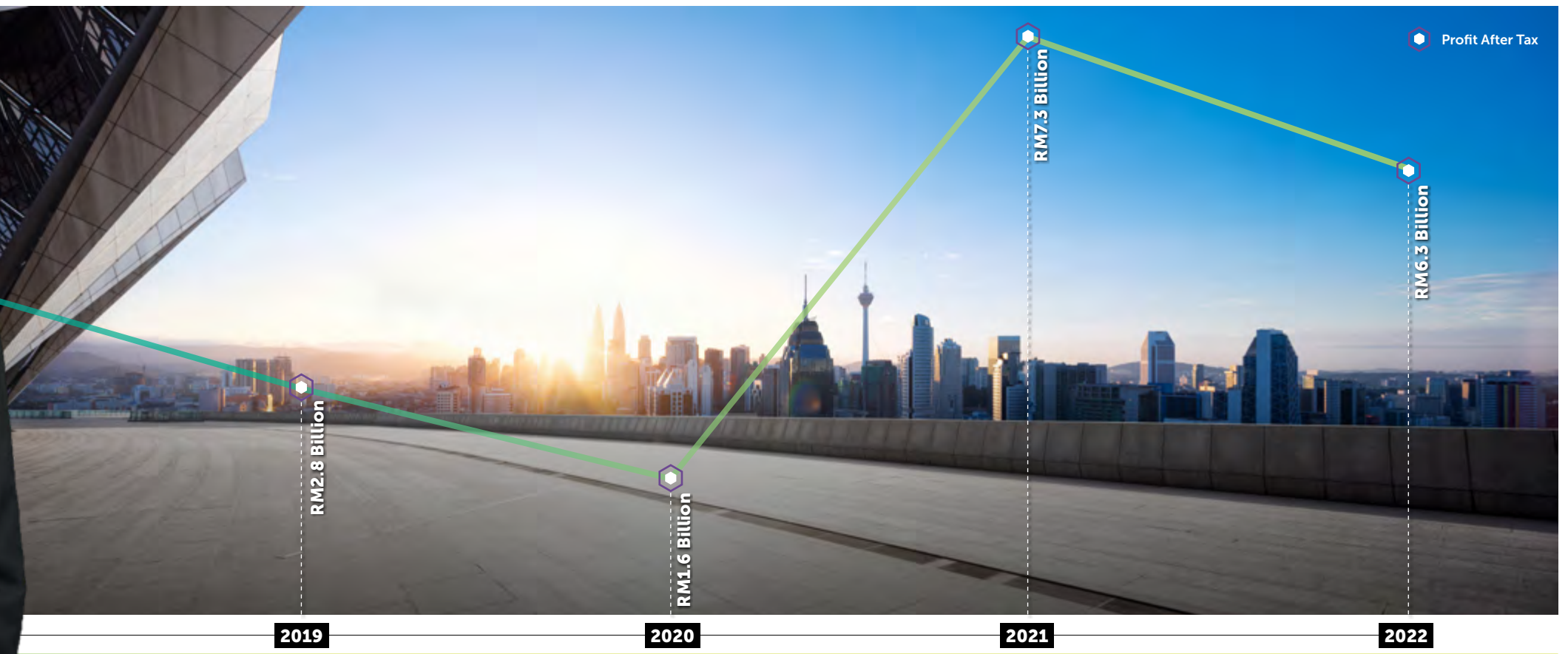


CHAIRMAN'S STATEMENT

DELIVERING OUR PURPOSE

Datuk Ir. (Dr.) Abdul Rahim Hashim
Chairman



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.

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



CHAIRMAN'S STATEMENT

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