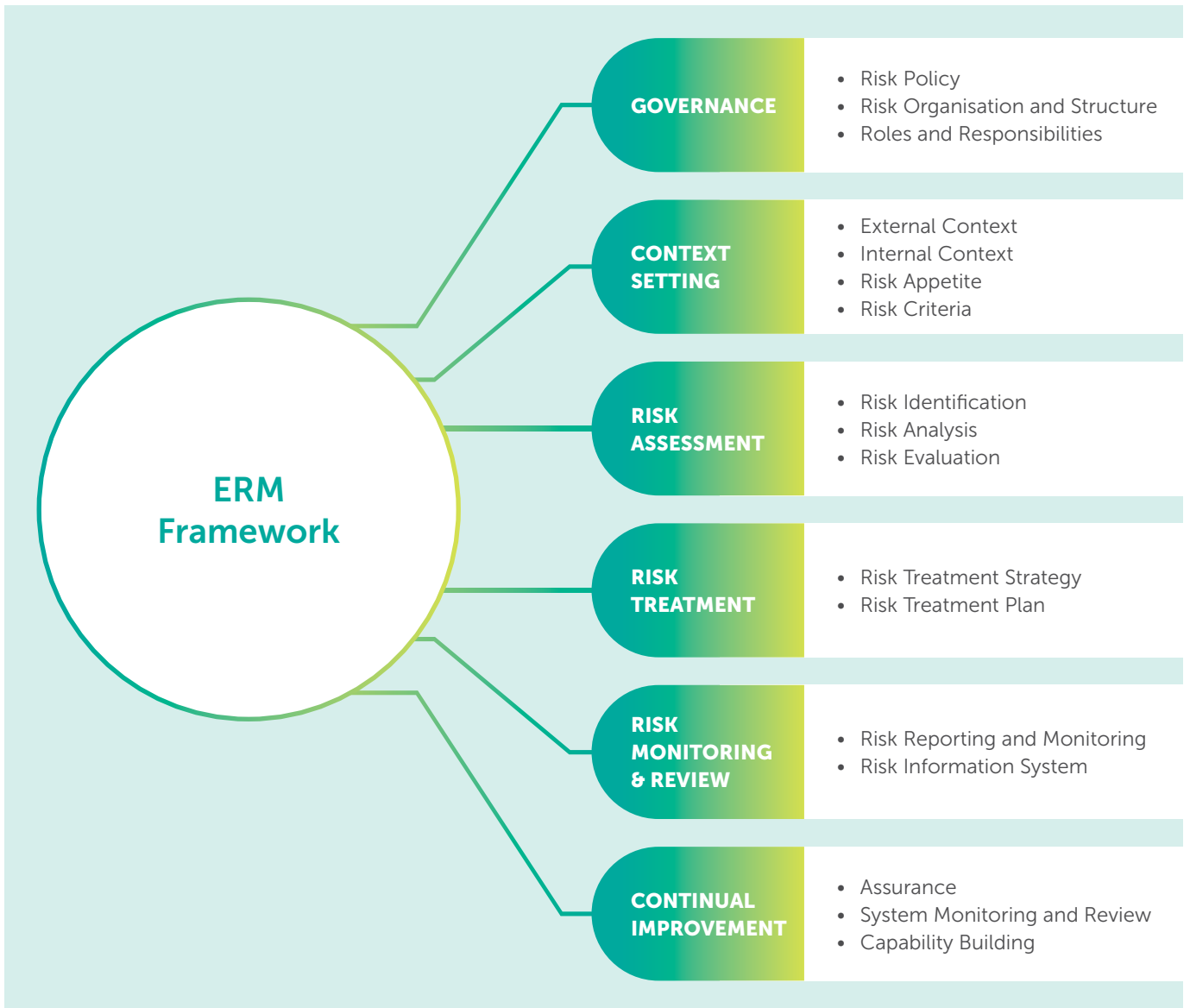


STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

We have continued to enhance our risk management practices and intensify our efforts to be a risk resilient organisation. These are supported by the risk management frameworks and the relevant guidelines to govern and guide the risk management practices across the Group. The status of risk management practices across the Group are continuously monitored and reported to SRMC, BSRC and Board on a quarterly basis.

ENTERPRISE RISK MANAGEMENT

Our ERM Framework and relevant guidelines are generally aligned with the Principles and Guidelines of ISO 31000:2009 and provides a standard and consistent approach in implementing the elements and processes to identify, assess, treat, monitor and review risks impacting PCG’s business objectives and targets.

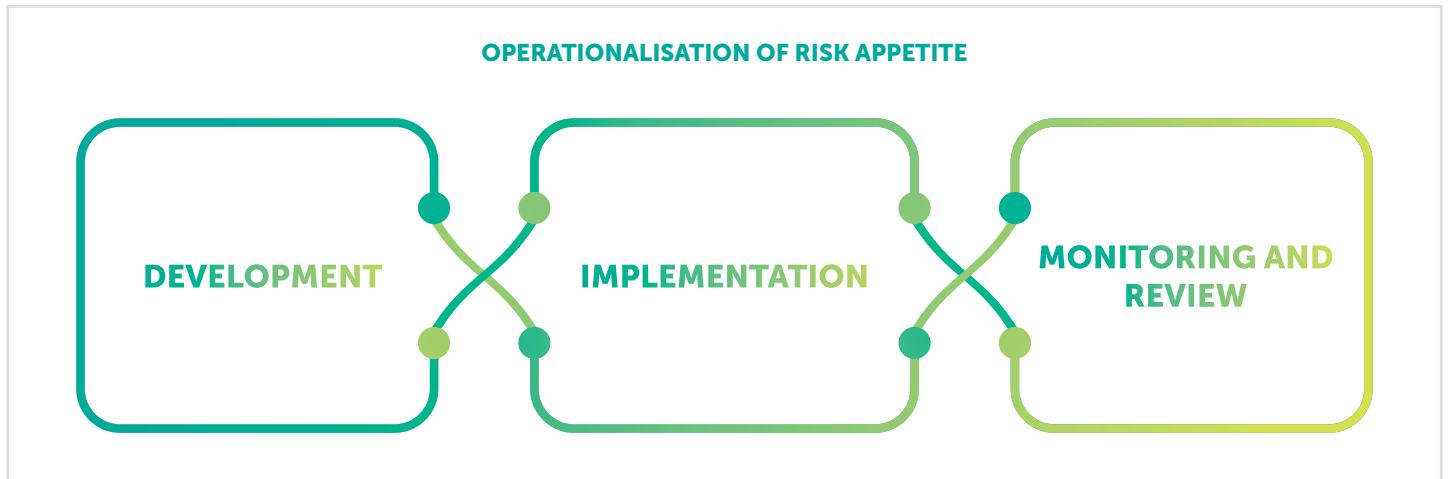


STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

RISK APPETITE

Risk appetite is defined as the amount and type of risks that PCG is willing to take, accept or retain in pursuing its strategic and business objectives.

The PCG Risk Appetite is guided and operationalised as follows:

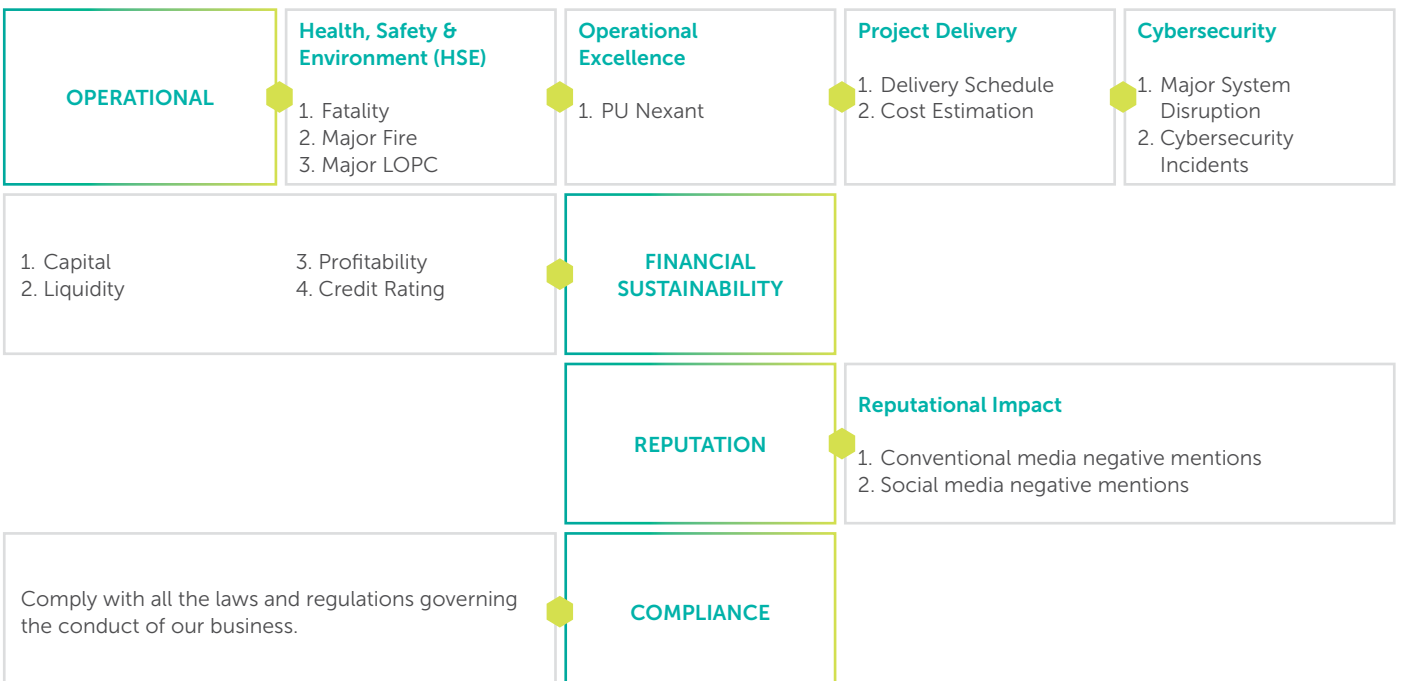


a. Development

PCG Risk Appetite was developed by aligning to PCG business strategies, with four Risk Appetite Focus Areas to be closely controlled and monitored.

Risk Appetite Statement, Risk Tolerance and Risk Threshold were established to ensure risks undertaken in pursuit of business objectives are consistently within acceptable level.

PCG Risk Appetite Focus Areas are as follows:



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

b. Implementation

To ensure clear accountability, the roles and responsibilities of all parties involved in Risk Appetite implementation were established. The Risk Appetite would be communicated to the respective risk owners to ensure strong understanding and strict adherence. In addition, Risk Appetite is integrated in the discussion on risk assessment for decision-making.

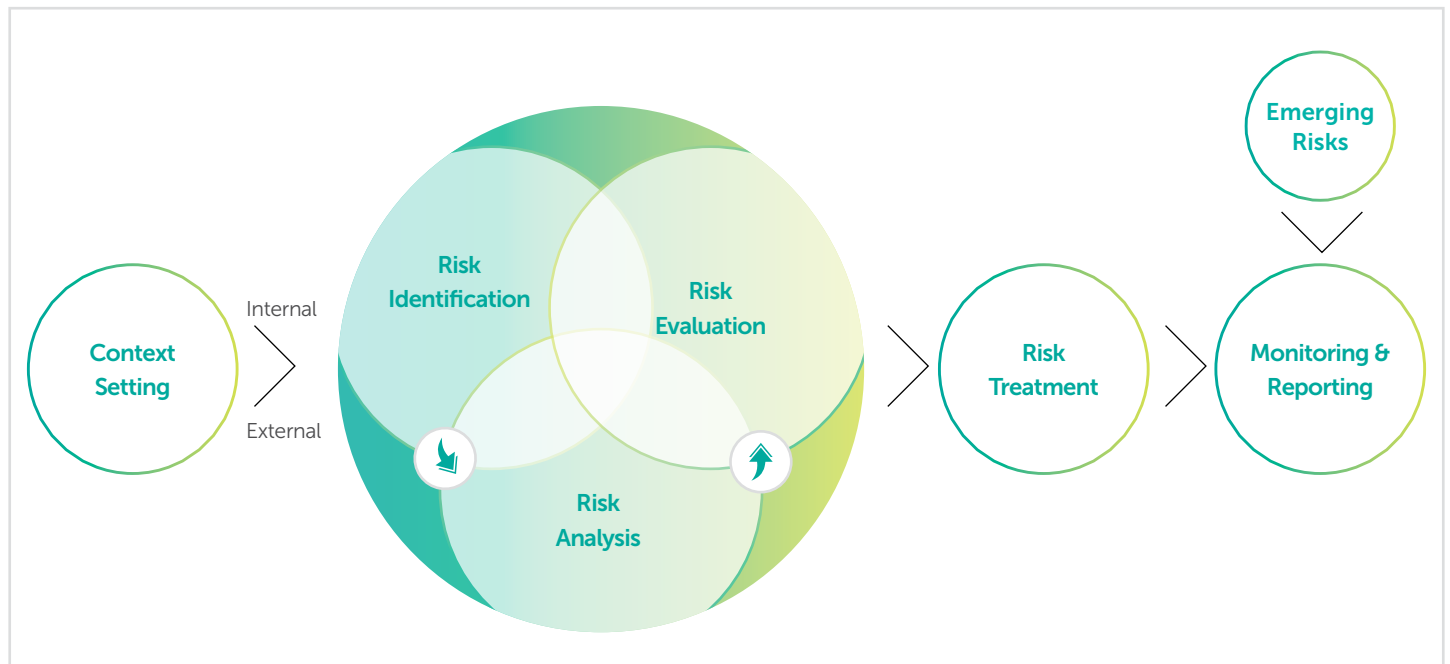
c. Monitoring and Review

Monitoring and review are critical to ensuring that PCG does not exceed its Risk Appetite. Systematic monitoring and reporting were established to ensure that any breach of the Risk Threshold is escalated to the risk owner, Management, and Board, if required, on a timely basis to trigger deliberation for specific action or decision.

CORPORATE RISK PROFILE

Our Corporate Risk Profile (CRP) is developed based on the Enterprise Risk Management Process Guideline (ERMPG). In keeping abreast with the ever-changing environment, we review our CRP on a quarterly basis to navigate these uncertainties with input from internal and external sources. These include key focus areas for the business, materiality assessments, previous risk profiles, risk scanning, industry risk reports, audit findings, stakeholders and management’s feedback.

Our structured risk profiling process is set out below:



The status of the PCG CRP including key risk indicators (KRIs) and mitigation plans of critical risks are deliberated at the SRMC, BSRC and Board during their quarterly meetings.

Each critical risk has a dedicated owner responsible for the implementation of control measures, monitoring and tracking of key risk indicators, as well as identifying and implementing risk mitigation measures. The risks and mitigation measures are communicated to the line management on a timely basis to ensure awareness at all levels.

We continuously scan and monitor our operating and external environments to identify any emerging risks. These emerging risks are discussed by the Management and Board. If the emerging risk poses a real threat, we will include and register into our CRP.

 For more information on PCG’s principal risks, kindly refer to Risk Overview on pages 76 to 87 of this Integrated Report.



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

To support the implementation of risk management at operational level, we apply the following PETRONAS' structured risk management assessment approach and tools:

Corruption Risk Assessment	To ensure the systematic identification, assessment and mitigation of risks to prevent bribery and corruption practices within the Group in line with the implementation of Prime Minister's Department Guidelines on Adequate Procedures
PETRONAS Health, Safety & Environment Management System (HSEMS)	To manage HSE risks and ensure our operations are in tandem with HSE regulatory requirements and industry best practices
Social Risk Assessment	To ensure the systematic identification, assessment and mitigation of any existing and potential human rights impact to communities, partners and stakeholders through business activities
Environmental Impact Assessment (EIA)	To ensure the systematic identification and assessment of the potential environmental effects of PCG projects or developments and to develop plans in order to comply with the regulatory requirements.
Carbon Footprint Assessment (CFA)	To ensure the systematic identification and assessment of the total amount of greenhouse gases (GHGs) emitted into the atmosphere from PCG's existing manufacturing facilities and future growth projects, and to develop recommendations and identify opportunities for reducing the carbon footprint.
Project Risk Assessment (PRA)	To ensure the systematic identification, assessment and mitigation of risks associated with projects, in line with PETRONAS Project Management System (PPMS) requirements
Turnaround Risk Assessment (TaRA)	To ensure the systematic identification, assessment and mitigation of risks for turnaround activities
Contractor Risk Assessment (CoRA)	To ensure the systematic identification, assessment and mitigation of risks critical to contractors' performance. CoRA is undertaken as part of the procurement process prior to contractor selection
Counterparty Risk Assessment	To ensure the systematic identification, assessment and mitigation of risks associated with credit and performance, in line with PCG Financial Policy and PETRONAS Credit Guidelines Each counterparty is assigned credit ratings which will eventually facilitate business decision-making
Supplier Risk Assessment	To ensure the systematic identification, assessment and mitigation of risks associated with supplier performance with each supplier being assigned risk ratings to facilitate business decision-making

Risk in Strategic Planning

We continued our focus on integrating risk management into our strategic planning and business decision-making processes, including conducting a risk assessment for PCG's Annual Plans and Budget. This is to ensure that our key strategies are solid and any business assumptions made are better understood, as well as the risks associated with them are identified and managed.

Risk in Decision Making

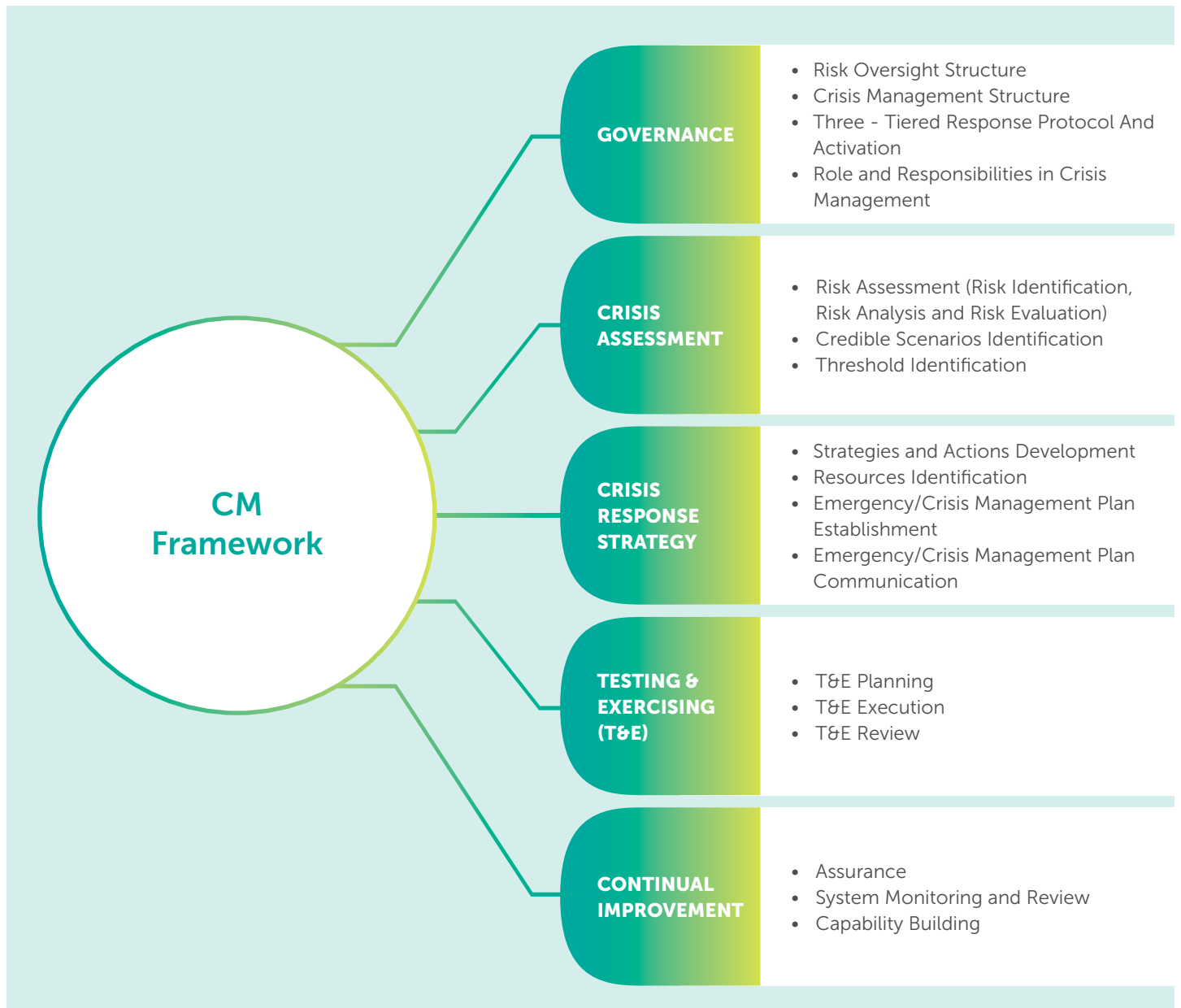
We also mandated that all Board decision papers are equipped with risk assessments to ensure that decision makers make fully informed decisions, consider the level of risk that the Company is willing to take, and implement necessary controls to achieve the desired business objectives.

As we strive to expand our capacity and diversify our product portfolio, risk assessments are more important than ever in the selection of business opportunities and project executions to ensure that we achieve the desired returns. During the year under review, the BSRC deliberated risks related to key growth projects and their mitigations prior to approval by the Board.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

CRISIS MANAGEMENT

PCG is susceptible to potential events of varying severities due to the nature of its business operations. PCG has established a Crisis Management Framework (CMF) to provide guidance on establishing a comprehensive approach across PCG Group in managing crisis and to respond to any crisis that may manifest.



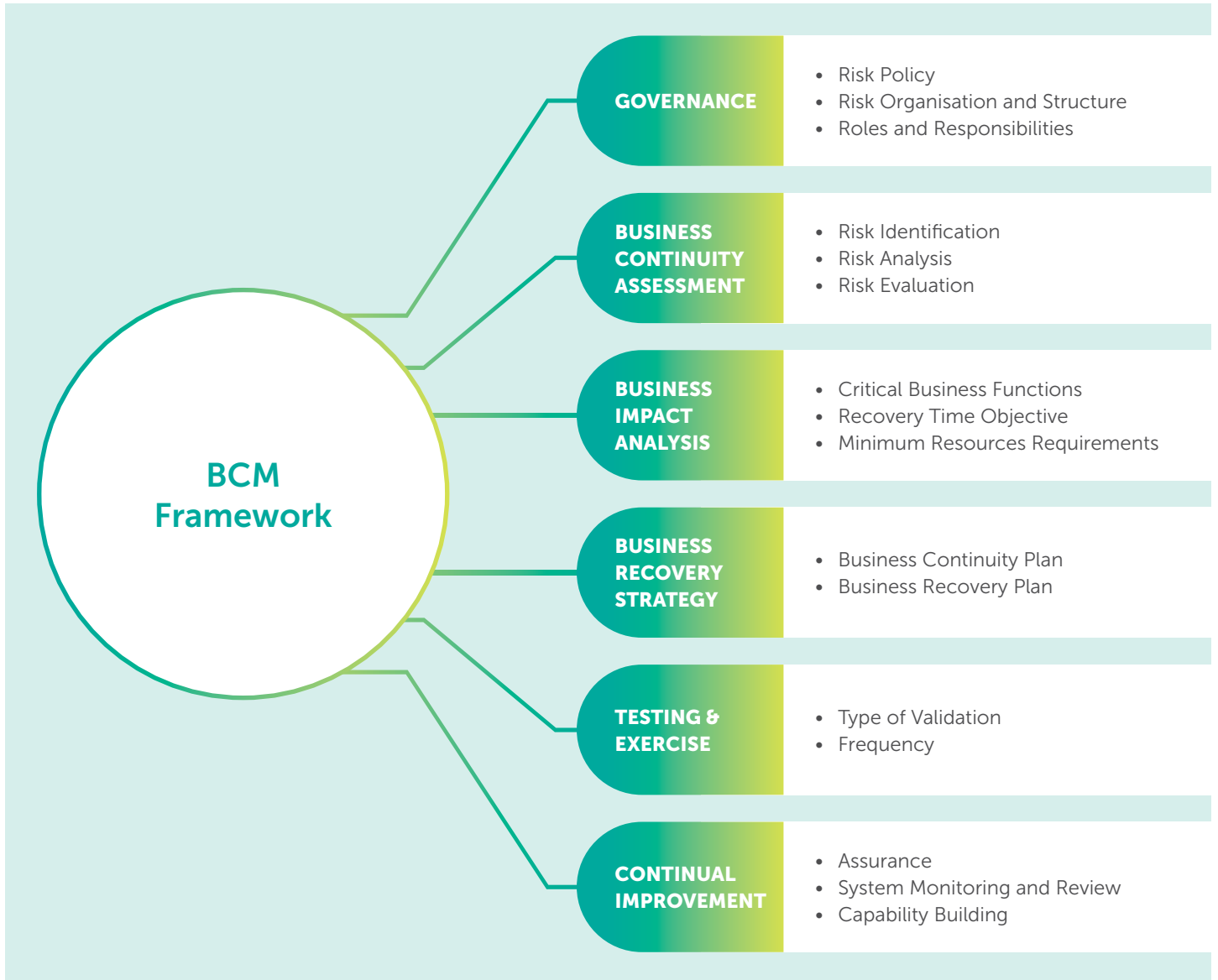
A Crisis Management Plan (CMP) has also been established in order to give comprehensive and strategic support to manage the crisis, including defining the roles and duties of the Crisis Management Team. The CMP also outlined a three-tiered response system based on severity of the crisis that provides clear demarcation of response control and required capability of emergency or crisis team members to protect and save people, environment, asset and reputation of PCG.

 Further detail on crisis management is set out on pages 68 to 73 of our standalone Sustainability Report, which is available online at <https://www.petronas.com/pcg/>

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

BUSINESS CONTINUITY MANAGEMENT

The Business Continuity Management (BCM) Framework and Guidelines were developed to provide a systematic approach and consistent practices in the event of prolonged business disruption. This is to ensure the continuation of PCG’s business and operations, as illustrated in the diagram below:



PCG has established a Business Continuity Plan (BCP) for Products Supply to address abrupt and prolonged outage of the products supply that could affect delivery of products to customers. Additionally, the Group has developed a BCP for PETRONAS Twin Towers to cater for inaccessibility of workplace, failure of critical ICT systems and prolonged unavailability of key personnel. In addition, Business Recovery Plans (BRPs) for our plants and facilities were also developed to restore assets and processes to resume for normal operation after crisis or incidents. During the year under review, PCG has reviewed BCP for PETRONAS Twin Towers and BRPs for plants and facilities to ensure the documents are kept up-to-date when facing business disruption or crisis or incidents.

Tests and drills are conducted as per requirement to ensure readiness of PCG and our Management team in managing crisis and business continuity, as well as the robustness of our plans.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

4 CONTINUAL IMPROVEMENT UNDER RISK MANAGEMENT FRAMEWORK

The inculcation of a risk management culture is a key aspect of an effective risk management. We continuously engage our employees through risk management communication programmes to instil the importance of risk management. PCG acknowledges the importance of risk assurance programmes to provide assurance to stakeholders that the systems of risk management and internal controls are implemented and complied with.

PCG Group performed risk assurance activities including self-assessment in accordance with the annual risk assurance plan as endorsed by SRMC. The progress of risk assurance, findings and the implementation of relevant corrective actions are reported to the SRMC on a quarterly basis.

5 INTERNAL CONTROLS

Management is accountable to the Board and is responsible to design, implement and maintain governance, risk management and internal controls in the Group. The Board and Board Audit Committee oversee the actions of the Management and monitor the effectiveness of controls that have been put in place.

The Group adopts the five components of Committee of Sponsoring Organisations of The Treadway Commission (COSO) Internal Control Integrated Framework, as a guide for adequate and effective internal controls.

The implementation and maintenance of governance, risk management and internal control in joint ventures, joint operations and associates are performed under the purview of their respective established governing procedures. The interests of the Group are safeguarded through the Group's representatives to the respective Boards of joint ventures, joint operations and associates, in addition to the regular review of management accounts and joint shareholders' audit.

Internal Audit

The Internal Audit Department (IAD) of PCG reports independently to the Board Audit Committee (BAC) and is independent of the activities and operations of the Group. IAD provides independent and objective assurance as well as advisory activities designed to add value and improve the Group's operations. IAD helps PCG accomplish its objectives by bringing a systematic approach to evaluate design and improve the adequacy and effectiveness of governance, risk management and internal control processes.

IAD maintains its impartiality, proficiency and due professional care by having its plans and performance, audit reports, resources, capabilities and quality assurance and improvement programme directly under the purview of the BAC.


The IAD function includes undertaking reviews of PCG governance, risk management and internal control on selected key activities and operations based on risk assessment and in accordance with the annual internal audit plan which is approved by the BAC.

The internal audit plan is formulated using a risk-based audit planning methodology encompassing the business strategies, key business objectives, its associated risks (including relevant emerging risks), and inputs from relevant stakeholders.

The BAC reviews IAD planned and ongoing activities on a quarterly basis with emphasis on audit scope and resource adequacy and capabilities.

The BAC reviews IAD audit reports which includes opinion on the adequacy and effectiveness of PCG's governance, risk management and internal control, audit finding's root cause, implications and the recommended corrective actions to be undertaken by the Management. The status of the closures of audit issues are reported to the BAC on a quarterly basis.

IAD adopts the standards and principles outlined in the Institute of Internal Auditors' International Professional Practices Framework (IPPF) and five components of COSO Internal Control Integrated Framework; a comprehensive, structured and widely used auditing approach, in conducting the audit activities. The conduct of IAD is also governed by the PCG Internal Audit Charter and established procedures and guidelines.

 The key activities of the internal audit function and audit competencies are set out in the BAC Report on pages 130 to 137.



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Other Key Elements of Internal Control Systems

In furtherance of the Board's commitment to maintain a sound system of internal control, the Board continues to implement and maintain a strong control structure and environment for the proper conduct of the Group's business operations as follows:

- **Board of Directors**

The Board meets at least quarterly and has set a schedule of matters, which are required to be brought to its attention for discussion, thus ensuring that it maintains full and effective supervision over appropriate controls. Additional meetings are held to discuss specific issues that require deliberation in between the scheduled meetings. The MD/CEO leads the Management in the presentation of Board papers which would include the Group Quarterly performance reports and related financial reports of the Group and provides detailed explanation of pertinent issues as well as its recommendation of issues resolutions. In arriving at any decision requiring Board's approval, as set out in the Limits of Authority manual, thorough deliberation and discussion by the Board is a prerequisite. The Board is also appraised on the Group's activities and its operation on a regular basis and the risks associated with them. In addition, the Board is updated on the any key risk arising from the changes in the business and external environment which may result in significant impact to the Group.

- **Board Audit Committee**

The Board has delegated the duty of reviewing and monitoring the effectiveness of the Group's system of internal control to the BAC.

The BAC assumes the overall duties of reviewing with the external auditors their audit plan, audit report, as well as their findings and recommendations pursuant to the year end audit. The BAC also evaluates the adequacy and effectiveness of the Group's internal control systems through reviews of internal control issues identified by internal auditors and Management. The BAC members keep abreast with the MMLR, MCCG, MFRS as well as new legal and regulatory requirements.

The BAC meets at least quarterly and has full and unimpeded access to the internal and external auditors as well as all employees of the Group.

i Further details on the BAC activities are set out on pages 130 to 137 of this <IR>.

- **Organisation Structure and Management Committee**

An organisational structure, which is aligned to the business and operational requirements, and with clearly defined lines of responsibility, accountability and levels of authority, is in place to assist in implementing the Group's strategies and day-to-day business activities.

The Company has a Management Committee which serves in an advisory capacity to the MD/CEO in accomplishing the vision, strategies and objectives set for the Group.

In addition, various functional Committees have also been established across the Group to ensure the Group's activities and operations are properly aligned towards achieving the organisational goals and objectives.

- **Group Policies**

The Group has in place policies which govern the day-to-day workings of the business such as HSE, plant operations, human resource management and related party transactions. The Group also subscribes to the PCG Financial Policy which sets forth the policy for financial management activities embedding the principles of financial risk management. PCG Financial Policy governs financial risk management practices across the Group. It prescribes a framework in which financial risk exposure is identified and managed towards efficient capital management practices.

- **Limits of Authority**

The Group has established Limits of Authority (LOA) which defines clear demarcation of authorisation and decision-making limits to govern business decision process within the Group including matters reserved for the Board.

A full review of LOA is performed every five years or as and when the need arises where the areas of decision making are reviewed to reflect the current business requirements and process, align with any new framework and guidelines with the right balance between business agility and control for an effective decision-making process. In 2022, the Company has revised the LOA to reflect changes in business requirements and revised organisation structures to promote process efficiency and consistency in decision making across the Group. Additionally, LOAs were established and reviewed for joint ventures and associates under the Group to ensure areas of decision making are aligned with relevant business requirements and frameworks whilst balancing efficient decision making with appropriate governance and management control.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

- **Operating Procedures and Guidelines**

The Group has developed operating procedures and guidelines which cover business and operations, including but not limited to business planning, capital expenditure, financial operation, performance reporting, HSE, plant operations, marketing and sales, procurement, supply and distribution, human resource management, corporate affairs, innovation and technology, and information system. These define the procedures for day-to-day operations and act as guidelines to the proper measures to be undertaken in a given set of circumstances. The procedures and guidelines are also reviewed on a regular basis to ensure continuing relevance and effectiveness.

- **Business Plan and Budget**

The Group undertakes an annual budgeting and forecasting exercise which includes development of business strategies for the next five years, and the establishment of KPIs against which the overall performance of the Group, including the respective performance of business segments and companies within the Group are measured. Detailed operating and capital expenditure requirements are tabled to the Board for approval prior to the commencement of a new financial year. The Group's performances are reported internally on a monthly basis to the Management Committee. The Group's quarterly performances are also presented to the Board with comparison to approved plans as well as against prior periods. The Group's strategic direction is also reviewed through a rigorous assessment process considering changes in market conditions and significant business risks.

- **Information and Communications Technology**

Information and communications technology (ICT) is extensively deployed within the Group to automate work processes that will increase business operations efficiency and productivity to drive business growth and enhance data management with improved security. The Group is investing more in digital programmes and initiatives to accelerate the era of smart manufacturing, and to enable new business models identification in increasing revenue streams and creating opportunities through effective data driven decision making. Digitalisation is done by taking into consideration business risk and exposure towards cyber threats and attacks that may impact operations, delay delivery of customer products which lead to financial loss, reputational damage, and regulatory impact.

The Group's Cyber Security are anchored on the PETRONAS Enterprise Cyber Security Governance Framework (ECSGF) to safeguard our data and systems from malicious cyber intrusion. This single governance framework adopts the industry best practices and standards (i.e., ISO27001, IEC62443 and NIST)

that covers the Information Technology and Operational Technology domain. Cyber Security threat has been identified as one of the Group's critical risks and is being monitored accordingly. The Group ICT infrastructure and systems are being monitored 24x7 by Cyber Security Operations Centre (SOC) against any cyber risks, vulnerabilities and attacks.

To inculcate best Cyber Security practices in our operations, we constantly create awareness and educate our employees to keep vigilant and always avoid potential risks. The educational programmes include modules on social engineering scams and complex cybersecurity attacks/incidents designed to steal intellectual property or personal data. On top of that, phishing tests are performed on a monthly basis to ensure that employees always remain cautious, and a yearly review of phishing tests is conducted to maintain compliance behaviour of human firewall. Employees also receive monthly updates on phishing test results and completion of Cyber Security training while management is provided with a monthly update on Cyber Security performance.

- **Management System**

PCG has implemented the Operational Excellence Management Systems (OEMS) with its fundamental principle being the documentation and use of collective best knowledge and experience that ensures each job is performed successfully. It serves as an integrated management system consisting of a document structure, a people structure and a self-assurance structure.

The document structure is a four-level document hierarchy with a "top-down" approach namely Policies, Requirements, Procedures and Records which are made accessible to users. The people structure provides clarity on the roles each focal has to perform to keep OEMS robust as well as enables a seamless working relationship among focal at various levels. The self-assurance structure with a "bottom-up" approach allows for self-check and escalation of issues that require higher level interventions.

The OEMS has an in-built annual Plan-Do-Check-Act cycle for continual improvement for which the Management System Review is a crucial component that serves as a platform to determine which element of OEMS needs attention for improvement. A digital solution that supports OEMS is established and actively used.

The Management System seeks to eliminate unplanned events and ensure each job is done successfully by making certain that knowledge is retained and used by the right people at the right time to deliver the right results.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

• Integrated Assurance

PCG has implemented PETRONAS Integrated Assurance which provides a structured and consistent approach in managing the assurance programme. PETRONAS Integrated Assurance ensures compliance to standards and legal requirements as well as effective management of risk.

In order to ensure that good governance is being practiced, an assurance programme is established to evaluate the adequacy and effectiveness of PCG's internal control system. This assurance requirement is a continuous process which provides insight and oversight towards effective and informed decision-making for business improvement and sustainability.

Each PCG subsidiary establishes its own assurance team as First Line Assurance to manage the risk and conduct self-assessment, provide assurance to its own Management, undertake advisory and value-added services in the assurance process to evaluate the compliance of operational activities and management system.

• Financial Reporting Control

The Group has implemented a Financial Reporting Control (FRC) Assurance Guidelines aligned to PETRONAS Assurance Framework with the principal objective of providing assurance on the quality of financial reporting through a structured process of ensuring the adequacy and effectiveness of key internal controls operating at various levels within the Group at all times.

FRC is the first line assurance involving self-assessment, with the objective to act as the first line of defence in integrated assurance approach. It comprises five assurance stages as outlined in PETRONAS Assurance Framework as follows:



FRC governing documents are the Assurance Guideline, Risk & Control Assessment Matrix (RCAM) and Functional Checklist (FC). FC is a set of questionnaires that cover financial reporting processes and financial risk.

Key process owners at various levels are required to complete FRC activities such as identifying scope of testing, assigning relevant assessor, evaluating the FC and finalizing assurance result via integrated assurance system platform which provides confirmation of compliance to key internal controls for the areas of the business for which they are accountable.

• Tax Compliance & Control

The Group has implemented Tax Compliance & Control (TCC) as part of Tax assurance programme that is aligned with PETRONAS Assurance Framework (i.e. First Line Assurance) with the principal objective is to provide assurance on compliance with Tax statutory and regulatory requirements at various levels within the Group at all times.

TCC involves self-assessment, with the objective is to act as the first line of defence in integrated assurance approach. Key process owners at various levels are required to complete the TCC activities such as identifying scope of testing, assigning assessor, evaluating the TCC functional checklist and finalising the assurance result via integrated assurance system platform which provides confirmation of compliance to key internal controls for the areas to which they are accountable.

• Procurement Governance

The Group has adopted the PETRONAS tendering process and governing principles that are embedded in the PETRONAS Procurement Standard for procurement activities above tendering threshold limit. Generally, the main selection criteria are based on technically acceptable and commercially attractive bid so as to secure the best value in procurement of goods and services whilst upholding good procurement governance. The key tendering processes are as follows:



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Procurement processes include:

- The most effective approach to be undertaken in the execution of procurement exercise shall be outlined in Tender Plan for evaluation of vendors' proposal against a set of pre-approved technical and commercial evaluation criteria.
- The award recommendation shall be based on the pre-approved technical and commercial evaluation criteria and award strategy.

Tender Committees have been established to ensure tender evaluations are carried out in an effective, transparent and fair manner in line with established procedures and guidelines. The award recommendation will be endorsed by the Tender Committee and approved by Approving Authority as set out in the LOA manual.

Risk assessment is included in each tender exercise to identify associated risk and minimise its likelihood and impact in ensuring that an informed decision is made. Suppliers are also subjected to "Know Your Customer" (KYC) questionnaire, strengthening third-party due diligence process and controls in ensuring they consistently meet PETRONAS high integrity standards.

- **Employee Performance Management**

The Group subscribes to the PETRONAS Employee Performance Management system, a business tool that helps align both organisational goals and individual objectives. It is a structured approach to help talent to perform and deliver successfully, maximizing performance towards high performing culture. Talent overall performance is objectively assessed and differentiated based on fulfilment of performance objectives and demonstration of PETRONAS Cultural Belief (PCB) behaviors. Performance conversation takes place between employee and superior throughout the year for superior to provide feedback and assist talent to achieve the objectives set during the goal setting at the beginning of the appraisal cycle.

- **Whistleblowing Policy**

The Group has adopted the PETRONAS Whistleblowing Policy which provides an avenue for the Group employees and members of the public to disclose any improper conduct in accordance with the procedures set out under the Policy. Under the Whistleblowing Policy, a whistleblower will be accorded with protection of confidentiality of identity, to the extent reasonably practicable. An employee who whistles internally will also be protected against any adverse and detrimental actions for disclosing any improper conduct committed or about to be committed within the Group, to the extent reasonably practicable, provided that the disclosure is made in good faith. Such protection is accorded even if the investigation later reveals that the whistleblower is mistaken as to the facts, rules and procedures involved. The process is undertaken by the PETRONAS' Whistleblowing Committee. The policy and procedures are accessible to the public for reference on the Company's corporate website at <https://www.petronas.com/pcg/about-us/governance>



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

RELATED PARTY TRANSACTIONS (RPTS)/RECURRENT RELATED PARTY TRANSACTIONS (RRPTS) AND CONFLICT OF INTEREST SITUATIONS (COI)

The Group has established the Guidelines and Procedures on RPTs and COI Situations (collectively, the Guideline) to promote continuous awareness and provide consistent approach to all RPTs and RRPTs or COI situations. The Guideline requires the use of various processes to ensure that RPTs/RRPTs are conducted on an arm's length basis, which is consistent with the Group's normal business practices and policies and will not be to the detriment of the Group's minority shareholders. To facilitate this, the RPT Assessment Checklist is prepared for each transaction which requires the input from various parties namely, Corporate Secretarial, Governance, Finance and Legal.

The Guideline aims to provide guidance under which certain transactions and situations must be reviewed and endorsed by the various approving authorities of the Group in compliance with the applicable MMLR of Bursa Malaysia.

The Guideline also prescribes the processes required to identify, evaluate, approve, monitor and report RPTs/RRPTs as well as manage COI. Such processes include identification and screening of transactions, negotiation of transactions and approval/mandate mechanism, monitoring and reporting principles, and renewal or changes in the terms or termination of such transactions. In principle, the Guideline sets forth the following:

All sourcing and sales of PCG's products, general merchandise and shared facilities shall be based on market negotiated pricing terms and conditions and/or pricing formulas and the terms are not more favourable to the related party than those generally applied to a third party, in order to ensure that the transactions are on an arm's length basis;

Database is maintained to capture the list of related parties and RPTs/RRPTs which have been entered into;

If a Director or a related party has an interest in a transaction, he or she will abstain from any deliberation and decision making at the Board or subsidiary company's Board (as the case may be) in respect of such transaction;

All RPTs will be reviewed by the BAC in accordance with the PCG's Guidelines and Procedures on Related Party Transactions and Conflict of Interest Situations prior to the deliberation by either the Board or the shareholders. All RPTs and RRPTs will be reported to the BAC on a quarterly basis.

On an annual basis, all Directors and any related party of the Group will declare in a written form, designed to elicit information about current/potential relationships and/or COI situations, involving their interest, either directly or indirectly. All Directors and any related party of the Group shall also notify in writing of any interest in RPT or COI situation when it becomes immediately known to them.

Overall, the BAC is satisfied that during the year under review, all the RPTs/RRPTs were fairly concluded on prevailing market rate/prices, had been carried out at arm's length basis and normal commercial terms/conditions, applicable industry norms and not detrimental to the interests of PCG and its minority shareholders.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

MANAGEMENT'S ACCOUNTABILITY

Management is accountable to the Board for the implementation of the processes in identifying, evaluating, monitoring and reporting of risks and internal control as prescribed above. The MD/CEO and CFO have provided the Board with assurance that the Group risk management and internal control system is operating adequately and effectively, in all material aspects, to ensure achievement of corporate objectives. In providing the above assurance by the MD/CEO and CFO, similar assurances have also been obtained from Management Committee members confirming the adequacy and effectiveness of risk management practice and internal control system within their respective areas.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide (AAPG 3), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants (MIA) for inclusion in the Integrated Report of the Group for the year ended 31 December 2022, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the Integrated Report of the Group, in all material respects:

- a. has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or
- b. is factually inaccurate.

AAPG 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and Management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the Annual Report will, in fact, remedy the problems.

CONCLUSION

Based on the above, the Board is of the view that the risk management and internal control system instituted throughout PCG is sound and provides a level of confidence on which the Board relies for assurance. In the year under review, there was no significant control failure or weakness that would result in material losses, contingencies or uncertainties requiring separate disclosure in this Integrated Report.

The Board and Management will continue to review and strengthen the Group's risk management and internal control system to ensure ongoing adequacy and effectiveness of the system of internal control and risk management practices to meet the changing and challenging operating environment.

This Statement on Risk Management and Internal Control is made in accordance with the resolution of the Board dated 23 February 2023.



TOP 10 PROPERTIES OF PCG GROUP

No.	Name of registered owner/Beneficial owner Lot no./Leasehold period	Acquisition date	Existing use	Land area (sq metre unless otherwise stated)	Age of Plant & Building (Years)	NBV as at 31/12/2022 (RM'000)
1	PETRONAS Chemicals Methanol Sdn. Bhd. No. 205350607, Kg. Ranca-Ranca, Wilayah Persekutuan Labuan Leasehold for 79 years, expiring on 31 December 2082	31.8.2004	Industrial land - Plant for production of methanol	14 hectares	18	1,214,995
	PETRONAS Chemicals Methanol Sdn. Bhd. Pajakan Negeri No. Hakmilik 11911, Lot 31770, Kg. Ranca-Ranca, Wilayah Persekutuan Labuan Leasehold for 99 years, expiring 1 August 2106	02.08.2007	Industrial land - Land for Plant 2 jetty	19,679	15	
	PETRONAS Chemicals Methanol Sdn. Bhd. Pajakan Negeri No. Hakmilik 11903, Lot 31772, Kg. Ranca-Ranca, Wilayah Persekutuan Labuan Leasehold for 99 years, expiring 14 April 2107	15.04.2008	Industrial land - Land for Plant 2 sea water outtake	483	14	
	PETRONAS Chemicals Methanol Sdn. Bhd. Pajakan Negeri No. Hakmilik 11904, Lot 31771, Kg. Ranca-Ranca, Wilayah Persekutuan Labuan Leasehold for 99 years, expiring 14 April 2107	15.04.2008	Industrial land - Land for Plant 2 sea water intake	1,195	14	
	PETRONAS Chemicals Methanol Sdn. Bhd. Pajakan Negeri No. Hakmilik 10336, Lot 12275, Kg. Ranca-Ranca, Wilayah Persekutuan Labuan Leasehold for 30 years, expiring 28 October 2039	29.10.2009	Industrial land - Land for Plant 2 inner berth jetty	12,357	13	
	PETRONAS Chemicals Methanol Sdn. Bhd. No. 206291590, Kg. Ranca-Ranca, Wilayah Persekutuan Labuan Leasehold for 51 years, expiring on 30 December 2043	01.06.1992	Industrial land - Plant for production of methanol and administration office	48 acres	30	
	PETRONAS Chemicals Methanol Sdn. Bhd. Pajakan Negeri No. Hakmilik 1192, Lot 205351793, Kg. Ranca-Ranca, Wilayah Persekutuan Labuan Leasehold for 99 years, expiring 31 December 2092	01.01.1994	Industrial land - Land for Plant 1 jetty	3,031	28	
	PETRONAS Chemicals Methanol Sdn. Bhd. Pajakan Negeri No. Hakmilik 2971, Lot 10859, Kg. Ranca-Ranca, Wilayah Persekutuan Labuan Leasehold for 99 years, expiring 15 September 2103	06.09.2004	Industrial land - Additional land for Plant 1 jetty	1,050	18	
2	Perstorp Oxo AB Sanden 216-220, 444 95 Ödsmål, Sweden	30.06.1993	Production site (land, buildings)	571,136	40	723,244
	Stenungsund Sanden 6:5					
	Stenungsund Sanden 5:10	30.06.1999		790,879	20	
	Ale Nol 31:1	30.06.2000		18,071	40	
	Stenungsund Ödsmåls Prästgård 1:10	30.06.2012		44,918	40	
Ale Nol 2:442	30.06.2000	6,568	40			
3	Perstorp Specialty Chemicals AB Industriparken, 284 80 Perstorp	30.06.2001	Production site (machinery and other technical work & equipment, tools and installations)	25,900	40	413,874

TOP 10 PROPERTIES OF PCG GROUP

No.	Name of registered owner/Beneficial owner Lot no./Leasehold period	Acquisition date	Existing use	Land area (sq metre unless otherwise stated)	Age of Plant & Building (Years)	NBV as at 31/12/2022 (RM'000)
4	ASEAN Bintulu Fertilizer Sdn. Bhd. No.323, Lot 35, Block 20, Kemena Land District, Bintulu, Sarawak Leasehold for 99 years, expiring on 19 February 2083	01.04.1983	Mixed zone/town land - Plant for production of urea and ammonia	38 hectares	40	388,448
5	PETRONAS Chemicals Fertiliser Sabah Sdn. Bhd. PL196290767 Sipitang Oil and Gas Industrial Park, 89850 Sipitang, Sabah Property useful life is 25 years, expiring on 31 December 2040	01.01.2014	Industrial land - Plant for production of urea and ammonia	505 hectares	5	304,246
6	Kertih Port Sdn. Bhd. Pajakan Negeri No. Hakmilik 4695, No. Lot 7120, Mukim Kertih, Kemaman, Terengganu Leasehold for 60 years, expiring on 5 March 2060	02.08.2000	Industrial land - Operations of Kertih Port (Jetty and marine related facilities)	43,100	22	281,000
7	PETRONAS Chemicals Ethylene Sdn. Bhd., PETRONAS Chemicals Polyethylene Sdn. Bhd. Pajakan Negeri No. Hakmilik 6282, No. Lot 8075, Mukim Kertih, Kemaman, Terengganu Leasehold for 51 years, expiring on 16 June 2052	02.04.1993	Industrial land - Plant for production of ethylene/polyethylene	567,800	30	280,772
8	PETRONAS Chemicals MTBE Sdn. Bhd. H.S.(D) 34911, No. P.T. 15128, Mukim Sungai Karang, Kuantan, Pahang Leasehold for 99 years, expiring on 8 January 2100	09.01.2001	Industrial land - Propane dehydrogenation plant	34 acres	22	267,248
9	Perstorp Polyols Inc. 632 Matzinger Road, Toledo OH 43612, U.S. 22-08001 22-08002 22-08037 22-08054	30.06.1977	Production site (land, buildings)	82,412 7,587 22,581 32,496	40	238,821
10	PETRONAS Chemicals Derivatives Sdn. Bhd., PETRONAS Chemicals Olefins Sdn. Bhd., PETRONAS Chemicals Glycols Sdn. Bhd. (each a 1/3 part owner) H.S.(D) 3385, PT No. 10535, Mukim Kertih, Kemaman, Terengganu Leasehold for 60 years, expiring on 29 August 2060	30.08.2000	Industrial land - TNB sub-station	3,886	22	211,138
	H.S.(D) 3316, PT No. 9015, Mukim Kertih, Kemaman, Terengganu Leasehold for 60 years, expiring on 29 August 2060	30.08.2000	Industrial land - Waste water and treatment substation	260,469	22	
	Pajakan Negeri No. Hakmilik 7594, No. Lot 8068, Mukim Kertih, Kemaman, Terengganu Leasehold for 60 years, expiring on 29 August 2060	30.08.2000	Industrial land - Plant for production of ethylene derivatives	611,075	22	

ANALYSIS OF SHAREHOLDINGS

AS AT 28 FEBRUARY 2023

Share Capital : RM800,000,000 comprising 8,000,000,000 ordinary shares
 Class of Shares : Ordinary shares
 Voting Rights : One Vote Per Ordinary Share (on a poll)

DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shareholdings
Less than 100	1,218	5.79	5,567	0.00
100 - 1,000	7,804	37.09	5,800,326	0.07
1,001 - 10,000	9,426	44.80	37,847,335	0.47
10,001 - 100,000	1,758	8.36	53,385,745	0.67
100,001 to less than 5% of issued shares	830	3.95	2,023,386,527	25.29
5% and above of issued shares	2	0.01	5,879,574,500	73.50
Total	21,038	100.00	8,000,000,000	100.00

CLASSIFICATION OF SHAREHOLDERS

	No. of Shareholders		% of Shareholders		No. of Shares		% of Shareholdings	
	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
1. Individuals	16,029	148	76.19	0.70	63,114,394	840,468	0.79	0.01
2. Body Corporate								
a. Banks/Finance Companies	113	0	0.54	0.00	763,404,977	0	9.54	0.00
b. Investment Trusts/ Foundation/Charities	2	0	0.01	0.00	154,200	0	0.00	0.00
c. Other types of companies	236	8	1.12	0.04	14,425,001	4,778,000	0.18	0.06
3. Government Agencies/ Institutions	4	0	0.02	0.00	4,919,500	0	0.06	0.00
4. Nominees	3,480	1,017	16.54	4.83	6,365,293,210	783,070,249	79.57	9.79
5. Others	0	1	0.00	0.01	1	0	0.00	0.00
Total	19,864	1,174	94.42	5.58	7,211,311,283	788,688,717	90.14	9.86

LIST OF SUBSTANTIAL SHAREHOLDERS

No.	Name	No. of Shares		% of Shareholdings	
		Direct.	Indirect	Direct	Indirect.
1.	CIMB Group Nominees (Tempatan) Sdn. Bhd. <i>Exempt an for Petroleum Nasional Berhad (PETRONAS)</i>	5,148,000,000	-	64.35	-
2.	Citigroup Nominees (Tempatan) Sdn. Bhd. <i>Employees Provident Fund Board (Including Portfolio Managers)</i>	818,034,600	-	10.23	-

ANALYSIS OF SHAREHOLDINGS

LIST OF DIRECTORS' SHAREHOLDINGS

No.	Name	No. of Shares		% of Shareholdings	
		Direct	Deemed Interest	Direct	Deemed Interest
1.	Datuk Ir. (Dr.) Abdul Rahim Hashim	60,000	-	0.00	-
2.	Ir. Mohd Yusri Mohamed Yusof	28,000	-	0.00	-
3.	Datuk Toh Ah Wah	35,000	-	0.00	-
4.	Yeoh Siew Ming	-	-	-	-
5.	Warren William Wilder	-	-	-	-
6.	Dr. Zafar Abdulmajid Momin	-	-	-	-
7.	Datin Seri Sunita Mei-Lin Rajakumar	-	-	-	-
8.	Datuk Sazali Hamzah	-	8,000	0.00	-
9.	Farehana Hanapiah <i>Appointed on 1 June 2022</i>	6,000	-	0.00	-

LIST OF MANAGEMENT'S SHAREHOLDINGS

No.	Name	No. of Shares		% of Shareholdings	
		Direct	Deemed Interest	Direct	Deemed Interest
1.	Ir. Mohd Yusri Mohamed Yusof	28,000	-	0.00	-
2.	Mohd Azli Ishak	-	-	-	-
3.	Zamri Japar	-	-	-	-
4.	Shakeel Ahmad Khan	-	-	-	-
5.	Yaacob Salim	-	-	-	-
6.	Nur Nadia Mohd Nordin	4,000	-	0.00	-
7.	Fauzamsaari Geran	6,000	-	0.00	-
8.	Jamilah Ujang	-	-	0.00	-
9.	Norfaila Hassan	-	-	-	-
10.	Aminudin Yahia	6,000	-	-	-
11.	Dr. Debbie Chiu	-	-	-	-

LIST OF 30 LARGEST SHAREHOLDERS

No.	Name	Holdings	%
1.	CIMB Group Nominees (Tempatan) Sdn. Bhd. <i>Exempt an for Petroliam Nasional Berhad (PETRONAS)</i>	5,148,000,000	64.35
2.	Citigroup Nominees (Tempatan) Sdn. Bhd. <i>Employees Provident Fund Board</i>	731,574,500	9.14
3.	AmanahRaya Trustees Berhad <i>Amanah Saham Bumiputera</i>	265,000,000	3.31
4.	Kumpulan Wang Persaraan (Diperbadankan)	162,538,767	2.03
5.	Citigroup Nominees (Asing) Sdn Bhd <i>CB Spore GW for Government of Singapore (GIC C)</i>	61,141,661	0.76
6.	Cartaban Nominees (Asing) Sdn Bhd <i>Exempt AN for State Street Bank & Trust Company (West CLT OD67)</i>	51,260,700	0.64



ANALYSIS OF SHAREHOLDINGS

No.	Name	Holdings	%
7.	Citigroup Nominees (Tempatan) Sdn Bhd <i>Exempt AN for AIA BHD.</i>	46,492,700	0.58
8.	Lembaga Tabung Haji	43,139,700	0.54
9.	Citigroup Nominees (Tempatan) Sdn Bhd <i>Great Eastern Life Assurance (Malaysia) Berhad (PAR 1)</i>	40,324,800	0.50
10.	HSBC Nominees (Asing) Sdn. Bhd. <i>JPMCB NA for Vanguard Emerging Markets Stock Index Fund</i>	39,708,612	0.50
11.	HSBC Nominees (Asing) Sdn Bhd <i>JPMCB NA for Vanguard Total International Stock Index Fund</i>	37,231,358	0.47
12.	Permodalan Nasional Berhad	33,506,200	0.42
13.	Maybank Nominees (Tempatan) Sdn Bhd <i>Maybank Trustees Berhad for Public Ittikal Fund (N14011970240)</i>	31,000,000	0.39
14.	Cartaban Nominees (Tempatan) Sdn Bhd <i>PAMB for Prulink Equity Fund</i>	30,751,900	0.38
15.	Citigroup Nominees (Tempatan) Sdn Bhd <i>Employees Provident Fund Board (Nomura)</i>	29,090,200	0.36
16.	AmanahRaya Trustees Berhad <i>Amanah Saham Malaysia 3</i>	24,877,800	0.31
17.	AmanahRaya Trustees Berhad <i>Public Islamic Dividend Fund</i>	24,368,800	0.30
18.	AmanahRaya Trustees Berhad <i>Amanah Saham Malaysia 2 - Wawasan</i>	20,649,800	0.26
19.	Citigroup Nominees (Tempatan) Sdn Bhd <i>Employees Provident Fund Board (CGS CIMB)</i>	20,000,000	0.25
20.	HSBC Nominees (Asing) Sdn Bhd <i>JPMCB NA for Blackrock Institutional Trust Company, N.A. Investment Funds for Employee Benefit Trusts</i>	17,732,800	0.22
21.	Cartaban Nominees (Asing) Sdn Bhd <i>BNYM SA/NV for People's Bank of China (SICL Asia EM)</i>	17,225,900	0.22
22.	HSBC Nominees (Asing) Sdn Bhd <i>JPMCB NA for Vanguard Fiduciary Trust Company Institutional Total International Stock Market Index Trust II</i>	16,817,200	0.21
23.	Citigroup Nominees (Tempatan) Sdn Bhd <i>Great Eastern Life Assurance (Malaysia) Berhad (PAR 3)</i>	15,653,900	0.20
24.	AmanahRaya Trustees Berhad <i>Amanah Saham Malaysia</i>	15,403,200	0.19
25.	AmanahRaya Trustees Berhad <i>Amanah Saham Bumiputera 2</i>	15,217,900	0.19
26.	Pertubuhan Keselamatan Sosial	14,546,710	0.18
27.	AmanahRaya Trustees Berhad <i>Public Islamic Equity Fund</i>	14,424,200	0.18
28.	Cartaban Nominees (Tempatan) Sdn Bhd <i>PBTB for Takafulink Dana Ekuiti</i>	14,400,700	0.18
29.	AmanahRaya Trustees Berhad <i>Amanah Saham Bumiputera 3 - Didik</i>	13,902,700	0.17
30.	Cartaban Nominees (Tempatan) Sdn Bhd <i>Prudential Assurance Malaysia Berhad for Strategic Fund</i>	13,551,900	0.17
Total		7,009,534,608	87.60

INDEPENDENT LIMITED ASSURANCE REPORT

TO THE MEMBERS OF PETRONAS CHEMICALS GROUP BERHAD

REGISTRATION NO: 199801003704 (459830-K)
(INCORPORATED IN MALAYSIA)

Independent Limited Assurance Report to PETRONAS Chemicals Group Berhad (“PCG”) and its subsidiaries (the “Group”) on Selected Non-Financial Indicators depicted under the Material Matters as published in PCG’s Integrated Report for the financial year ended 31 December 2022

We, KPMG PLT (“KPMG”), were engaged by PCG to provide limited assurance on Selected Non-Financial Indicators depicted under the Material Matters (the “Subject Matter”), as published in PCG’s Integrated Report for the financial year ended 31 December 2022 (the “Integrated Report”), in the form of an independent limited assurance conclusion as to whether the Subject Matter is in all material respects in accordance with the International Framework (<IR>), as well as the Group’s definition and calculation methodologies which are disclosed in the Integrated Report including any significant inherent limitations, the (“Applicable Criteria”).

Subject Matter

The Selected Non-Financial Indicators depicted under the Material Matters covered by our limited assurance engagement are:

- (i) Effluent Pollution Loading - Chemical Oxygen Demand (“COD”);
- (ii) Scope 1 Greenhouse Gas (“GHG”) Emissions;
- (iii) Scope 2 GHG Emissions;
- (iv) Lost Time Injury Frequency (LTIF);
- (v) Total Recordable Occupational Illness Frequency (“TROIF”);
- (vi) Total Non-Renewable Energy Consumption;
- (vii) Total Municipal Water Supplies (or from other water utilities);
- (viii) Total Weight of Nitrogen Oxides (NOx) and Sulfur Oxides (SOx) Emissions from Selected Operating Sites; and
- (ix) Tier 1 Process Safety Event (“T-1 PSE”).

The boundary of the limited assurance engagement by KPMG represents the Group’s operations at the Group level (located at PCG’s headquarters at PETRONAS Twin Tower 1, Kuala Lumpur City Centre) and two (2) of its wholly owned subsidiaries being PETRONAS Chemicals Fertiliser Kedah Sdn Bhd located at Gurun, Kedah and PETRONAS Chemicals Fertiliser Sabah Sdn Bhd located at Sipitang, Sabah (collectively known as the operating units or OPUs) for the site level data testing, and the remaining to PCG’s wholly-owned subsidiaries or OPUs for the group level consolidated data testing.

Board of Directors and Management’s Responsibilities

The Board of Directors of PCG (the “Directors”) and the management of PCG (the “Management”) are responsible for the preparation and presentation of the Subject Matter in accordance with the Applicable Criteria, and the information and assertions contained within it; for determining the objectives in respect of sustainable development performance and reporting, including the identification of stakeholders and material issues; and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

The Directors and the Management are responsible for the prevention and detection of fraud and error mainly through the implementation and continued operation of an adequate system of internal control.

The Directors and the Management are also responsible for ensuring that staff involved with the preparation and presentation of the description of the Subject Matter and the Integrated Report are properly trained, ensuring that information systems are properly updated and that any changes in reporting encompass all significant business units.

The Directors and the Management responsible for disclosing to us their knowledge of: (i) known, actual or possible non-compliance with laws or regulations that have or may have a material effect on the Subject Matter and the Integrated Report; and (ii) allegations of or suspected fraud or dishonesty committed against the Group.

The Directors and the Management are responsible to make available to us the Subject Matter and the Integrated Report and any other information timely to facilitate the completion of the engagement within the required time frame.

The Directors and the Management are responsible for disclosing to us facts that may affect the Subject Matter and the Integrated Report, of which they may become aware during the period from the date of the independent limited assurance report to the date the Subject Matter and the Integrated Report are issued.

Our Responsibilities

Our responsibility is to carry out a limited assurance engagement and to express a conclusion based on the work performed and evidence obtained.

We conducted our engagement in accordance with Malaysian Approved Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements Other Than Audits of Reviews of Historical Financial Information and Malaysian Approved Standard (ISAE) 3410, Assurance Engagements on Greenhouse Gas Statements. These standards requires that we plan and perform procedures to obtain limited assurance that nothing has come to our attention that causes us to believe that the Subject Matter, in all material respects, is not prepared in accordance with the Applicable Criteria.



INDEPENDENT LIMITED ASSURANCE REPORT

Procedures Performed

Our limited assurance engagement on the Subject Matter consists of making enquiries, primarily of persons responsible for the preparation of the Subject Matter presented in the Integrated Report, and applying analytical and other evidence gathering procedures, as appropriate. These procedures included:

- Enquiries of management to gain an understanding of the processes for determining material issues for key stakeholder groups;
- Interviews with senior management and relevant staff at group level and selected business unit level concerning sustainability strategy and policies for material issues, and the implementation of these across the business;
- Interviews with relevant staff at the corporate and business unit level responsible for providing the Subject Matter in the Integrated Report;
- Interviews with sites, selected on the basis of a risk analysis including the consideration of both quantitative and qualitative criteria;
- Identify the risks of material misstatement of the Subject Matter and the Integrated Report, whether due to fraud or error, design and perform limited assurance procedures to address those risks and obtain limited assurance evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the engagement in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Compare the Subject Matter presented in the Integrated Report to corresponding information in the relevant underlying sources on a sample basis to determine whether all the relevant information has been appropriately included in the Report;
- Evaluate the Subject Matter presented in the Integrated Report to determine whether they are in line with our overall knowledge of, and experience with, the sustainability performance of the Group;
- Evaluate the remainder of the Integrated Report to determine whether there are any material misstatements of fact or material inconsistencies based on our understanding obtained as part of our assurance engagement.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our Quality Management and Independence

Our firm applies Malaysian Approved Standard on Quality Management, ISQM 1, Quality Management for Firms that Perform Audits and Reviews of Financial Statements, or Other Assurance or Related Services Engagements, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Inherent Limitations

Due to the inherent limitations of any internal control structure, it is possible that errors or irregularities in the information presented in the Integrated Report may occur and not be detected. Our engagement is not designed to detect all weaknesses in the internal controls over the preparation and presentation of the Integrated Report, as the engagement has not been performed continuously throughout the period and the procedures performed were undertaken on a test basis.

Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Based on the limited assurance procedures performed and evidence obtained as described above, nothing has come to our attention that would lead us to believe that the Subject Matter included in PCG's Integrated Report for the financial year ended 31 December 2022, in all material respects, is not prepared in accordance with the Applicable Criteria.

Purpose of our report

In accordance with the terms of our engagement, this report on the Subject Matter has been prepared for PCG and for no other purpose or in any other context.

Restriction of use

Our report should also not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than PCG, for any purpose or in any other context. Any party other than PCG who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we do not accept nor assume responsibility and deny any liability to any party other than PCG for our work, for this report, or for the conclusion we have reached.

Our report is released to PCG on the basis that it shall not be copied, referred to or disclosed, in whole (save for PCG's own internal purposes) or in part, without our prior written consent.

KPMG PLT (LLP0010081-LCA & AF 0758)
Chartered Accountants
Petaling Jaya
Date: 2 March 2023

NOTICE OF 25TH ANNUAL GENERAL MEETING

PETRONAS CHEMICALS GROUP BERHAD

REGISTRATION NO: 199801003704 (459830-K)
(INCORPORATED IN MALAYSIA)

NOTICE IS HEREBY GIVEN THAT the 25th Annual General Meeting (AGM) of the Company will be held virtually through live streaming via a remote participation and voting facilities at the Broadcast Venue, Exhibition Hall 8C, Level 4, Kuala Lumpur Convention Centre, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia on Tuesday, 18 April 2023 at 10.00 a.m. to transact the following businesses:

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2022 together with the Reports of the Directors and Auditors thereon.
Please refer to Explanatory Note A
2. To re-elect the following Directors who retire by rotation pursuant to Article 107 of the Company's Constitution:

(a) Datuk Toh Ah Wah	(Resolution 1)
(b) Yeoh Siew Ming	(Resolution 2)

Please refer to Explanatory Note B
3. To re-elect the following Directors who were appointed during the year pursuant to Article 100 of the Company's Constitution:

(a) Datin Seri Sunita Mei-Lin Rajakumar	(Resolution 3)
(b) Farehana Hanapiah	(Resolution 4)

Please refer to Explanatory Note B
4. To approve the Directors' Fees and Allowances payable to the Non-Executive Directors of up to an amount of RM2.7 million with effect from 19 April 2023 until the next AGM of the Company.
Please refer to Explanatory Note C **(Resolution 5)**
5. To approve the re-appointment of KPMG PLT, as Auditors of the Company for the financial year ending 31 December 2023 and to authorise the Directors to fix their remuneration.
Please refer to Explanatory Note D **(Resolution 6)**
6. To transact any other business for which due notice shall have been received.

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend and vote at the forthcoming 25th AGM, the Company will be requesting the Record of Depositors as at 12 April 2023. Only a depositor whose name appears on the Record of Depositors as at 12 April 2023 shall be entitled to attend, participate, speak and vote at the meeting as well as for appointment of proxy(ies) to attend, participate, speak and vote on his/her stead.

By Order of the Board

Azira Marini Ab Rahim SSM Practising Certificate No. 201908001107 (LS0008959)
Kang Shew Meng SSM Practising Certificate No. 201908002065 (MAICSA 0778565)
Company Secretaries

Kuala Lumpur
17 March 2023

NOTICE OF 25TH ANNUAL GENERAL MEETING

IMPORTANT NOTICE

The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 (CA 2016) which requires the Chairman of the meeting to be present at the main venue of the meeting.

Shareholders **will not be allowed** to attend this AGM in person at the Broadcast Venue on the day of the meeting.

Shareholders are to attend, participate, speak, (including posing questions to the Board via real time submission of typed texts) and vote (collectively referred as 'participate') remotely at this AGM via the Remote Participation and Voting facilities (RPV) provided by Tricor Investor & Issuing House Services Sdn. Bhd. (Tricor) via its TIIH Online website at <https://tiih.online>.

NOTES

Proxy and/or Authorised Representatives

1. A member who is entitled to participate in this AGM via RPV is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to participate in his/her place. A proxy may but need not be a member of the Company.
2. A member of the Company who is entitled to participate at the meeting may appoint not more than two proxies to participate on his/her behalf provided that the member specifies the proportion of the member's shareholdings to be represented by each proxy. There shall be no restriction as to the qualification of the proxy.
3. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities accounts.
4. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for the multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.
5. Where a member or the authorised nominee appoints two proxies, or where an Exempt Authorised Nominee appoints two or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
6. A member who has appointed a proxy or attorney or authorised representative to participate at AGM via RPV **must request his/her proxy or attorney or authorised representative to register himself/herself for RPV** via TIIH Online website at <https://tiih.online>. Procedures for RPV can be found in the Administrative Guide for the AGM.
7. The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be deposited with Tricor not less than 48 hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote:
 - (a) In hard copy form:

In the case of an appointment made in hard copy form, the proxy form must be deposited with:

 - (i) **Tricor**
32-01, Level 32, Tower A, Vertical Business Suite,
Avenue 3, Bangsar South, No. 8, Jalan Kerinchi,
59200 Kuala Lumpur, Malaysia
or alternatively, the Customer Service Centre at:
Unit G-3, Ground Floor, Vertical Podium,
Avenue 3, Bangsar South, No. 8, Jalan Kerinchi,
59200 Kuala Lumpur, Malaysia
 - OR**
 - (ii) By fax at 03-2783 9222 or email to is_enquiry@my.tricorglobal.com
 - (b) By electronic means
The proxy form can be electronically lodged with Tricor via TIIH Online at <https://tiih.online>. Kindly refer to the Administrative Guide for the AGM on the procedures for electronic lodgement of proxy form via TIIH Online.
8. Please ensure ALL the particulars as required in the proxy form are completed, signed and dated accordingly.
9. Last date and time for lodging the proxy form is on **Sunday, 16 April 2023 at 10.00 a.m.**
10. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with Tricor or alternatively the Customer Service Centre at the address stated under item (7)(a)(i) not less than 48 hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
11. For a corporate member who has appointed an authorised representative, please deposit the ORIGINAL certificate of appointment of authorised representative with Tricor or alternatively the Customer Service Centre at the address stated under item (7)(a)(i). The certificate of appointment of authorised representative should be executed in the following manner:
 - (a) If the corporate member has a common seal, the certificate of appointment of authorised representative should be executed under seal in accordance with the constitution of the corporate member.
 - (b) If the corporate member does not have a common seal, the certificate of appointment of authorised representative should be affixed with the rubber stamp of the corporate member (if any) and executed by at least two authorised officers, of whom one shall be a director; or any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.
12. By submitting the duly executed Proxy Form, the member and his/ her proxy(ies) consent to the Company (and/or its agents/service providers) collecting, using and disclosing the personal data therein in accordance with the Personal Data Protection Act 2010 for the purpose of the 25th AGM or any adjournment thereof.

Pursuant to Paragraph 8.29A of the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Malaysia) all resolutions set out in the Notice of 25th AGM will be put to vote on a poll.

NOTICE OF 25TH ANNUAL GENERAL MEETING

EXPLANATORY NOTES

Note A

Audited Financial Statements for the Financial Year Ended 31 December 2022

The audited financial statements are laid before the shareholders pursuant to the provision of Section 244(2)(a) of the CA 2016 for discussion only. The audited financial statements do not require shareholders' approval and hence, will not be put forward for voting.

Note B

Re-election of Directors who retire in accordance with Article 107 of the Company's Constitution

Article 107 of the Company's Constitution provides that one-third of the Directors of the Company for the time being shall retire by rotation at an AGM of the Company provided always that all Directors, shall retire from office once at least in each three years but shall be eligible for re-election at the AGM. A Director retiring at a meeting shall retain office until the close of the meeting.

The Board endorsed the NRC's recommendation that the Directors who retire in accordance with Article 107 of the Company's Constitution, namely Datuk Toh Ah Wah and Yeoh Siew Ming are eligible to stand for re-election. They, being eligible for re-election have given their consent for re-election.

The profiles of the retiring Directors are set out in the Profile of the Board of Directors on pages 91 to 92 of the Integrated Report 2022.

Re-election of Directors who retire in accordance with Article 100 of the Company's Constitution

Datin Seri Sunita Mei-Lin Rajakumar and Farehana Hanapiah were appointed on 1 July 2022 and 1 June 2022, respectively, they will be retiring under Article 100 of the Company's Constitution.

The Board endorsed the NRC's recommendation that the Directors who retire in accordance with Article 100 of the Company's Constitution, namely Datin Seri Sunita Mei-Lin Rajakumar and Farehana Hanapiah are eligible to stand for re-election. They, being eligible for re-election have given their consent for re-election.

The profiles of the retiring Directors are set out in the Profile of the Board of Directors on pages 93 and 94 of the Integrated Report 2022.

Note C

Non-Executive Directors' Fees and Allowances

Pursuant to Section 230(1) of the CA 2016, the fees of the directors, and any benefits payable to the directors including any compensation for loss of employment of a director or former director of a public company or a listed company and its subsidiaries, shall be approved at a general meeting.

The fees and allowances structure of the Non-Executive Directors (NEDs) of the Company is as follows:

- Monthly fixed fees for duties as Director/Chairman;
- Meeting allowance for each Board/Board Committee attended; and
- Fuel allowance.

The Directors' fees and meeting allowances for Non-Independent Non-Executive Directors who are also employees of PetroliaM Nasional Berhad (PETRONAS) are paid directly to PETRONAS. The shareholders at the last AGM held on 21 April 2022 approved the Directors' Fees and Allowances of up to an amount of RM2.7 million for the period from 22 April 2022 until the next AGM of the Company. The actual Directors' Fees and other benefits paid to the NEDs for the said period was RM1,969,500.

The Directors' fees and allowances for the NEDs for the period from 19 April 2023 until the next AGM of the Company (Mandate Period) are estimated not to exceed RM2.7 million. The calculation is based on the estimated number of scheduled Board and Board Committees' meetings and on assumption that the number of NEDs will remain until the next AGM. This resolution is to facilitate payment of the Directors' Fees and Allowances for the Mandate Period.

The Board will seek shareholders' approval at the next AGM in the event the Directors' Fees and Allowances proposed are insufficient.

Details of the fees paid to the NEDs for the financial year ended 31 December 2022 are published in the Corporate Governance Report on the Company's corporate website at www.petronaschemicals.com.

Note D

Re-appointment of Auditors

The Board Audit Committee (BAC) had carried out an assessment on the performance, suitability and independence of the external auditors based on the following four key areas, and will continue to do so on an annual basis:

- quality of engagement team and services;
- adequacy of resources;
- quality of communication and interaction; and
- independence, objectivity and professional skepticism.

The BAC also took into account the openness in communication and interaction with the lead audit engagement partner and engagement team through discussions at the private meetings, which demonstrated their independence, objectivity and professionalism.

The BAC was satisfied with the suitability of KPMG PLT based on the quality of audit, performance, competency and sufficiency of resources the external audit team provided to the PCG Group. The BAC was also satisfied in its review that the provisions of non-audit services by KPMG PLT to the PCG Group for the financial year ended 2022 did not in any way impair their objectivity and independence as External Auditors of PCG Group.

KPMG PLT has also met the criteria prescribed by Paragraph 15.21 of the MMLR of Bursa Malaysia.

The Board at its meeting held on 23 February 2023 recommended the re-appointment of KPMG PLT as External Auditors of the Company for the financial year ending 31 December 2023 for approval of the shareholders under Resolution 6.

Abstention from Voting

- Pursuant to Resolutions 1, 2, 3 and 4, the retiring Directors had abstained from deliberation and decision on their respective re-election at the Board meeting
- Any NED of the Company who is a shareholder of the Company will abstain from voting on Resolution 5 concerning remuneration of the NEDs at the 25th AGM.

Other Information

The Company has engaged independent scrutineers to count, audit and validate the votes for each proposal presented to shareholders.



ADMINISTRATIVE GUIDE

FOR THE 25TH ANNUAL GENERAL MEETING (25TH AGM) OF PETRONAS CHEMICALS GROUP BERHAD (THE COMPANY)

The 25th AGM of the Company will be conducted virtually in accordance with the revised 'Guidance Note and FAQs on the Conduct of General Meetings for Listed Issuers' issued by the Securities Commission Malaysia ("SC's Guidance") on 7 April 2022, as the country entered into the "Transition to Endemic" phase. In this respect, the Company will continue to leverage on technology, to ensure that the 25th AGM supports meaningful engagement between the Board/Management and Shareholders of the Company.

The date, time and venue for the 25th AGM of the Company are as below:

Date	:	Tuesday, 18 April 2023
Time	:	10.00 a.m.
Broadcast Venue	:	Exhibition Hall 8C, Level 4, Kuala Lumpur Convention Centre, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia

- The Company will conduct the 25th AGM on a **virtual basis through live streaming and online remote voting** via Remote Participation and Voting (RPV) facilities which are available on Tricor Investor & Issuing House Services Sdn. Bhd.'s (Tricor) TIIH Online website at <https://tiih.online>.
- The Broadcast Venue of the 25th AGM is strictly for the purpose of complying with Section 327(2) of the CA 2016 which requires the Chairman of the Meeting to be present at the main venue of the meeting. No shareholders/proxy(ies) from the public will be physically present at the Broadcast Venue on the day of the meeting.
- Shareholders are to attend, participate, speak (including pose questions to the Board via real time submission of typed text) and vote (collectively referred to as "participate") remotely at this 25th AGM via the RPV facilities provided by Tricor via its TIIH Online website at <https://tiih.online>. You may also consider appointing the Chairman of the Meeting as your proxy to attend and vote on your behalf at the 25th AGM.

Remote Participation and Voting

- The RPV facilities are available on Tricor's **TIIH Online** website at <https://tiih.online>.
- Shareholders are to participate remotely at the 25th AGM using RPV facilities from Tricor.
- Kindly refer to procedures for RPV as set out below for the requirements and procedures.

ADMINISTRATIVE GUIDE 25TH ANNUAL GENERAL MEETING

Procedures to Remote Participation and Voting via RPV Facilities

- Please read and follow the procedures below to engage in remote participation through live streaming and online remote voting at the 25th AGM using the RPV facilities:

Before the 25 th AGM Day	
Procedure	Action
(i) Register as a user with TIIH Online	<ul style="list-style-type: none"> Using your computer, access to website at https://tiih.online. Register as a user under the "e-Services" select "Create Account by Individual Holder". Refer to the tutorial guide posted on the homepage for assistance. Registration as a user will be approved within one working day and you will be notified via email. If you are already a user with TIIH Online, you are not required to register again. You will receive an email to notify you that the remote participation is available for registration at TIIH Online.
(ii) Submit your request to attend 25 th AGM remotely	<ul style="list-style-type: none"> Registration is open from 10.00 a.m. on Friday, 17 March 2023 until the day of 25th AGM on Tuesday, 18 April 2023. Shareholder(s) or proxy(ies) or corporate representative(s) or attorney(s) are required to pre-register their attendance for the 25th AGM to ascertain their eligibility to participate the 25th AGM using the RPV. Login with your user ID (i.e. email address) and password and select the corporate event: "(REGISTRATION) PETRONAS CHEMICALS GROUP BERHAD 25TH AGM". Read and agree to the Terms & Conditions and confirm the Declaration. Select "Register for Remote Participation and Voting". Review your registration and proceed to register. System will send an email to notify that your registration for remote participation is received and will be verified. After verification of your registration against the Record of Depositors as at 12 April 2023, the system will send you an email after 16 April 2023 to approve or reject your registration for remote participation. <p><i>Note: Please allow sufficient time for approval of new user of TIIH Online and registration for the RPV.</i></p>

On the 25 th AGM Day	
Procedure	Action
(i) Login to TIIH Online	<ul style="list-style-type: none"> Login with your user ID and password for remote participation at the 25th AGM at any time from 9.00 a.m. i.e. 1 hour before the commencement of meeting at 10.00 a.m. on Tuesday, 18 April 2023.
(ii) Participate through Live Streaming	<ul style="list-style-type: none"> Select the corporate event: (Live Stream Meeting) PETRONAS CHEMICALS GROUP BERHAD 25TH AGM to engage in the proceedings of the 25th AGM remotely. If you have any question for the Chairman/Board, you may use the query box to transmit your question. The Chairman/Board will try to respond to questions submitted by remote participants during the 25th AGM. If there is time constraint, the responses will be published within three working days in the Company's corporate website at http://www.petronaschemicals.com under Investor Relations, after the meeting.
(iii) Online remote voting	<ul style="list-style-type: none"> Voting session commences from 10.00 a.m. on Tuesday, 18 April 2023 until a time when the Chairman announces the end of the session. Select the corporate event: (Remote Voting) PETRONAS CHEMICALS GROUP BERHAD 25TH AGM or if you are on the live stream meeting page, you can select "GO TO REMOTE VOTING PAGE" button below the Query Box. Read and agree to the Terms & Conditions and confirm the Declaration. Select the CDS account that represents your shareholdings. Indicate your votes for the resolutions that are tabled for voting. Confirm and submit your votes.
(iv) End of remote participation	<ul style="list-style-type: none"> Upon the announcement by the Chairman on the conclusion of the 25th AGM, the Live Streaming will end.



ADMINISTRATIVE GUIDE 25TH ANNUAL GENERAL MEETING

Note to users of the RPV facilities:

- (i.) Should your registration for RPV be approved, we will make available to you the rights to join the live stream meeting and to vote remotely. Your login to TIIH Online on the day of meeting will indicate your presence at the virtual meeting.
- (ii.) The quality of your connection to the live broadcast is dependent on the bandwidth and stability of the internet at your location and the device you use.
- (iii.) In the event you encounter any issues with logging-in, connection to the live stream meeting or online voting on the meeting day, kindly call Tricor Help Line at 011-40805616 / 011-40803168 / 011-40803169 / 011-40803170 for assistance or email to tiih.online@my.tricorglobal.com for assistance.

Entitlement to Participate and Appointment of Proxy

- Only members whose names appear on the Record of Depositors as at 12 April 2023 shall be eligible to participate at the 25th AGM or appoint a proxy(ies) and/or the Chairman of the Meeting to participate on his/her behalf.
- In view that the 25th AGM will be conducted on a virtual basis, a member can appoint the Chairman of the Meeting as his/her proxy and indicate the voting instruction in the Proxy Form.
- If you wish to participate in the 25th AGM yourself, please do not submit any Proxy Form for the 25th AGM. You will not be allowed to participate in the 25th AGM together with a proxy appointed by you.
- Accordingly, proxy forms and/or documents relating to the appointment of proxy/corporate representative/attorney for the 25th AGM whether in hard copy or by electronic means shall be deposited or submitted in the following manner not later than **Sunday, 16 April 2023 at 10.00 a.m:**
 - (i) In hard copy:
 - (a) By hand or post to the office of Tricor Investor & Issuing House Services Sdn. Bhd. at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur; or
 - (b) By fax at 03-2783 9222 or email to is.enquiry@my.tricorglobal.com
 - (ii) By electronic form:

All shareholders can have the option to submit proxy forms electronically via TIIH Online and the steps to submit are summarised below:

Procedure	Action
(i) Steps for Individual Shareholders	
Register as a User with TIIH Online	<ul style="list-style-type: none"> • Using your computer, please access the website at https://tiih.online. Register as a user under the "e-Services". Please refer to the tutorial guide posted on the homepage for assistance. • If you are already a user with TIIH Online, you are not required to register again.
Proceed with submission of Proxy Form	<ul style="list-style-type: none"> • After the release of the Notice of Meeting by the Company, login with your user name (i.e. email address) and password. • Select the corporate event: "PETRONAS CHEMICALS GROUP BERHAD 25TH AGM: SUBMISSION OF PROXY FORM" • Read and agree to the Terms and Conditions and confirm the Declaration. • Insert your CDS account number and indicate the number of shares for your proxy(ies) to vote on your behalf. • Indicate your voting instructions - FOR or AGAINST, otherwise your proxy will decide on your votes. • Review and confirm your proxy(ies) appointment. • Print the Proxy Form for your record.

ADMINISTRATIVE GUIDE 25TH ANNUAL GENERAL MEETING

Procedure	Action
(ii) Steps for corporation or institutional shareholders	
Register as a User with TIIH Online	<ul style="list-style-type: none"> • Access TIIH Online at https://tiih.online. • Under e-Services, the authorised or nominated representative of the corporation or institutional shareholder selects "Create Account by Representative of Corporate Holder". • Complete the registration form and upload the required documents. • Registration will be verified, and you will be notified by email within one to two working days. • Proceed to activate your account with the temporary password given in the email and reset your own password. <p><i>Note: The representative of a corporation or institutional shareholder must register as a user in accordance with the above steps before he/she can subscribe to this corporate</i></p>
Proceed with submission of Proxy Form	<ul style="list-style-type: none"> • Login to TIIH Online at https://tiih.online. • Select the corporate exercise name: "PETRONAS CHEMICALS GROUP BERHAD 25TH AGM: SUBMISSION OF PROXY FORM" • Agree to the Terms & Conditions and Declaration. • Proceed to download the file format for "Submission of Proxy Form" in accordance with the Guidance Note set therein. • Prepare the file for the appointment of proxies by inserting the required data. • Login to TIIH Online, select corporate exercise name: "PETRONAS CHEMICALS GROUP BERHAD 25TH AGM: SUBMISSION OF PROXY FORM" • Proceed to upload the duly completed proxy appointment file. • Select "Submit" to complete your submission. • Print the confirmation report of your submission for your record.

Voting at Meeting

- The voting at the 25th AGM will be conducted on a poll pursuant to Paragraph 8.29A of the MMLR of Bursa Malaysia. The Company has appointed Tricor to conduct the poll voting electronically (e-voting) via Tricor e-Vote application (Tricor e-Vote App) and Boardroom Corporate Services Sdn. Bhd. as Independent Scrutineers to verify the poll results.
- Shareholders can proceed to vote on the resolutions before the end of the voting session which will be announced by the Chairman of the Meeting and submit your votes at any time from the commencement of the 25th AGM at 10.00 a.m. Kindly refer to **"Procedures to Remote Participation and Voting via RPV Facilities"** provided above for guidance on how to vote remotely via TIIH Online.

Voting at Meeting

- The resolutions proposed at the 25th AGM and the results of the voting will be announced at the 25th AGM and subsequently via an announcement made by the Company through Bursa Malaysia at www.bursamalaysia.com.



ADMINISTRATIVE GUIDE 25TH ANNUAL GENERAL MEETING

Pre-Meeting Submission of Questions to the Board of Directors

- The Board recognises that the 25th AGM is a valuable opportunity for the Board to engage with shareholders. In order to enhance the efficiency of the proceedings of the 25th AGM, shareholders may in advance, before the 25th AGM, submit questions to the Board via Tricor's TIH Online website at <https://tjih.online>, by selecting "e-Services" to login, post your questions and submit it electronically no later than **Sunday, 16 April 2023 at 10.00 a.m.** The Board will endeavour to address the questions received at the 25th AGM.
- Alternatively, you may also send your questions for the 25th AGM to the following email address:

Investor Relations: petronaschemicals_ir@petronas.com

Annual Report

- The Annual Report is available on the Company's corporate website at www.petronaschemicals.com and Bursa Malaysia's website at www.bursamalaysia.com under Company's announcements.
- You may request for a printed copy of the Annual Report at <https://tjih.online> by selecting "Request for Annual Report" under the "Investor Services".
- Kindly consider the environment before you decide to request for the printed copy of the Annual Report. The environmental concerns like global warming, deforestation, climate change and many more affect every human, animal and nation on this planet.

Enquiry

- If you have any enquiry prior to the meeting, please call Tricor at +603-2783 9299 during office hours i.e. from 8.30 a.m. to 5.30 p.m. (Monday to Friday).

GLOSSARY OF TERMS, ABBREVIATIONS AND ACRONYMS

Abbreviation	Full Term/Definition
AA	Advance Analytics
AACEI	Association for the Advancement of Cost Engineering, International
AAPG	3 Audit and Assurance Practice Guide
ABC Manual	Anti-Bribery and Corruption Policy and Guidelines
ABF	ASEAN Bintulu Fertiliser Sdn. Bhd.
AET	Additional Ethane Task Force
AFES	Alam Flora Environmental Solution Sdn. Bhd.
AGM	Annual General Meeting
AMP	Advanced Management Programme
AMT	Additional Methanol Task Force
APM	Asset Performance Management
ARC	Annual Report Competition
B&OR	Business & Operation Readiness
BAC	Board of Audit Committee
BCM	Business Continuity Management
BCP	Business Continuity Plan
BEE	Board Effectiveness Evaluation
BEM	Board of Engineers, Malaysia
BIO-MEG	Bio-Monoethylene Glycol
BoC	Balance of Consequences
BPC	BASF PETRONAS Chemicals Sdn. Bhd.
BRC	Billion Ringgit Club
BRP	Business Recovery Plan
BSRC	Board Sustainability and Risk Committee
BUST	Bottom-Up Stock Target
CA 2016	Companies Act 2016
CAPEX	Capital Expenditure
CCP	Certified Cost Professional
CDD	China Domestic Distribution
CDEx	Customer Delivery Excellence
CFA	Carbon Footprint Assessment
CFFO	Cash Flow From Operations
CG	Corporate Governance
CIMAH	Control Of Industrial Major Accidents Hazard
CM	Crisis Management
CMF	Crisis Management Framework
CMP	Crisis Management Plan
CNPK	Compacted NPK
CO ₂	Carbon Dioxide
CO ₂ e	Carbon Dioxide equivalent
CoBE	Code of Conduct and Business Ethics
COD	Chemical Oxygen Demand
COI	Conflict of Interest
CoRA	Contractor Risk Assessment
COS	Committee of Sponsoring Organisations
CRM	Customer Relationship Management
CSBIA-LRA	Cyber Security Business Impact Assessment and Legal & Regulatory Assessment (CSBIA-LRA)
CSS	Customer Satisfaction Survey
CVC	Corporate Venture Capital
D&I	Diversity & Inclusion
D&O	Directors' and Officers' Liability Insurance
DJSI	Dow Jones Sustainability Indices
DoE	Department of Environment
DOSH	Department of Occupational Safety and Health

Abbreviation	Full Term/Definition
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation
ECSGF	Enterprise Cyber Security Governance Framework
EES	Economic, Environmental and Social
EESG	Economic, Environmental, Social and Governance
EIA	Environmental Impact Assessment
EO	Enterprise Optimisation
EPC	Engineering, Procurement and Construction
ePDC	Electronic Pre-Departure Checklist
ERM	Enterprise Risk Management
ERMPG	Enterprise Risk Management Process Guideline
ERS	Equipment Reliability Strategy
ESG	Environmental, Social and Governance
EVC	Extend Value Chain
EWR	Emergent Work Request
F&M	Fertilisers and Methanol
FAE	Fatty Alcohol Ethoxylate
FC	Functional Checklist
FDI	Foreign Direct Investment
FID	Final Investment Decisions
FRC	Financial Reporting Control
FTSE4Good	Index Series designed to measure the performance of companies demonstrating strong ESG practices
FWA	Flexible Work Arrangements
FX	Foreign Exchange
GDP	Gross Domestic Product
GHG	Greenhouse Gas
GRI	Global Reporting Initiative
HI&I	Household, Industrial & Institutional
HSE	Health, Safety and Environment
HSEMS	Health, Safety & Environment Management System
IAD	Internal Audit Department
ICP	Internal Carbon Price
ICT	Information and Communications Technology
IEM	Institution of Engineers, Malaysia
IF4BOD	Islamic Finance for Board of Directors
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
IMF	International Monetary Fund
INEDs	Independent Non- Executive Directors
IOGP	International Association of Oil & Gas Producers
IPIECA	International Petroleum Industry Environmental Conservation Association
IPPF	International Professional Practices Framework
IR	Integrated Report
IRF	Integrated Reporting Framework
IRP	Incident Response Procedure
ISCC	International Sustainability & Carbon Certification
ISO-C9 ACID	Isononanoic Acid
ISSB	International Sustainability Standards Board
JVs	Joint Ventures
KIPC	Kertih Integrated Petrochemical Complex
KPIs	Key Performance Indicators
KRIs	Key Risk Indicators
KYC	Know Your Customer
LAC	Lube Oil Additives and Chemicals



GLOSSARY OF TERMS, ABBREVIATIONS AND ACRONYMS

Abbreviation	Full Term/Definition
LCA	Life Cycle Assessment
LOA	Limits of Authority
LTIF	Lost Time Injury Frequency
M&A	Merger & Acquisition
MACC Act 2009	Malaysian Anti-Corruption Commission Act 2009
MAn	Maleic Anhydride
MASB	Malaysian Accounting Standards Board
MBA	Master of Business Administration
MCCG	Malaysian Code on Corporate Governance
MD/CEO	Managing Director/Chief Executive Officer
MEG	Mono-Ethylene Glycols
MIA	Malaysian Institute of Accountants
MIGHT	Malaysian Industry-Government Technology
MMLR	Main Market Listing Requirements
MMPD	Machinery Monitoring, Prescriptive, Diagnostic
MOH	Ministry of Health
MOU	Memorandum of Understanding
MPMA	Malaysian Plastics Manufacturers Association
MTBE	Methyl Tertiary Butyl Ether
NAC	Network Access Control
NINEDs	Non-Independent Non-Executive Directors
NOx	Nitrogen Oxides
NPE	New Plastics Economy
NRC	Nomination and Remuneration Committee
NZCE	Net Zero Carbon Emissions
O&D	Olefins and Derivatives
OEMS	Operational Excellence Management Systems
OFR	Order Fulfilment Reliability
OPEC+	Organisation of the Petroleum Exporting Countries Plus
OPUs	Operating Units
OS	Oversea Subsidiary
OTAM	OT Asset Management
PAM	Privilege Access Management
PAR	Plant Asset Rejuvenation
PAT	Profit After Tax
PATA	NCI Profit After Tax and Non-Controlling Interests
PBE	PETRONAS Board Excellence
PBT	Profit Before Tax
PC FK	PETRONAS Chemicals Fertiliser Kedah
PC FSSB	PETRONAS Chemicals Fertiliser Sabah Sdn. Bhd.
PC OGD	PETRONAS Chemicals Olefins, Glycols, and Derivatives
PCARO	PETRONAS Chemicals Aromatics Sdn. Bhd.
PCB	PETRONAS Cultural Belief
PCG	PETRONAS Chemicals Group Berhad
PDB	PETRONAS Dagangan Berhad
PE	Polyethylene
PE	Professional Engineer
PENTA	Pentaerythritol
PESTEL	Political, Economic, Social, Technology, Environment, Legal
PETA	Plan Execute Turnaround
PIC	Pengerang Integrated Complex
PIVOT	PETRONAS' Integrated Vision for Operational Excellence Transformation

Abbreviation	Full Term/Definition
PMI	Post-Merger Integration
PMT	Pricing Management Tool
PPC	Pengerang Petrochemicals Company
PPMS	PETRONAS Project Management System
PPRT	PETRONAS Preparedness Response Team
PQS	Professional Quantity Surveyor
PRA	Project Risk Assessment
PRBI	PETRONAS Risk Based Inspection
PRC	Pengerang Refining Company Sdn. Bhd.
PREFCHEM	Pengerang Refining Company Sdn. Bhd. and Pengerang Petrochemical Company Sdn. Bhd.
PRPC	PETRONAS Refinery and Petrochemical Corporation Sdn. Bhd.
PSC 2022	Petrochemicals Sustainability Conference 2022
PU	Plant Utilisation
QAIP	Quality Assurance and Improvement Programme
R&D	Research and Development
RADM	Risk Assessment In Decision Making
RCAM	Risk & Control Assessment Matrix
RMD	Risk Management Department
RPT	Related Party Transactions
RRPT	Recurrent Related Party Transactions
RSPO	Roundtable on Sustainable Palm Oil
RTOG	Road Transport Operation Guideline
RTOT	Real-Time OT
SDWC	Sustainable Development Working Committee
SID	Senior Independent Director
SOC	Security Operations Centre
SOPs	Standard Operating Procedures
SORMIC	Statement on Risk Management and Internal Control
SOx	Sulfur Oxides
SRMC	Sustainability and Risk Management Committee
T-1PSE	Tier 1 Process Safety Event
TA	Turnaround
TARA	Turnaround Risk Assessment
TA4MS	Turnaround Main Mechanical and Maintenance Mechanical Static
TCC	Tax Compliance & Control
TCFD	Task Force on Climate-Related Financial Disclosures
TCS	Tata Consultancy Services
TFDD	Technical & Facilities Development Division
tCO ₂ e	TONNE CO ₂ e
TPA	Tonnes Per Annum
TROIF	Total Recordable Occupational Illness Frequency
TVAR	Total Vehicle Accident Rate
UNEP-WCMC	United Nations Environment Programme World Conservation Monitoring Centre
UNSDG	The United Nations Sustainable Development Goals
USA	United States of America
UTP	Universiti Teknologi PETRONAS
VAC	Vehicle Acceptance Checklist
VLSFO	Very Low Sulphur Fuel Oil
VRF	Value Reporting Foundation
2-EHA	2-Ethylhexanoic Acid
3R	Reduce, Reuse, Recycle
5M	Man, Machine, Medium, Mission and Management

PROXY FORM

PETRONAS CHEMICALS GROUP BERHAD

REGISTRATION NO: 199801003704 (459830-K)

(INCORPORATED IN MALAYSIA)

FOR THE 25TH ANNUAL GENERAL MEETING



PETRONAS

Number of Ordinary Shares Held	
CDS Account Number	

I/We _____ NRIC/Passport No./Company No.: _____
(Full Name In Block Letters)

of _____ Telephone No.: _____
(Full Address)

Email address: _____ being a member of PETRONAS Chemicals Group Berhad (the Company) hereby appoint:

Full Name (in Block Letters)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Full Name (in Block Letters)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the 25th Annual General Meeting of the Company will be held virtually through live streaming via a remote participation and voting facilities at the Broadcast Venue, Exhibition Hall 8C, Level 4, Kuala Lumpur Convention Centre, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia on Tuesday, 18 April 2023 at 10.00 a.m. and at any adjournment thereof and vote as indicated below:

Resolution.	Ordinary Business	For	Against
1	Re-election of Datuk Toh Ah Wah as a Director of the Company		
2	Re-election of Yeoh Siew Ming as a Director of the Company		
3	Re-election of Datin Seri Sunita Mei-Lin Rajakumar as a Director of the Company		
4	Re-election of Farehana Hanapiah as a Director of the Company		
5	Directors' Fees and Allowances of up to RM2.7 million with effect from 19 April 2023 until the next Annual General Meeting of the Company payable to Non-Executive Directors of the Company		
6	Re-appointment of KPMG PLT as Auditors of the Company		

Note: Please refer to the Notice of 25th Annual General Meeting for full details of the proposed Resolutions.

(Please indicate with an "X" in the spaces provided whether you wish your vote to be cast for or against the Resolutions. In the absence of specific directions, your proxy will vote or abstain as he/she thinks fit).

Dated this _____ day of _____

Signature/Common Seal of Shareholder(s)

Note:

1. A member who is entitled to participate in this AGM via RPV is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to participate in his/her place. A proxy may but need not be a member of the Company.
2. A member of the Company who is entitled to participate at the meeting may appoint not more than two proxies to participate on his/her behalf provided that the member specifies the proportion of the member's shareholdings to be represented by each proxy. There shall be no restriction as to the qualification of the proxy.
3. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one proxy in respect of each Securities account it holds with ordinary shares of the Company standing to the credit of the said Securities accounts.
4. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for the multiple beneficial owners in one Securities Account (omnibus account), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
5. Where a member or the authorised nominee appoints two proxies, or where an Exempt Authorised Nominee appoints two or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
6. A member who has appointed a proxy or attorney or authorised representative to participate at AGM via RPV must request his/her proxy or attorney or authorised representative to register himself/herself for RPV via TIIH Online website at <https://tiih.online>. Procedures for RPV can be found in the Administrative Guide for the AGM.
7. The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be deposited with Tricor Investor & Issuing House Services Sdn. Bhd. not less than 48 hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote:
 - (a) In hard copy form:

In the case of an appointment made in hard copy form, the proxy form must be deposited with:

 - (i) Tricor, 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia OR
 - (ii) By fax at 03-2783 9222 or email to is_enquiry@my.tricorglobal.com
 - (b) By electronic means
The proxy form can be electronically lodged with Tricor via TIIH Online at <https://tiih.online>. Kindly refer to the Administrative Guide for the AGM on the procedures for electronic lodgement of proxy form via TIIH Online.
8. Please ensure ALL the particulars as required in the proxy form are completed, signed and dated accordingly.
9. Last date and time for lodging the proxy form is on **Sunday, 16 April 2023 at 10.00 a.m.**
10. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with Tricor or alternatively the Customer Service Centre at the address stated under item (7)(a)(i) not less than 48 hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
11. For a corporate member who has appointed an authorised representative, please deposit the ORIGINAL certificate of appointment of authorised representative with Tricor or alternatively the Customer Service Centre at the address stated under item (7)(a)(i). The certificate of appointment of authorised representative should be executed in the following manner:
 - (a) If the corporate member has a common seal, the certificate of appointment of authorised representative should be executed under seal in accordance with the constitution of the corporate member.
 - (b) If the corporate member does not have a common seal, the certificate of appointment of authorised representative should be affixed with the rubber stamp of the corporate member (if any) and executed by at least two authorised officers, of whom one shall be a director; or any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.
 - (c) Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad all resolutions set out in the Notice of 25th AGM will be put to vote as a poll.
12. By submitting the duly executed Proxy Form, the member and his/her proxy(ies) consent to the Company (and/or its agents/service providers) collecting, using and disclosing the personal data therein in accordance with the Personal Data Protection Act 2010 for the purpose of the 25th AGM and any adjournment thereof.

Please fold here

Stamp

TRICOR INVESTOR & ISSUING HOUSE SERVICES SDN. BHD.

Unit 32-01, Level 32, Tower A

Vertical Business Suite, Avenue 3, Bangsar South

No. 8 Jalan Kerinchi

59200 Kuala Lumpur

Malaysia

Please fold here

PCG's Integrated Report 2022 has been produced in line with our theme: **Transcending. Next Level.** We considered the environmental impact of each decision made in the publication of this report. From the materials used and acquired to the design concept and production - everything is intentional.



OPTIMAL PRODUCTION

- The production and printing of all reports followed the FSC® certified chain of custody
- The Governance section into the Integrated Report to reduce the usage of four-colour print for the Financial Report
- The cover is printed on FSC® certified Artizen Natural White 320 gsm paper, while inside pages are printed on FSC® certified Artizen Natural White 130 gsm paper
- A soy-based ink was used for a more sustainable approach



MINIMALIST PRESENTATION

The entirety of the report is presented in a straightforward and structured package, with simple design elements.



SIMPLICITY IN DESIGN

Replacing full-scale photographic images with other graphic representations such as graphs, charts and diagrams.



PRINTED SUSTAINABLY

The full report was produced using carbon-neutral press machines and eco-friendly materials certified with an ISO 14001 environmental management system in line with minimising environmental impact.



CONCISE LANGUAGE

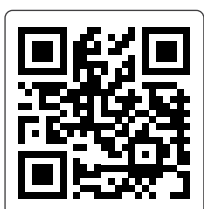
The concepts are encapsulated in a concise and articulate manner, focusing on the presentation of the content beyond just words.

PETRONAS Chemicals Group Berhad

Tower 1 Petronas Twin Towers
Kuala Lumpur City Centre
50088, Kuala Lumpur Malaysia

Tel : +603 2051 5000

Fax : +603 2051 3888



www.petronaschemicals.com