

DEAR STAKEHOLDERS,

PCG has stood resilient, showcasing unwavering commitment in value creation for our stakeholders and adaptability throughout the year despite a multitude of headwinds that surrounded the chemicals industry in 2023. We remained steadfast in facing challenges head-on, ensuring operational excellence and discipline in executing our strategic initiatives to position ourselves for a brighter future.

OVERVIEW OF THE YEAR

The year under review was a challenging one in almost every aspect as global economic growth slowed, a result of the rapid tightening of monetary policy over the past two years to rein in inflation. Geopolitical tensions, economic uncertainty and commodity price volatility had also persisted since 2022. In addition, high energy prices continued to put pressure on the cost of feedstock and logistics, adding to increased production expenses and supply chain challenges.

DIVIDENDS PER SHARE (SEN)

2021	56 sen
2022	41 sen
2023	13 sen

Despite these headwinds, the world has managed to avoid a recession, although the growth outlook remains sluggish with the International Monetary Fund (IMF) recording a global Gross Domestic Product (GDP) of 3.1% in 2023, lower than the 3.5% recorded in 2022.

China's slower-than-expected growth has been of particular concern to the chemicals industry, as it has impacted China's demand in areas such as manufacturing, imports and consumer spending. The effect of this has reverberated globally with trading nations, like Malaysia, feeling the impact

CHAIRMAN'S STATEMENT

Datuk Ir. (Dr.) Abdul Rahim Hashim
Chairman



of reduced demand from China which has subsequently dampened business and manufacturing sentiments. In addition, the Chinese government pushed ahead with self-sufficiency initiatives to reduce reliance on imports, which has encouraged local chemical producers to bring new capacity online, further disrupting the global supply-demand balance.

Chemical prices also experienced a decrease in 2023 compared to 2022, reflecting the lower demand and downcycle trend in the chemicals industry. For instance, ethylene prices fell by about 16% from the previous year while ammonia and urea prices, both fluctuating since early 2023 until the fourth quarter due to disruptions to global supply and demand, changes in agriculture planting seasons and global plant issues. Thus, this 'perfect storm' of higher energy prices, geopolitical tensions, lower demand and the China factor exacerbated the ongoing chemicals industry downcycle, resulting in chemicals producers having to accept thinner margins.

Nevertheless, despite the persistent challenges seen throughout the year, PCG continued to advance its value creation journey. We recorded profit after tax (PAT) of RM1.8 billion by ensuring the diligent implementation of our Operational Excellence, Commercial Excellence and Growth Delivery Excellence initiatives. As a result, the Board declared a total dividend of 13 sen per share with a total payout of RM1.0 billion for 2023.

The commitment to our strategic initiatives ensured the consistent operations of our plants supported by our disciplined

approach to safety. Additionally, we made significant strides with the sanctioning of new projects and good progress with the integration of the Perstorp Group (Perstorp) into PCG's specialty chemicals platform. We will also be contributing to the development of the circular economy with the sanctioning for the construction of an advanced chemical recycling plant in Pengerang, Johor. It is hoped that our investment in this nascent technology will help spur the nation's circular economy agenda.


STRENGTHENING GOVERNANCE & INTEGRITY

Governance and integrity form the bedrock of a resilient and sustainable organisation. A robust governance framework ensures that decisions are made judiciously, fostering accountability and transparency in every facet of operations. When coupled with an unwavering commitment to integrity, it creates a culture where ethical considerations are not compromised but are guiding principles.

As PCG steers ahead, these principles serve as a compass, guiding the company towards a future where success is not just measured in financial terms but is also synonymous with ethical leadership, responsible decision-making and a steadfast commitment to integrity. In an era where stakeholders increasingly value ethical and sustainable business practices, PCG's dedication to governance and integrity positions it as a beacon of responsible corporate citizenship in a competitive landscape.

In the year under review, we demonstrated our commitment to these values with the Board signing the PCG Integrity Pledge which outlines our zero-tolerance approach towards bribery and corruption. The Board also attended a workshop with the management team on the pillars of corporate governance to ensure alignment with our shared goals and objectives. We also discussed ways to foster effective collaboration in steering the Group forward.

GOING BEYOND COMPLIANCE



Remain committed to PCG Integrity Pledge of a zero-tolerance approach to bribery and corruption



Aligned shared goals and objectives with management on corporate governance pillars to ensure effective collaboration

CHAIRMAN'S STATEMENT

SUSTAINABILITY: OUR STRATEGIC IMPERATIVE

The emphasis on sustainable business practices, driven by demands from policymakers, regulators, financiers, investors, consumers and advocacy groups, has compelled industries and organisations to reevaluate their approach to business. PCG, recognising the imperative for change, continues to align itself with these expectations while striving to deliver positive impacts to our stakeholders.

With sustainability being a key consideration for PCG, the Board dedicates time to deliberate the wider impact of our business and investment decisions through an Environmental, Social and Governance (ESG) lens. The Board also oversees the implementation of PCG's Sustainability Agenda and long-term strategy. In 2023, extensive focus and emphasis were placed on the implementation of PCG's Net Zero Carbon Emissions (NZCE) Roadmap, which resulted in significant GHG emissions reduction for the year. Beyond this, we completed our Scope 3 baselining exercise and we are now working towards identifying emission reduction opportunities across the value chain.

I am also pleased to report that Perstorp and BRB achieved a gold rating and silver rating respectively in the 2023 EcoVadis assessment. As part of the PCG family, Perstorp and BRB's performance, which ranks them in the top 5% and 25% in the industry respectively, demonstrates a comprehensive approach to upholding sustainability in their supply chain in areas such as Environment, Ethics, Labour & Human Rights, and Sustainable Procurement. Encouraged by these results, PCG plans to expand our efforts in managing sustainability within our supply chain.

Beyond environmental considerations, PCG recognises the intrinsic link between diversity, inclusion and sustainability. Following the implementation of a comprehensive Diversity & Inclusion (D&I) framework in 2022, we appointed 21 D&I ambassadors and organised 10 awareness programmes in 2023 to further advance our commitment to D&I.

As a result of our unrelenting efforts, in 2023, PCG sustained its listing in the FTSE4Good Bursa Malaysia Index for the tenth consecutive year and improved our score by achieving a top quartile four-star rating. In addition, PCG also sustained its listing in the Dow Jones Sustainability Indices (DJSI) for both the World and Emerging Markets for the third year in a row, thus maintaining our position within the top 10% of companies ranked in the chemicals industry. These achievements demonstrate the company's unwavering commitment to meeting global ESG standards and benchmarks.

OUR SUSTAINABILITY STORY

Greater focus on PCG's NZCE Roadmap implementation resulted in a **significant GHG emissions reduction**

Completed Scope 3 baselining exercise and in the process to identify reduction opportunities across the supply chain

Recognised by EcoVadis with Perstorp and BRB garnering Gold and Silver Awards respectively

Sustained listing as Top 10% Companies in DJSI for the World and Emerging Markets Indices (Chemicals Industry) for the third consecutive year

Sustained listing in FTSE4Good Bursa Malaysia Index for a decade, scoring a spot in the **top quartile four-star rating**

Successfully rolled out Diversity & Inclusion (D&I) initiatives by empowering employees at appropriate levels to increase awareness and strengthen commitment to D&I



PCG celebrates major wins, clinching the Platinum Award for Best Sustainability Reporting and the Silver Award for Excellence at NACRA 2023.

CHAIRMAN'S STATEMENT



We are committed to efficient plant operations.

OUTLOOK

Looking ahead, the operating environment remains uncertain. According to the latest projections from the IMF, global GDP growth is expected to remain at 3.1% in 2024. This is attributed to factors such as inflationary pressures, tight monetary policy, no clear resolution to ongoing geopolitical tensions and subdued business sentiment.

In response to these dynamics, PCG is committed to maintaining our focus on our three strategic thrusts: Operational Excellence, Commercial Excellence and Growth Delivery Excellence. These pillars will ensure the continued high utilisation rates of our plants, along with the optimisation of our existing value chain. Furthermore, we are dedicated to delivering our growth plans through the extension of our value chain, building a robust specialty platform, and fostering innovation and new technologies. Our commitment extends beyond operational efficiency as we also seek to create circular and sustainable products that support our customers in their decarbonisation efforts.

It is at this juncture where I would like to emphasise that we recognise the current environment is not entirely bleak, and we are in fact using it as an opportunity to innovate and improve our processes, in addition to strengthening our specialty platform in preparation for the anticipated upturn. As we navigate these challenges and opportunities, PCG remains resolute in its commitment to excellence, sustainability and innovation, ensuring that we not only weather the current economic complexities but emerge stronger and more resilient going forward.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to thank our former Managing Director/Chief Executive Officer (MD/CEO), Ir. Mohd Yusri Mohamed Yusof, for leading PCG through one of its most challenging periods as we successfully navigated the unprecedented headwinds brought about by the unpredictable environment. In his place, I would like to welcome and congratulate Mazuin Ismail who has taken over as the new MD/CEO. The Board and I will continue to lend our full support to the Management team as we pursue our growth and sustainability strategies going forward. I would also like to thank Datuk Toh Ah Wah for his outstanding contributions to the Group, having served the Board for nine years. We wish him the best in his future undertakings.

I wish to express my heartfelt gratitude to my esteemed colleagues on the Board, who have contributed their insights and support as we navigated another challenging year. The Management team, in particular, has exhibited exemplary leadership in steering PCG through a difficult operating environment. We are privileged to have a robust leadership that has ensured an unwavering focus on implementing our strategies as they keep an eye on the longer-term opportunities that we can tap into.

To our valued shareholders, customers, suppliers and other stakeholders, we extend our deepest appreciation for your steadfast support. Finally, to our dedicated employees, your dedication and commitment to advancing our value creation goals amid various challenges have not gone unnoticed. Your efforts are truly the driving force behind our success and have embodied our commitment to being "Steadfast. Advancing Sustainably."

Datuk Ir. (Dr.) Abdul Rahim Hashim
Chairman