

# BOARD SUSTAINABILITY AND RISK COMMITTEE REPORT

**Warren William Wilder**  
Chairman

**We ensure oversight of the Group's sustainability strategies and risk management practices to uphold compliance with regulatory guidelines.**



## HOW THE COMMITTEE OPERATES

Throughout the year under review, the Board Sustainability and Risk Committee (BSRC) convened six meetings and the Company Secretary serves as the Committee's secretary. In attendance were the Managing Director/Chief Executive Officer (MD/CEO), Chief Financial Officer, Head (Strategy & Governance) Sustainability Development, and Head of Risk Management Department (RMD), who provided insights, advice, and pertinent information on agenda items.

The Head (Strategy & Governance) Sustainability Development reported on the Sustainability Agenda and its implementation, while the Head of RMD presented risk management reports, including updates on risk monitoring and the corporate risk profile. For strategic or high-impact business propositions, the BSRC is apprised on the risk assessments inclusive of sustainability impact such as carbon emissions.

Agendas and meeting papers were distributed via secure collaborative software at least five business days before each meeting. This online accessibility facilitated members in reading, reviewing, and communicating with each other at their convenience. Meeting minutes were confirmed at subsequent BSRC meetings before being presented to the Board for notation.

## BSRC'S ACTIVITIES 2023

The following activities were carried out in 2023.

### 1 SUSTAINABILITY

Over the past year, the Committee received a comprehensive performance update on PCG sustainability indicators, covering key metrics such as energy intensity, Greenhouse Gas (GHG) emissions, GHG reduction, air emissions, freshwater withdrawal, wastewater discharge, hazardous waste discharge, corporate social responsibility, human rights, and talent development.

The Committee was also apprised on the progress of sustainability projects and carbon footprint assessment (CFA) of current projects at basic engineering design and post Final Investment Decision (FID) stages.

During deliberations, the Committee focused on the key updates presented in the PCG Sustainability Report 2022. These updates included the incorporation of a Board Responsibility Statement, improvements in reporting content, enhancements to PCG's Sustainability Agenda and governance structure, a review and update of material matters, and noteworthy highlights regarding Perstorp's sustainability goals, targets, and achievements.

### 2 CORPORATE RISK PROFILE

During the year under review, the PCG Corporate Risk Profile (CRP) underwent a thorough review, securing endorsement for Board approval. Subsequently, the BSRC engaged in quarterly deliberations on the adequacy and effectiveness of risk mitigations and key risk indicators. The BSRC deliberated and endorsed 11 principal risks to the Board, with seven recognised as critical risks requiring ongoing monitoring.

## Terms of Reference

## Composition

## Roles

Page

90

<https://www.petronas.com/pcg/about-us/governance>

## Chairman

**Warren William Wilder**

Independent Non-Executive Director

6/6 100%

## Members

**Yeoh Siew Ming**

Senior Independent Non-Executive Director

6/6 100%

**Dr. Zafar Abdulmajid Momin**

Independent Non-Executive Director

6/6 100%

**Datin Seri Sunita Mei-Lin Rajakumar**

Independent Non-Executive Director

6/6 100%

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The Committee also endorsed the following key decisions:

## a) Integrating Talent Risk into CRP

Given the increasing importance of securing niche talents and expertise, the Committee acknowledged the critical needs to incorporate Talent Risk into the CRP. As PCG progresses into specialty business amidst stiff competition from industry players and limited talent pool, it is critical for PCG to focus on managing talents in ensuring realisation of business aspirations. Robust talent management and effective capability development programme are established for continuous talent supply of competent workforce.

## b) Elevating Feedstock and Utilities Supplies as a Critical Risk

Current heightened competition for feedstock and increasing cost of gas supply, coupled with higher utilities tariff rate have made it imperative for PCG to closely monitor the risk for early intervention. A task force was formed for the purpose of focused intervention efforts to assure feedstock supply availability and reliability alongside the implementation of effective contract renewal strategy to ensure sustainability of PCG operation.

## c) Retiring of COVID-19 Risk from CRP

COVID-19 risk was retired from CRP following the World Health Organisation's (WHO) announcement to end COVID-19 as a public health emergency and Malaysia's revision of its COVID-19 Standard Operating Procedure. Despite this removal, PCG remains committed to monitoring and responding to any new developments surrounding disease outbreaks. PCG will consistently review the risk landscape in accordance with emerging circumstances.

## 3 EMERGING RISKS

The Group conducts a thorough assessment of emerging risks originating from internal and external environments, which possess the potential to influence the attainment of business objectives. External factors considered encompassed geopolitical tensions, socio-economic issues, technology developments, and environmental concerns. Following this evaluation, the emerging risks were scrutinised to determine their inclusion in the PCG CRP.

Throughout the year in focus, the BSRC maintained its commitment to deliberating on risks in alignment with the Statement on Risk Management and Internal Control (SORMIC). On 15 November 2023, the BSRC formally endorsed three emerging risks to be presented to the Board:

### Environmental

Decarbonisation: Disorderly low carbon and circular economy transitions

### Technological

Digital: Inability to capitalise on the unprecedented growth in Artificial Intelligence (AI) technologies amidst the digitalisation journey resulting in opportunity loss

### Geopolitical

Constant global geopolitics uncertainty may pose challenges to PCG business sustainability

## 4 RISK APPETITE

The Group approved the establishment of risk appetite parameters and thresholds, along with the inclusion of PCG growth initiatives to be closely monitored and regularly updated within the Project Delivery focus areas. The BSRC will conduct quarterly reviews to address any breaches of these risk appetite thresholds, ensuring that risks taken in alignment with strategic and business objectives remain consistently within approved levels.

## 5 HIGH IMPACT BUSINESS MATTERS

Reviewed and deliberated on risks associated with strategic and high-impact business matters, such as FID for projects, project financing, and joint venture arrangements. These assessments aimed to evaluate the feasibility and commercial viability of these projects and investments. Over the financial year 2023, the BSRC deliberated 13 proposals with significant business impact, including the Advanced Chemical Recycling Plant and the Acquisition and Rejuvenation of the BPC Maleic Anhydride (MAN) Plant.

## 6 CRISIS AND BUSINESS CONTINUITY IMPLEMENTATION

Examined PCG's integrated approach to risk management, concentrating on three key areas: Enterprise Risk Management, Crisis Management, and Business Continuity Management.

## ANNUAL REPORTING

The BSRC reviewed the BSRC Report and SORMIC for the financial year concluded on 31 December 2023, ensuring their alignment with the requirements and guidelines stipulated by the Main Market Listing Requirements of Bursa Malaysia.

## BSRC EFFECTIVENESS REVIEW AND PERFORMANCE

For the year under review, the Board assessed the performance of the BSRC through an annual Board Effectiveness Evaluation. 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 Board is satisfied that the BSRC has effectively discharged its functions, duties and responsibilities in accordance with the BSRC Terms of Reference. Full details of the evaluation and the outcomes can be found on pages 94 to 95.

### WARREN WILLIAM WILDER

*Chairman,*

*Board Sustainability and Risk Committee*