

# STEADFAST. ADVANCING SUSTAINABLY.

PETRONAS CHEMICALS GROUP BERHAD | INTEGRATED REPORT 2023



**PETRONAS**



# STEADFAST. ADVANCING SUSTAINABLY.

"Steadfast. Advancing Sustainably." encapsulates the essence of our mission – a fusion of relentless dedication, innovative and sustainable progress. This tagline signifies our unwavering commitment to excellence, especially under challenging circumstances, through the continuous evolution of our chemical products. Our resilience is interwoven with a spirit of innovation, as we expand to include environmentally conscious solutions. By embodying this tagline, our firm resolve, ethical practices and investment in cutting-edge technologies not only navigate us through the immediate challenges but also illuminate our path towards a prosperous and sustainable future.

## **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.

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**NAVIGATION ICONS**

**Key Capitals**

- N** Natural
- M** Manufactured
- S** Social & Relationship
- I** Intellectual
- H** Human
- F** Financial

**Key Stakeholder Groups**

- E** Employees
- S** Suppliers & Vendors
- SI** Shareholders & Investment Community
- C** Communities
- C** Customers
- BP** Business Partners
- GR** Government & Regulators
- M** Media

**Material Matters**

- IP** Innovation & Product Stewardship
- BS** Business Strategy & Financial Resilience
- CE** Circular Economy
- SC** Supply Chain Management
- CD** Cybersecurity & Digitalisation
- CC** Climate Change
- ES** Environmental Stewardship
- HR** Human Rights
- SH** Safety & Health
- TW** Talent Management & Well-Being
- CE** Community Engagement
- CG** Corporate Governance

**Principal Risks**

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



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

# BASIS OF THIS REPORT

## INTEGRATED REPORTING APPROACH

PETRONAS Chemicals Group Berhad (PCG or the Group) ranks among the largest companies listed on Bursa Malaysia Main Market. In line with our commitment to good governance and transparent communication, we focus on delivering comprehensive and balanced performance reports for our stakeholders, partners and communities we engage in. This commitment is encapsulated in PCG's Integrated Report 2023, which not only covers financial results but also integrates discussions on sustainability and future prospects, providing stakeholders with a clear vision of our direction in the short, medium and long-term.

### OUR REPORTING BOUNDARIES

This Integrated Report (IR) covers the reporting period of 1 January 2023 to 31 December 2023, unless otherwise stated. Information presented relates to the risks, opportunities and outcomes of activities in the Group, comprising our subsidiaries, joint operation, joint ventures and associates.

<p><b>Strategy</b>, including key strategic trade-offs</p> <p><b>R</b> Read more on pages 50 to 61 in the Integrated Report.</p>	<p style="text-align: center;"><b>Financial reporting boundary</b></p> <p style="text-align: center;">Covers our operating subsidiaries, joint operation, joint ventures and associates.</p>	<p style="text-align: center;"><b>Non-financial reporting boundary</b></p> <p style="text-align: center;">Covers our operating subsidiaries, joint operation, joint ventures and associates where we have management responsibility.</p>
<p><b>Business model</b>, including value created for stakeholders</p> <p><b>R</b> Read more on pages 50 to 51 in the Integrated Report.</p>		
<p><b>External environment</b>, including sustainability-driven initiatives</p> <p><b>R</b> Read more on pages 42 to 44 in the Integrated Report.</p>		
<p><b>Stakeholder interests</b>, including our responses</p> <p><b>R</b> Read more on pages 45 to 48 in the Integrated Report.</p>		

### Time horizons

<p><b>Short-term</b> Navigating short-term performance expectations against long-term value creation within three years, currently set for 2026</p>	<p><b>Medium-term</b> Navigating medium-term performance expectations against long-term value creation within six years period, currently set for 2030</p>	<p><b>Long-term</b> Navigating long-term performance expectations against long-term value creation beyond six year period, currently set for 2050, which aligns with our commitment to achieving Net Zero Carbon Emissions (NZCE) by 2050</p>
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### OUR APPROACH TO DELIVERING IMPACT IS GUIDED BY



We have prioritised 13 of the 17 SDGs where we believe we have the greatest ability to deliver meaningful impact through our core business.

**R** This is best represented on page 49 in the Integrated Report and the alignment to our Material Matters can be found on pages 34 to 39 in the Sustainability Report.

# BASIS OF THIS REPORT

## OUR REPORTING SUITE

PCG is a global integrated chemicals enterprise, bolstered by a strong network of stakeholders. The confidence these stakeholders place in PCG is vital to our long-term sustainability. In our efforts to build upon this trust, we are committed to offering clear insights into our business direction, strategic approaches and performance, while also clearly identifying our material risks.



### Integrated Report 2023 (IR)

The objective of PCG’s IR is to provide our stakeholders with a thorough and balanced assessment of both financial and non-financial performance. By reading this report, stakeholders will gain a better understanding of our business operations, sustainability initiatives, performance metrics, governance, risk management and future prospects. This report demonstrates our commitment to transparency and aims to bolster the trust and confidence of our stakeholders. Within the governance section, we provide comprehensive coverage 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 the Statement on Risk Management and Internal Control.

### Financial Report 2023 (FR)

Our FR includes the Directors’ Report, Audited Financial Statements and Independent Auditors’ Report. The report offers comprehensive financial information to our shareholders, investors, analysts and other relevant parties.

### Sustainability Report 2023 (SR)

PCG’s SR details 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.

### 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)	•	•	
IFRS Accounting Standards	•	•	
Corporate Governance Guide - 4 <sup>th</sup> Edition issued by Bursa Malaysia	•		
Global Reporting Initiative (GRI) Universal Standards 2021			•
FTSE4Good Bursa Malaysia Index’s Environmental, Social and Governance (ESG) indicators			•
IPIECA Sustainability Reporting Guidance for the Oil and Gas Industry - 4 <sup>th</sup> Edition, 2020			•
Dow Jones Sustainability Indices (DJSI)			•
The United Nations Sustainable Development Goals (UNSDGs)			•

### INDEPENDENT COMBINED ASSURANCE STATEMENT

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

**R** Read more on pages 115 to 119 for the Independent Auditors’ Report in the Financial Report.

**R** Read more on pages 144 to 145 for the Independent Limited Assurance Report in the Integrated Report.

### INDEPENDENT LIMITED ASSURANCE STATEMENT

Deloitte PLT provided assurance on non-financial indicators for Malaysian manufacturing sites. The assurance is limited to environment, occupational health and safety data, as listed in the following eight indicators:

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

KPMG Sweden has provided limited assurance over selected environmental and occupational health and safety disclosures for Perstorp Group.

### MATERIALITY

The information in the report focuses on issues that are most material to our business operations and stakeholders. Our approach to identifying, prioritising and confirming these material matters involves a comprehensive four-step materiality assessment process.

### FEEDBACK

PCG is committed to constantly enhancing the quality of our reports and we greatly value input from our stakeholders. If you have any questions or suggestions, please contact the following:

**Name** : Zaida Alia Shaari  
**Position** : Head of Investor Relations  
**Email** : petronaschemicals\_ir@petronas.com

### FORWARD-LOOKING STATEMENTS

This report includes several forward-looking statements relating to future performance. These projections and forecasts are grounded in present assumptions and conditions, which are subject to change and therefore carry some uncertainty. Numerous factors might lead to actual outcomes that may vary from those expressed or implied in these forward-looking statements.

### BOARD RESPONSIBILITY STATEMENT

The Board acknowledges its responsibility in upholding the integrity of this Integrated Report. The Board believes that this report addresses all the issues that are material to the Group’s ability to create value and fairly reflects PCG’s integrated performance. This report has been prepared in line with the IFRS Foundation <IR> Framework and received the Board’s approval on 26 February 2024.

**DATUK IR. (DR.) ABDUL RAHIM HASHIM**

Chairman

**MAZUIN ISMAIL**

Managing Director/  
Chief Executive Officer

## OVERVIEW OF PCG

PETRONAS Chemicals Group Berhad (PCG) stands as the chemical arm of PETRONAS and as Malaysia's premier integrated chemical manufacturer. Our operations span the production, marketing and distribution of a wide variety of chemical products. PCG marked a significant milestone by going public on 26 November 2010. Through our commitment to Operational Excellence and Commercial Excellence, we are now a prominent integrated chemical producer in Southeast Asia. Our global presence extends across 19 manufacturing sites located in Malaysia, the Netherlands, Sweden, Singapore, Germany, Italy, China, the USA and Canada. The Group's dedication to Growth Delivery Excellence has been pivotal in our expansion into specialty chemicals sectors, ensuring our business is future-ready. In pursuit of our goal to be 'The Preferred Chemical Company Providing Innovative Customer Solutions', we are dedicated to generating positive outcomes across economic, environmental and social spheres. Central to our strategy is sustainability, guiding us towards our ambition to achieve Net Zero Carbon Emissions by 2050.

### OUR PURPOSE

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

### OUR VISION

To be the preferred chemical company providing innovative customer solutions

At PCG, we define our purpose beyond the traditional business boundaries, focusing on catalysing a sustainable future through environmental stewardship, social responsibility and economic growth. We strive to not only meet immediate needs but also to pave the way for long-term sustainability, leveraging advanced technologies and sustainable practices to exceed the highest standards of operational excellence and contribute positively to the global environmental effort. Our vision as the preferred chemical company is underpinned by our commitment to providing innovative solutions that are designed with resilience and adaptability in mind, preparing us and our stakeholders for the challenges and opportunities in an evolving world.

Our approach integrates innovation into our core, aiming to deliver solutions that not only meet current demands but also anticipate future needs, ensuring our adaptability and resilience. This dedication extends to our workforce and societal engagement, where we foster a culture of growth and achievement, driving positive change beyond our industry. As we look to the future, PCG is committed to creating lasting value that harmonises prosperity with environmental stewardship, leading with forward-thinking solutions that benefit not just our stakeholders but society as a whole, reinforcing our role as leaders in the journey towards a sustainable future.

### OUR 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

Loyal to corporation

#### INTEGRITY

Honest and upright

#### PROFESSIONALISM

Strive for excellence

#### COHESIVENESS

United, trust and respect for each other

## DRIVEN BY OUR STRATEGY

### FIRST-PRONG

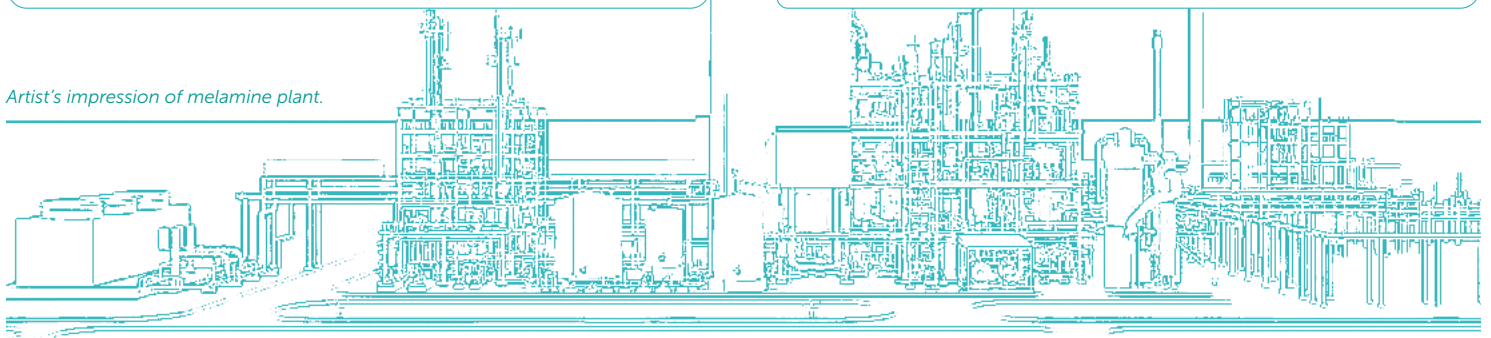
Sustain strength in basic petrochemicals through Operational Excellence & Commercial Excellence in Maximising Cash Generation from existing business

### Two-Pronged Strategy

### SECOND-PRONG

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

Artist's impression of melamine plant.



# OVERVIEW OF PCG

MARKET CAPITALISATION:  
AS AT 31 DECEMBER 2023

**RM57.3 billion**

PRODUCTION CAPACITY:

**15.4 million tpa**

10-YEAR CONSTITUENT  
OF  
**FTSE4GOOD**  
BURSA MALAYSIA INDEX

TOTAL ASSETS BASE:

**RM60.2 billion**

ONE OF THE  
**LARGEST**  
INTEGRATED CHEMICALS  
PRODUCERS IN  
SOUTHEAST ASIA

LISTED AS  
**TOP 10% COMPANIES**  
FOR THREE CONSECUTIVE  
YEARS IN THE DOW JONES  
SUSTAINABILITY INDICES  
(DJSI) FOR WORLD AND  
EMERGING MARKETS  
(CHEMICALS INDUSTRY)

## OUR EXPERTISE

### Manufacturing

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

### Commercial

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



Commodities



Olefins & Derivatives



Fertilisers & Methanol



Specialties

## OUR STRENGTHS AS A SUSTAINABLE BUSINESS

### Economic

- Integrated manufacturing facilities and infrastructure with world-class Health, Safety and Environment (HSE) standards and plant performance
- Strong customer relationships with diversified product portfolio across the globe to meet current and future needs
- Attractive dividend policy
- Reputable industry and market leaders
- Strong network of strategic alliances via long-standing and robust relationships with partners
- Asset growth and portfolio expansion into derivatives and specialty chemicals
- Commitment to sustainable investments
- Strong returns and capacity to fund future growth

### Environmental

- Implementation of NZCE 2050 Roadmap and climate risk management
- Internationally recognised for environmental management practices
- Commitment to environmental protection and biodiversity conservation

### Social

- Skilled talent pool with right competencies and leadership traits
- Diverse and inclusive workforce for a progressive work environment

### Governance

- International recognition on sustainable business practices
- Commitment to high standards of corporate governance and business ethics
- Transparency, continuity and timeliness in corporate disclosures to enable informed investment decisions

# SUSTAINING VALUE CREATION

## OUR MILESTONES

PCG has consistently demonstrated a deep commitment to creating value. PCG's dedication to value creation extends beyond singular achievement in diversification, specifically in the specialty chemicals segment, and is rooted in a sustained track record of excellence.

Our growth from one production site in East Malaysia to 19 world-class chemical manufacturing sites and seven Research & Development (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.

### 2023

Sanctioned the acquisition of Maleic Anhydride (MA) plant in Gebeng, Pahang, from BASF PETRONAS Chemicals Sdn. Bhd. and to upgrade the facilities to produce refined MA

Sanctioned the development and construction of an advanced chemical recycling plant in Pengerang, Johor

Achieved ready for start-up phase for specialty ethoxylates and polyether polyols plant in Kertih, Terengganu and nitrile butadiene latex plant in Pengerang, Johor

## AWARDS & RECOGNITIONS

Our dedication and relentless contributions to the industry in 2023 earned us various awards and recognitions. These accolades reflect our commitment to delivering long-term value for our stakeholders through innovating sustainable products and solutions for our customers.

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





# SUSTAINING VALUE CREATION

## N Natural Capital

### Freshwater Withdrawal Intensity

5.46<sup>^</sup> m<sup>3</sup>/tonne  
2022: 3.89 m<sup>3</sup>/tonne

### Wastewater Discharge (Chemical Oxygen Demand (COD) Loading) Intensity

0.02 tonne/kilotonne  
2022: 0.02 tonne/kilotonne

### Air Emissions Intensity

2.1<sup>^</sup> tonne/kilotonne  
2022: 1.9 tonne/kilotonne

### Hazardous Waste 3R

76%  
2022: 77%

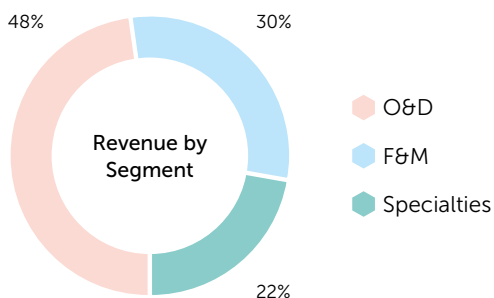
### GHG Emissions Reduction

146,100 tonne CO<sub>2</sub>e  
2022: 55,000 tonne CO<sub>2</sub>e

### Energy Intensity

16.84 GJ/tonne  
2022: 17.08 GJ/tonne

## F Financial Capital



**Revenue:**  
RM28.7 billion  
2022: RM29.0 billion

**Total Assets:**  
RM60.2 billion  
2022: RM55.4 billion

**Profit after Tax:**  
RM1.8 billion  
2022: RM6.3 billion

## M Manufactured Capital

### Production Volume

10.4<sup>^</sup> million tonnes  
2022: 10.2 million tonnes

### Sales Volume

9.6<sup>^\*</sup> million tonnes  
2022: 8.3<sup>^\*</sup> million tonnes

### Plant Utilisation

(Malaysian Operations for Commodities only)

85%  
2022: 89%

## I Intellectual Capital

### Total No. of New Products:

20<sup>^</sup> products

- Ethonas SF401
- PEO390
- Gastrivix™ Go
- Evyron™ T100
- Neeture™ N100
- Valeric acid Pro 100
- 2-EHA Pro 100
- 2-EH Pro 100
- Nbal Pro 25
- Akasil® Antifoam SD10
- Akasil® Antifoam SD 20
- Akasil® Antifoam SD 30
- BRB SG 270
- BRB Sempure 357N
- CSL® 463
- CSL® 464
- Petrolad® 7078
- Petrolad® 9330
- Petrolad® 8830
- Viscotech 6073LR

2022: 15 products

## H Human Capital

### Women's Representation on the Board

37.5%  
2022: 33%

### Women in Senior Leadership

31%<sup>^</sup>  
2022: 29%

### Average Training Days

11 man-days on average per employee  
2022: 10.2 man-days

## S Social & Relationship Capital

### Total Procurement Spending

(Expenditures on Malaysian business sourced from Malaysia-based vendors)

87%  
2022: 70%

### Social Impact Initiatives Reached:

More than 170,000<sup>^</sup> community members reached

2022: >75,000 people

(calculation methodology for the number of community reached that benefitted from our programme has been revised as per alignment with Yayasan PETRONAS)

### Amount Contributed to Communities:

~RM3.0 million

### Number of Mangrove Trees Planted:

5,700 trees  
2022: 3,550 trees

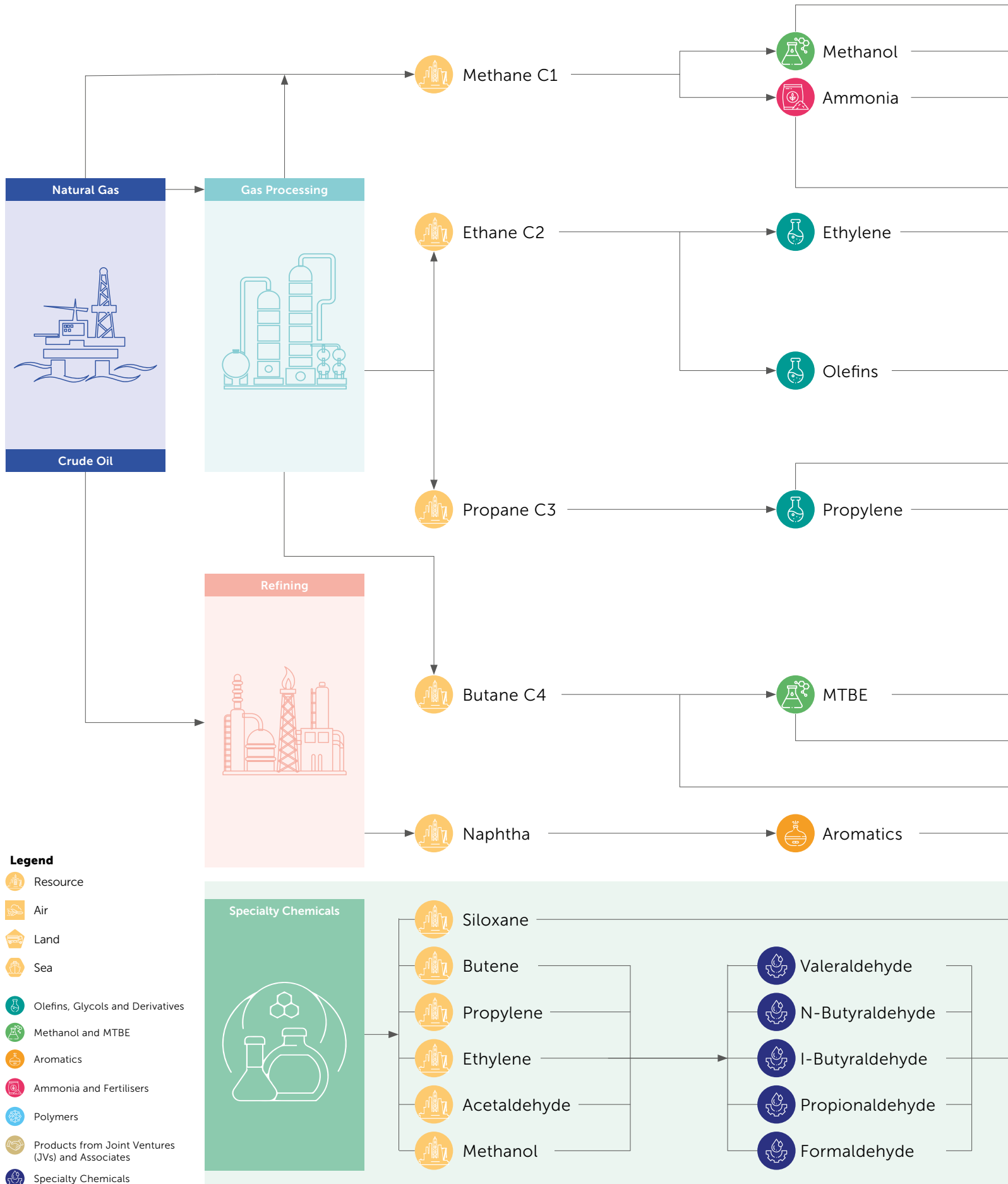
### Customer Feedback Scoring:

5.5 sigma  
2022: 5.4 sigma

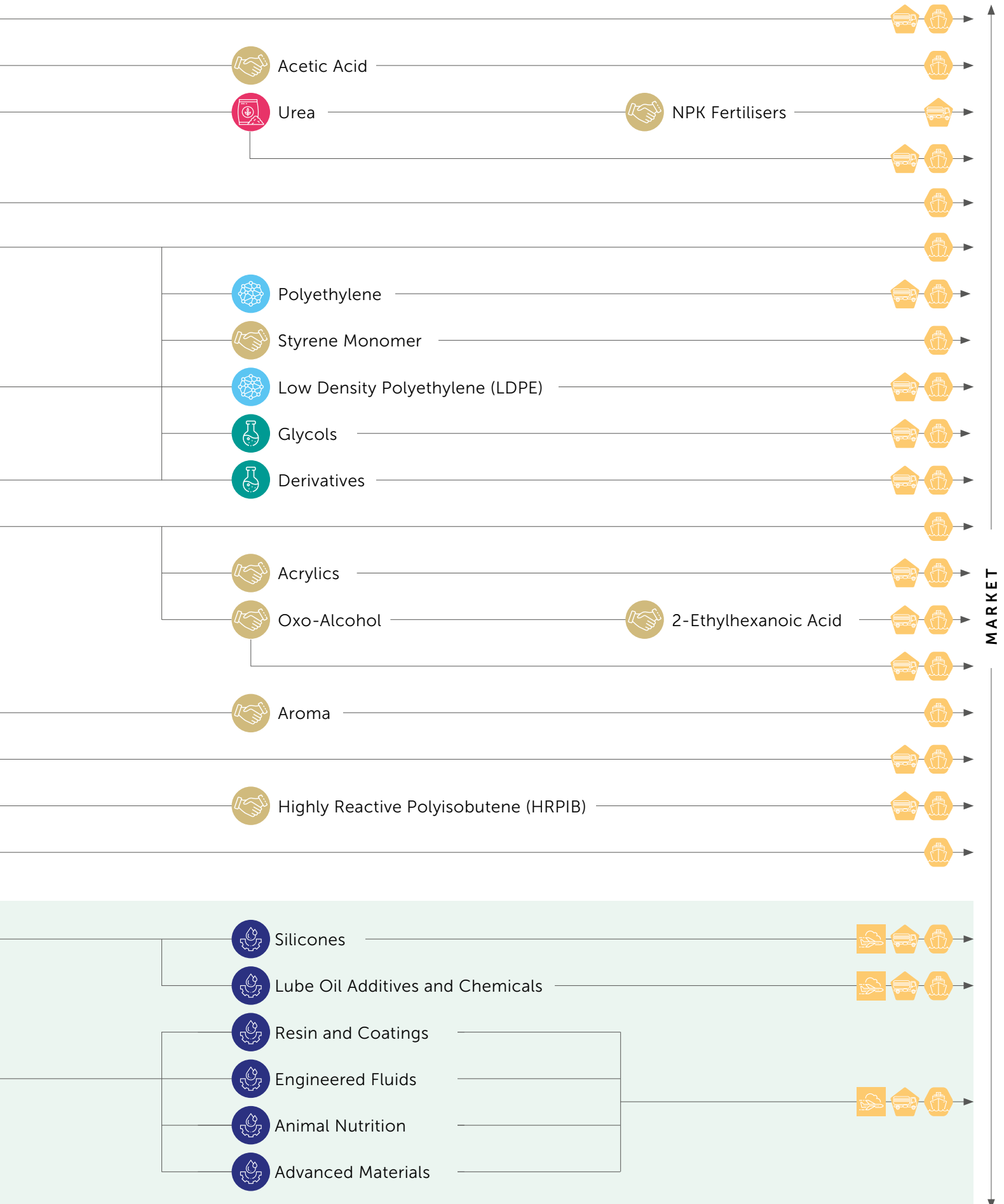
<sup>^</sup> Including BRB Group and Perstorp Group

\* Including Pengerang Integrated Complex (PIC)

# INTEGRATED PRODUCT VALUE CHAIN



# INTEGRATED PRODUCT VALUE CHAIN



**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)**

<b>2021</b>	56 sen
<b>2022</b>	41 sen
<b>2023</b>	<b>13 sen</b>

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*



## DEAR STAKEHOLDERS,

**In presenting my first report as the Managing Director/Chief Executive Officer (MD/CEO) of PETRONAS Chemicals Group Berhad (PCG), I am deeply grateful to the Board and Management for the trust they have placed in me. I also want to recognise my predecessor, Ir. Mohd Yusri Mohamed Yusof, for the instrumental part he played in ensuring PCG's resilience and success during the pandemic and the particularly challenging operating environment in the past two years, positioning the Company for continued growth and excellence. While the path ahead will remain undoubtedly challenging, I am fully committed to the mission of taking PCG to its next level of transformation.**

The past year has been a volatile one for the chemicals industry, characterised by a range of external events that have inevitably impacted our overall performance. Nevertheless, despite these challenges, I believe that PCG has weathered the storm and stayed the course in the execution of our strategies while preserving value for our stakeholders.

# MD/CEO'S REVIEW

## **Mazuin Ismail**

*Managing Director/Chief Executive Officer*

### **A CHALLENGING YEAR**

In 2023, the industry grappled with the effects of moderating global economic growth, geopolitical tensions and China's weaker-than-expected post-pandemic recovery. The impact of these macroeconomic events, coupled with high energy prices and product oversupply, essentially precipitated a downcycle for the overall industry especially as demand in many chemical consuming sectors remained soft. Demand in the specialty chemicals sector also remained weak for the same reasons in addition to softer demand in European markets.

Internally and externally, we faced challenges that impacted plant utilisation, which subsequently led to weaker production performance for our commodities portfolio. While these challenges had a material impact on our performance, we have since moved beyond these issues and will be unrelenting in our efforts to ensure operational resilience.

Taking the above factors together, 2023 was indeed challenging for PCG, which in turn affected our financial performance.

### **STAYING TRUE TO OUR STRATEGIES**

The challenges affecting the entire chemicals industry this year are multifaceted but mainly driven by the ongoing downcycle that pushed down margins and increased costs for all industry participants, sparking a destocking trend in the specialties sector, in particular.

However, we view this downcycle as temporary. In addition, we recognise that what we produce is vital to the construction, automotive and personal care sectors. By optimising



our production, we are committed to positioning ourselves strategically to seize any arising opportunities when the recovery occurs. We will be well-prepared for the rebound in restocking and economic activities, while making every effort to be in the best position to capture new opportunities.

Thus, for PCG, the focus will continue to be on our two-pronged strategy driven by the three strategic thrusts of Operational Excellence, Commercial Excellence and Growth Delivery Excellence. These thrusts have served us well over the years and remain key to our sustained resilience. We are committed to strengthening our operational performance and fostering stronger relationships with our customers to ensure we are delivering the products and solutions the market wants. Growth opportunities, meanwhile, will continue to be aimed at maximising the value of our molecules, further developing our specialty platform post-acquisition, and uncovering new opportunities from our sustainability and decarbonisation journey.

## OE OPERATIONAL EXCELLENCE

In the year under review, PCG continued to prioritise the health and safety of our people. Through our generative Health, Safety and Environment (HSE) culture and discipline towards upholding HSE Excellence, I am pleased to report that we recorded ZERO fatality and ZERO Major Fire. Regrettably, however, we recorded two Lost Time Injuries (LTI). We acknowledge that these incidents highlight areas where our health and safety operations can be further improved, and we are committed to doing better for the safety of our workers. We have since taken remedial actions to identify root causes to prevent future occurrences.

The comparatively stronger HSE performance this year was largely due to our efforts in adopting a more structured PCG-wide approach towards addressing the root causes of previous incidents during turnarounds, where past learnings were discussed and shared with all PCG operating units. The success of this initiative will see us extending it to cover scheduled maintenance as well.

With regards to our plant reliability, PCG encountered both internal reliability challenges, coupled with several feedstock and utility supply disruptions in 2023, which ultimately affected our plant utilisation rate. We have since undertaken a series of corrective and mitigating actions throughout the year. To that end, we have conducted a deep dive, focusing on our people, our processes and even our culture to come up with a long-term plan to prevent future occurrences.

**R** Read more on Operational Excellence on pages 53 to 55.

## CE COMMERCIAL EXCELLENCE

In achieving Commercial Excellence, we fostered collaboration and close partnerships with all stakeholders to optimise value creation and meet our customers' needs. Despite significant turnaround activities, customer orders were consistently fulfilled throughout the review period. PCG recorded sales volume of 9.6 million tonnes in 2023, comparable to the previous year. While margins were compressed by lower prices, we were prudent in managing our costs, especially our cost to serve, validating our resilience and ability to realise value year on year.

Our commitment to satisfying customer needs extended to the introduction of new and improved products and solutions. In 2023, we launched Ethonas SF401, a more cost-effective spacer fluid designed for oil and gas applications. Concurrently, we continued to extract value from existing enhanced products and solutions.

We also undertook a significant digital initiative with the phased rollout of the PETRONAS360 Customer Portal (P360). P360 provides customers with access to transaction details, account statements, real-time delivery status and various exciting features. These features include online spot volume offers, getting more information on products, and the ability to log enquiries and feedback directly to PCG. Pilot customers started using this platform in November 2023 and we plan to expand it to other active customers by 3Q 2024 as part of our ongoing commitment to enhance customer experience.

**R** Read more on Commercial Excellence on pages 56 to 58.

## GE GROWTH DELIVERY EXCELLENCE

In future-proofing the business against market volatility, our Growth Delivery Excellence focuses on extending our value chain, building our specialty platform and creating optionality for growth through innovation and new technologies. We also continue to make meaningful progress in creating circular and sustainable products that have the potential to assist our customers in their respective decarbonisation journeys.

In 2023, our new specialty ethoxylates and polyether polyols plant in Kertih, Terengganu, and nitrile butadiene latex plant in Pengerang, Johor, both achieved the ready for start-up phase. The plant in Kertih will enable us to meet the growing demand for foam products in the automotive sector, cleaning and personal care products. The plant in Pengerang is also well-positioned to capture opportunities in the global glove market, given Malaysia's status as the largest glove producer in the world.



A pilot plant to produce bio-based emollients.

## MD/CEO'S REVIEW



### GROWTH DELIVERY EXCELLENCE (continued)

In addition, we reached a Final Investment Decision (FID) in the acquisition of a Maleic Anhydride (MAN) plant in Gebeng, Pahang, from BASF PETRONAS Chemicals Sdn. Bhd. and to upgrade the facilities to produce refined MAN. Refined MAN is typically applied in the production of food and beverage, coating and surfactants, pharmaceuticals, textiles and other industrial products. This acquisition will enable us to better serve customers from the Asia Pacific region and the Indian subcontinents and strengthen our portfolio as we explore opportunities in Europe and the Middle East, in addition to fostering synergies with the Specialty Chemicals business.

We have achieved significant advancements in the post-merger integration with Perstorp Group (Perstorp) for our specialties platform, securing alignment on the value synergies and establishing plans for their execution in the next phases. This year, BRB Group (BRB) introduced new products for both the cosmetics and automotive industry, and BRB Malaysia Sdn. Bhd. obtained certifications such as ISO 9001, ISO 22000 and Good Hygiene Practices. These certifications demonstrate the facility's efficient operating management system and compliance to safety practices in handling food-grade products.

In creating optionality for growth, our technology development of bio-Monoethylene Glycol (Bio-MEG) is ongoing with active customer collaboration in refining the products to meet their various specifications. We have constructed a pilot plant to produce bio-based emollients to diversify PCG's bio-based offerings in the personal care sector. This pilot plant will be part of the Innovation Hub that PCG is currently developing in Bangi, Selangor.

Through this Malaysian Innovation Hub, along with BRB and Perstorp's innovation labs, we will establish a global innovation network that aims to increase the level of innovation sophistication in our key focus markets and enable localised solutions. Investing in innovation and technology ecosystems is vital for PCG to propel our growth in specialty chemicals and drive competitiveness.

**R** Read more on Growth Delivery Excellence on pages 59 to 61.

### SUSTAINABLE PROGRESS

In 2023, PCG made a significant first step forward in its Circular Economy agenda to contribute to a sustainable plastics ecosystem. We have sanctioned a project to construct an advanced chemical recycling plant in Pengerang, Johor. The end-of-life plastic for this plant is collected throughout the country, as we aim to reduce plastic waste ending up in landfills. This recycling plant will be able to give a new lease of life to what is a typically end-of-life plastic into pyrolysis oil that can then be used as feedstock in the production of circular plastics.

In further demonstrating our commitment to sustainable practices and the circular economy, PCG's marketing arm, PETRONAS Chemicals Marketing (Labuan) Ltd. (PCML) successfully obtained the International Sustainability and Carbon Certification (ISCC) PLUS Trader scope certification for bio-based, bio-circular and circular (technical) raw materials for all markets. The certification assures that we comply with globally recognised ecological and social sustainability requirements, voluntary greenhouse gas (GHG) emissions reductions and traceability throughout our supply chain. Beyond this, the certification will complement PCG's commodity portfolio and support the proliferation of sustainable products.

PCG continued to collaborate with Malaysian Plastic Manufacturers Association (MPMA) to drive adoption of Operation Clean Sweep (OCS), the plastic industries signature programme to reduce plastic resin loss to the environment. Having become the first producer in Malaysia to

voluntarily sign up for OCS in 2022, we rolled out the programme to our logistic providers to continue our efforts to reduce plastic loss during product handling and transport.

In our Specialty Chemicals segment, Perstorp launched sustainable products such as 2-EH Pro 100 and Valeric Acid Pro 100, which have low carbon footprint, are made from 100% renewable content and are ISCC PLUS certified. Perstorp has also set ambitious sustainability targets to achieve Finite Material Neutral, an ambition that emphasises responsible resource management, ensuring that the consumption of finite resources is balanced by efforts to regenerate or replace them.

In terms of our climate action, we continue to reduce GHG emissions, achieving a reduction of 146,100 tCO<sub>2</sub>e in 2023. The reduction was achieved through operational optimisation via flare reduction initiatives and energy-efficient measures, as well as increasing the amount of renewable energy that we use. The latter was made possible through our successful subscription to Tenaga Nasional Berhad's Green Electricity Tariff and Sarawak Energy Berhad's Renewable Energy Certificate.

In our efforts to support biodiversity, we are actively expanding our mangrove replanting and rehabilitation efforts, where we have now planted 5,700 mangrove trees in 2023, an increase of over 2,000 trees from 2022. Our replanting efforts promote the conservation and rehabilitation of mangroves to protect its rich biodiversity and ecosystem. This is an especially important initiative considering the findings from our biodiversity baseline report on International Union for Conservation of Nature (IUCN) species in 2022 that sighted two critically endangered species living near areas where we operate.



Expanding our mangrove rehabilitation efforts to support biodiversity.

## MD/CEO'S REVIEW

### OUTLOOK

Looking ahead, we expect the challenges presented by the external environment to persist into 2024. The bearish global economy, slower-than-expected recovery in China and ongoing geopolitical tensions will continue to affect the petrochemicals industry and produce softer markets for the near term. As we are in the business for the long run, we are confident that the cycle will turn upwards as the economy rebounds and demand catches up with supply. Beyond that, it is about how well-positioned and nimble we are to capture the pockets of opportunities that present themselves over the short, medium and long-term.

PCG recognises that ongoing challenges are part and parcel of the broader value creation journey as we look at growth opportunities in becoming the sole melamine producer in Southeast Asia and expanding our reach for Specialty Chemicals in the Asia Pacific region.

With that in mind, I believe that the way forward in the near term is to ensure we are on the right footing in all aspects. Having spent the year going back to basics to ensure our operational performance will be rock solid going forward, we can expect more from our businesses as we see initiatives from the previous year take effect in 2024. This includes the commercial operations of our nitrile butadiene latex plant in Pengerang, Johor, the specialty ethoxylates and polyether polyols plant in Kertih, Terengganu, and the melamine plant in Gurun, Kedah.

We also anticipate achieving ready for start-up phase for the expansion of the 2-Ethylhexanoic Acid (2-EHA) plant in Gebeng, Pahang through our JV company, BASF PETRONAS Chemicals Sdn. Bhd. that will double its capacity.

For our specialty business, having spent a good part of the year integrating Perstorp with PCG, we are now executing our plan to significantly increase the value of the specialty portfolio as part of PCG's overall growth aspiration. In February 2024, we inaugurated Perstorp's Sayakha plant in India for the production of Pentaerythritol (Penta) and calcium formate, including the renewable Penta grades of ISCC PLUS certified Voxtar™ M40. This will bring us closer to our Asia Pacific customers and enable the rollout of the portfolio of sustainable Pro-Environment solutions to the Asian region. Perstorp was also recently granted an environmental permit for its Project Air and is now working towards project approvals, which will enable the production of sustainable methanol.

We also continue to signal to our stakeholders that we have plenty more to do to support our sustainability ambitions. In this context, the sanctioning of the advanced plastics recycling plant is just the start of a long-term journey to help boost Malaysia's sustainable plastic ecosystem and promote plastic circularity.

Ultimately, our growth considerations are driven by one important element – our customers. It is clear that being able to anticipate their needs and creating the products and solutions to fulfil their needs are crucial to our long-term business sustainability. In summary, PCG is ready to face the ongoing challenges, recognising that it is part and parcel of the broader value creation journey. We have the measures in place to mitigate these challenges, as well as the plans and commitment to grow the business further. We will bounce back stronger and wiser by remaining true to our strategies and dedicated to delivering value to our stakeholders.

### ACKNOWLEDGEMENTS

As I begin my journey as the new MD/CEO of PCG, I am filled with both excitement and a deep sense of gratitude.

To our esteemed Board of Directors, I am immensely thankful for the strategic guidance and unwavering commitment you have continuously provided. Your wisdom and foresight are invaluable assets that have steered PCG through the myriad challenges and opportunities. I look forward to your continued guidance as we navigate the path ahead.

To our remarkable PCG team, your dedication and hard work are the pillars upon which our success is built. Each one of you plays a vital role in the achievements and milestones of PCG. I am inspired by your passion and expertise and am grateful for the energy and excellence you bring to our collective endeavours every day.

To our valued shareholders, your belief in our vision and your ongoing support are fundamental to our growth. Your investment in PCG represents a shared commitment to a journey of excellence. I am deeply appreciative of your trust and look forward to forging a strong and fruitful partnership.

In this new chapter of leadership, I am excited to build on the strong foundations laid by my predecessors and steer PCG towards new heights of achievement and sustainable growth. Together, we will continue to uphold our legacy and commitment to excellence. Let us move forward, united and strong, as we continue to be "Steadfast. Advancing Sustainably."

#### **Mazuin Ismail**

*Managing Director/Chief Executive Officer*

**DEAR STAKEHOLDERS,**

In the year under review, PCG's financial performance was relatively subdued compared to the year before due to challenges beyond our control such as higher feedstock prices, lower demand driven by slower global economic growth and additional capacities coming online. Cumulatively, these challenges had resulted in compressed margins for most products. Furthermore, feedstock disruptions in the second quarter and unplanned shutdowns in the third quarter of the year affected our production. Nevertheless, PCG demonstrated operational resilience in getting back on track within the year, recovering from the disruptions and navigating the downcycle in the chemicals industry to deliver revenue of RM28.7 billion, Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) of RM3.8 billion and Profit After Tax (PAT) of RM1.8 billion.

In addition, we have maintained an unrelenting focus on cost optimisation and continued to advance our business and sustainability initiatives in preparation for the eventual upturn in the chemicals industry. We also continue to be prudent in managing risks and liquidity levels, while ensuring we maintain low gearing levels.

**Profit  
After Tax:**

RM1.8 billion

2022: RM6.3 billion

**Liquidity with Cashflow from  
Operations (CFFO) of**

RM5.1 billion

2022: RM8.0 billion

**Dividend  
Payout Ratio:**

61.3%

2022: 51.9%

As a consequence of the disruptions, our plant utilisation (PU) rate declined to 85%, lower than last year's of 89%. PCG recorded a comparable production volume of 10.4 million tonnes in 2023 against the year 2022. We ensured the timely delivery of products to achieve 9.6 million tonnes in sales volume.

However, our cost of revenue increased by 17.7%, from RM20.3 billion to RM23.9 billion, mainly due to persistently 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 42% of the total costs for the year.

PCG recorded EBITDA of RM3.8 billion, which declined from RM8.1 billion in 2022, mainly due to compressed margins. As a result, our EBITDA margin during the year stood at 13.2% compared to 27.9% in 2022. 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 (JVs) and associates which were also not spared from the volatile market environment. Our Profit Before Tax (PBT) contracted from RM6.7 billion to RM2.1 billion while PAT reduced from RM6.3 billion to RM1.8 billion.

The commissioning of our petrochemical plants at the Pengerang Integrated Complex (PIC) is still ongoing. The delay may pose risk to the project economics. To mitigate such risks, 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.

**Mohd Azli Ishak**

Chief Financial Officer

# CFO'S REVIEW

# KEY ACHIEVEMENTS



## 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 as well as effective project management and delivery
- 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 of RM407.4 million



## Heightened Risk Management and Governance

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

### Actions

- Strengthened integrity management practices as an assurance to stakeholders
- Influenced JV and associate companies to establish more structured risk management system
- Assessed high-impact business matters including proposals for portfolio rationalisation, alliances for strategic ventures and key capital projects to ensure PCG's growth and sustainability
- Implemented risk appetite and conducted a comprehensive review of risk profiles and mitigations across PCG Operating Units (OPUs)
- Established the Risk International Database (RID) that provide near real-time and single source of information
- Reviewed Group Limits of Authority (LOA) and PCG line of sight to align with the current business environment throughout the PCG Group of companies and providing LOA consultation to the JV and associate companies

### Results

- Obtained certification on ISO 37001:2016 Anti-Bribery Management Systems (ABMS) for PCG
- Established business and operation readiness on risk management workstream deliverables for LG PETRONAS Chemicals Sdn. Bhd. (LG PC) and PCG PCC Oxyalkylates Sdn. Bhd. (PCG PCC) to safeguard PCG's interest
- Protected and created value through effective governance and risk management practices embedded in business process
- Enhanced monitoring and assessment of geopolitical tensions and facilitated the evaluation of potential business expansion opportunities
- Promoted the balance of process efficiency and business agility in decision-making for the Group while the establishment of PCG line of sight ensured alignment to business objectives and interest



## Effective Working Capital and Liquidity Management

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

### Actions

- Ensured 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 ensuring supply continuity to our customers
- Close tracking and monitoring of any potential overdue receivables
- Enhanced scrutiny of payables deadlines and improved efficiency of the payment process to ensure timely payments within the agreed terms, thus safeguarding our creditors
- Prepared daily cash flow forecasts to ensure effective cash management

### Results

- Maintained a timely monetisation of products, balanced with their availability, to meet customers' requirements
- 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 for our subsidiaries and our associates 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 Economic, Environmental, Social and Governance (EESG) performance. At PCG, we continue to put EESG as a top priority to ensure that we will be able to position ourselves to meet financing market requirements with an attractive proposition for stakeholders

### Results

- Maintained financial institutions' confidence despite market challenges

## CFO'S REVIEW

## SEGMENTAL PERFORMANCE RESULTS

Our chemicals portfolio comprises Olefins & Derivatives (O&D) and Fertilisers & Methanol (F&M) which make up the commodities business and Specialties. F&M remained as the major contributor to the Group's EBITDA.

## OPERATIONAL AND COMMERCIAL PERFORMANCE

## O&amp;D

O&D recorded a lower PU rate of 85.4% compared to 91.4% in 2022 as a result of higher plant maintenance activities during the year.

## F&amp;M

F&M recorded a lower PU rate of 84.4% compared to 87.5% in 2022 due to feedstock disruptions, resulting in lower production and sales volumes.

## SPECIALTIES

Specialties sales volume increased by four times primarily due to Perstorp's full year of consolidation post its acquisition in October 2022 despite weak market demand.

## PLANT UTILISATION RATE

## Group



## O&amp;D\*



## F&amp;M



\* excluding PIC

## SALES VOLUME

## Group



## O&amp;D\*\*



## F&amp;M



## Specialties



\*\* including PIC

## FINANCIAL PERFORMANCE

## O&amp;D

O&D revenue increased by 6%, mainly contributed by pre-commencement sales volumes from PIC. EBITDA decreased by RM1.6 billion following lower product spreads and higher maintenance as well as energy and utilities costs. PAT also decreased in line with lower EBITDA.

## F&amp;M

F&M revenue declined by 34%, mainly due to lower product prices. EBITDA decreased by RM2.5 billion following lower product spreads. PAT also decreased in line with lower EBITDA.

## SPECIALTIES

Specialties revenue doubled to RM6.4 billion, primarily due to Perstorp's full year of consolidation post its acquisition in October 2022. However, EBITDA decreased by RM0.2 billion due to compressed margins. LAT recorded at RM0.2 billion in line with lower EBITDA.

## REVENUE

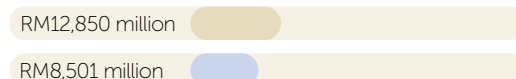
## Group



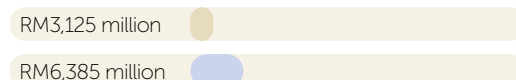
## O&amp;D



## F&amp;M



## Specialties



## PROFIT/(LOSS) AFTER TAX

## 2022



## EBITDA

## Group



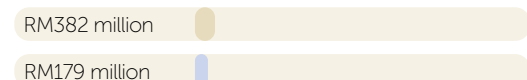
## O&amp;D



## F&amp;M

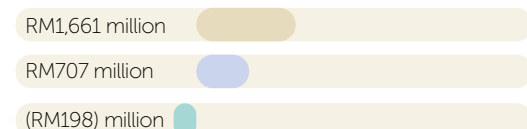


## Specialties



F&M O&D Specialties

## 2023



## CFO'S REVIEW

**BALANCE SHEET MANAGEMENT**

Overall, our total assets surged by RM4.8 billion, representing 8.6% growth at RM60.2 billion. Additionally, our robust cash balances stand at a formidable RM9.3 billion. This financial strength positions us well for pursuing our growth plans.

**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 8 sen and 5 sen per ordinary share during the year, representing a dividend payout of 61.3% of PATANCI amounting to RM1.0 billion.

**SUSTAINABILITY**

In our steadfast commitment to sustainability, we have strategically allocated financial resources to support identified sustainability initiatives. This involves directing capital towards projects aligned with sustainability goals, establishing investment guardrails to ensure the realisation of sustainability-linked endeavours. This year, we sanctioned the construction of an advanced recycling plant in Pengerang that will convert end-of-life plastic waste into pyrolysis oil, which will be used as feedstock in the production of sustainable plastics.

Emphasising the importance of managing sustainability risks, particularly climate risks, we have implemented a robust strategy and governance process. This framework not only addresses risks but also actively seeks opportunities within these challenges, aligning with our organisational objectives.

Building on the momentum from our inaugural TCFD report published in 2022, we have continued to enhance management and disclosures on sustainability and climate-related risks and opportunities. We have broadened the assessment of physical risks to include our international assets and updated our transition risks.



*Our efforts in embodying transparency recognised at the Australasian Reporting Awards 2023.*

In response to the issuance of the International Sustainability Standards Board (ISSB) inaugural standards— International Financial Reporting Standards (IFRS) S1 and IFRS S2—covering general sustainability-related disclosures and climate-related disclosures respectively. PCG is proactively finalising our approach to integrate these standards into our sustainability reporting. These standards not only enhance transparency and accountability, providing stakeholders with a clear view of an organisation's environmental impact and sustainability initiatives, but they also play a critical role in risk management and long-term sustainability. By embracing IFRS S1 and S2, we will enhance our risk management strategies, ensuring resilience and adaptability in a sector facing significant environmental risks and regulatory pressures. This adoption is essential in maintaining stakeholder trust and ensuring that the organisation is well-positioned to navigate the evolving landscape of global energy and environmental regulation.

In the realm of sustainability, we remain vigilant about the potential application of carbon tax. Simultaneously, we are proactively gearing up to comply with the Corporate Sustainability Reporting Directive (CSRD) issued by the European Financial Reporting Advisory Group for our European subsidiaries. This proactive stance reflects our commitment to staying ahead of regulatory developments and aligning with evolving sustainability reporting standards.

Furthermore, we have bolstered our internal monitoring and tracking mechanisms for investments and expenditures related to sustainability activities. This enhancement ensures strict adherence to reporting requirements and facilitates timely management decisions, reinforcing our commitment to advancing the sustainability agenda.

**OUTLOOK**

As we navigate the economic landscape marked by uncertainties, the chemical sector will continue to face ongoing pressure on prices and margins. However, amid these challenges, a positive shift is anticipated in the market dynamics for specialties where demand is expected to gradually improve.

In this environment, the imperative of cost containment takes centre stage, prompting PCG to sustain its unwavering focus on robust cost discipline. Proven cost optimisation efforts will be leveraged to fortify our competitiveness and enhance resilience, ensuring the organisation's ability to weather market fluctuations.

We are also anticipating an uplift to revenue in 2024 through our investment in PIC. Furthermore, two strategic investments through JVs and associates, namely specialty ethoxylates and polyether polyols plant in Kertih, Terengganu, and nitrile butadiene latex plant in Pengerang, Johor, are set to come fully online in 2024. We also expect to achieve RFSU for 2-Ethylhexanoic Acid (2-EHA) plant in Gebeng, Pahang.

Aligned with our steadfast commitment to Operational Excellence and Commercial Excellence, these strategic moves are poised to fortify our balance sheet, providing the organisation with enhanced flexibility to explore additional growth projects. This comprehensive approach underscores our dedication to navigating the dynamic market conditions and seizing opportunities for sustainable growth.

While the past year has presented its share of challenges, we remain steadfast in our commitment to delivering value to our shareholders. Our resilience and adaptability have enabled us to navigate through uncertain times and emerge stronger. As we look ahead, we are optimistic about the opportunities that lie ahead and are confident in our ability to continue driving sustainable growth and creating long-term value for our shareholders. We thank you for your continued trust and support as we embark on this journey together.

**Mohd Azli Ishak**  
Chief Financial Officer

## SEGMENTAL REVIEW

## COMMODITIES

## OVERVIEW

**In the year under review, PCG's commodities portfolio which comprises Olefins & Derivatives (O&D) segment and Fertiliser & Methanol (F&M) segment faced a combination of external and internal challenges that impacted both operational and sales performance.**

On the commercial front, we had to navigate soft market demand that affected the entire industry, while operationally, there were a range of unexpected shutdowns due to reliability challenges as well as feedstock and supply disruptions which impacted plant utilisation. PCG navigated these headwinds to the best of our ability, focusing on our Operational Excellence and Commercial Excellence initiatives to mitigate the effects on our business.

## CHALLENGES

From an operations perspective, we met with a number of internal and external reliability challenges that prompted unexpected shutdowns and disruptions at our plants. Internally, we had several unplanned shutdown events mainly at PC Methanol, ASEAN Bintulu Fertilizer (ABF), PC Aromatics and PC MTBE. Maintenance downtime at the Sabah-Sarawak Gas Pipeline (SSGP), through which our gas feedstock is delivered, meant that our PC Fertiliser Sabah and PC Methanol (Plant 2) plants also had to shut down. Besides, we also experience utilities supply disruptions to our facilities in Kertih. As a consequence, the overall plant utilisation rate declined to 84.8% from 88.9% in 2022 and led to a shortfall in production and sales volume.

In 2023, we undertook two planned turnarounds and six scheduled maintenance activities and these were executed successfully with improved HSE performance as a result of the implementation of the HSE Turnaround Standardisation and Best Practices programme that began in 2022. We continuously evaluating the effectiveness of our operational and strengthening our efforts in mitigating all reliability challenges through enhanced maintenance strategies, and improve collaboration with our feedstock and utility suppliers. The efforts include reinforcing the technical collaboration internally and externally to ensure we learn and implement the best practices within the industry.

From a commercial perspective, the entire petrochemicals industry had to navigate the impact of China's slower-than-expected post-pandemic recovery, high oil prices and an overall moderation in global economic growth that weighed on business sentiment. With sufficient domestic supply in China, demand remained soft for chemical imports, which also prompted China producers to compete in European markets. With high oil prices, shale oil producers were also able to restart production, which brought extra capacity to the market for certain products. Consequently, margins have been compressed for much of the year.

However, within the rest of the Asian region, we continue to maintain our edge as a supplier of choice given our dedication to customer service excellence, competitive prices and strong technical support. Internally, we responded to the unplanned shutdowns by conducting strategic sourcing to ensure that the shortfall in production did not impact our customers. In addition, we continued to introduce new enhanced products and rolled out PETRONAS360, a new self-service portal for our customers aimed at delivering a more seamless experience.

**R** For more information regarding our Operational and Commercial Excellence initiatives, please refer to our Strategy section on pages 53 to 58.



## SEGMENTAL REVIEW-COMMODITIES

### PERFORMANCE HIGHLIGHTS & ACHIEVEMENTS

#### O&D SEGMENT :

In 2023, plant utilisation for the O&D segment was 85.4% compared to 91.4% in 2022. Lower plant utilisation was contributed by turnaround activities at PC MTBE as well as scheduled shutdown at PC Glycols and PC Derivatives in the third and fourth quarter. Externally, utility supply disruption from Utilities Kertih in the second half of 2023 impacted the segment's plant utilisation.

In terms of sales performance, the O&D segment experienced an increase in sales volume at 3,516 kilometric tonnes (KMT) in 2023 from 2,879 KMT in 2022, mainly due to contribution from PIC despite the lower Plant Utilisation (PU) this year. Despite unexpected plant reliability issues, we maintained a high Order Fulfilment Reliability (OFR) of 95% through effective mitigation plans such as order prioritisation and strategic sourcing.

Furthermore, we intensified our route-to-market efforts to secure homes for the upcoming volumes from PIC. In 2023, a total volume of 0.84 million MT from pre-operation activities was delivered to the market.

This year, we launched a new product under the Enhanced Product Development (EPD) initiative - Ethonas SF401, an engineered spacer fluid in oil-based mud drilling activities that enhances wettability and is sustainable and cost-effective.

#### OVERALL PRODUCTION VOLUME:

##### 2023

**3,365 KMT**      2022: 3,577 KMT  
2021: 3,910 KMT

#### OVERALL SALES VOLUME:

##### 2023

**3,516 KMT**      2022: 2,879 KMT  
2021: 3,056 KMT

#### PLANT UTILISATION:

##### 2023

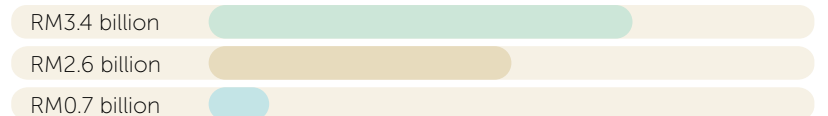
**85.4%**      2022: 91.4%  
2021: 99.6%

#### REVENUE

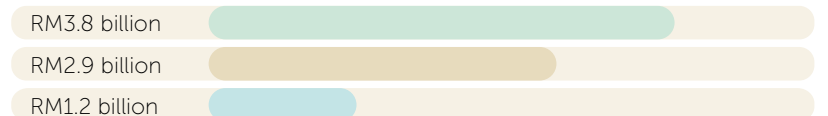
2021      2022      2023



#### PROFIT AFTER TAX

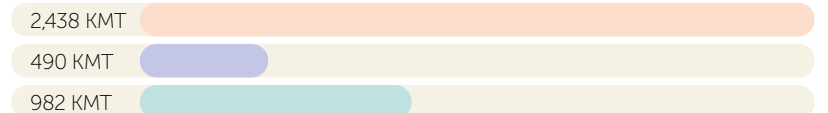


#### EBITDA

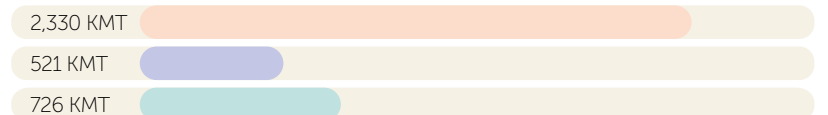


#### PRODUCTION VOLUME BREAKDOWN

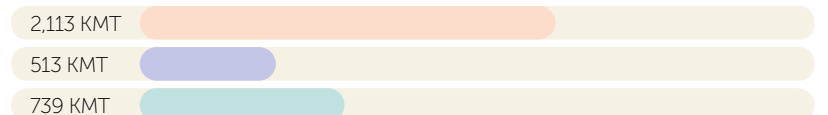
##### 2021



##### 2022

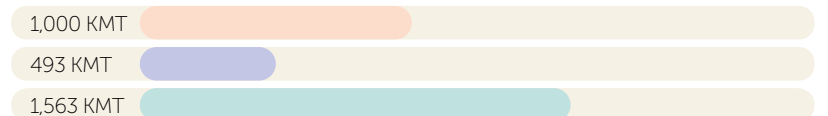


##### 2023

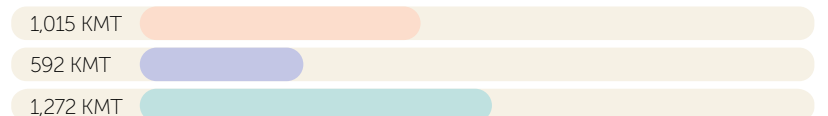


#### SALES VOLUME BREAKDOWN

##### 2021



##### 2022



##### 2023



Olefins, Glycols & Derivatives      Polymers      Aromatics & MTBE

## SEGMENTAL REVIEW-COMMODITIES

## PERFORMANCE HIGHLIGHTS &amp; ACHIEVEMENTS

## F&amp;M SEGMENT :

For the F&M segment, plant utilisation was 84.4% compared to 87.5% in 2022, attributed to higher plant maintenance activities. These were in addition to extended scheduled shutdowns at ABF.

Consequently, due to the multiple unplanned shutdowns, volume availability for sales was lower than planned. However, our wide network and solid relationship with co-producers and suppliers enabled the commercial team to ensure supply reliability to customers via strategic sourcing, especially for methanol. At the same time, we were able to minimise risks of contract cancellations and maintained our reputation as a preferred supplier.

In terms of sales performance, we improved delivery at key markets with the first delivery and operationalisation of new methanol tanks at Semarang in Indonesia, and Fujian & Taicang in China. In addition, we increased the production volume of Ultra High Purity Methanol (UHPM) from 3,600 litres to 5,040 litres since the launch of this product in 2021. UHPM is a low-carbon solution applied in fuel cells for stationary and mobile energy solutions.

Further to that, we intensified our route-to-market endeavours to secure homes for upcoming methanol volume from Sarawak Petchem, with 67% of the total volume already committed to customers through Letters of Intent (LOI). Situated in Bintulu, the methanol plant will have an annual capacity of 1.7 million metric tonnes. PCG will be the marketing agent for Sarawak Petchem Sdn. Bhd. (Sarawak Petchem) for a duration of 20 years.

In addition, we commenced retail sales of PETRONAS AireBlue™ at Kedai Mesra outlets in Johor, in collaboration with PETRONAS Lubricants Marketing (Malaysia). AireBlue™ was developed by PCG and launched in 2019 as a solution to help reduce the formation of impurities and produce cleaner exhaust emissions.

## OVERALL PRODUCTION VOLUME:

**2023**  
6,169 KMT      2022: 6,390 KMT  
2021: 6,478 KMT

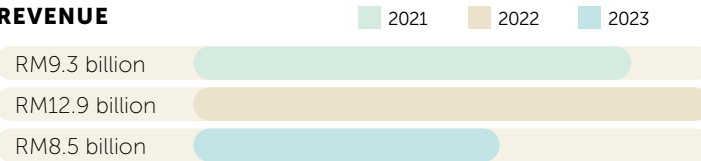
## OVERALL SALES VOLUME:

**2023**  
5,252 KMT      2022: 5,184 KMT  
2021: 5,145 KMT

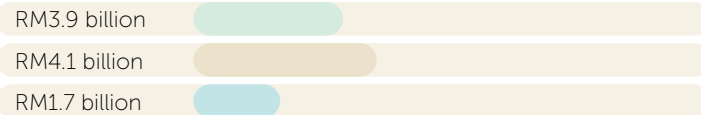
## PLANT UTILISATION:

**2023**  
84.4%      2022: 87.5%  
2021: 88.7%

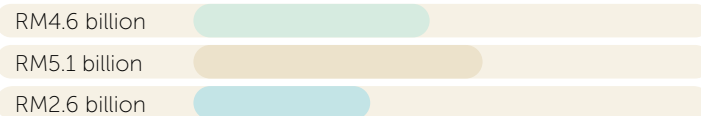
## REVENUE



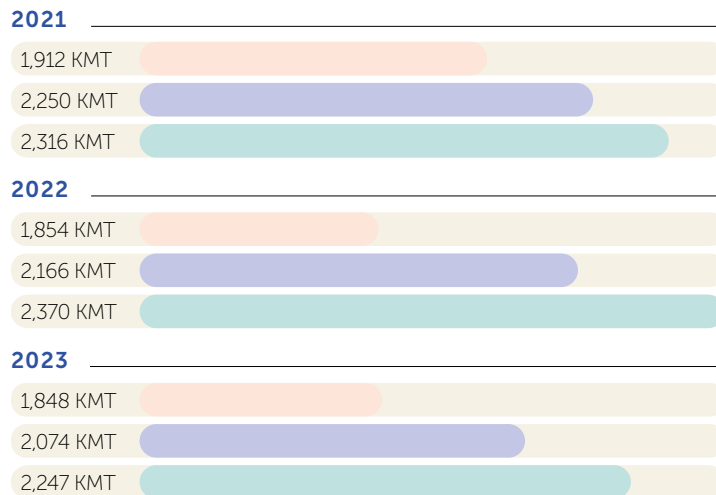
## PROFIT AFTER TAX



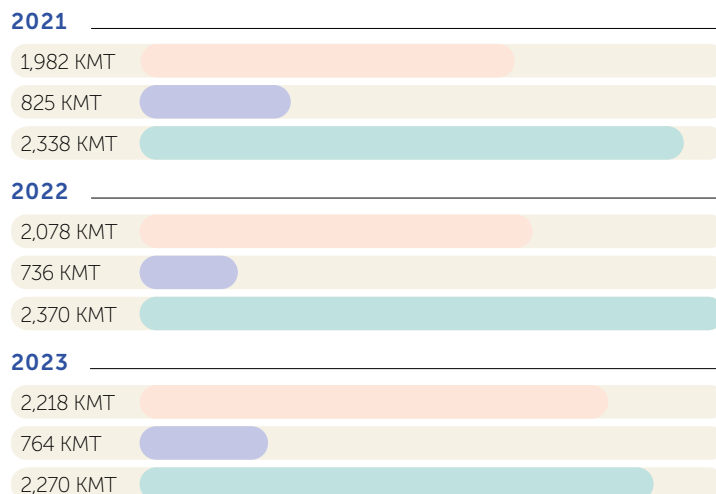
## EBITDA



## PRODUCTION VOLUME BREAKDOWN



## SALES VOLUME BREAKDOWN



Methanol      Ammonia      Urea



PETRONAS AireBlue™  
introduced in selected  
Kedai Mesra outlets.

## SEGMENTAL REVIEW-COMMODITIES

### RISKS & OPPORTUNITIES

#### **H** Health, Safety and Environment Risk

Unsafe working environment exposes our employees and contractors to physical and chemical hazards, leading to potential injuries or fatalities.

##### Opportunity

- Drive the implementation of HSE excellence programmes at all levels, including for contractors, to ensure a safe working environment

##### Action taken

- In 2023, we intensified PCG HSE Turnaround Standardisation and Best Practices while consistently implementing our HSE Generative Culture
- Implemented the Road Transport Operation Guideline (RTOG), Vehicle Acceptance Checklist (VAC) and Electronic Pre-Departure Checklist (ePDC)
- Launched the HSE Partnership Pledge 2023 with the theme 'Strive for ZERO, ZERO is possible' for PCG's contractors to pledge their commitment and compliance to health and safety requirements

##### Results

- Recorded ZERO fatality and ZERO major fire incident since 2019 as well as achieved reduced Lost Time Injury Frequency (LTIF) at 0.09 compared to 0.17 LTIF in 2022
- Maintained low Total Vehicle Accident Rate (TVAR) at 0.08 (1) vs 0.19 (3) limit

#### **O** Plant Operational Risk

Unreliable and inconsistent production impacts sales volume and revenue growth.

##### Opportunities

- Strengthen technical collaboration internally and externally to improve response and mitigate plant reliability challenges based on best practices and latest improved technology
- Deliver Operational Excellence by optimising digital tools utilisation in managing plant reliability issues and improving plant efficiency

**R** For more information regarding Plant Operational Risk, please refer to our Risk Overview section on page 68.

##### Action taken

- Established an expert network for all technical experts to manage specific discipline, knowledge and work processes from across PCG to come together on a single platform to discuss and share solutions
- Continuation of Plant Facing Analytics (PFA) tools to increase plant Overall Equipment Effectiveness (OEE) and targeting the reduction of plant downtime due to equipment failure through advanced analytics

##### Results

- Addressed majority of plant issues during shutdown activities. Specifically for ABF, the ABF Reliability Improvement Strategy & Execution (ARISE) programme and rectification, which took place in the first half of 2023, resulted in the improvement of plant utilisation to 85% compared to less than 50% in the first half of 2023\*

\* For more information regarding our Operational Excellence initiatives, please refer to our Strategy section on pages 53 to 55.

#### **F** Feedstock and Utilities Risk

Unreliable feedstock, utilities and chemicals supply which may disrupt plant operation.

##### Opportunity

- Effectively collaborate with feedstock, utilities and chemicals suppliers

##### Action taken

- Continued to collaborate with the Additional Ethane Taskforce (AET) and Additional Methanol Team (AMT) in maximising feedstock availability through collaboration between PCG and feedstock supplier up to upstream facilities
- Sustained close collaboration with local agencies to ensure uninterrupted water supply to our facilities
- During the SSGP downtime incident, PC Fertiliser Sabah used it as an opportunity to conduct maintenance activities that ultimately led to the optimisation of planned downtime

##### Results

From AET, PCG managed to secure more than 147 tonnes per hour (tph) of ethane supply availability and an additional 40 mmscfd of gas supply from AMT.

#### **M** Market Risk

Mismanagement of customer relationships may result in loss of customer loyalty and subsequently tarnish the company's reputation.

##### Opportunities

- Reliable and timely delivery of products to customers promotes repeated purchases and customer loyalty
- Engagement and collaborations with customers enables a better understanding of their product expectations and better insight on current market needs
- Expansion of customer base and exploration of new markets through innovative products
- Deliver Commercial Excellence through strategic approaches in sales and logistics initiatives

##### Action taken

- Established CDEx, a digital platform that provides visibility to customers on delivery updates
- Collaborated on product co-creation opportunities to solve customers' pain points
- Delivered customer-centric value propositions that meet customer needs
- Optimised sales portfolio mix and maintained high pricing excellence against market benchmark to maximise value
- Maintained competitive logistics costs through cost-to-serve optimisation initiatives

##### Results

- Continued to achieve high sales volume despite challenges amid market volatility and slow demand
- Achieved 5.5 sigma on customer feedback, exceeding the industry standard of 5.0 sigma
- Achieved a Net Promoter Score (NPS) of +68, an increment from +65 in 2022

## SEGMENTAL REVIEW-COMMODITIES

### CONTRIBUTION TO SUSTAINABILITY

In 2023, PCG took significant steps to embed sustainability in its operations, aligning with PETRONAS' Sustainability Agenda. We met and exceeded our emissions targets in what is a multiphased decarbonisation journey. Some of our key initiatives include:

#### **Kertih Site-wide Energy Review (SER) :**

- Identified opportunities such as utilising tail gas from PC Olefins for fuel gas usage of neighbouring aromatic plants (PC Aromatics)
- Rebalanced turbine operations at PC Olefins for optimised steam consumption

#### **Flaring and Venting Optimisation :**

- Minimised C5 flaring at PC MTBE
- Optimised CO<sub>2</sub> venting at PC Fertiliser Sabah

#### **Digital Transformation :**

- Implemented the Energy Twin project for live monitoring of equipment energy efficiency
- Sustained Advanced Process Control (APC) at PC Fertiliser Kedah and PC Methanol to reduce GHG emissions

#### **Scope 2 Emission Reduction :**

- Purchased renewable energy through Tenaga Nasional Berhad's Green Electricity Tariff (GET) and Sarawak Energy Berhad's Renewable Energy Credits (REC) to reduce market-based Scope 2 emissions

#### **Water-use Minimisation :**

- Concluded assessment of water consumption at our operating plants and identified efficient water consumption initiatives
- Reduced raw water consumption at our methanol plant by implementing adjustments and upgrades to the boiler and water treatment equipment to recover and reuse process condensate

#### **Material Matters :**



**R** For more information regarding our Operational and Commercial Excellence initiatives, please refer to our Strategy section on pages 53 to 58.

### OUTLOOK

Notwithstanding the challenging operating environment that is expected to persist well into 2024, PCG remains steadfast in ensuring that the focus going forward will be on plant reliability and performance.

With the effort we have implemented in this year, we anticipate that our plants will be able to achieve plant utilisation of above 90% going forward. In addition, we will emphasise the importance of rigour and discipline to all relevant stakeholders in complying with processes, policies and procedures as any lapses could lead to reliability issues.

We will also continue leveraging the structured sharing of lessons learnt to frontliners to ensure we maintain a culture of learning and empower our frontliners with the insights needed to excel in their roles and to drive better plant performance. Furthermore, in line with our HSE generative culture, we will continue to implement the PCG HSE Turnaround Standardisation and Best Practices Programme in 2024 and expand the practices to scheduled shutdown and normal operations as it has proven to be effective in 2023.

On the commercial front, 2024 looks to be an exciting year for PCG with new capacities coming online, namely PIC and the melamine plant in Gurun, Kedah. With the additional sales volume, the commercial team will be expanding market reach by exploring new geographical markets and untapped customer segments.

## SEGMENTAL REVIEW

# SPECIALTY CHEMICALS

### Overview

This has been an important year for PCG's Specialty Chemicals Division as it marks the first full year of the coming together of BRB Group (BRB) and Perstorp Group (Perstorp), under one roof. This division, now known as PCG Specialty Chemicals (PCG SC), comprises BRB and Perstorp, has a total of 12 production sites, approximately 2,000 employees and sales representation across the Americas, Europe, Middle East, Africa and Asia Pacific (APAC).



### OUR BUSINESS PORTFOLIO IS FOCUSED ON SIX PRODUCT GROUPS:

Resins & Coatings

Engineered Fluids

Advanced Materials

Animal Nutrition

Silicones

Lube Oil Additives & Chemicals (LAC)

The establishment of PCG SC ensures the alignment of the operating companies to PCG's overall strategy and business goals. PCG SC is further supported by four functions that include Strategy & Business Development, Technology & Innovation, Finance, and Talent & Culture. Through PCG SC, PCG aimed to strengthen its position in the global specialty chemicals space, equipped with intimate market knowledge, innovation capabilities and strong sustainability credentials.

Moving forward, PCG SC will embark on a transformational strategy to focus on selected market segments supported by synergetic technology platforms to capture new opportunities amid an evolving market landscape.

### CHALLENGES

In the year under review, the specialty chemicals industry in general faced strong headwinds. The ongoing geopolitical tensions disrupted supply chains and caused energy inflation, which affected our production cost in Europe. Tight monetary policy throttled investments, especially in the construction segment, which in tandem with dampened market sentiment and customer destocking caused a further reduction in sales volume.

In addition, the slow recovery of China's economy prompted an increase of its low-cost exports to the global market, especially in Europe. This added competition further challenged sales prices and will continue to weigh on the industry for the foreseeable future.

To mitigate this, we have implemented operational improvements to increase efficiency while looking at ways to optimise our supply chain network and product mix to maximise profitability. Cost optimisation initiatives are also in place to lessen the impact of soft market demand. The overall aim is to ensure that we are in a stronger and fitter position to capture opportunities when the market recovers.

### PERFORMANCE HIGHLIGHTS & ACHIEVEMENTS

In the year under review, PCG SC reports, for the first time, financial results that combine both BRB's and Perstorp's contributions.

REVENUE	EBITDA	LOSS AFTER TAX (LAT)	SALES VOLUME
<b>2023</b>	<b>2023</b>	<b>2023</b>	<b>2023</b>
RM6,385 million	RM179 million	RM198 million	841 KMT

For the financial year 2023, PCG SC reported Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) of RM179 million, mainly impacted by compressed margins due to competitive price pressure coupled with weak market demand. Loss After Tax (LAT) was recorded at RM198 million in line with lower EBITDA.

In the face of the obstacles encountered in 2023, PCG SC proactively implemented focused strategies aimed at reclaiming market share and strengthening our competitive position. This involved a concerted effort to explore new prospects and broaden our market base, particularly within our specialties portfolio. Additionally, we undertook comprehensive optimisation in both production and sales processes to achieve optimum profitability. Our relentless commitment to procurement savings played a pivotal role in enhancing operational efficiency, with a key focus on cost optimisation.

## SEGMENTAL REVIEW-SPECIALTY CHEMICALS

### KEY HIGHLIGHTS

#### PERSTORP :

- Completed the construction of Sayakha plant in India for Pentaerythritol (Penta) production and ISCC PLUS certified Voxtar™ M40 to support our sustainability commitment
- Project Air, a game-changing initiative to break fossil dependence by producing sustainable methanol from residue streams, such as captured carbon, together with biogas and green hydrogen. It has obtained its environmental permit and the front-end engineering design is underway
- Implemented a technology to recycle wastewater from a nearby municipal treatment plant for production operations in Stenungsund, Sweden. This will save 1.1 billion litres of fresh water per year

#### BRB :

- BRB Malaysia Sdn. Bhd. in Gebeng, Pahang obtained critical certifications, ISO 9001 (Quality Management Systems), ISO 22000 (Food Safety Management) and GHP (Good Hygiene Practices), enabling us to enter the food industry in early 2023
- In Echt, Netherlands, BRB has started full operation of the new LAC plant
- BRB Silicones United Kingdom Ltd started full operation on 8 February 2023 which will strengthen our presence in the United Kingdom
- Since the incorporation of BRB South Korea Ltd on 14 December 2022, BRB has established full market presence and enhanced capability in South Korea to capture the value from the current business portfolio and ongoing growth projects

## SPECIALTY CHEMICALS PRODUCT

#### Resins & Coatings

Essential building blocks and specialty products tailored to produce resins for the coatings industry, including alkyd resins, liquid saturated polyester, liquid unsaturated polyesters, powder polyesters, polyurethane dispersions, radiation curing, cationic curing, and intumescent carbon donors.

#### Highlights :

New product launched by Perstorp for Pro-Environment solutions:

- Neeture™ N100 and Eyron™ T100, renewable polyols that reduce carbon footprint across the value chain and promote sustainable sourcing of raw materials

#### Animal Nutrition

Innovative organic-acid based solutions to improve gut health and performance as well as help to keep feed nutritious and safe from enteros, mycotoxins, moulds and yeasts.

#### Highlights :

- Expanded the Gastrivix™ Avi business, a poultry feed additive that combines valeric and butyric acid to enhance gut health for optimal growth and performance



## SEGMENTAL REVIEW-SPECIALTY CHEMICALS

## GROUPS

**Engineered Fluids**

High quality building blocks for polyol ester base stock with a complete range of polyol portfolio. Mainly targeted for use in aviation turbine oils, hydraulic fluids, metalworking fluids, refrigeration lubricants, transformer oils and di-electric fluids.

**Highlights :**

- Grew Pro-Environment sales by promoting sustainability in the lubricant industry

**Advanced Material**

Leverages focused and innovative chemistry related to polyurethane, PVC and polyesters to help formulators, compounders and converters to produce safer, more sustainable and higher performance plastics.

**Highlights :**

- The Tray Circularity Evaluation Platform (TCEP) Technical Committee of PETCORE Europe has endorsed Akestra™ 100 and Akestra™ 110 for heat-resistant PET tray production without negatively impacting European Polyethylene terephthalate (PET) recycling compliance. These products enhance recycled PET's heat resistance, enable increased recycled material content and promote circularity

**Silicones**

Specialty silicones products cover markets such as Personal Care, Construction, Coating & Inks, Plastic & Rubber Composites, and Food & Beverages.

**Highlights :**

- The BRB Silicone business launched a broad range of new products to address customer needs for various industries, such as coating, personal care and food applications. Some key highlights include:
- Akasil® Antifoam SD 10, SD 20 & SD 30 for food-grade application
  - BRB® SG 270 cross polymer for cosmetic application
  - CSL® 463 and 464 as a silicone for roof sealant

**LAC**

LAC improves the performance of lubricants and fuels. Our solutions enable better efficiency of vehicles and machinery in all temperatures, while extending service life and reducing fuel consumption.

**Highlights :**

- BRB introduced Petrolad® 9330 light duty engine oil package, targeting SN performance requirements and Petrolad® 8830 heavy duty engine oil, targeting CI-4 equivalent performance
- Viscotech® 6073 LR launched as an Olefin Copolymer (OCP) viscosity modifier that dissolves in re-refined base oil, which contributes to environmental sustainability through circular economy



## SEGMENTAL REVIEW-SPECIALTY CHEMICALS

## RISKS &amp; OPPORTUNITIES

## H

**Health, Safety and Environment (HSE) Risk**

- HSE incidents in chemical manufacturing, particularly process safety breaches like spills and fires, can significantly impact personnel, environment and operations

**Opportunity**

- Drive the implementation of HSE Excellence programmes at all levels

**Action taken**

- Increase and improve safety measures through safety training, e.g. Perstorp Careway 365 programme that covers annual assessment and integration programme with PETRONAS

**Results**

- No major HSE incidents such as fire, manual handling and spillage were recorded

## M

**Market Risk**

- Change in demand/customer behaviour
- Geopolitical tension, protracted/persistent high inflation causing slowdown of economy
- Increased competitors' supply from China to Europe

**Opportunities**

- Strong engagement with customers enables a better understanding of their product expectations
- Collaborations with customers provide better insights on current market needs

**Action taken**

- Participated in exhibitions, hosted seminars/webinars and launched new products to keep up with dynamic market demand
- Strengthen "Integrated product-tree strategy" to optimise margin contribution
- Proactive measures to respond to market recovery while capturing strong growth for specialties

**Results**

- Participated in 21 key exhibitions and seven webinars across the region such as the European Coating Show, CHINACOAT and In-Cosmetic Asia
- Launched 19 new products for coatings, personal care and construction application
- Increased sales volume in specialties segment and high-margin products

## O

**Operational Risk**

- Energy and raw material prices remain at high levels with big competitive gap between Europe, Middle East and Africa (EMEA) and APAC affecting margin contribution
- Supply chain/logistics disruption contributed by external factors, e.g. geopolitical tensions, sanctions

**Opportunity**

- Effective collaboration with feedstock, utilities, logistic providers and chemical suppliers

**Action taken**

- Run continuous improvement programmes with site-specific implementation including cost, raw material and yield optimisation while providing relief to selected struggling suppliers
- Frequent monitoring and reporting of improvement programme

**Results**

- Multiple sites achieved significant cost savings in key areas such as direct variables cost, freight and raw materials
- Increased product yield for specialties
- Adjusted supplier terms (price, payment, consignment stock, order size) to support them in hardship

## R

**Regulatory Risk**

- Dynamic and more stringent requirements and/or enforcement in laws and regulations related to specialty products and its market

**Opportunity**

- Continuously develop and establish best practices, including trainings to all staff, in order to ensure compliance with laws and regulations in the locations where we operate

**Action taken**

- Implemented mandatory e-learnings and training across all employees to raise awareness and knowledge of Code of Conduct and Business Ethics (CoBE), to align with PETRONAS' standard

**Results**

- Improved practice of compliance in keeping up with changing laws and regulations especially in critical legal areas



## SEGMENTAL REVIEW-SPECIALTY CHEMICALS

## CONTRIBUTION TO SUSTAINABILITY

PCG demonstrates a steadfast commitment to environmental stewardship, recognising the critical importance of sustainability within our operations. Our efforts are epitomised through Perstorp, with sustainability being a core component of its business strategy, aiming to be Finite Material Neutral – ensuring resource consumption does not surpass nature's replenishment rate.

## PRO-ENVIRONMENT SOLUTIONS

Perstorp's portfolio includes over 25 solutions and products derived from renewable and/or recycled materials, seamlessly integrating into existing chemical processes to offer sustainable options to our customers. Introduction of 2-EH Pro 100™, utilising renewable resources to achieve a negative carbon footprint, and Akestra™, a recyclable polyester alternative for food-grade applications, reflecting our commitment to sustainability as market demands escalate.

## CORPORATE SUSTAINABILITY TARGETS

Perstorp has ambitious goals set for CO<sub>2</sub> emissions reduction (Scope 1, 2, and 3), water conservation, waste management and minimising ecotoxic impact by 2030, validated by the Science Based Targets initiative (SBTi).

BRB is refining its sustainability framework, enhancing its economic, environmental, social and governance commitments. This encompasses a commitment to emissions reduction by 2030 and the promotion of sustainable products, alongside fostering a strong safety culture. This initiative aligns with upcoming EU regulatory requirements, with a completion target set for 2024.

## RECOGNITION

Our dedication to sustainability has been recognised with prestigious accolades from EcoVadis with Perstorp receiving a gold medal and BRB a silver medal which signify ranking in the Top 5% and Top 25% across all industries, respectively. These awards highlight our exceptional commitment to a superior sustainability management system, setting a benchmark in the industry.

## Material Matters :



**R** For more information regarding our Growth Delivery Excellence initiatives, please refer to our Strategy section on pages 59 to 61.



PCG Board's visit to Perstorp.

## OUTLOOK

The market outlook for specialty chemicals remains uncertain in the near to mid-term, influenced by the ongoing Russia-Ukraine conflict, continuous inflationary pressures, a global economic downturn and stringent product safety regulations, all of which are expected to affect the demand for our products. Despite these challenges, the long-term industry outlook is promising, with a shift towards sustainability and APAC being identified as a key growth region due to its economic opportunities. We have inaugurated Sayakha plant in India February 2024 to enhance our capability to serve the APAC market and align our commitment to sustainability by including the Pro-Environment Solutions line.

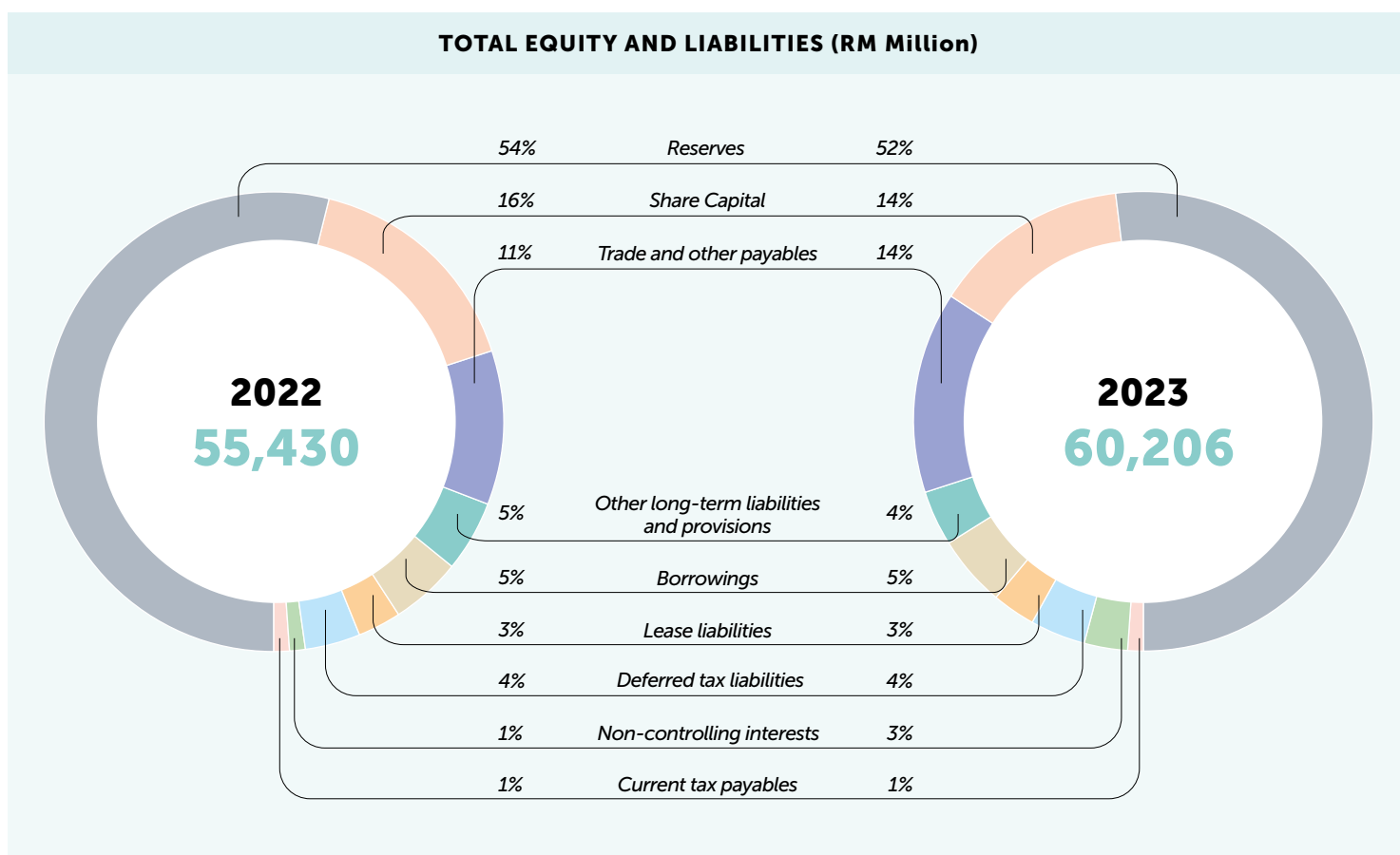
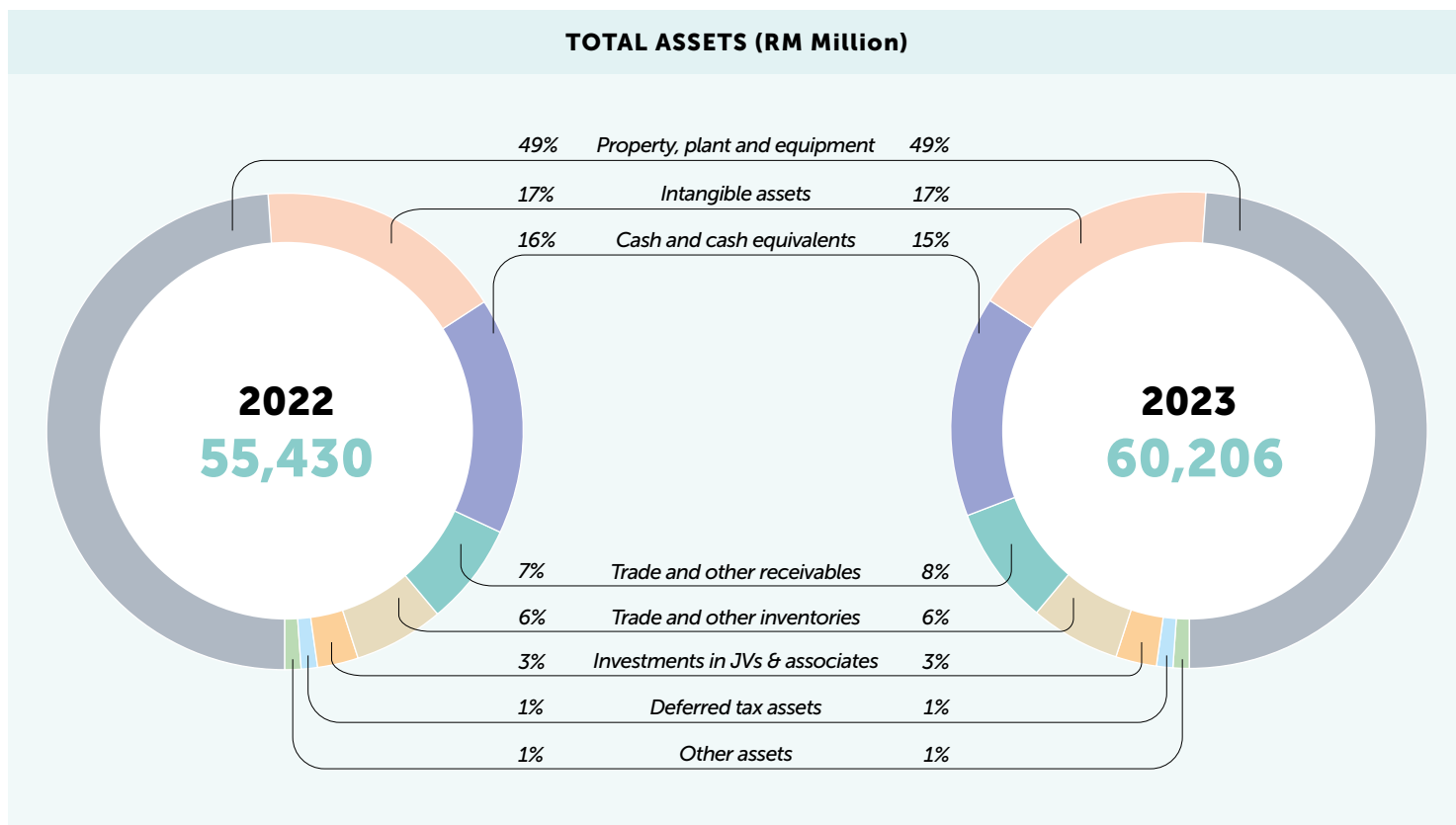
PCG SC is committed to innovation, sustainability and customer satisfaction as we navigate through the challenging terrains. We aim to expand our specialties portfolio and provide robust support to our customers, ensuring reliable supply of a broad range of products to the target segments.

We are also embarking on developing an innovation hub in Malaysia that will provide customer-centric solutions and leverage the global network of innovation labs from BRB and Perstorp. This initiative will enhance our innovation capabilities to deliver tailored solutions to meet customer needs. Additionally, PCG SC is developing a transformation strategy to embark on our journey to becoming a global leader in specialty chemicals industry.

# FINANCIAL REVIEW

## SIMPLIFIED GROUP STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023



## FINANCIAL REVIEW

## ANALYSIS ON FINANCIAL POSITION

AS AT 31 DECEMBER 2023

Robust financial position with additional capital investment and strong cash balances with total assets of

**RM60.2 billion.**

**Total assets** as at 31 December 2023 increased by RM4.8 billion at RM60.2 billion from RM55.4 billion as at 31 December 2022. The increase in total assets was mainly attributable to:

- Increase in **property, plant and equipment** by RM2.2 billion primarily in relation to the capital investment in the petrochemicals projects within Pengerang Integrated Complex (PIC) and Perstorp Group (Perstorp);
- Increase in **intangible assets** by RM0.8 billion mainly due to the weakening of Ringgit Malaysia against Euro and Swedish Krona; and
- Increase in **long-term receivables** by RM0.7 billion mainly in relation to a deferred payment consideration arising from partial divestment of 25% equity interest in PETRONAS Chemicals Fertiliser Sabah Sdn. Bhd.

**Net assets** attributable to shareholders of the company increased by RM2.3 billion at RM42.1 billion as at 31 December 2023. This was mainly due to an increase in retained profits after including the profit generated during the year, partially offset by the dividend paid of RM1.9 billion and increase in non-controlling interests relating to divestment of 25% of PC Fertiliser Sabah shareholding to SMJ Energy Sdn. Bhd.

**Total liabilities** increased by RM2.4 billion was mainly attributed to an increase in **trade and other payables** arising from pre-operating expenses at Pengerang Petrochemicals Company.

RM Million	31.12.2022	31.12.2023	Variance
<b>ASSETS</b>			
Property, plant and equipment	27,213	29,437	2,224
Investments in joint ventures and associates	1,665	1,710	45
Intangible assets	9,364	10,253	889
Long-term receivables	284	1,027	743
Retirement benefits	88	95	7
Deferred tax assets	798	746	(52)
<b>TOTAL NON-CURRENT ASSETS</b>	<b>39,412</b>	<b>43,268</b>	<b>3,856</b>
Trade and other inventories	3,465	3,767	302
Trade and other receivables	3,619	3,857	238
Tax recoverable	46	46	-
Cash and cash equivalents	8,888	9,268	380
<b>TOTAL CURRENT ASSETS</b>	<b>16,018</b>	<b>16,938</b>	<b>920</b>
<b>TOTAL ASSETS</b>	<b>55,430</b>	<b>60,206</b>	<b>4,776</b>
<b>EQUITY</b>			
Share capital	8,871	8,871	-
Reserves	30,207	31,544	1,337
<b>Total equity attributable to shareholders of the Company</b>	<b>39,078</b>	<b>40,415</b>	<b>1,337</b>
Non-controlling interests	655	1,659	1,004
<b>TOTAL EQUITY</b>	<b>39,733</b>	<b>42,074</b>	<b>2,341</b>
<b>LIABILITIES</b>			
Borrowings	2,489	2,473	(16)
Lease liabilities	1,688	1,930	242
Provisions	221	299	78
Retirement benefits	242	279	37
Other long-term liabilities	2,191	1,831	(360)
Deferred tax liabilities	2,364	2,371	7
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>9,195</b>	<b>9,183</b>	<b>(12)</b>
Borrowings	229	500	271
Lease liabilities	125	229	104
Trade and other payables	5,914	8,042	2,128
Current tax payables	234	178	(56)
<b>TOTAL CURRENT LIABILITIES</b>	<b>6,502</b>	<b>8,949</b>	<b>2,447</b>
<b>TOTAL LIABILITIES</b>	<b>15,697</b>	<b>18,132</b>	<b>2,435</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>55,430</b>	<b>60,206</b>	<b>4,776</b>
Net assets per share attributable to shareholders of the Company (RM)	4.88	5.05	0.17

## FINANCIAL REVIEW

## ANALYSIS ON CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2023

RM Million	Year ended 31 December		
	2022	2023	Variance
Revenue	28,953	28,667	(286)
Cost of revenue	(20,277)	(23,882)	(3,605)
<b>Gross profit</b>	<b>8,676</b>	<b>4,785</b>	<b>(3,891)</b>
Selling and distribution expenses	(1,436)	(1,906)	(470)
Administration expenses	(1,157)	(1,394)	(237)
Other expenses	(166)	(38)	126
Other income	717	711	(6)
<b>Operating profit</b>	<b>6,634</b>	<b>2,156</b>	<b>(4,478)</b>
Financing costs	(66)	(139)	(73)
Share of profit of equity-accounted JVs and associates, net of tax	165	93	(72)
<b>Profit before taxation</b>	<b>6,733</b>	<b>2,110</b>	<b>(4,623)</b>
Tax expense	(406)	(360)	46
<b>PROFIT FOR THE YEAR</b>	<b>6,327</b>	<b>1,750</b>	<b>(4,577)</b>
<b>Profit attributable to:</b>			
Shareholders of the Company	6,322	1,696	(4,626)
Non-controlling interests	5	54	49
<b>PROFIT FOR THE YEAR</b>	<b>6,327</b>	<b>1,750</b>	<b>(4,577)</b>

The Group generated a commendable profit of **RM1.8 billion** despite undergoing feedstock supply challenges and several unplanned shutdowns during the year.

PCG's **revenue** remained comparable to 2022 at RM28.7 billion, primarily due to lower product prices in line with crude oil price following softer prices amid rising concerns on economic growth and oil demand. Despite this, there was a higher contribution of revenue from Perstorp's full year of consolidation post its acquisition in October 2022.

**Cost of revenue** increased by RM3.6 billion, representing 17.8% rise. This was primarily driven by Perstorp's full year of consolidation, along with higher energy and utilities costs due to an upward revision of gas tariffs. Additionally, maintenance costs increased following several shutdowns and various opportunistic operational works during plant turnaround for the year.

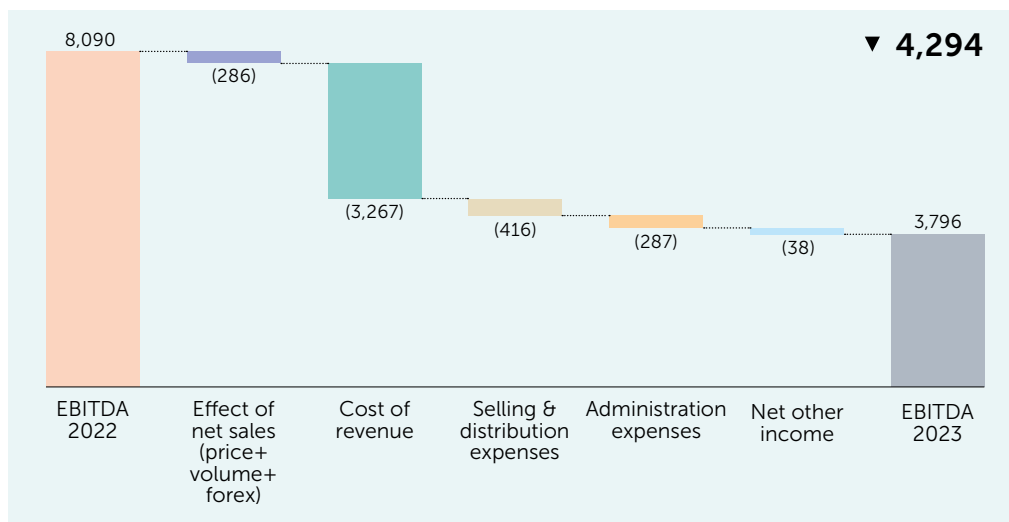
**Gross profit** decreased by RM3.9 billion in line with compressed margin.

**Operating profit** decreased by RM4.5 billion at RM2.2 billion in line with lower gross profit.

This has resulted in higher cost over revenue by 15% at 94% in 2023.

PCG recorded PBT and PAT at RM2.1 billion and RM1.8 billion, respectively.

## EBITDA MOVEMENT FOR THE YEAR (RM MILLION)



EBITDA in 2023 at RM3.8 billion has decreased as compared to RM8.1 billion in 2022, mainly due to compressed margin.

## FINANCIAL REVIEW

## ANALYSIS ON CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

PCG maintains solid cash flow while cash and cash equivalents stood at

**RM9.3 billion.**

**Net cash generated from operating activities** decreased by RM2.9 billion, from RM8.1 billion in 2022 to RM5.1 billion in 2023 largely due to lower profit generated during the year.

**Net cash used in investing activities** decreased by RM10.4 billion primarily due to acquisition of a subsidiary undertaken in 2022, partially offset by higher property, plant and equipment.

**Net cash used in financing activities** decreased by RM1.6 billion at RM2.2 billion mainly due to lower dividend payment to shareholders.

Free cash flow:

**RM2.6**  
billion

2022:  
RM6.3 billion

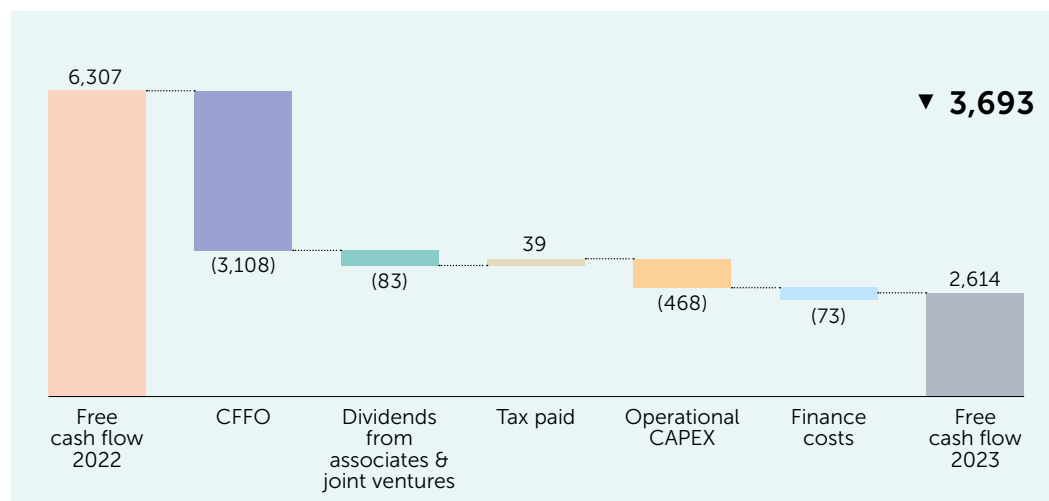
Dividends paid:

**RM1.9**  
billion

2022:  
RM3.8 billion

RM Million	2022	2023	Variance
<b>Cash flows from operating activities</b>			
Profit before tax	6,733	2,110	(4,623)
Adjustments for non-cash items	621	1,711	1,090
Changes in working capital	910	1,335	425
Cash generated from operations	8,264	5,156	(3,108)
Interest income received	247	386	139
Taxation paid	(462)	(423)	39
<b>Net cash generated from operating activities</b>	<b>8,049</b>	<b>5,119</b>	<b>(2,930)</b>
<b>Cash flows from investing activities</b>			
Payment for acquisition of a subsidiary	(11,107)	2	11,109
Net purchase of property, plant and equipment	(1,881)	(2,349)	(468)
Investment in JVs and associates	(47)	-	47
Dividends received from JVs and associates	106	23	(83)
Others	(22)	(269)	(247)
<b>Net cash used in investing activities</b>	<b>(12,951)</b>	<b>(2,593)</b>	<b>10,358</b>
<b>Cash flows from financing activities</b>			
Dividends paid	(3,844)	(1,920)	1,924
Drawdown of borrowings	502	226	(276)
Repayment of borrowings	(347)	(256)	91
Payment of lease liabilities	(117)	(225)	(108)
<b>Net cash used in financing activities</b>	<b>(3,806)</b>	<b>(2,175)</b>	<b>1,631</b>
Net cash flows from operating, investing and financing activities	(8,708)	351	9,059
Effect of foreign currency translation differences	470	(172)	(642)
Net increase/(decrease) in cash and cash equivalents	(8,238)	179	8,417
Net foreign exchange differences on cash held	736	201	(535)
Cash and cash equivalents at beginning of the year	16,390	8,888	(7,502)
<b>Cash and cash equivalents at end of the year</b>	<b>8,888</b>	<b>9,268</b>	<b>380</b>

## FREE CASH FLOW MOVEMENT (RM MILLION)



Free cash flow in 2023 at RM2.6 billion has decreased as compared to RM6.3 billion in 2022 in line with lower profit generated during the year and higher operational CAPEX.

## FINANCIAL REVIEW

## GROUP QUARTERLY PERFORMANCE

RM Million	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year 2023
Revenue	7,557	7,113	6,784	7,213	28,667
Operating profit	592	702	606	256	2,156
Profit before taxation	590	694	586	240	2,110
Profit for the period/year	536	633	439	142	1,750
Profit attributable to shareholders of the Company	532	628	424	112	1,696
Earnings per share (sen)	7	8	5	1	21
Dividends per share (sen)	-	8	-	5	13

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

## KEY INTEREST BEARING ASSETS AND LIABILITIES

RM Million	2022			2023		
	As at 31 December 2022	Effective Interest Rate (%)	Interest Income/ Expenses	As at 31 December 2023	Effective Interest Rate (%)	Interest Income/ Expenses
<b>Interest earning assets:</b>						
Cash and bank balances	937	-	4	947	-	17
Fund investment	7,951	2.26	243	8,321	4.18	369
<b>Interest bearing liabilities:</b>						
Term Loans	2,617	4.85	71	2,631	5.17	149
Revolving credits	101	0.70 - 0.90*	-	342	0.70 - 0.90*	-
					4.80 - 5.10**	
Lease liabilities	1,813	-	120	2,159	-	142

\* Above KLIBOR

\*\* SEK rates

## FINANCIAL REVIEW

## FIVE-YEAR GROUP FINANCIAL SUMMARY

RM Million	2019	2020	2021*	2022	2023
<b>Consolidated statement of profit or loss</b>					
Revenue	16,370	14,362	23,026	28,953	<b>28,667</b>
<b>By segment:</b>					
Olefins and Derivatives	9,947	8,194	12,465	12,929	<b>13,732</b>
Fertilisers and Methanol	6,165	5,311	9,341	12,850	<b>8,501</b>
Specialties	-	-	-	3,125	<b>6,385</b>
Others	258	857	1,220	49	<b>49</b>
Cost of revenue	(11,914)	(10,837)	(14,447)	(20,277)	<b>(23,882)</b>
Gross profit	4,456	3,525	8,579	8,676	<b>4,785</b>
Selling and distribution expenses	(878)	(967)	(1,091)	(1,436)	<b>(1,906)</b>
Administration expenses	(754)	(718)	(839)	(1,157)	<b>(1,394)</b>
Other expenses	(107)	(68)	(60)	(166)	<b>(40)</b>
Other income	523	428	422	717	<b>711</b>
<b>Operating profit</b>	<b>3,240</b>	<b>2,200</b>	<b>7,011</b>	<b>6,634</b>	<b>2,156</b>
Financing cost	(31)	(27)	(29)	(66)	<b>(139)</b>
Share of profit/(loss) of equity accounted JVs and associates net of tax	(54)	(316)	729	165	<b>93</b>
<b>Profit before taxation</b>	<b>3,155</b>	<b>1,857</b>	<b>7,711</b>	<b>6,733</b>	<b>2,110</b>
Tax expense	(360)	(271)	(391)	(406)	<b>(360)</b>
<b>Profit for the year</b>	<b>2,795</b>	<b>1,586</b>	<b>7,320</b>	<b>6,327</b>	<b>1,750</b>
Profit attributable to the shareholders of the company	2,811	1,628	7,346	6,322	<b>1,696</b>
<b>Consolidated statement of financial position</b>					
Property, plant and equipment	20,482	20,987	22,041	27,213	<b>29,437</b>
Cash & cash equivalents	12,045	12,707	16,390	8,888	<b>9,268</b>
Total assets	38,863	39,829	46,454	55,430	<b>60,206</b>
Borrowings	1,875	2,192	2,388	2,718	<b>2,973</b>
Total liabilities	8,325	8,820	11,068	15,697	<b>18,132</b>
Share capital	8,871	8,871	8,871	8,871	<b>8,871</b>
Reserves	21,062	21,575	25,980	30,207	<b>31,544</b>
Total equity attributable to the shareholder of the company	29,933	30,446	34,851	39,078	<b>40,415</b>
Non-controlling interests	605	563	535	655	<b>1,659</b>
Total equity	30,538	31,009	35,386	39,733	<b>42,074</b>
<b>Financial ratios (%)</b>					
PAT margin	17.1	11.0	31.8	21.9	<b>6.1</b>
Return on equity	9.2	5.3	20.8	15.9	<b>4.0</b>
Return on asset	7.2	4.0	15.8	11.4	<b>2.9</b>
Cost over revenue	82.7	87.2	71.1	79.0	<b>94.8</b>
Dividend payout ratio	51.2	59.0	61.0	51.9	<b>61.3</b>
Gearing ratio	6.1	7.1	6.7	6.8	<b>7.1</b>
<b>Share information</b>					
Earnings per share (sen)	35	20	92	79	<b>21</b>
Dividend per share (sen)	18	12	56	41	<b>13</b>
Net asset per share (RM)	3.74	3.81	4.36	4.88	<b>5.05</b>
Closing share price (RM)	7.35	7.43	8.92	8.60	<b>7.16</b>
Number of ordinary shares (million)	8,000	8,000	8,000	8,000	<b>8,000</b>
Market capitalisation (RM million)	58,800	59,440	71,360	68,800	<b>57,280</b>

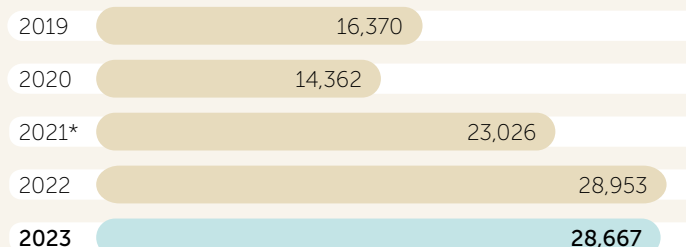
\* Certain financial information and its corresponding financial ratios have been restated in line with amendments to MFRS 116 Property, Plant and Equipment

## FINANCIAL REVIEW

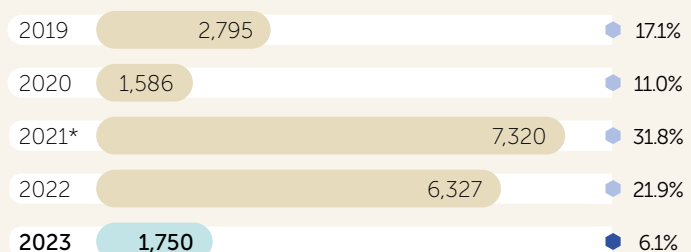
## FIVE-YEAR GROUP FINANCIAL HIGHLIGHTS

## PROFITABILITY

## REVENUE (RM MILLION)



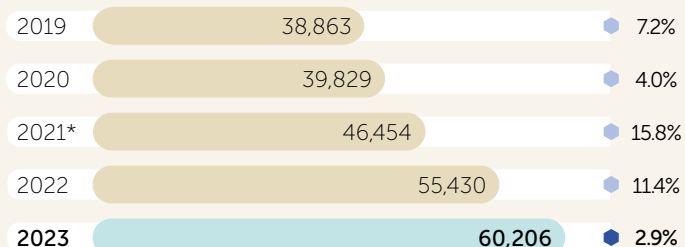
## PROFIT AFTER TAX (RM MILLION)



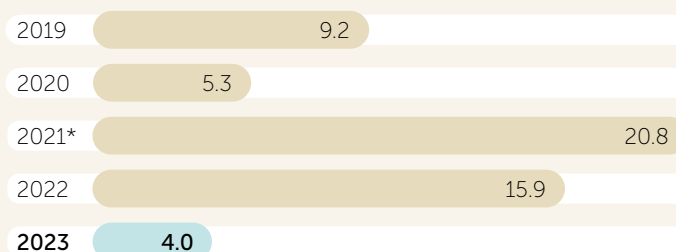
- Profit for 2019 was lower compared to RM4.9 billion in 2018 following lower product margins and net share of losses from JVs and associates
- 2020 was affected by compressed margin, declining crude oil prices, softer demand following global COVID-19 pandemic and higher net share of losses from JVs and associates
- 2021 showed significant improvement as product prices improved driven by global economic recovery and net share of profits from JVs and associates leading to the record-breaking profit generated
- Profit for 2022 decreased following compressed margin and lower share of profits from JVs and associates following lower margins and sales volume
- Profit for 2023 further declined as a result of compressed margin

## FINANCIAL POSITION

## TOTAL ASSETS (RM MILLION)



## RETURN ON EQUITY (%)



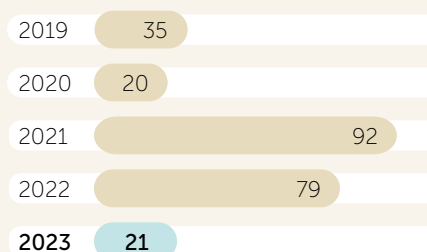
- A few notable capital investments in 2019 included increase in investment in petrochemicals projects within PIC and acquisition of 100% of shares in BRB, hence grew the total assets
- Total assets in 2020 remained robust mainly due to the increase in cash and cash equivalent from profit generated during the year
- The Group maintained strong financial position in 2021 with higher cash and cash equivalents in line with higher profits generated, property, plant & equipment and investment in JVs and associates
- Total assets in 2022 grew following the acquisition of Perstorp
- Total assets in 2023 increased mainly due to the capital investment in PIC and Perstorp

## SHARE AND RETURNS TO SHAREHOLDERS

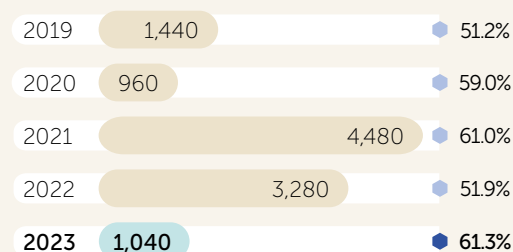
## CLOSING SHARE PRICE (RM)



## EARNINGS PER SHARE (SEN)



## DIVIDEND PAYOUT (RM MILLION)



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

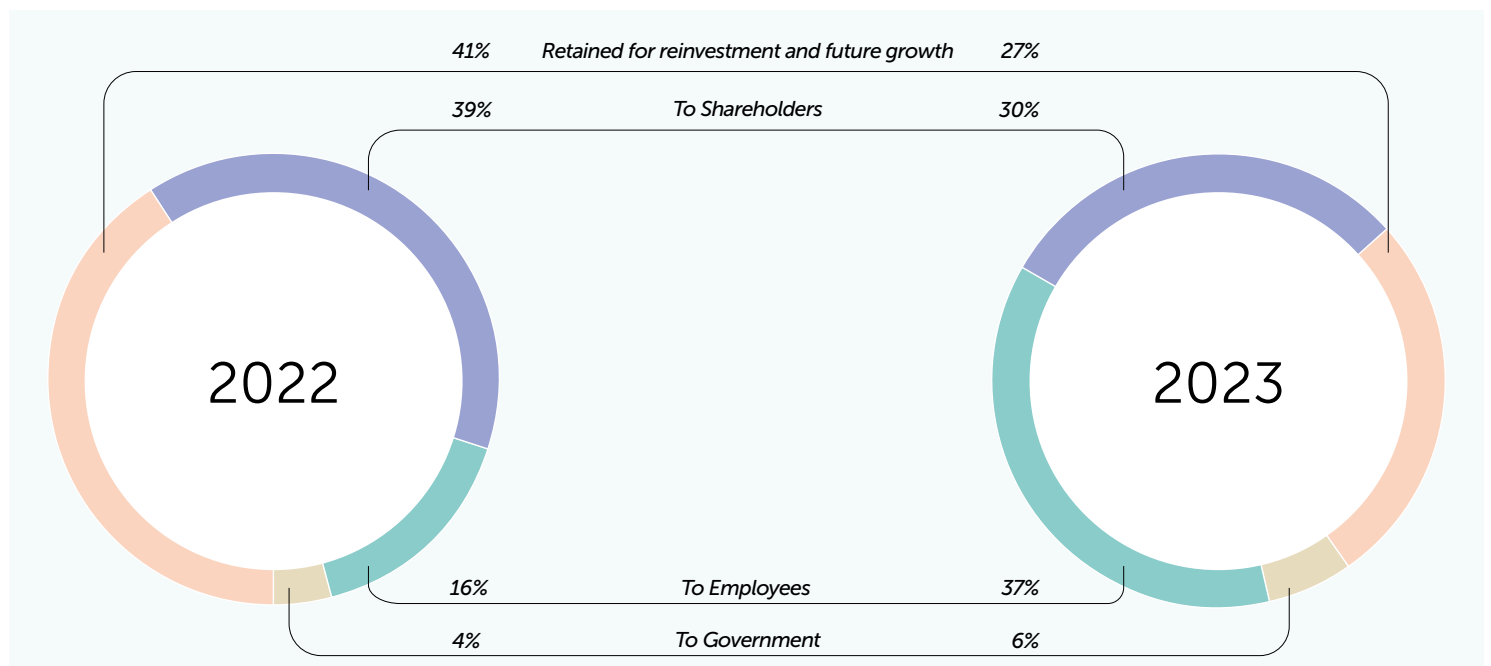


## FINANCIAL REVIEW

### STATEMENT ON VALUE ADDED

RM million	2022	2023
Revenue	28,953	28,667
Less: Purchase of goods and services	(19,702)	(22,827)
Value added by the companies	9,251	5,840
Net other income	551	671
Financing costs	(66)	(139)
Share of profits after tax of equity accounted JVs and associates	165	93
<b>Value added available for distribution</b>	<b>9,901</b>	<b>6,465</b>

RM million	2022	2023
<i>Distributed to:</i>		
To employees		
Employee costs	1,579	2,376
To government		
Taxation	406	360
To shareholders		
Dividends	3,840	1,920
Non-controlling interest	4	-
Retained for reinvestment and future growth		
Depreciation & amortisation	1,589	1,978
Net increase/(reduction) in retained profits	2,483	(169)
<b>Value Distribution</b>	<b>9,901</b>	<b>6,465</b>



# SUSTAINABILITY REVIEW

## SUSTAINABILITY APPROACH

We consistently strive to integrate sustainability into the core of our business, incorporating Economic, Environmental, Social and Governance (EESG) considerations into our decision-making and operations. Fundamental to who we are, we believe that sustainable business practices are essential for the long term success of our company, our stakeholders and the planet. We remain committed to facilitating the transition to a low carbon economy through our Net Zero Carbon Emissions (NZCE) 2050 Roadmap and Circular Economy focus.



We are guided by PETRONAS' Four Sustainability Lenses in driving sustainability in PCG. Our sustainability strategy is based on a keen understanding of sustainability trends and issues, risks and opportunities while meeting stakeholder expectations.

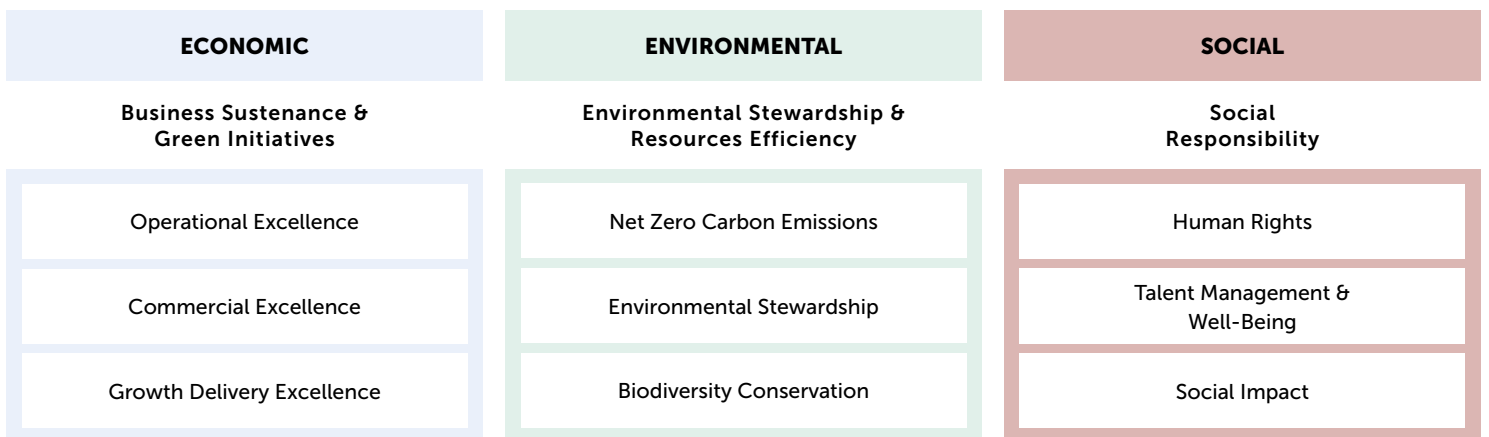
Our Sustainability Agenda is anchored on the key pillars of EESG and is instrumental in driving our sustainability efforts on key focus areas impacting PCG and our stakeholders and it is aligned with 13 of the 17 UN Sustainable Development Goals (UNSDGs) where we believe we have the best ability to deliver meaningful impact.

We continuously pursue alignment with internationally-recognised best practices and standards as evidenced by our continual inclusion in DJSI World and Emerging Markets indices, as well as improvement in our FTSE4Good score. We have initiated efforts to assess and align with International Financial Reporting Standards (IFRS) S1 and S2 to enhance how we manage and disclose sustainability as well as climate-related risk and opportunities.

**R** For more information on PCG's Sustainability Strategy, please refer to page 18 of the Sustainability Report.

## PCG SUSTAINABILITY AGENDA

### SUSTAINABILITY AT THE CORE



### GOVERNANCE



# SUSTAINABILITY REVIEW

## SUSTAINABILITY SCORECARD

### E Economic

**Production Volume**

10.4<sup>^</sup> million tonnes  
2022: 10.2 million tonnes

**Sales Volume**

9.6<sup>^\*</sup> million tonnes  
2022: 8.3<sup>^\*</sup> million tonnes

**Plant Utilisation (PU)**

85%  
2022: 89%

**Order Fulfilment Reliability**

95%  
2022: 95%

**Number of new products**

20<sup>^</sup> products  
2022: 15 products

**Number of Co-created Solutions**

22 solutions  
2022: 12 solutions



### E Environmental

#### ENERGY

**Renewable Energy**

134,401 MWH  
*Initiative started in 2023*

**Energy Consumed**

100.38 million GJ  
2022: 104.90 million GJ

#### WATER

**Freshwater Withdrawal Intensity**

5.46<sup>^</sup> m<sup>3</sup>/tonne  
2022: 3.89 m<sup>3</sup>/tonne



#### CONSERVATION

**Mangrove trees planted**

5,700 trees  
2022: 3,550 trees

#### EMISSIONS

**GHG Emissions (Overall - Market Based)**

7.33<sup>^</sup> million tCO<sub>2</sub>e  
2022: 7.43<sup>^</sup> million tCO<sub>2</sub>e

**GHG Emissions (Malaysian Operations - Market Based)**

6.97 million tCO<sub>2</sub>e  
2022: 7.05 million tCO<sub>2</sub>e

**GHG Emissions Intensity (Overall - Market Based)**

0.71<sup>^</sup> tonne CO<sub>2</sub>e/tonne  
2022: 0.69<sup>^</sup> tonne CO<sub>2</sub>e/tonne

**Reduction of GHG Emissions**

146,100 tonne CO<sub>2</sub>e  
2022: 55,000 tonne CO<sub>2</sub>e

#### WASTE

**Hazardous Waste 3R**

76%  
2022: 77%

<sup>^</sup> Including BRB Group and Perstorp Group  
<sup>\*</sup> Including Pengerang Integrated Complex (PIC)

### S Positive Social Impact

**World-Class Safety Performance**

0.09 Lost Time Injury Frequency (LTIF)  
2022: 0.17

**Diverse nationalities representation in senior leadership**

18%<sup>^</sup>  
2022: 16%

**Women in Senior Leadership**

31%<sup>^</sup>  
2022: 29%

**Social Impact Initiatives Reached**

More than 170,000<sup>^</sup> community members reached  
2022: >75,000 people

*calculation methodology for the number of community reached that benefitted from our programme has been restated as per alignment with Yayasan PETRONAS*



## OPERATING ENVIRONMENT AND OUTLOOK

As an integrated chemicals company, there are a range of external factors that influence not only on our day-to-day operations but also our resource management and ability to create long term value. With operating costs that are closely correlated to global oil prices and products that have a widespread presence in every aspect of life, we need to effectively anticipate and mitigate potential impacts to the business. Therefore, we continuously and closely monitor our operating environment especially in the context of global economic performance, business sentiment, geopolitical issues and supply-demand cycles. This proactive approach is integral to our commitment to creating value in response to the dynamic challenges posed by these external factors.

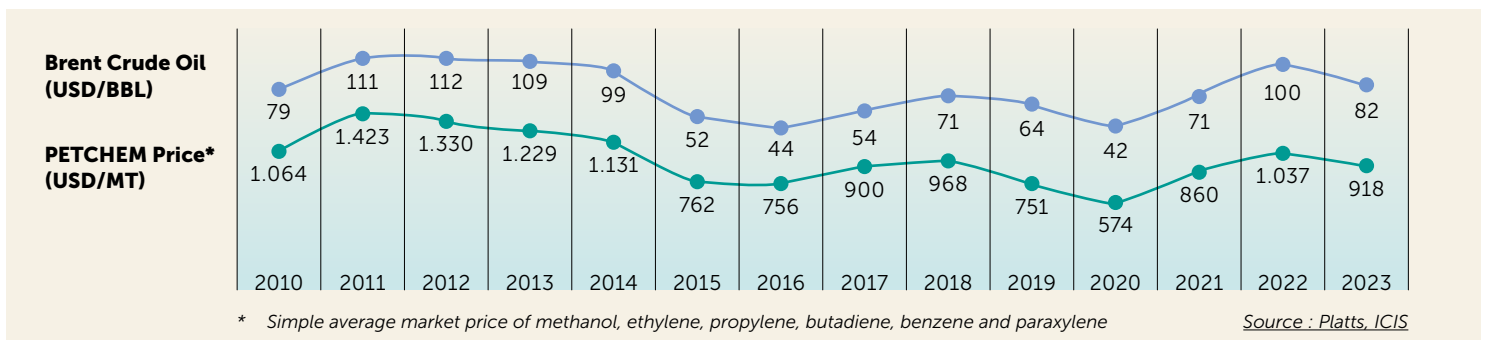
### MACROECONOMIC UNCERTAINTIES

The year 2023 presented a complex landscape for the petrochemical industry, marked by a sluggish economic recovery, persistent high inflation, and significant price volatility in energy markets. These factors collectively shaped a challenging environment for companies within the sector.

The anticipated global economic recovery, spurred by China's reopening in late 2022, fell short of expectations. Despite hopes for a robust demand resurgence, China's recovery was hampered by weak domestic demand and high inflation impacts on its trading partners, leading to reduced export demand. This, coupled with a decline in the property sector despite government stimuli, contributed to a moderated global GDP growth rate of 3.1%, down from 3.5% in 2022. The chemical industry, sensitive to economic shifts, experienced reduced demand as businesses scaled back on investments and restocking, exacerbating the effects of new global capacities coming online. Additionally, geopolitical tensions and OPEC+ production cuts kept oil prices elevated, increasing feedstock costs and squeezing margins further.

High inflation remained a formidable challenge, dampening consumer spending and escalating production costs through rising goods, services, and labour costs. These pressures necessitated a recalibration of operational practices and financial frameworks within the industry. Companies faced the dual task of managing escalated costs while navigating supply chain disruptions, requiring innovative strategies to ensure resilience and sustainable growth.

Energy price volatility, influenced by geopolitical events, OPEC+ decisions, and fluctuating global economic conditions, added another layer of complexity. Crude oil, naphtha, and natural gas prices witnessed fluctuations, impacted by tensions in the Middle East and strategic production adjustments by major oil producers. These fluctuations influenced feedstock prices, contributing to thinner margins for chemical producers as the industry grappled with lower chemical prices and spreads compared to the previous year.



### IMPACT ON STAKEHOLDER GROUPS

Stakeholders of the petrochemical industry navigated a complex landscape resulting from economic uncertainty and industry-specific challenges in 2023.

Shareholders demonstrated continued confidence in the petrochemical companies like PCG, recognising the essential nature of our products across diverse sectors such as agriculture, automotive, packaging, and personal care. This belief in the potential for long-term growth, despite economic challenges, underscores the critical role of petrochemical products in various industries.

Suppliers and service providers aligned closely with PCG, engaging in collaborative efforts to foster efficient and sustainable operational practices. These partnerships have been pivotal in addressing the economic and environmental challenges, ensuring mutual benefits amid the prevailing conditions.

However, inflationary pressures exert a significant toll on consumer-facing industries, particularly those involved in producing end products like food packaging, clothing, automotive parts, and home furnishings. Consumer sensitivity to price changes, exacerbated by potential interest rate hikes and currency devaluations against the US Dollar, such as the Malaysia Ringgit and Swedish Kroner, places additional stress on demand.

Compounding these challenges are the dynamics of higher feedstock costs coupled with lower chemical prices, squeezing margins and thereby impacting the profitability and shareholder returns of petrochemical companies. Additionally, the high energy costs, particularly in Europe, amplify production expenses. This situation is further complicated by intensified competition from Chinese suppliers who, facing reduced domestic demand, are exploring new markets, adding another layer of complexity to the industry's operational and strategic landscape.

## OPERATING ENVIRONMENT AND OUTLOOK



### HOW WE RESPONDED

- Sustained our sales volume anchoring on close collaboration with our customers, strong market knowledge, and optimising sales in best netback markets
- Implemented strategies aimed at regaining market share and strengthening competitiveness through exploring new opportunities and expanding market base within our specialties portfolio. This included optimisation of production and sales processes, in addition to procurement savings to boost operational efficiency and profitability
- For commodities, we run our plants at optimum capacity to minimise undisrupted production at competitive cost
- Maximise value creation through Operational Excellence and Commercial Excellence:
  - Optimising internal processes and applying energy-efficient initiatives to manage operational costs
  - Diversifying feedstock options and building partnerships with multiple suppliers to ensure a stable supply chain amidst price fluctuations
  - Allocating resources to research and development initiatives that could foster innovation and sustainability
  - Strategic pricing adjustments, coupled with a focus on product quality and value while maintaining customer loyalty
  - Strengthening supply chain resilience through effective risk management and collaboration with partners that further enhance the industry's ability to navigate challenges during high inflation periods
  - Explored cross-selling and procurement synergies internally to enhance market presence and profitability
  - Exploring new product lines that do not have high dependency on specific segments and regions

### OUTLOOK

Going forward, it appears that the global economy is likely to remain on this path of flat growth, especially with the slow economic revival in China and the lingering impact of tightening monetary policy in most Southeast Asia countries and beyond. According to the IMF, global GDP growth is expected to remain flat at 3.1% in 2024. The global inflation rate, meanwhile, is expected to decelerate to 5.8% in 2024 due to tighter monetary policy\*. We expect to see a more solid recovery at the end of 2024, when most sectors have normalised and demand catches up with supply, bolstered by the reduction in inflationary pressures which should help to boost sales and reinvigorate demand.

Following the Middle East conflict which intensified volatility in the market, we foresee that crude oil prices will remain rangebound between USD70 - USD80 per barrel even as OPEC voluntary production cuts continue to take place. Moreover, a US crackdown on Russian oil exports could potentially disrupt supply, providing more support for prices next year. Naphtha prices are expected to remain low due to ample supply. Consequently, the derivatives including petrochemical prices will continue to be pressured amid subdued demand. The conflict has also disrupted the Middle East - Asia export route via the Suez Canal which will put upward pressure on petrochemical supply chain. Furthermore supply from the US to Asia continues to be challenging as the low water level in the Panama Canal due to the drought condition has led to shipping route congestion.

In addition, despite the spillover effects of fragile global economic recovery plus the ongoing Russian-Ukraine conflict, feedstock prices such as LNG is anticipated to remain elevated. Prices will however be lower than the peaks of 2022 as a result of the European continent's strategy to diversify import sources to reduce their dependence on Russian gas.

Due to these events, most chemical producers are likely to face thin margins from high feedstock prices while being weighed down by sluggish demand and slow economic growth.

\* Based on IMF World Economic Outlook Database in October 2023

## OPERATING ENVIRONMENT AND OUTLOOK

### INTENSIFIED SUSTAINABILITY

#### OVERVIEW

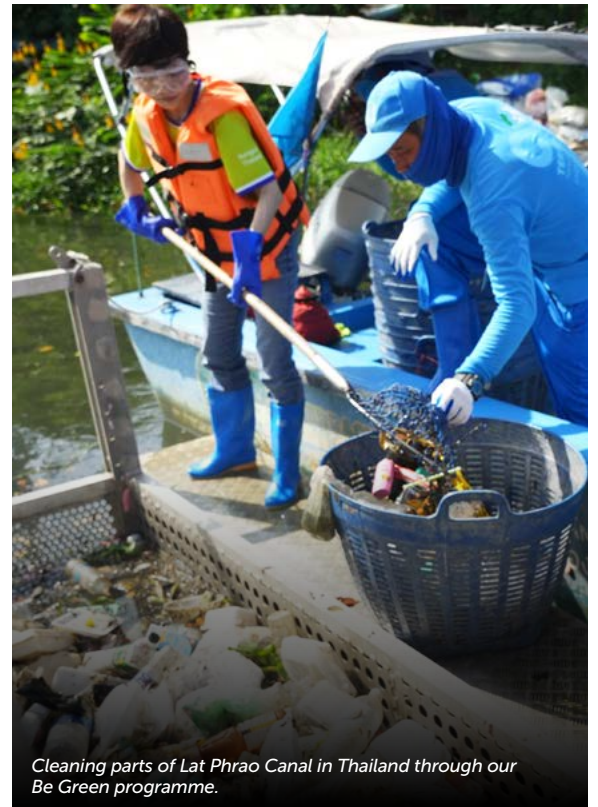
The emphasis on sustainable business practices has grown stronger, with increased attention and demands from policymakers, regulators, financiers, investors, consumers, and advocacy groups. This is evident in the shifts in policies and the rising investments in low-carbon and decarbonisation initiatives. These changes are expected to accelerate the peak in oil demand, posing challenges for industry players reliant on oil revenue and those with higher operational costs which will also impact downstream chemicals. Furthermore, demand of sustainable feedstock is gaining traction as major economies begin to translate their net-zero commitments into tangible policies and regulations, including the implementation of carbon pricing. For instance, the Carbon Border Adjustment Mechanism (CBAM) is the world's first carbon border tax introduced by the European Union (EU) aims to mitigate the carbon emission of imported goods, strengthening the drive toward industry decarbonisation and encouraging international partners and nations to proactively address climate change.

#### IMPACT ON STAKEHOLDER GROUPS

- Growing demand by customers for low carbon products, environmentally friendly options with recyclable packaging, higher renewable content, and a focus on cost-effectiveness. The requirements vary based on market segments, with end-users in advanced economies often leading the adoption to address regulatory pressures and fulfil sustainability agendas
- Heightened scrutiny by shareholders and investors on how companies are managing their sustainability risks and opportunities, including details about decarbonisation plans and how they are embedding sustainability practices within their operations
- Mandatory disclosure requirements by Government agencies and regulators, i.e; Bursa Malaysia's Main Market Listing Requirement (MMLR) in relation to enhanced sustainability reporting framework, the European Financial Reporting Advisory Group's Corporate Sustainability Reporting Directive (CSRD) and IFRS S1 and S2

#### HOW WE RESPONDED

- Continued development of innovative product solutions that addresses customer needs including:
  - Sustained co-creation efforts with customers to develop products with a higher Renewable Carbon Index
  - Launched six new ISCC PLUS certified products to support Finite Material Neutral ambition, which is to gradually shift from virgin fossil raw materials and energy at our production plants globally to renewable, recycled or recovered sources
- Progressed feasibility study into the production of sustainable methanol via Project Air
- Drove GHG reduction within our assets in line with our NZCE roadmap to reduce the carbon footprint of our products and realise our commitment to achieving net zero aspirations by 2050
- Sanctioned Final Investment Decision to build an advanced chemical recycling plant in August 2023, in order to produce pyrolysis oil which is a feedstock for circular polymers to address customer demand for sustainable food packaging as well as to unlock opportunities in the circular economy in Malaysia
- Expanded our efforts in assessing sustainability as well as climate risk and opportunities to better understand its impact on PCG business and operations around the world
- Expanded Be Green, our flagship social impact programme, internationally for the first time starting with Indonesia followed by Thailand to deliver greater value in countries where we are present
- Continue to improve sustainability and climate disclosure strategy from our TCFD Report published in 2022 through alignment with domestic and international regulations and by assessing the recently introduced in 2023 International Financial Reporting Standards (IFRS) S1 and S2 Sustainability Disclosure Standards and CSRD for our European entity



Cleaning parts of Lat Phrao Canal in Thailand through our Be Green programme.

#### OUTLOOK

Our sustainability agenda will continue to prioritise how to further transform the business in ways that will directly support the transition to a low carbon and circular economy. We will also address new regulations, anticipate the expectations of our investors and consumers, as well as fulfil sustainability reporting obligations. We are resolute in directing our resources towards responsible operations with environmental and social responsibility at the core. We will also continue to evaluate opportunities in the circular economy which includes CO<sub>2</sub> utilisation, sustainable products, the New Plastics Economy (NPE); and in community welfare, as well as climate change mitigation and adaptation.

# STAKEHOLDER ENGAGEMENT

Our ability to create and sustain value over the long term is closely related to our relationships with stakeholders. At PCG, we believe that regularly engaging with our stakeholders to understand their needs and expectations will help us make better strategic and business decisions, which effectively deliver a win-win outcome for all parties involved.



## EMPLOYEES

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

### Number of Employees:

6,465

### ENGAGEMENT PLATFORM

- Townhall
- Digital communication
- Staff engagement and appreciation
- HSE campaigns
- Organisational Culture Survey
- Long Service Award
- Family Day



### WHY WE ENGAGE

To ensure a positive work environment and to retain employees who drive our business objectives and execute our world-class manufacturing operations.

### KEY CONCERNS

- Well-being and mental health
- Health, safety and environment (HSE)
- Diversity and Inclusions (D&I)
- Work-life balance
- Human rights
- Cybersecurity

### RESPONSE

- Implement various initiatives for employees' well-being and mental health
- Provide a safe working environment to our employees with stringent HSE policy and procedures and flexible working arrangements
- Created a more diverse and inclusive environment and rolled out new D&I initiatives to promote greater awareness
- Conduct a Human Firewall programme covering phishing tests, online learning with assessment to increase awareness and maturity on cybersecurity risks, threats and attacks

### VALUE CREATED FOR STAKEHOLDER

- Ensured basic rights for all staff and contractors, emphasising dignity, fairness, respect and equality
- Conducted more than 50 employee engagement sessions, comprising reach out, mental health and union engagement sessions. Also recognised long-serving employees with awards
- Established the 5-year PCG Employee Wellness Roadmap (2023-2027)
- Established PCG D&I Roadmap and implementation in promoting D&I awareness and culture

**R** For more information, please refer to our Sustainability Report on page 34 to 39.



## CUSTOMERS

The trust and support of customers is what we seek to maintain and build on at all times. 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:

14

### ENGAGEMENT PLATFORM

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



### 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
- Sustainable products
- 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

### VALUE CREATED FOR STAKEHOLDER

- Ensured timely and reliable delivery of products to customers, maintaining our 95% Order Fulfilment Reliability rate
- Launched 20 new products, 22 co-created innovative solutions and 249 technical solutions to aid customer business growth
- Addressed all the 25 complaints received in 2023, sustaining our Customer Feedback performance score
- Engaged customers through 14 Product Stewardship sessions and technical talks for safe chemical handling and product value maximisation
- Provided innovative and diverse product solutions to customers, including sustainable solutions to meet growing expectations

### FREQUENCY OF ENGAGEMENT

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

# STAKEHOLDER ENGAGEMENT



## SUPPLIERS & VENDORS

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

### Percentage of Malaysian Based Vendors:

82%

### ENGAGEMENT PLATFORM

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



### WHY WE ENGAGE

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

### KEY CONCERNS

- Health, safety and environment (HSE)
- Human rights
- Ethical business practices
- Sustainability in the supply chain

### RESPONSE

- Implement stringent policies, e.g. HSE to protect the suppliers' and vendors' well-being
- Provide robust grievance mechanisms for suppliers
- Incorporate EESG requirements in our procurement process
- Conduct sustainability sharing session

### VALUE CREATED FOR STAKEHOLDER

- Maintained a reliable supply chain with minimal operational disruptions
- Improved safety performance in terms of lower Total Vehicle Accident Rate and zero fatalities recorded since 2019



## 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 Joint Ventures (JVs) and associates:

12

### ENGAGEMENT PLATFORM

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



### WHY WE ENGAGE

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

### KEY CONCERNS

- Company performance
- Ethical practices
- Good governance, internal controls and compliance
- Aligning the implementation of sustainability initiatives and tracking of GHG emissions from JVs and associates
- Continuous value creation

### RESPONSE

- Close monitoring of JVs performances and building upon the partnership benefits
- Strengthen good governance, internal controls, and compliance through improvement of the assurance programme and leverage shareholders' governance practices
- Establishment of GHG emission baselining for JVs and associates in operations
- Exchange best practices to achieve sustainability objectives
- Provide a reliable supply of feedstock

### VALUE CREATED FOR STAKEHOLDER

- Optimised overall value chain efficiency through integrated operations with JV partners
- Ensured good governance in all business projects
- Collaborated closely with partners to optimise value creation by prioritising feedstock and utilities allocation and shared cost
- Provided business development opportunities through innovative solutions and collaborative partnerships

**R** For more information, please refer to our Sustainability Report on page 34 to 39.

### FREQUENCY OF ENGAGEMENT

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



# STAKEHOLDER ENGAGEMENT



## 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:

22,377 (as at 31 December 2023)

### ENGAGEMENT PLATFORM

- Investors and analysts briefings
- Meetings and conferences
- Annual reports
- Annual general meetings
- Announcements via Bursa Malaysia
- Company website
- Site visits
- Telephone calls and emails



### WHY WE ENGAGE

With the financial capital from our shareholders and investors enabling our business and sustainable growth, we continuously seek to keep them informed to nurture trust and confidence in our ability to fulfil our commitments and goals.

### KEY CONCERNS

- Sustainable value creation
- Company's operational, commercial and financial performance
- Growth project progress and deliverables
- Sustainability and EESG Matters
- Corporate governance

### RESPONSE

- Provide access to board members and senior management
- Regular and frequent communication utilising available communication platforms such as conference calls, virtual and one-on-one meetings
- Transparent, continuous and timely disclosure
- Readily available data and information
- Compliance of corporate disclosure guidelines

### VALUE CREATED FOR STAKEHOLDER

- Delivered shareholder returns via stable dividend payments
- Invested financial resources in growth initiatives
- Provided sufficient disclosure to enable informed investment decisions by existing and future shareholders
- Ensured investors views are taken into account in management and board's decisions
- Committed to transitioning to Net Zero Carbon Emissions by 2050



## GOVERNMENT & REGULATORS

With a wide international presence, we work closely with relevant authorities to navigate changes and increasing complexity in the regulatory landscape and ensure consistent and continuous compliance.

### Number of Engagement Sessions:

23\* \* Data only represents high level engagement in both local and international level

### ENGAGEMENT PLATFORM

- Regular reporting to relevant agencies
- Joint working committee with state governments
- Regular meetings and briefings with agencies/regulators
- Stakeholder appreciation programmes
- Scheduled courtesy call



### WHY WE ENGAGE

Our strong relationship with the government and regulators enables us to effectively manage our operation within legal frameworks and stay abreast of emerging and changing regulations.

### KEY CONCERNS

- Regulatory compliance
- Economic impact
- Safety and environmental management
- Human rights

### RESPONSE

- Establish transparent communication with relevant bodies
- Collaborate with relevant agencies with common objectives
- Establish frequent scheduled engagement sessions

### VALUE CREATED FOR STAKEHOLDER

- Enhanced regulatory collaborations for improved plant operations by periodically engaging with relevant state and national authorities
- Submitted regular and required reports to authorities
- Ensured plant operations are equipped with appropriate safeguards and monitoring tools
- Guaranteed that commercial operations had adequate safeguards and monitoring tools
- Supported Foreign Direct Investment (FDI) through strategic collaborations with government bodies
- Continues compliance to regulatory framework

**R** For more information, please refer to our Sustainability Report on page 34 to 39.

### FREQUENCY OF ENGAGEMENT

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

# STAKEHOLDER ENGAGEMENT



## 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.

### Amount of Contribution:

RM3.0 million

### ENGAGEMENT PLATFORM

- Social Impact programmes
- Briefings and engagement



### WHY WE ENGAGE

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.

### KEY CONCERNS

- Safety of plant operations
- Quality of air and water emissions
- Jobs and other income-generating opportunities

### RESPONSE

- Adopt stringent HSE best practices at PCG manufacturing plants
- Regularly monitor air and water quality surrounding operations
- Local vendor development and employment
- Invest in social impact community programmes through collaboration with local communities, NGOs nationwide and international

### VALUE CREATED FOR STAKEHOLDER

- Provide assurance to the local communities on the HSE aspects of our operations, which ensure that the surrounding environment and ecosystem are safe and free of industrial contamination, through regular interaction with local communities. This provides the local communities with a broader understanding of our operations and impacts
- Generated employment opportunities for surrounding communities



## 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:

RM34.5 million

### ENGAGEMENT PLATFORM

- Press releases
- Media engagements
- Interviews



### WHY WE ENGAGE

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.

### KEY CONCERNS

- Company reputation
- Business performance
- Environmental management and sustainability efforts
- New innovation and technology
- Development and progress of key projects

### RESPONSE

- Foster open and transparent communication with the media
- Provide a speedy response to media enquiries on business developments
- Organise rapport-building activities to enhance relationships with the media

### VALUE CREATED FOR STAKEHOLDER

- Garnered readership for key media by strategically sharing PCG's news on media platforms
- Provided accurate and latest updates to the media on key company news and information for public consumption
- Maintained good relationships with media through engagements or festive celebrations

**R** For more information, please refer to Community Engagement on pages 78 to 79 in the Sustainability Report.

### FREQUENCY OF ENGAGEMENT

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

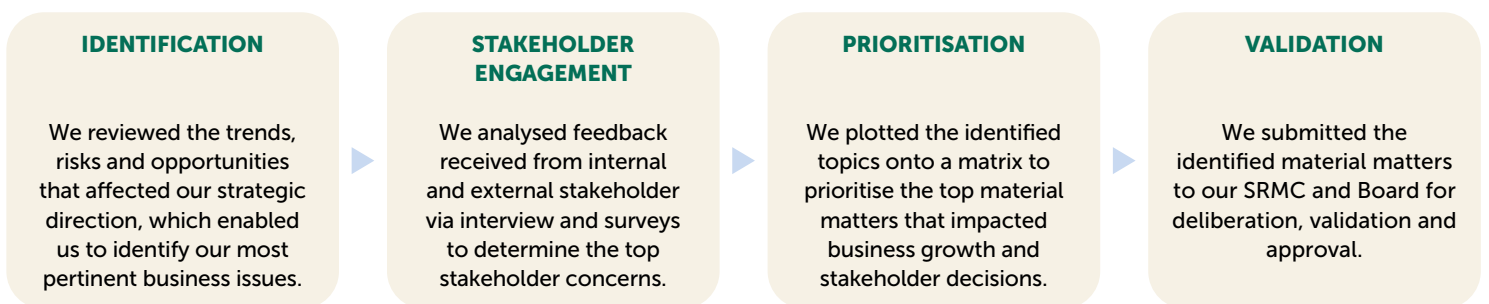
# MATERIAL MATTERS

A comprehensive grasp of industry trends, operational challenges, and stakeholder expectations is crucial for us to prioritise our efforts towards long-term value creation. Based on this understanding, we formulate strategies that align with the pivotal aspects of business growth and the demands of our stakeholders. These significant considerations serve as guiding principles for our Board and leadership team, shaping the trajectory of the Company towards sustainable growth.

Materiality assessments are integral to our sustainability journey, as they enable us to identify and prioritise sustainability trends and topics that are significant to our business and stakeholders. By conducting a materiality assessment, we can determine the risks and opportunities of each material matter and ensure that our sustainability priorities remain relevant and timely with current industry trends.

In 2023, we conducted a materiality assessment review, which included a limited stakeholder engagements, to ensure that our sustainability efforts remain relevant and aligned with current needs and landscape. We deferred conducting an in-depth materiality assessment, originally planned for 2023, to 2024 to enable us to better plan for comprehensive stakeholder engagement. This was mainly due to the material change in PCG’s business and operating landscape following the acquisition of Perstorp. Furthermore, the deferment was also aimed to improve alignment in materiality assessment strategy across the group to address EU’s Corporate Sustainability Reporting Directive (CSRD) requirements on double materiality approach.

## MATERIALITY REVIEW IN 2023

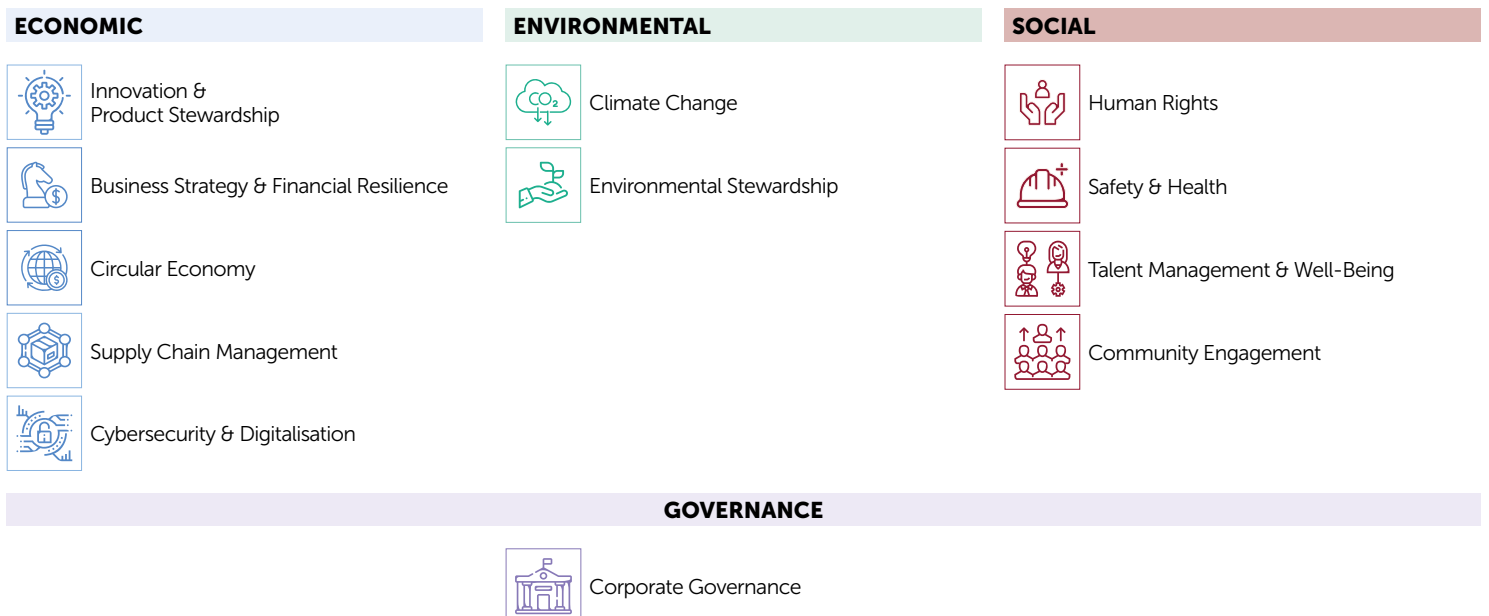


We ensured comprehensive coverage and relevance for all our material matters by considering relevant factors, such as reporting and expectations for the chemicals industry, sustainability trends and risks as well as industry peer benchmarking, trends and industry peers. This was part of PETRONAS Group’s aim to ensure consistency across broader organisation and the newly acquired entity, Perstorp. The material matters were aligned against national and global reporting frameworks such as the Global Reporting Initiative Standards and the Bursa Main Market Listing Requirement (MMLR). Sustainability trends from World Economic Forum and World Business Council, as well as peer-to-peer comparison were also included in the materiality assessment review.

From the identification exercise, we determined that our material topics remain relevant, requiring only minor adjustments for better context and alignment. We then conducted a stakeholder engagement with internal and external stakeholders comprising representatives from PETRONAS, PCG Management Committee, selected investors and customers to identify key topics of concern and relative importance of the identified material topics.

**R** Read more about the process of our materiality assessment from pages 18 to 19 in PCG’s Sustainability Report.

## PCG’S MATERIAL MATTERS FOR 2023



# VALUE CREATING BUSINESS MODEL

## OUR CAPITALS ▶ ENABLE OUR BUSINESS TO CREATE

### CAPITAL INPUTS

**N NATURAL**

- Natural gas:
  - Methane 112 million mmBtu
  - Ethane 1,195 million tonne
  - Propane 664 million tonne
  - Butane 225 million tonne
  - Heavy Naphtha 714 million tonne

**M MANUFACTURED**

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

**H HUMAN**

- 6,465 total number of employees
- RM43.4 million invested in employee training & development

**I INTELLECTUAL**

- 7 Research and Development (R&D) laboratories
- 4 patented products from PCG
- 7 additional proprietary chemicals for Malaysia

**S SOCIAL & RELATIONSHIP**

- 1,919 suppliers and vendors
- RM3.0 million contributed to community

**F FINANCIAL**

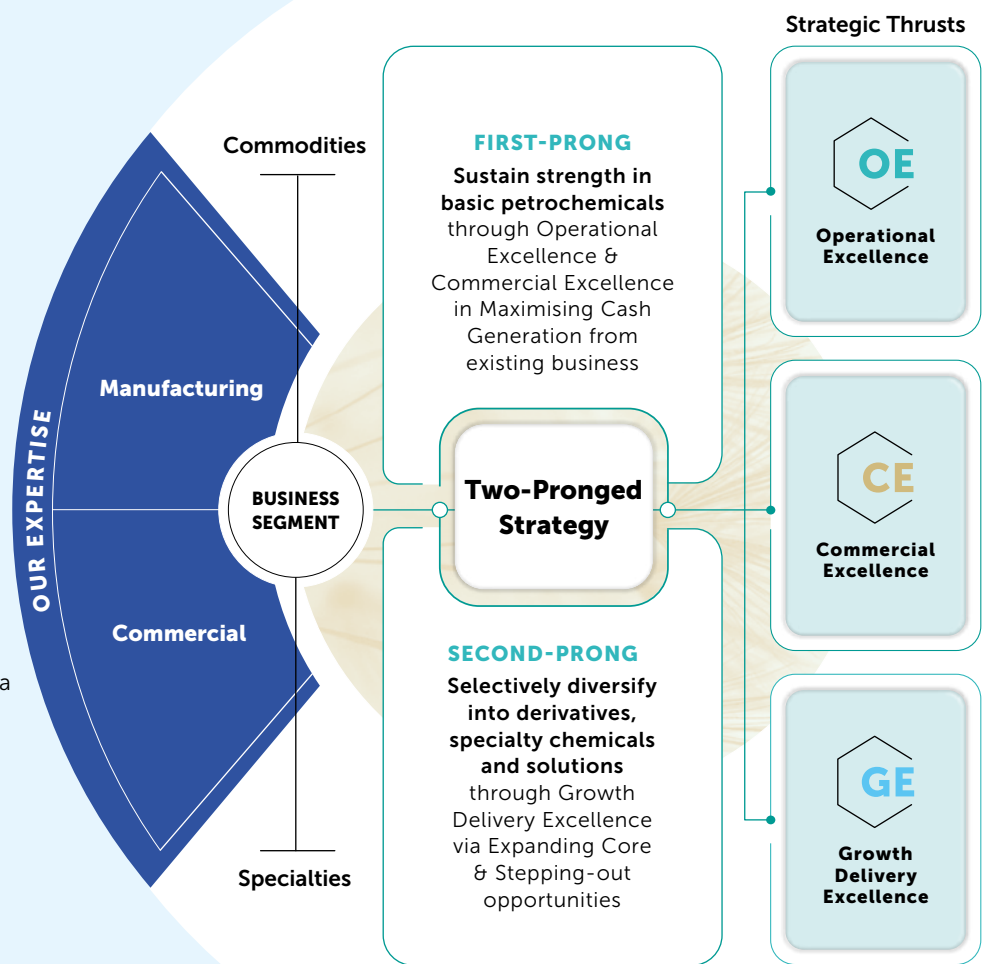
As at 1 January 2023

- RM39.1 billion in shareholders' equity
- RM8.9 billion in cash and cash equivalents
- RM6.3 billion in free cash flow

### BUSINESS ACTIVITIES

#### Operating Environment

**R** For more information, please refer to Operating Environment on pages 42 to 44.



#### Principal Risks

**R** For more information, please refer to Principal Risks on pages 64 to 70.

**R** Read more on page 7 for Sustaining Value Creation.

## TRADE-OFFS

**Natural Capital**

Increased upfront costs associated with implementing low carbon technologies and sustainable practices to achieve Net Zero Carbon Emissions (NZCE) by 2050. While this shift contributes to environmental goals, it may initially strain financial resources, potentially impacting short-term profitability. However, over the long term, such investments can enhance the plant's resilience by aligning with evolving regulatory standards, reducing operational risks, and meeting the growing demand for sustainable products.

**Manufactured Capital**

The key to PCG's value creation is underpinned by the performance of our plants. Thus, the trade-off between directing financial capital towards the maintenance of our plants or to other capitals is premised on ensuring that our plants, even ageing ones, are always able to perform at optimum levels. We consistently invested in repair and maintenance activities over Current Plant Replacement Value (CPRV) at about 3%.

**Human Capital**

Balancing the required financial investments and time in employee development with immediate operational needs requires careful planning to prevent disruption to the business. In addition, achieving a balance between general skill enhancement and specific organisational needs is crucial for workforce adaptability, demanding strategic planning to align skills with evolving business requirements.

# SUPPORTED BY STRONG GOVERNANCE

# VALUE CREATING BUSINESS MODEL

## ▶ VALUE FOR OUR STAKEHOLDERS

### SUSTAINABILITY AT THE CORE

ECONOMIC	ENVIRONMENTAL	SOCIAL
<b>Business Sustenance &amp; Sustainable Initiatives</b>	<b>Environmental Stewardship &amp; Resources Efficiency</b>	<b>Social Responsibility</b>
Operational Excellence	Net Zero Carbon Emissions	Human Rights
Commercial Excellence	Environmental Stewardship	Talent Management & Well-Being
Growth Delivery Excellence	Biodiversity Conservation	Social Impact

#### GOVERNANCE



### MATERIAL MATTERS

ECONOMIC	ENVIRONMENTAL	SOCIAL
Innovation & Product Stewardship	Climate Change	Human Rights
Business Strategy & Financial Resilience	Environmental Stewardship	Safety and Health
Circular Economy		Talent Management & Well-Being
Supply Chain Management		Community Engagement
Cybersecurity & Digitalisation		

#### GOVERNANCE



### OUTPUTS

#### Production & Sales

**10.4<sup>^</sup> million tonnes** production volume

**9.6<sup>\*</sup> million tonnes** sales volume

**85%** plant utilisation

<sup>^</sup> Including BRB Group and Perstorp Group

<sup>\*</sup> Including Pengerang Integrated Complex (PIC)

#### Innovation & Technology

**20** new products

**22** co-created solutions

**249** technical solutions

#### Environmental Footprint

**0.71 tonne CO<sub>2</sub>e/tonne** GHG emissions intensity<sup>\*</sup>

**5.46 m<sup>3</sup>/tonne** freshwater withdrawal intensity

<sup>\*</sup> Market-based

### OUTCOMES

- N** • PCML certified for ISCC PLUS Trader scope
- 100% completion of Life Cycle Assessment for our key products
- More than 146,100 tCO<sub>2</sub>e reduced in 2023
- 16.84 GJ/tonne energy intensity



- M** • RM29.4 Billion worth of property, plant and equipment



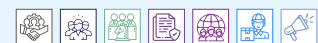
- H** • Zero fatality or major safety incidents
- 11 average training man-days per employee



- I** • Launched PETRONAS360 Customer Portal
- 14 Product Stewardship & Technical seminars



- S** • 87% total procurement spending for Malaysian business sourced from Malaysia-based vendors
- Over 170,000 community members reached



- F** • RM3.8 billion in EBITDA
- RM1.0 billion dividend payout



### Intellectual Capital

Allocating substantial financial capital to research and development (R&D) activities enhances intellectual capital by fostering innovation and technological advancements. However, this investment requires substantial financial which could have been utilised elsewhere, impacting short-term financial returns. Striking a balance is crucial to ensure long-term competitiveness while considering immediate financial performance goals.

### Social & Relationship Capital

We prioritise the safety of our plants as it fosters positive community relations, granting us the "license to operate." Simultaneously, we emphasise low carbon growth which aligns with society's expectations of responsible practices. We balance the investments required to support these efforts as it contributes to sustained operational effectiveness and stakeholder trust.

### Financial Capital

We carefully weigh the trade-offs that will occur in the allocation of financial capital, treading a fine balance between short-term financial interests and long-term growth objectives. To this end, our business adopts a dividend policy that allows for the distribution of profits to shareholders and reinvestment for growth and operational needs. We also implement cost optimisation and prioritisation to ensure efficient management of working capital.

# AND EFFECTIVE BOARD LEADERSHIP

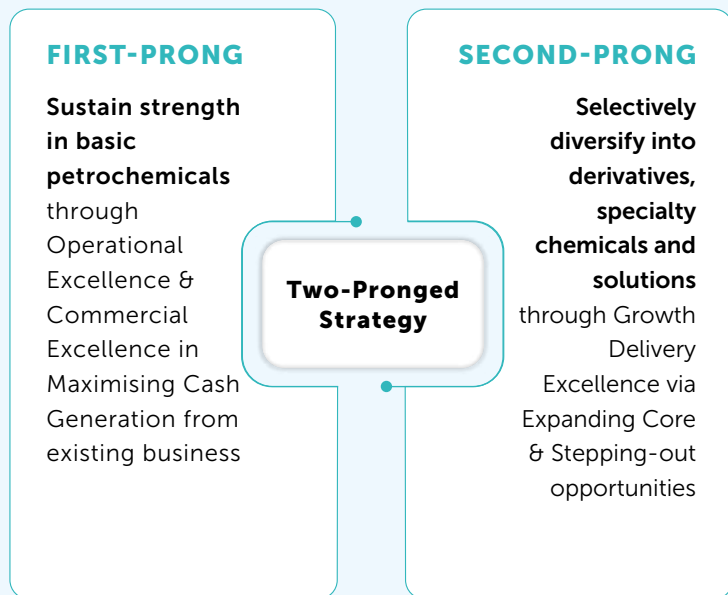
# STRATEGY REVIEW

The Two-Pronged Strategy was developed to ensure PCG’s competitiveness, resilience and adaptability. This has been particularly crucial over the last couple of years, given the challenges posed by the pandemic alongside an already dynamic and swiftly evolving landscape and industry. Centred on delivering sustainable value to stakeholders, this strategy aligns with our growth aspirations while accounting for external macro-environment, risks, 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.

### OUR STRATEGY



### OUR STRATEGIC THRUSTS

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

#### 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
- Sustainability at the core

	Basic Petrochemicals	Derivatives	Specialty Chemicals
Global	1		2
Regional			
Local			


## OPERATIONAL EXCELLENCE

At PCG, Operational Excellence is core to our ability to sustain resilient operations. It prioritises the health and safety of our people, the reliability of our plants and the efficiency of our processes to support PCG’s business operations and sustainability journey.


We continued our unwavering focus on further embedding PCG’s generative HSE culture into our operations, encouraging employees to take ownership of safety and health issues and be empowered to identify and report potential hazards and risks. We also achieved a key milestone in our sustainability journey with a total reduction of 146,100 tCO<sub>2</sub>e emissions in 2023.

This year, we also faced a range of internal and external challenges that impacted our plant reliability and we acknowledge these challenges as we worked diligently to enhance our operational resilience. In mitigating these reliability challenges, we embraced a proactive approach to address potential threats by seizing opportunities during shutdown activities at our plants to eliminate plant issues. We also demonstrated excellence in the successful execution of two planned turnarounds and six scheduled shutdowns in 2023. These endeavours, necessitating substantial time and resource investments, have significantly contributed to better operational performance.


# 8 Golden Rules of Process Safety




**Stay within safe operating limits**  
Pastikan berada dalam had operasi yang selamat




**No approval, no bypass**  
Tiada kelulusan, tiada pintasan




**Process upset: Stabilise - Slow down - Shut down**  
Gangguan proses: Stabilkan - Perlahankan - Berhentikan




**When in doubt, give a shout!**  
Jika dalam keraguan, minta bantuan!




**Comply to 'Management of Change'**  
patuhi 'Pengurusan Perubahan'



**Scan for hazards before you start**  
Kenal pasti bahaya sebelum mula



**Maintain safety critical elements**  
Selenggara unsur keselamatan yang kritikal



**Be trained, be accountable to do it right**  
Jalani latihan, bertanggungjawablah untuk laksanakan dengan betul

	Progress and Outcomes	Challenges	Mitigation/Response
HEALTH, SAFETY AND ENVIRONMENT EXCELLENCE	<ul style="list-style-type: none"> <li>Achieved a lower Lost Time Injury Frequency (LTIF) of 0.09 and recorded zero major fire incidents</li> <li>Achieved a reduction of 51,600 tCO<sub>2</sub>e from operational optimisation and 94,500 tCO<sub>2</sub>e from the purchase of renewable energy via bundled Renewable Energy Certificate (REC)</li> <li>Recorded zero incidents of regulatory non-compliance due to strengthened assurance programme</li> </ul>	<ul style="list-style-type: none"> <li>Challenges arise from the increased workload associated with heavy turnaround and maintenance activities, resulting in demand for more manpower compared to normal operational days, which pose a safety risk</li> </ul>	<ul style="list-style-type: none"> <li>We intensified our campaign on Zero is Possible in all aspects to drive better HSE performance in our daily operation</li> <li>For turnarounds, we implemented PCG HSE Turnaround Standardisation and Best Practices Programme, learning from turnaround exercises in 2022. This standardisation has taken place in PC Ammonia and PC MTBE turnaround, as well as scheduled shutdowns at PC Glycols and PC Derivatives which translated into significant improvement in HSE performance</li> </ul>

## OPERATIONAL EXCELLENCE

	Progress and Outcomes	Challenges	Mitigation/Response
TURNAROUND EXCELLENCE	<ul style="list-style-type: none"> <li>Safely and successfully executed turnaround activities at PC Ammonia and PC MTBE as well as integrated plant shutdown at Kertih Integrated Petrochemical Complex (KIPC)</li> <li>Undertook proactive measures and executed successful mitigation actions which led to the deferment of planned maintenance activities at three of our facilities</li> <li>Intensified the usage of digital tools in managing turnaround execution encompassing HSE, security as well as integrity/quality activities</li> </ul>	<ul style="list-style-type: none"> <li>Managing integrated turnaround and maintenance activities at KIPC, which requires close coordination, resource planning and tight contractor management</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen engagement programme with Turnaround Main Mechanical and Maintenance Mechanical Static (TA4MS) contractor to address resource management, as well as improve overall turnaround quality</li> </ul>
RELIABLE PLANT PERFORMANCE	<ul style="list-style-type: none"> <li>Six Operating Units (OPUs) achieved Plant Utilisation above 90%: <ul style="list-style-type: none"> <li>PC Fertiliser Sabah</li> <li>PC Fertiliser Kedah</li> <li>PC Olefins</li> <li>PC Ethylene</li> <li>PC Polyethylene</li> <li>PC LDPE</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Unplanned shutdown and operational challenges, mainly at PC Methanol, ABF, PC Aromatics and PC MTBE</li> </ul>	<ul style="list-style-type: none"> <li>Extra focus on plant reliability interventions at ABF and PC Methanol via respective OPUs reliability improvement strategies namely, ABF Reliability Improvement Strategy &amp; Execution (ARISE) and PC Methanol Reliability Improvement &amp; Enhancement (PRIME)</li> <li>Established a platform to support the formation of an expert network and working group across PCG to provide technical experts with a dedicated channel for discussion and immediately identify the best solutions to any issues arising from any facility within the Group</li> </ul>
RELIABLE FEEDSTOCK AND UTILITY SUPPLY	<ul style="list-style-type: none"> <li>Continued collaboration between PCG and Feedstock supplier resulting in: <ul style="list-style-type: none"> <li><b>Additional Ethane Taskforce (AET):</b> enabled solid ethylene production levels of above 1 million MT per annum</li> <li><b>Additional Methanol Team (AMT):</b> additional 40 mmscfd of gas supply availability that has provided more flexibility for operation and optimisation</li> </ul> </li> </ul> <p>Addressed operational challenges associated with utilities' disruptions at PC Methanol</p>	<ul style="list-style-type: none"> <li>Feedstock disruption stemming from maintenance activities at the Sabah-Sarawak Gas Pipeline (SSGP) which affected operations at PC Fertiliser Sabah and PC Methanol which resulted in significant volume loss</li> <li>Utilities' supply disruptions at Kertih facilities</li> </ul>	<ul style="list-style-type: none"> <li>Continued to actively participate in AET and AMT in maximising feedstock availability through close collaboration between PCG and feedstock suppliers</li> <li>Continued to involve all stakeholders in aligning maintenance and shutdown schedule strategies to collectively address reliability concerns</li> <li>Implementation of internal water recycling initiative, known as Project Process Condensate Recovery</li> </ul>



# OPERATIONAL EXCELLENCE

DIGITALISATION JOURNEY

## Progress and Outcomes

- Progressive utilisation of Asset Performance Management (APM) applications and value creation realisation across PCG OPU's
- Expanded the scope of the Plant Facing Analytics (PFA) programme that utilises advanced analytics to enhance Overall Equipment Effectiveness (OEE). These initiatives resulted in cost savings of RM7.5 million
- Higher PIVOT Descriptive Analytics (PIVOT DA) utilisation across PCG OPU's, which has improved performance data monitoring by leveraging data driven insights for safer and more reliable plant operations

## Challenges

- The different rates of implementation across various facilities due to prioritisation of the implementation plan based on key activities at each facility, such as turnaround, planned and unplanned shutdown

## Mitigation/Response

- The realignment of implementation plan and strategic prioritisation
- To optimise the utilisation of digital tools to better manage our plant reliability and unlock more value creation



## OUTLOOK

In our efforts to achieve a plant utilisation rate of above 90%, we are committed to implementing a range of initiatives that will both strengthen our foundations and enhance our operational performance going forward. This includes:

- Continued implementation of the PCG HSE Turnaround Standardisation and Best Practices Programme in 2024 and to expand it to maintenance activities and normal operations as it has proven to be effective in 2023
- Focus on achieving HSE generative culture - a culture where employees are encouraged to take ownership of safety and health matters and are empowered to identify and report potential hazards and risks. It is a culture of continuous improvement where everyone is responsible for promoting and maintaining a safe and healthy work environment
- Strengthening plant reliability management and monitoring the closures through vigorous plant turnaround and maintenance activities in 2024 through 2026. Leveraging structured sharing on lessons learnt to the frontliners to ensure we maintain a culture of learning, while empowering the frontliners with the insights needed to excel in their roles and to drive better plant performance
- Execute sustainability projects in line with PCG Sustainability Agenda. This includes plant efficiency improvement and flare reduction programme, through the implementation of the Kertih Site-wide Energy Review (SER) and the utilisation of Advanced Process Control (APC)



# COMMERCIAL EXCELLENCE

The entire chemicals industry has endured a challenging 2023 characterised by lower margins, increased competition and softer demand. In addition to navigating this difficult market, PCG experienced some unexpected reliability issues that affected sales volume availability. Despite this, PCG was steadfast in its response and employed its Commercial Excellence strategies to mitigate some of the impact on the business. By putting our customers first, maximising value and focusing on safety, we maintained a high Order Fulfilment Reliability (OFR) rate and favourable customer feedback to deliver value for our stakeholders.

	Progress and Outcomes	Challenges	Mitigation/Response
SALES PERFORMANCE	<p><b>Ensured timely product delivery to customers</b></p> <p><b>OFR rate</b></p> <p>95%</p> <p>95%</p> <p><b>Maintained higher customer satisfaction against competitors</b></p> <p><b>Customer Satisfaction Survey (CSS) score</b></p> <p>3.5 / 4.0</p> <p>3.5 / 4.0</p> <p><b>Maintained favourable customer feedback</b></p> <p><b>Customer Feedback</b></p> <p>5.5 sigma</p> <p>5.4 sigma</p> <p>2023 2022</p>	<ul style="list-style-type: none"> <li>Internal reliability issues; multiple unplanned plant shutdowns affecting sales volume availability</li> <li>Oversight of customer relationships may result in loss of customer loyalty</li> <li>Bearish market sentiment on slow global economic growth amid threat of additional supply from new capacity/ expansion</li> <li>Tight vessel availability across the chemical segment, leading to higher vessel time charter rate</li> <li>Intensified competition especially from Chinese suppliers who offer cost-competitive options</li> <li>High energy cost that affects our production and profit margin</li> </ul>	<ul style="list-style-type: none"> <li>Planned and secured strategic sourcing volume with identified partners to fulfil order commitments</li> <li>Optimised sales portfolio mix and maintained high pricing excellence against market benchmark to maximise value</li> <li>Established Customer Delivery Excellence (CDEx), a digital platform that provides visibility to customers on delivery updates</li> <li>Collaborated on product co-creation opportunities with selected customers</li> <li>Delivered customer-centric value propositions that meet customer needs</li> <li>Ensured close engagement with vendors/ service providers to minimise operational disruptions and maintain reliable supply chain</li> <li>Sought co-loading opportunities to ensure timely delivery to customers</li> <li>Launched targeted initiatives to recapture lost market share and solidify our competitive position</li> <li>Streamlined operations and sales processes to maximise revenue and unlock efficiencies</li> <li>Implemented procurement savings to achieve cost reduction target</li> </ul>
DRIVING PRODUCT SAFETY & SUSTAINABILITY	<ul style="list-style-type: none"> <li>Sustainable supply chain assessment through EcoVadis, a globally recognised assessment platform for business sustainability in the areas of environmental impact, labour and human rights, ethics and procurement practices</li> <li>Perstorp has been honoured with the EcoVadis Gold Medal and BRB with the Silver Medal in 2023</li> <li>100% Life Cycle Assessment (LCA) completion for key products</li> <li>Conducted Product Stewardship sessions</li> </ul>	<ul style="list-style-type: none"> <li>Each category of assessment has complex requirements in terms of data and documentation</li> <li>Customers and end-users have modest understanding on product safety</li> </ul>	<ul style="list-style-type: none"> <li>Identified a roadmap for EcoVadis Certification for commodity business and engaged internally with multiple relevant parties to assist to meet the assessment requirements</li> <li>Conducted engagements and training sessions with downstream users</li> <li>Educated end-users on a more frequent basis on PCG's aspiration towards NZCE 2050</li> </ul>



# COMMERCIAL EXCELLENCE



Japan



China



Philippines



Thailand



Vietnam



Indonesia

### Progress and Outcomes

**SUSTAIN LAND TRANSPORT SAFETY**

- Remodelling of Road Transport Operational Guidelines (RTOG) to include empowerment so that HSE practices can be sustained and self-regulated by transporters
- Conducted 12 Felt Leadership sessions with transporters, in addition to a Leadership Conversation and Transporter Forum
- Conducted three Defensive Driving Training (DDT) sessions for sales personnel

### Challenges

- The remodelled RTOG consists of 14 modules, which makes it a massive undertaking to ensure effective implementation without compromising on HSE performance
- Maintaining good practice among transporters and ensuring programmes conducted are effective
- Creating awareness on the importance of DDT to the target group

### Mitigation/Response

- Rolled out the remodelled RTOG on a pilot basis to two transporters to ensure any gaps/improvements required will be immediately addressed without adversely affecting the day-to-day operations
- Ensured meaningful engagement with transporters with the presence of top management during Felt Leadership sessions
- Secured leadership commitment for staff enrolment in DDT

**ADDRESS CUSTOMERS PAIN POINTS AND OPTIMISE VALUE**

Launched new innovative products in 2023 prioritising sustainability and enhanced performance to address growing customer demand. The key product highlights are:

- Our Enhanced Product Development programme produced Ethonas SF401 – a spacer fluid surfactant for oil & gas applications that was commercialised in March 2023. This product meets market needs for an effective, sustainable and cost-effective solution for removing unwanted liquids during drilling
- Perstorp launched new Pro-Environment products which are Neeture™ N100, Eviron™ T100 and 2-EH Pro 100, renewable polyols that reduce carbon footprint
- BRB launched 12 new products in personal care, construction and high-performance lubricant additives

- Customer requires longer trial period for product evaluation prior to acceptance. Current market situation is soft due to low demand post COVID-19 crisis
- Shifting customer preference towards sustainable products takes time. In certain regions like Asia, the demand is still limited due to the preference for lower cost products
- Lack of awareness about how to apply the new products
- Customers require samples and more test results before they can be convinced to switch

- Continued reaching out to potential customers in targeted markets and developing co-created application solutions to address customer's pain points
- Continued promotion of Pro-Environment solutions to help customers meet their sustainability targets
- Maintained close relationship with customers to educate and create awareness about new products
- Provided technical support to help with formulations



Addressing growing customers' demands through product innovation and co-creation.

## COMMERCIAL EXCELLENCE

Progress and Outcomes	Challenges	Mitigation/Response
<p><b>DIGITALISATION JOURNEY</b></p> <ul style="list-style-type: none"> <li>• Rolled out our new digital initiative, PETRONAS360 (P360), to pilot customers in November 2023. P360 enables customers to access their own self-service portal to view their transaction details with PCG, account statement and check on real-time delivery status through integration with CDex. In addition, it offers access to online spot volume offers, viewing and enquiring about other PETRONAS products, downloading product regulatory sheets, and sending enquiries and feedback to PCG</li> <li>• In March 2023, e-chemical management system (e-chems) was rolled out, incorporating Raw Material Information Request (RAWMIR) to capture additional information through suppliers. Through this process, whenever a buyer initiates the procurement of a chemical, the platform will automatically check and send a request to material suppliers to fulfil the required RAWMIR disclosures</li> </ul>	<ul style="list-style-type: none"> <li>• To ensure seamless integration between our various systems as well as successful data migration and accuracy</li> <li>• Adoption of new features rollout which has changed how employees conduct sales</li> <li>• This new process overcomes the previous manual process where we had to identify new raw materials and supplier information before dispatching the RAWMIR document through email</li> </ul>	<ul style="list-style-type: none"> <li>• Project teams from all stakeholders involved worked together to ensure a smooth integration. Extensive testing that included System Integration Testing (SIT) followed by Business Validation Testing (BVT) was conducted to ensure system readiness before going live</li> <li>• Implemented Change Management activities that included group training, one-on-one training, system support clinics, gamification and rewards</li> <li>• Currently testing at the production stage to ensure smooth integration</li> </ul>



## OUTLOOK

PCG will continue to strategically advance its operations and expand its market presence through the development of new and relevant products and services, ensuring alignment with evolving sustainability standards and customer-centric innovation:

- Commercialise products from Pengerang Integrated Complex (PIC) and increase technical support to enable customers to tune the PIC product specifications to their requirements, for example, polymer products (Polyethylene Pipe and Bi-axially Oriented Polypropylene [BOPP])
- Continue to work closely with customers through the Enhanced Product Development (EPD) programme to create innovative and relevant products such as NPK fertilisers with organic content from chicken manure to enhance circularity in the agriculture industry
- Continue to strengthen our product distribution with the implementation of the new tank warehouse in Malaysia (Johor) and China (Fujian and Taizhou)
- Commence sales and marketing of methanol volume from Sarawak Petchem, which will have a plant capacity of 1.7 KTPA and 100% offtake by PCG
- Route-to-market strategy implementation for upcoming new products Melamine and Maleic Anhydride (MA) into target countries for commercial readiness, which are targeted to be available from our facilities in 2025
- 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. Key initiatives include shifting from single-use plastics to more sustainable applications like High Density Polyethylene (HDPE) blow moulding grades, offering customers sustainable surfactants such as natural-based Fatty Alcohol Ethoxylates (FAE) products with Renewable Carbon Index (RCI), and providing essential CO<sub>2</sub> data for their renewable calculations
- Commercialise the production and sales for Pentaerythritol (Penta) and ISCC PLUS certified Vostar™ M40 from the Sayakha facility in India, aimed at strengthening our presence in the APAC region while introducing sustainable product alternatives, including our Pro-Environment solutions, to our Asian customers
- Specialty Chemicals continues to focused on strengthening its existing strongholds in Europe and America while expanding its reach in the growing APAC market
- Specialty Chemicals will reinforce its presence in Europe and America and expand into the APAC market, while prioritising sustainability and customer-centric innovation to drive its transformative strategy and establish itself as a global leader in the specialty chemicals market

# GROWTH DELIVERY EXCELLENCE

Our growth performance has remained stable over the years, supported by our strong financial position. This has enabled us to explore opportunities to venture into new areas and achieve long-term growth affording us opportunities to venture into new areas and achieve long-term growth. Through Growth Delivery Excellence, we further diversify our product portfolio into higher value-adding sustainable products, such as derivatives, specialty chemicals and solutions. As a result, we are able to meet the changing demands of our customers and future-proof our business. For example, through extension of our value chain, we built a specialty ethoxylates and polyether polyols plant in Kertih, Terengganu and melamine plant in Gurun, Kedah. Through BRB and Perstorp, we anchored our specialty platform with the objective to grow further in the specialty chemicals space. Our focus on striving towards Sustainability at the Core also prompted us to create value by embracing the circular economy to enable a low-waste future, stewardship of natural resources and minimising our carbon footprint.

## Progress and Outcomes

### EXTEND VALUE CHAIN

- Achieved ready for start-up (RFSU) phase and obtained on-spec products for the following projects:
  - Specialty ethoxylates and polyether polyols plant in Kertih, Terengganu, and
  - Nitrile butadiene latex plant in Pengerang, Johor
- Ongoing projects under execution:
  - Melamine plant in Gurun, Kedah, and
  - Expansion of 2-EHA plant in Gebeng, Pahang

Both are currently in the construction stage and progressing as planned. We are well on track for the plants to be in RFSU phase in the second half of 2024.

- Achieved Final Investment Decision (FID) to fully acquire the Maleic Anhydride (MAn) plant in Gebeng, Pahang, from BASF PETRONAS Chemicals Sdn. Bhd. (BPC), and to upgrade and rejuvenate the facilities to produce refined MAn



Nitrile butadiene latex plant in Pengerang Integrated Complex, Johor.

### BUILD SPECIALTY PLATFORM

- With the acquisition of Perstorp, the team is executing the Post-Merger Integration (PMI) plan to identify value creation projects and achieve alignment and synergies between PCG and Perstorp. Perstorp has also completed its new Pentaerythritol (Penta) and ISCC PLUS certified Voxtar™ M40 plant in Sayakha, India, and is making good headway with Project Air in Sweden
- BRB continued to strengthen its presence in Europe and Asia with capacity expansion and the establishment of new marketing and sales offices
- Actively pursuing a transformational growth strategy to be a global leader in specialties in selected markets

**R** For more details, please refer to Specialty Chemicals segment on pages 27 to 31.

### CREATE OPTIONALITY FOR GROWTH

- Continue with customer validation and product quality improvements for Bio-MEG
- Achieved the first drop from bio-based emollient pilot plant
- Developing a global research and development network including a new Technology and Innovation Centre in Malaysia to increase the level of innovation sophistication in key markets and enabling localised solutions
- Continue to assess and evaluate potential disruptive technologies from start-up companies for partnership and investments

### SUSTAINABILITY AT THE CORE

- Reached the FID to construct advanced chemical recycling plant in Pengerang, Johor
- Active assessments of recycling projects to enhance plastic waste management ecosystem in Malaysia and various opportunities to diversify feedstock for a sustainable portfolio
- Within Perstorp, we have a portfolio of Pro-Environment products and solutions. We are dedicated to expanding our offerings to the customers

## GROWTH DELIVERY EXCELLENCE

Challenges	Mitigation/Response
<p><b>STRATEGIC INVESTMENT</b> Investments that are not aligned with PCG's strategic direction and may impact PCG's growth trajectory</p>	<ul style="list-style-type: none"> <li>Continuously scan potential and emerging technologies to enhance value of existing molecules or new types of feedstock</li> <li>Prioritised the investment portfolio to deliver the targeted value effectively</li> <li>Ventured into specialty chemicals where the margin is higher and less cyclical than commodities</li> </ul>
<p><b>PROJECT FEASIBILITY</b> Hyperinflation, rising costs, volatility of product prices and increased pressure on climate action can impede a project's feasibility</p>	<ul style="list-style-type: none"> <li>Ensured robust project economics through rigorous and thorough project evaluation and forecast</li> <li>Capitalised on our business intelligence and benchmark against the market and other key industry players</li> <li>Attracted suitable business partners and technology providers that offer the best competitive advantages</li> <li>Embedded sustainability as a prerequisite for projects from feasibility to commercialisation stage</li> </ul>
<p><b>PROJECT EXECUTION</b> Project delivery issues that impact the commercialisation or stabilisation of new plants may impact our ability to capture optimal value</p>	<ul style="list-style-type: none"> <li>Driven project execution, business and operation readiness for sanctioned projects effectively</li> <li>Ensured a comprehensive scope of the Engineering, Procurement, Construction and Commissioning (EPCC) contract</li> <li>Developed a clear route to market strategy and secured customers before project commercialisation</li> </ul>
<p><b>SUSTAINABILITY</b> Global awareness on climate change and circular economy increasingly shape customer demands for sustainable products and solutions, which may affect our business performance, reputation and long-term growth</p>	<ul style="list-style-type: none"> <li>Pursued sustainability-related projects based on circular economy principles</li> <li>Conducted feasibility assessments with consideration of sustainability dimensions for all growth projects</li> <li>Incorporated carbon abatement plan as part of project FID decision package</li> <li>Collaborated with innovative technology solution providers to build a sustainable portfolio</li> </ul>
<p><b>INNOVATION</b> Stepping out towards new technology may require a lengthy innovation period for business validation with a high uncertainty of success</p>	<ul style="list-style-type: none"> <li>Leveraging experience from past projects, expertise from BRB and Perstorp, new opportunities are assessed through PCG with specific criteria defined to improve probability of success</li> <li>Applied a standardised approach to validate and identify the right opportunity space for disruptive products and services where we focus on customers first rather than focusing on solution in the initial stage</li> </ul>
<p><b>MERGERS &amp; ACQUISITIONS (M&amp;A)</b> M&amp;A require huge capital expenditure where failure to deliver acquisition promises may have financial and reputational impact</p>	<ul style="list-style-type: none"> <li>Conduct a comprehensive due diligence process to assess the target company's financial health, operational efficiency and potential synergies with PCG</li> <li>Analyse the target market, competitor landscape and potential regulatory hurdles to assess the viability of the acquisition's post-merger success</li> <li>Develop contingency plans for potential challenges like integration difficulties, market fluctuations or regulatory hurdles</li> </ul>

## GROWTH DELIVERY EXCELLENCE



## OUTLOOK

Building on our growth momentum, the potential remains exciting and we will continue our intensified efforts to create value from more opportunities in our pipeline of projects while unlocking the potential from the circular economy.

**Extend Value Chain**

- Start commercial operations for three of our plants in 2024. The first being the specialty ethoxylates and polyether polyols plant in Kertih, Terengganu, and the second being the nitrile butadiene latex (NBL) plant in Pengerang, Johor, and the third being the melamine plant in Gurun, Kedah
- RFSU of the 2-ethylhexanoic acid (2-EHA) plant in Gebeng, Pahang, through our JV company, BASF PETRONAS Chemicals Sdn. Bhd. (BPC)
- Proceed with the construction phase of the newly sanctioned Maleic Anhydride (MA) and the advanced chemical recycling project
- Continue to mature several opportunities in our project pipeline which are at various stages of feasibility study

**Build Specialties Platform**

- Commercial operation for the Sayakha plant in 1Q 2024
- Continue Project Air feasibility study on sustainable methanol
- Pursue opportunities to leverage synergy between PCG and Perstorp and replicate technologies in Malaysia to serve the APAC market
- Pursue a transformational growth strategy to become a global leader in specialties

**Create Optionality for Growth**

- Realise PCG Global R&D Network aspiration, which will consist of a Technology & Innovation Centre (TIC) and multiple innovation hubs in major time zones and markets. This will enable PCG to increase the level of innovation sophistication in key focus markets, especially in the European and Asian regions. The construction of the TIC is to commence in 2024 and will be up and running by 2025
- Establish emollient esterification capability via a pilot plant-simulator reactor. With this, we can start developing new formulations and expand PCG's offering in the bio-based personal care portfolio

**Sustainability at the Core**

- Continue to progress with the construction of our newly sanctioned advanced chemical recycling plant
- Continue to assess waste-to-products technologies, converting plastic waste into recycled polymers under our New Plastics Economy (NPE) execution strategy
- Pursue sustainability-related growth projects as part of PCG Circular Economy initiatives, explore other technologies and implement carbon reduction efforts to achieve Net Zero Carbon Emissions by 2050
- Continue to expand Perstorp's Pro-Environment Solutions, derived from renewable or recycled raw materials, and offer the same quality in performance as its fossil fuel counterpart, to fulfil customer needs while embracing sustainability throughout the supply chain



Perstorp team members engaging in discussions for continuous business improvement.

Guided by our Two-Pronged Strategy, PCG's growth journey is anchored on the commitment to accelerate growth and create value for our stakeholders. As a continuation of this journey in 2023, we are pleased to have achieved Final Investment Decisions (FIDs) for our Maleic Anhydride (MAN) and advanced chemical recycling plants. These additions will further strengthen our offerings and capabilities to better serve our customers.



# UNLOCKING VALUE WITH PURPOSE

## EXPANDING DERIVATIVE PORTFOLIO THROUGH MAN

In June 2023, PCG reached a FID to fully acquire the 113,000 tonnes per annum (tpa) MAN plant located in Gebeng, Kuantan from BASF PETRONAS Chemicals Sdn. Bhd. (BPC).

Further expanding PCG's derivatives portfolio and product offerings, this project aims to upgrade the facility to produce refined MAN, which is targeted to be ready by second half of 2025.

Through this project, PCG is gearing up to produce MAN to cater to the rising demands from customers in the Asia-Pacific and Indian subcontinents while exploring potential opportunities in European and Middle Eastern markets.

Additionally, the plant will enable future integration of MAN derivatives with both Perstorp and BRB to deliver innovative solutions. This will also open doors to possible synergies with other MAN downstream manufacturers in Malaysia.

### Key Facts about MAN Plant

#### Plant Location

Gebeng Integrated Complex,  
Kuantan, Pahang

#### Product Application

MAN is mainly used in the production of:

unsaturated polyester  
resins

paints

food flavouring

#### Plant Capacity

113,000 tpa

#### Product Classification

Derivatives

#### Ready for Start-Up (RFSU)

2025



## CHAMPIONING PLASTICS CIRCULARITY

With mounting concerns on plastics waste and a growing trend on sustainable packaging, PCG is playing a role in driving the transition towards a circular economy with the development of Malaysia's first advanced chemical recycling plant.

PCG's advanced chemical recycling plant will see using end-of-life plastics to produce Pyrolysis oil, a chemical feedstock that can be used for the creation of sustainable plastics for food packaging.

This effort supports the nation's aspiration in phasing out single-use plastics, in line with Malaysia's Plastic Sustainability Roadmap 2021 – 2030.

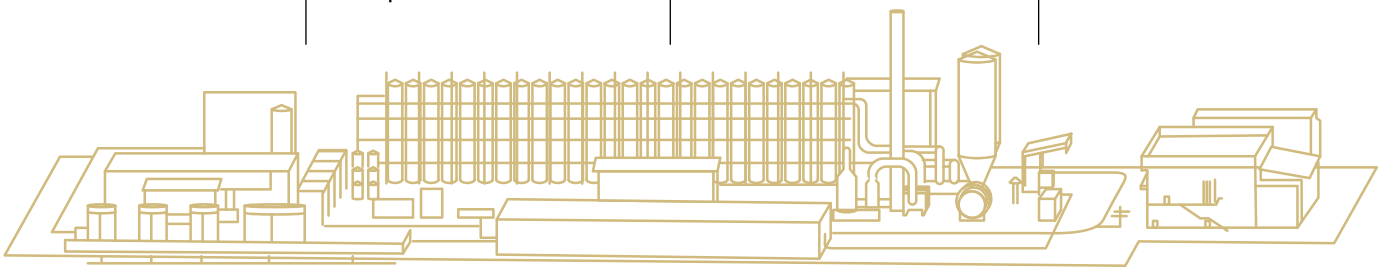
We pleased to be collaborating with Plastic Energy Limited, an established player in chemical recycling, to feature their patented TAC™ process. This process heats mixed post-consumer plastic waste in the absence of oxygen to produce hydrocarbon vapours that are condensed into pyrolysis oil.



Collaborating with partners to develop Malaysia's first advanced chemical recycling plant.

### Key Facts about Advanced Chemical Recycling Plant

Plant Location	Plant Capacity	Product Application	Targeted Operational Date
Pengerang, Johor	33,000 tpa	Pyrolysis oil	First half of 2026



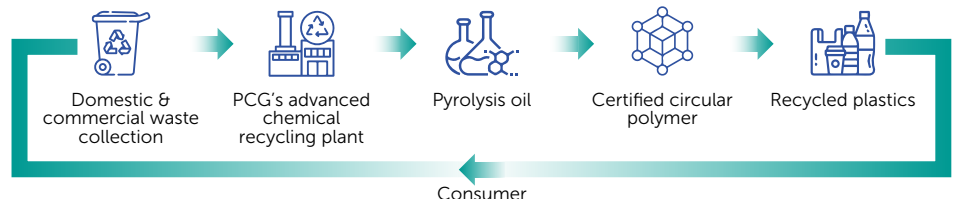
Our conscious effort to drive the transition from a linear to circular waste plastic management process goes beyond enabling the development of sustainable plastics. It will drive innovation across Malaysia's plastics value chain while creating opportunities for all parties, from waste collectors to manufacturers, to jointly contribute to the circular plastics economy.



#### Linear Plastic Waste Management Process



#### Circular Plastic Waste Management Process



## RISKS OVERVIEW

As a global integrated chemicals player, PCG is constantly adapting to the changing world, which is shifting from a VUCA (volatile, uncertain, complex, and ambiguous) nature to a BANI (brittle, anxious, non-linear, and incomprehensible) environment. This brought both arduous challenges and promising opportunities for us in FY2023. Our established risk management framework, which comprises Enterprise Risk Management (ERM), Crisis Management (CM), and Business Continuity Management (BCM), enables us to remain resilient and effectively handle the uncertainties and risks stemming from geopolitical crises, market volatility, supply chain disruptions and a multitude of other factors. By using these frameworks to implement risk management activities, which includes risk appetite evaluations, monitoring, and deliberations on high impact business matters for decision-making, we have gained the flexibility to pursue our growth agenda in a prudent and sustainable manner.

**R** Details of our risk management framework and governance oversight structure can be found on pages 122 to 136, under the Statement on Risk Management and Internal Control (SORMIC).

### PRINCIPAL RISKS 2023

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 retiring of COVID-19 risk as a principal risk was approved by the PCG Board pursuant to the World Health Organization's (WHO) announcement to end COVID-19 as a public health emergency in May 2023 as well as Malaysia's relaxation of its COVID-19 Standard Operating Procedures (SOP). Nonetheless, we remain committed to monitoring and responding to any new developments surrounding disease outbreaks and will review the risks accordingly.

In terms of new risks identified, PCG acknowledges that managing talent is very important as we are entrenched in a complex and dynamic environment that requires prompt adaptation and constant innovation to maintain a robust supply of niche talents that can support PCG's growth as well as create value for customers under challenging market conditions. Towards this end, steps have been taken to incorporate Talent Risk as an additional principal risk in order to focus on managing talent, capability development and seamless succession planning.

We have also assessed the risk related to feedstock and utilities by taking current and future challenges that could affect the reliability of supply for our plant operations, into consideration. Therefore, we escalated this risk to a high risk.

■ high risk ■ medium/low risk

## H HEALTH, SAFETY AND ENVIRONMENT

**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 to 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

### Action Taken/Mitigations

- Implemented and followed through on the HSE strategies and initiatives
  - 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
  - Monitored plant operations within operating limits as set by the Department of Environment (DoE), Malaysia
- Implemented structured monitoring and reporting on HSE performance including reviewed effectiveness of post-acquisition plan for acquired companies, i.e. BRB and Perstorp

Movement :

**Maintain**

Strategic Thrusts :



Material Matters :



Key Capitals :



Key Stakeholder Groups:



# RISKS OVERVIEW

## S STRATEGIC INVESTMENT

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 to PCG :	Action Taken/Mitigations
<ul style="list-style-type: none"> <li>Diminishing financial capital and shareholder returns</li> <li>Unable to obtain margins as planned</li> <li>Missed business opportunities and loss of customers</li> <li>Inability to realise our business strategy to grow in specialty chemicals</li> <li>High employee turnover and costs from talent acquisition</li> </ul>	<ul style="list-style-type: none"> <li><b>Extend Value Chain (EVC)</b> <ul style="list-style-type: none"> <li>Continuous scanning of robust project and technology pool through:                             <ul style="list-style-type: none"> <li>Expanding the growth with existing partnership or replicate technology acquired from mergers and acquisitions</li> <li>Evaluate business model that provide best integrated value chain</li> <li>Executed project implementation in line with project management systems and plans for Business and Operational Readiness (B&amp;OR)</li> </ul> </li> </ul> </li> <li><b>Build Specialty Platform (BSP)</b> <ul style="list-style-type: none"> <li>Robust Post-Acquisition &amp; Integration Plan (PAIP) process</li> </ul> </li> <li><b>Create Opportunity Growth (COG)</b> <ul style="list-style-type: none"> <li>Continue collaboration with PETRONAS Capital Ventures</li> <li>Robust opportunity screening assessment of VC start-up companies and Strategic Fit Assessment</li> </ul> </li> </ul>

Movement : **Maintain** Strategic Thrusts : OE CE GE Material Matters : Key Capitals : NHMISF Key Stakeholder Groups:

## P PROJECT EXECUTION

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 Integrated Complex (PIC) gear up for commercialisation, it is critical to achieve operational and commercial readiness for smooth execution.

Impact to PCG :	Action Taken/Mitigations
<ul style="list-style-type: none"> <li>Missed business opportunity and unable to implement commercial activities as per planned</li> <li>Loss of customers</li> <li>Lower returns to shareholders and investors</li> <li>Reputational damage based on poor project delivery</li> </ul>	<ul style="list-style-type: none"> <li>Closely monitored project execution and operational readiness</li> <li>Secured minimum volume on a term basis</li> <li>Offtake products on equity or tender basis</li> </ul>



Movement : **Maintain** Strategic Thrusts : OE CE GE Material Matters : Key Capitals : NHMISF Key Stakeholder Groups:

# RISKS OVERVIEW

## CY CYBERSECURITY 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.

Impact to PCG :	Action Taken/Mitigations
<ul style="list-style-type: none"> <li>Breaches in stakeholders' information/ data</li> <li>Loss of critical business data</li> <li>Business disruption from critical system shutdowns</li> <li>Reputational damage and loss of stakeholder trust</li> </ul>	<ul style="list-style-type: none"> <li>Established an Enterprise Cyber Security Governance Framework (ESSGF)</li> <li>Implemented Privilege Access Management (PAM) to ensure only authorised access allowed to the system</li> <li>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)</li> <li>Deployed Real-Time OT (RTOT) and OT Asset Management (OTAM) for all PCG facilities</li> <li>Structured Change Management and awareness programmes including the Human Firewall campaign, assessment and engagement via digital platforms such as myLearningX and SWITCH</li> </ul>

Movement : **Maintain** Strategic Thrusts : Material Matters : Key Capitals : Key Stakeholder Groups:

## SS SUSTAINABILITY RISK

PCG is actively addressing sustainability-related risks, with the primary challenge rooted in the ineffective management of sustainability matters and stakeholders' expectations, especially during the transition towards making PCG a climate-resilient company. This deficiency may lead to increased operational costs, a diminished competitive edge, potential asset damages, and a negatively affected reputation. Ultimately, these factors can impact the overall sustainability of the business.

Impact to PCG :	Action Taken/Mitigations
<ul style="list-style-type: none"> <li>Higher operational costs due to the development of costly low-carbon technology and increased cost of borrowing</li> <li>Asset damage due to physical risks such as extreme weather, flood and lightning</li> <li>Exposure to litigation, penalties and fines</li> <li>Loss of market share due to shifts in customer preferences</li> <li>Diminishing interest from investors and other financiers</li> <li>Reputational damage and loss of stakeholder trust</li> </ul>	<ul style="list-style-type: none"> <li>Identified decarbonisation initiatives to existing assets such as operational optimisation and undertook studies on adoption on low carbon technology</li> <li>Developed and operationalisation of New Plastics Economy (NPE) agenda</li> <li>Applied Internal Carbon Price (ICP) for all new projects</li> <li>Conducted Life Cycle Assessment (LCA) for all key products</li> <li>Conducted detailed physical and transition climate risk assessments</li> <li>Conducted human rights assessment with key contractors and closed gaps from the findings</li> <li>Continuous monitoring on potential human rights issues for PCG Operation and supply chain</li> <li>Aligned with major sustainability governance framework</li> <li>Strategised Crisis Management Plan (CMP) as well as Business Continuity Management (BCM) and other relevant response strategies</li> </ul>

Movement : **Maintain** Strategic Thrusts : Material Matters : Key Capitals : Key Stakeholder Groups:

# RISKS OVERVIEW

## T TALENT RISK

Unavailability of niche talents and ineffective retention programme, knowledge transfer and internal capability development could derail realisation of PCG growth agenda.

Impact to PCG :	Action Taken/Mitigations
<ul style="list-style-type: none"> <li>Unrealised business opportunities</li> <li>Business operations disruptions</li> <li>Failure to transition "know-how" into PCG talent</li> <li>Value leakages due to negligence/ ineffective decision-making</li> <li>Commercial value exposure</li> <li>Ineffective implementation in overall governance</li> <li>Operational and HSE risk leading to low performance and impact company reputation</li> </ul>	<ul style="list-style-type: none"> <li>Implemented cross mobility and talent development programmes across PCG, focusing on niche areas such as Research and Development (R&amp;D), marketing, sustainability, and project management</li> <li>Implemented capability development programmes encompassing functional and leadership to equip talent with the skills and knowledge to drive business growth</li> <li>Implemented retention and knowledge transfer programmes to retain key talent and transfer of critical knowledge across PCG</li> <li>Conducted succession planning for critical positions</li> <li>Engaged external experts to facilitate M&amp;A exercises including knowledge transfer and capability enhancement</li> </ul>



Movement : **New Risk**    Strategic Thrusts :    Material Matters :    Key Capitals : **N H M I S F**    Key Stakeholder Groups:

## F FEEDSTOCK AND UTILITIES

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.

Impact to PCG :	Action Taken/Mitigations
<ul style="list-style-type: none"> <li>Higher feedstock and utilities cost reducing PCG's profitability</li> <li>Utilities supply reliability</li> <li>Temporary shutdown of PCG plants</li> <li>Prolonged plant slowdown impacting plant integrity</li> <li>Inability to meet contractual obligation with customers</li> <li>Reputational damage and loss of stakeholder trust</li> </ul>	<ul style="list-style-type: none"> <li>Renewal of feedstock and utilities contracts to ensure PCG remains competitive</li> <li>Focused intervention on feedstock and utilities supply availability and reliability</li> <li>Implemented Enterprise Optimisation (EO) analysis to assist value-driven decision making</li> <li>Participated in feedstock and product planning integration and coordination platforms</li> <li>Monitored projects that drive efficiency of feedstock consumption</li> <li>Implemented action items identified through Root Cause Failure Analysis (RCFA) for previous utilities incidences</li> </ul>

Movement : **Increase**    Strategic Thrusts :    Material Matters :    Key Capitals : **N H M I S F**    Key Stakeholder Groups:

# RISKS OVERVIEW

## M MARKET RISK

Adverse market conditions leading to thinning margins, posing challenges to business sustainability.

### Impact to PCG :

- Loss of market share, demand and customer
- Potential plant slowdown/shutdown due to high inventory or negative margin
- Business portfolio minimisation leads to business divestment
- Lower shareholder returns due to poor financial performance

### Action Taken/Mitigations

- Maximised netback through geo sales mix, sales channel mix and sales contract mix
- Added value through product improvement or new product development
- Improved value proposition for local distribution in overseas subsidiaries
- Optimised cost to serve by more co-loadings and having more tankages to create higher value to customers
- Reviewed cost position and built up competitiveness through product diversification

Movement : Strategic Thrusts : Material Matters : Key Capitals : Key Stakeholder Groups:

Maintain



## O OPERATIONAL RISK

Our highly integrated operations expose our plants to an array of risks, as the plants are highly dependent on each other. 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.

### Impact to PCG :

- Loss of production volume
- Increase in maintenance costs, reducing PCG's profitability
- Inability to meet customers' demands
- Reputational damage and loss of stakeholder trust

### Action Taken/Mitigations

- Implemented operation management, asset life study, management of equipment issues 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



Emergency Response Training conducted at PC Methanol.

Movement : Strategic Thrusts : Material Matters : Key Capitals : Key Stakeholder Groups:

Maintain



# RISKS OVERVIEW

## TA PLANT TURNAROUND RISK

Ineffective execution of plant turnarounds lead to HSE, schedule, cost, and quality issues affecting plant operations as well as overall integrated product value chain and delivery to customers.

Impact to PCG :	Action Taken/Mitigations
<ul style="list-style-type: none"> <li>HSE incidents including Lost Time Injury (LTI) and process safety</li> <li>Inability to meet customers' demands</li> <li>Loss of production volume</li> <li>Increase in turnaround costs</li> <li>Reputational damage and loss of stakeholder trust</li> </ul>	<ul style="list-style-type: none"> <li>Reviewed turnaround scoping and equipment criticality to minimise manpower and resources</li> <li>Executed turnaround intervention strategies, developed contingency plans and expedited material delivery</li> <li>Intensified and conducted compliance monitoring on turnaround governance requirements</li> <li>Recruited experienced manpower for effective turnaround execution</li> <li>Implementation of HSE standardisation programme supported by the application of alternative technology to minimise HSE exposure and improve quality of work</li> </ul>



Movement : **Maintain** Strategic Thrusts : **OE CE** Material Matters : Key Capitals : **N H M I S F** Key Stakeholder Groups:

## R REGULATORY RISK

Breach of five critical legal areas – Sanction, Competition, Ethics and Integrity, Export Control, Data Privacy – resulting in reputational damage and significant financial loss.

Impact to PCG :	Action Taken/Mitigations
<ul style="list-style-type: none"> <li>Non-compliance costs arising from penalties, summons and/or imprisonment</li> <li>Legal action from affected stakeholders</li> <li>Reputational damage and loss of stakeholder trust</li> <li>Reduced profit and loss of business or market share</li> </ul>	<ul style="list-style-type: none"> <li>Implemented PETRONAS Legal Compliance Framework</li> <li>Strengthened Anti-Bribery and Integrity practices via ISO 37001: 2016 Anti-Bribery Management Systems (ABMS) certification by Standards and Industrial Research Institute of Malaysia (SIRIM)</li> <li>Implemented Guidelines on Adequate Procedures based on TRUST principles for Corporate Liability</li> <li>Adhered to PETRONAS' Human Rights Commitment, which is in line with the United Nations Guiding Principles on Business and Human Rights</li> <li>Conducted periodic engagements with local authorities, service providers and customers on laws and regulation updates</li> <li>Updated legal register to reflect new regulatory requirements</li> <li>Conducted regular communication on business activities to ensure constant compliance</li> <li>Performed audit and assurance to evaluate the adequacy, effectiveness and compliance</li> </ul>

Movement : **Maintain** Strategic Thrusts : **OE CE GE** Material Matters : Key Capitals : **N H M I S F** Key Stakeholder Groups:

## RISKS OVERVIEW

### OPPORTUNITIES

PCG expresses confidence that the implementation of the outlined risk management measures will not only serve to mitigate risks but also pave the way for sustainable growth and heightened business opportunities. These strategic measures are anticipated to seamlessly align PCG with its established direction and strategies, thereby facilitating the realisation of its overarching business goals.

Despite the challenges posed by the identified risks, PCG remains adept at identifying opportunities within the dynamic business landscape as follows:

- Venturing into specialty chemicals to expand market share and foster synergies through strategic M&A
- Exploring new markets and diversifying product applications to enhance business resilience and foster continuous growth
- Initiating circular economy projects and sustainability initiatives, underscoring PCG's commitment to environmental responsibility and long-term sustainability
- Investing in cutting-edge technologies to maintain a competitive edge and drive innovation, ensuring PCG stays at the forefront of technological advancements
- Repositioning PCG as an attractive workplace that champions diversity, equity, and inclusion, offering opportunities for talent upskilling and reskilling

### EMERGING RISKS

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

The identification of these emerging risks plays a crucial role in PCG's proactive risk strategic planning efforts. This proactive approach aims to either minimise the adverse effects of emerging risks or capitalise on potential opportunities they may present. Failing to effectively manage these emerging risks could result in heightened operational costs, increased financial losses, and substantial reputational damage, all of which could negatively impact the sustainability of our business.

The Board and the management team actively monitor emerging risks, encompassing areas like the environmental, technological, and geopolitical, along with their corresponding mitigation strategies, with the aim of safeguarding the business.

#### ENVIRONMENTAL

**Decarbonisation** : Disorderly low carbon and circular economy transitions

The risk associated with decarbonisation presents challenges for PCG arising from a misalignment between stakeholders' expectations and actual implementation, spanning policies, and investment affordability. In expediting the transition, the challenge also include inadequacies in the Malaysian ecosystem for decarbonisation, economic viability concerns, technological maturity, and policy inconsistencies.

#### Impacts

- Heightened operational costs
- Loss of market share to sustainability-embracing competitors
- Loss of trust that leads to reputational risk

#### Response

- Establish robust low-carbon growth strategies
- Conduct carbon footprint assessments
- Drive readiness for transition including processes, governance and capability
- Advocate for regulatory collaboration

**Opportunity** - Broader market for sustainable products and potential collaboration with key stakeholders to drive PCG's sustainability journey.

#### TECHNOLOGICAL

**Digital** : Inability to capitalise the growth in AI technologies resulting in opportunity loss

PCG faces the risk of failing to harness the growth in AI technologies resulting in missed opportunities. Embracing digitalisation is pivotal for enhancing business competitiveness and efficiency. The potential threats posed by Generative AI (GAI) involving data privacy breaches, including unintentional uploads of confidential information and the creation of digital twins impersonating personnel.

#### Impacts

- Development of malware and digital twins for phishing and social media scam
- Exposure to Personal Data Protection Act (PDPA) and General Data Protection Regulation (GDPR) breaches
- Business disruption arising from cyber attack

#### Response

- Increase awareness and implement best practices in AI usage
- Implement stringent measures and strengthen data leakage protection controls
- Develop integrated digital platforms to cater end-to-end supply chain as part of customer centric initiatives

**Opportunity** - Improve operational efficiency leading to increased value creation, enhanced customer experiences, minimized safety risks and adherence to regulatory requirements.

#### GEOPOLITICAL

Constant global geopolitics uncertainty may pose challenges to PCG's business sustainability.

The constant uncertainty in global geopolitics poses significant challenges to PCG's business sustainability, impacting both profitability and operational continuity. This uncertainty manifests through factors such as commodity price volatility, alterations in energy prices and trade flows, softened demand for petrochemical products, and a surge in business costs.

#### Impacts

- Higher overall cost of doing business
- Disruption of supply chain and logistics arrangements

#### Response

- Cost optimisation efforts across energy, production, procurement, logistics arrangements and prioritisation of planning and delivery for key market
- Rigorous monitoring on macroeconomic indicators
- Established Risk International Database (RID) to provide countries' information and business landscapes where PCG operates

**Opportunity** - Increase market share in Southeast Asia and Asia Pacific by leveraging on PCG's strategic location and diversified products offering. Additionally, this will potentially attract more investment of major corporations to collaborate with PCG.



# CORPORATE INFORMATION

AS AT 29 FEBRUARY 2024

## BOARD OF DIRECTORS

### DATUK IR. (DR.) ABDUL RAHIM HASHIM

Chairman  
Non-Independent Non-Executive Director

### YEOH SIEW MING

Senior Independent Non-Executive Director

### DR. ZAFAR ABDULMAJID MOMIN

Independent Non-Executive Director

### DATUK SAZALI HAMZAH

Non-Independent Non-Executive Director

### MAZUIN ISMAIL

Managing Director / Chief Executive Officer (MD/CEO)

### WARREN WILLIAM WILDER

Independent Non-Executive Director

### DATIN SERI SUNITA MEI-LIN RAJAKUMAR

Independent Non-Executive Director

### FAREHANA HANAPIAH

Non-Independent Non-Executive Director

## SENIOR INDEPENDENT DIRECTOR

Yeoh Siew Ming

Email: [petchem.sid@petronas.com](mailto:petchem.sid@petronas.com)

## NOMINATION AND REMUNERATION COMMITTEE

Dr. Zafar Abdulmajid Momin (Chairman)

Yeoh Siew Ming

Farehana Hanapiah

## BOARD AUDIT COMMITTEE

Yeoh Siew Ming (Chairperson)

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)

Mek Yam @ Mariam Hassan

(SSM Practising Certificate No. 201908000788) (MAICSA 7030578)

## 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

## 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.

11<sup>th</sup> 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](mailto:bsr.helpdesk@boardroomlimited.com)

## AUDITORS

KPMG PLT (LLP0010081-LCA & AF 0758)

Chartered Accountants

10<sup>th</sup> 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](mailto:petronaschemicals_ir@petronas.com)

## BANKING SERVICES PROVIDER

PETRONAS Integrated Financial Shared Service Centre (IFSSC)

## WEBSITE

[www.petronas.com/pcg](http://www.petronas.com/pcg)



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

**BOARD OF DIRECTORS' PROFILE**

AS AT 29 FEBRUARY 2024

**DATUK IR. (DR.) ABDUL RAHIM HASHIM***Chairman/  
Non-Independent  
Non-Executive Director***PRESENT DIRECTORSHIPS:****Listed entities:**

- PETRONAS Chemicals Group Berhad (PCG)

**Other public company:**

- Malaysian Industry-Government Group for High 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 International Gas Union (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

**ATTENDANCE OF BOARD MEETINGS DURING THE FINANCIAL YEAR****DATE APPOINTED TO THE BOARD**

1 January 2022

**LENGTH OF SERVICE**

2 years 2 months

**ACADEMIC/PROFESSIONAL QUALIFICATION:**

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

Nationality : Malaysian

Age : 70

Gender : Male

**BOARD SKILLS AND EXPERIENCE MATRIX****Industry Background:**

- Oil and Gas
- Petrochemical

**International Experience:**

- Global
- Regional

**Functional Experience:**

- Engineering
- Logistics
- Legal/Regulatory
- Operations

# BOARD OF DIRECTORS' PROFILE

## MAZUIN ISMAIL

Managing Director / Chief Executive Officer



**ATTENDANCE OF BOARD MEETINGS DURING THE FINANCIAL YEAR**

Nationality : Malaysian  
Age : 55  
Gender : Male

### DATE APPOINTED TO THE BOARD

1 January 2024

### LENGTH OF SERVICE

2 months

### ACADEMIC/PROFESSIONAL QUALIFICATION:

- Master of Business Administration (Advance), University of Adelaide, Australia
- Bachelor of Science (Civil and Structural Engineering), University of Bradford, United Kingdom



### PRESENT DIRECTORSHIPS:

#### Listed entities:

- PETRONAS Chemicals Group Berhad (PCG)

#### Other public company:

- Malaysian Industry-Government Group for High Technology (MIGHT)
- International Conference and Exhibition Professionals (ICEP)

### PRESENT APPOINTMENTS:

- MD/CEO of PCG
- Director, MIGHT
- Chairman, ICEP
- Board Member of various companies in PETRONAS

### PAST EXPERIENCE:

- Senior Vice President of Corporate Strategy, PETRONAS
- Senior Vice President of Project Delivery and Technology, PETRONAS
- Vice President of Technical Global, PETRONAS
- Chairman, PETRONAS Digital Sdn. Bhd.
- Chairman, Petroleum Research Fund
- Various directorships in PETRONAS

## YEOH SIEW MING

Senior Independent Non-Executive Director



**ATTENDANCE OF BOARD MEETINGS DURING THE FINANCIAL YEAR**

Nationality : Malaysian  
Age : 56  
Gender : Female

### DATE APPOINTED TO THE BOARD

15 May 2019

### LENGTH OF SERVICE

4 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



### PRESENT DIRECTORSHIPS:

#### Listed entities:

- PETRONAS Chemicals Group Berhad (PCG)

#### Other public company:

- Nil

### PRESENT APPOINTMENTS:

- Chairperson of Board Audit Committee, PCG
- Member of Nomination and Remuneration Committee, PCG
- Member of Board Sustainability and Risk Committee, PCG
- Member of Sunway College Academic and Industry Advisory Board

### PAST EXPERIENCE:

- Partner of Deloitte South East 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
- Training Faculty of Deloitte University Asia Pacific

## BOARD OF DIRECTORS' PROFILE

WARREN WILLIAM  
WILDER

Independent  
Non-Executive  
Director



**ATTENDANCE OF  
BOARD MEETINGS  
DURING THE  
FINANCIAL YEAR**

Nationality : American

Age : 66

Gender : Male

**DATE APPOINTED TO THE  
BOARD**

1 July 2018

**LENGTH OF SERVICE**

5 years and 8 months

**ACADEMIC/PROFESSIONAL  
QUALIFICATION:**

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



**PRESENT DIRECTORSHIPS:**

**Listed entities:**

- PETRONAS Chemicals Group Berhad (PCG)

**Other public company:**

- Nil

**PRESENT APPOINTMENTS:**

- Chairman of Board Sustainability and Risk Committee, PCG

**PAST EXPERIENCE:**

- Board Member of Texas Petrochemical Company
- 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

DR. ZAFAR  
ABDULMAJID MOMIN

Independent  
Non-Executive  
Director



**ATTENDANCE OF  
BOARD MEETINGS  
DURING THE  
FINANCIAL YEAR**

Nationality : Singaporean

Age : 65

Gender : Male

**DATE APPOINTED TO THE  
BOARD**

1 July 2018

**LENGTH OF SERVICE**

5 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



**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
- Member of Board Sustainability and Risk Committee, PCG
- Director, Ezal Healthcare Pte Ltd
- 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

**BOARD SKILLS AND  
EXPERIENCE MATRIX**

**Industry Background:**

- Oil and Gas
- Petrochemical

**International Experience:**

- Global
- Regional

**Functional Experience:**

- Engineering
- Logistics
- Legal/Regulatory
- Operations

# BOARD OF DIRECTORS' PROFILE

## DATIN SERI SUNITA MEI-LIN RAJAKUMAR

Independent  
Non-Executive  
Director



**ATTENDANCE OF  
BOARD MEETINGS  
DURING THE  
FINANCIAL YEAR**

Nationality : Malaysian  
Age : 55  
Gender : Female

### DATE APPOINTED TO THE BOARD

1 July 2022

### LENGTH OF SERVICE

1 year 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



### 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 (Nomination 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

## DATUK SAZALI HAMZAH

Non-Independent  
Non-Executive  
Director



**ATTENDANCE OF  
BOARD MEETINGS  
DURING THE  
FINANCIAL YEAR**

Nationality : Malaysian  
Age : 57  
Gender : Male

### DATE APPOINTED TO THE BOARD

8 May 2014

### LENGTH OF SERVICE

9 years and 9 months

### ACADEMIC/PROFESSIONAL QUALIFICATION:

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



### 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
- Member of Board Sustainability and Risk Committee, PDB
- Member of the International Advisory Panel for C-THRU Research Project
- Chairman/Director of various companies within PETRONAS

### PAST EXPERIENCE:

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

## BOARD OF DIRECTORS' PROFILE

FAREHANA  
HANAPIAH

Non-Independent  
Non-Executive  
Director



**ATTENDANCE OF  
BOARD MEETINGS  
DURING THE  
FINANCIAL YEAR**

Nationality : Malaysian

Age : 55

Gender : Female

**DATE APPOINTED TO THE  
BOARD**

1 June 2022

**LENGTH OF SERVICE**

1 year 9 months

**ACADEMIC/PROFESSIONAL  
QUALIFICATION:**

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

**PRESENT DIRECTORSHIPS:**

**Listed entities:**

- PETRONAS Chemicals Group Berhad (PCG)

**Other public company:**

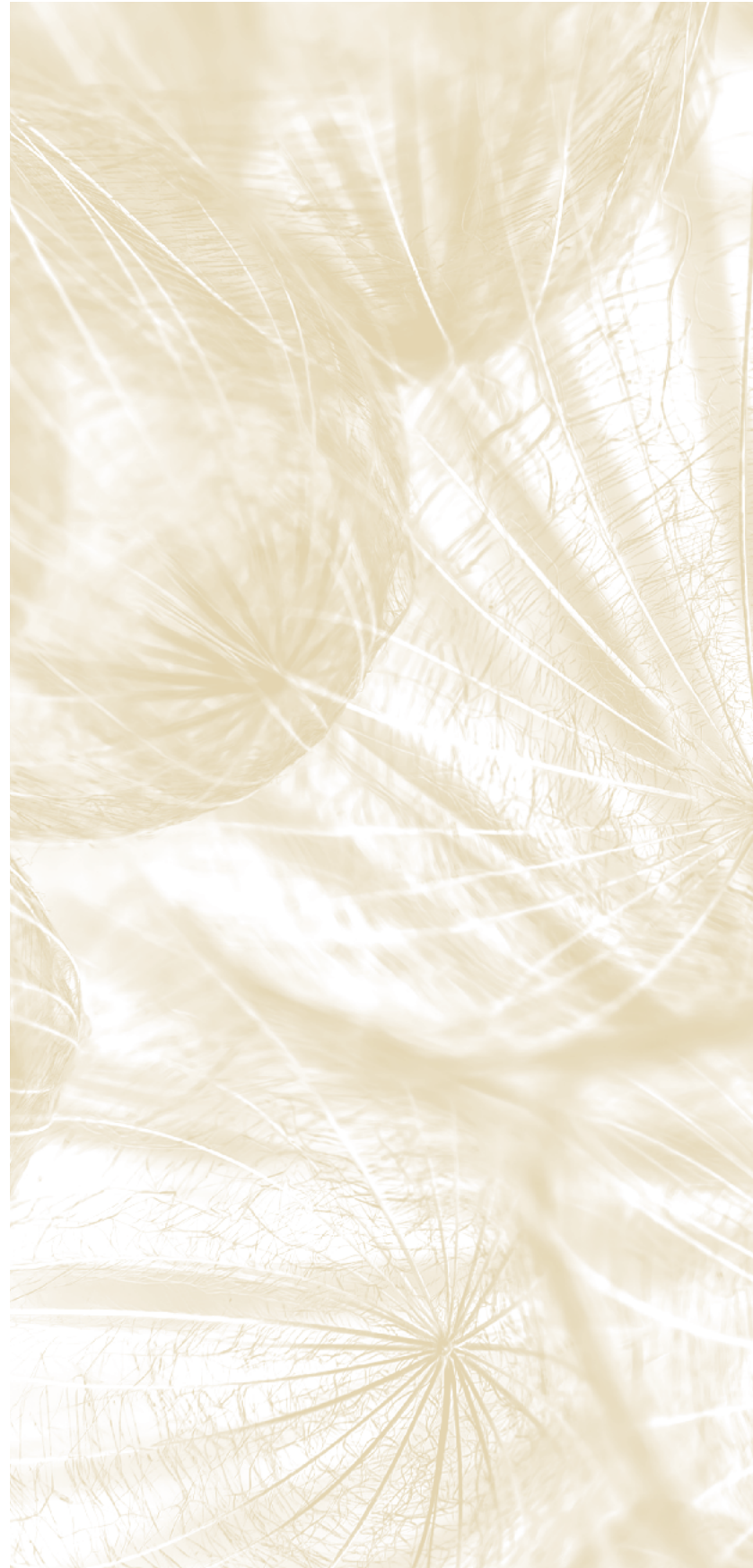
- Nil

**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
- Head of Human Capital Strategy



**BOARD SKILLS AND  
EXPERIENCE MATRIX**

**Industry Background:**

- Oil and Gas
- Petrochemical

**International Experience:**

- Global
- Regional

**Functional Experience:**

- Engineering
- Logistics
- Legal/Regulatory
- Operations

## COMPANY SECRETARIES

### AZIRA MARINI AB RAHIM

Company Secretary

Nationality : Malaysian  
Age : 45  
Gender : Female



#### ACADEMIC/ PROFESSIONAL QUALIFICATION:

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

#### 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

### MEK YAM @ MARIAM HASSAN

Company Secretary

Nationality : Malaysian  
Age : 50  
Gender : Female



#### ACADEMIC/ PROFESSIONAL QUALIFICATION:

- Chartered Company Secretary from the Institute of Chartered Secretaries and Administrators, United Kingdom
- Fellow of Malaysian Institute of Chartered Secretaries and Administrators

#### DESCRIPTION OF ROLES:

- She has been the Company Secretary of PCG since June 2023 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

#### 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 or potential conflict of interests, including interests in any competing business with PCG or its subsidiaries
- **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 2023
- **Directorship Appointment** : None of the Directors has more than five directorships in listed issuers



**1** **Mazuin Ismail**  
*Managing Director/Chief Executive Officer*



**2** **Mohd Azli Ishak**  
*Chief Financial Officer*



**5** **Ir. Yaacob Salim**  
*Head of Strategic Planning & Ventures*



**6** **Dr. Yuen-Yuen Debbie Chiu**  
*Chief Operating Officer (Specialty Chemicals)*



**9** **Nur Nadia Mohd Nordin**  
*Head of Legal*



**10** **Adi Suria Ishak**  
*Head of Human Resource Management*

# MANAGEMENT COMMITTEE





**3** **Zamri Japar**  
*Chief Manufacturing Officer*



**4** **Shakeel Ahmad Khan**  
*Chief Commercial Officer*



**7** **Alfa Abdul Razak**  
*Head of Health, Safety & Environment*



**8** **Sr Aminudin Yahia**  
*Head of Project Directorate*



**11** **Norfaila Hassan**  
*Head of Strategic Communications & Administration*

# MANAGEMENT COMMITTEE PROFILE

## 1 MAZUIN ISMAIL

*Managing Director/Chief Executive Officer*

Nationality : Malaysia | Age : 55 | Gender : Male

### DATE OF APPOINTMENT

1 January 2024

### 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 Civil & Structural, Engineering, University of Bradford, England, UK
- Master of Business Admin (Advance), University of Adelaide, Australia

### EXPERIENCE MATRIX

#### 1991

- Joined PETRONAS Carigali Sdn. Bhd as an Executive Quality Assurance and progressed through various projects and engineering roles in PETRONAS Carigali Sdn. Bhd.

#### 1999

- Appointed as Executive (E&P Audit), PETRONAS

#### 2002

- Appointed as Manager (Business Development), OGP Technical Services Sdn. Bhd.

#### 2004

- Appointed as Senior Manager (Small Field), PETRONAS

#### 2006

- Appointed as General Manager (Strategic Planning), PETRONAS

#### 2008

- Appointed as Head (SCA-Associates - Value Creation) and progressed through various roles as Head (Shaping Carigali Coordinator), Head (Field Development), Head (Project) and Head (Development) in PETRONAS Carigali Sdn. Bhd.

#### 2014

- Appointed as VP Technical Global, PETRONAS Carigali Sdn. Bhd.

#### 2016

- Appointed as Senior Vice President, Project Delivery & Technology, PETRONAS

#### 2019

- Appointed as Senior Vice President, Corporate Strategy, PETRONAS

#### 2024

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

## 2 MOHD AZLI ISHAK

*Chief Financial Officer*

Nationality : Malaysia | Age : 45 | Gender : Male

### DATE OF APPOINTMENT

1 January 2021

### 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
- Business Sustainability Management programme, Institute for Sustainability Leadership, University of Cambridge
- Fellow of the Chartered Accountants Australia and New Zealand
- Member of the Malaysian Institute of Accountants

### EXPERIENCE MATRIX

#### 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, PCG

## 3 ZAMRI JAPAR

*Chief Manufacturing Officer*

Nationality : Malaysia | Age : 55 | Gender : Male

### DATE OF APPOINTMENT

1 November 2022

### 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

### EXPERIENCE MATRIX

#### 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.), PCG

#### 2017

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

#### 2021

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

#### 2022 (March)

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

#### 2022 (November)

- Appointed as Chief Manufacturing Officer, PCG

## MANAGEMENT COMMITTEE PROFILE

**4 SHAKEEL AHMAD KHAN***Chief Commercial Officer*

Nationality : Malaysia | Age : 54 | Gender : Male

**DATE OF APPOINTMENT**

1 August 2020

**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

**5 IR. YAACOB SALIM***Head of Strategic Planning & Ventures*

Nationality : Malaysia | Age : 57 | Gender : Male

**DATE OF APPOINTMENT**

1 August 2021

**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

**6 DR. YUEN-YUEN DEBBIE CHIU***Chief Operating Officer (Specialty Chemicals)*

Nationality : USA | Age : 59 | Gender : Female

**DATE OF APPOINTMENT**

16 June 2023

**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, USA
- Doctor of Philosophy (Ph.D.) in Chemical Engineering, The Ohio State University, Ohio, USA
- MBA majoring in Marketing, Rutgers University, New Jersey, USA

**EXPERIENCE MATRIX****1994**

- 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

**EXPERIENCE MATRIX****1988**

- 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 Sdn. Bhd.

**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 & Ventures, PCG

**EXPERIENCE MATRIX****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

**2023**

- Appointed as Chief Operating Officer (Specialty Chemicals), PCG

## MANAGEMENT COMMITTEE PROFILE

**7 ALFA ABDUL RAZAK***Head of Health, Safety & Environment*

Nationality : Malaysia | Age : 46 | Gender : Male

**DATE OF APPOINTMENT**

1 November 2023

**DESCRIPTION OF ROLES**

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

**QUALIFICATIONS**

- Bachelor in Chemical Engineering, University Teknologi PETRONAS (UTP)

**EXPERIENCE MATRIX****2001**

- Joined PETRONAS Chemicals MTBE Sdn. Bhd. (PC MTBE) as Process Engineer

**2004**

- Appointed as Executive (Shift - MTBE/Butamer & n-Butane), PC MTBE

**2008**

- Appointed as Manager (Shift - Operation), PC MTBE

**2011**

- Manager (Operation - Engineering PDH), PC MTBE

**2014**

- Appointed as Senior Manager (Technical Services), PC MTBE

**2017**

- Appointed as Senior Manager (Production PDH), PC MTBE

**2019**

- Appointed as Senior Manager (Production MTBE), PC MTBE

**2023**

- Appointed as Head of Health Safety & Environment, PCG

**8 SR AMINUDIN YAHIA***Head of Project Directorate*

Nationality : Malaysia | Age : 49 | Gender : Male

**DATE OF APPOINTMENT**

1 January 2022

**DESCRIPTION OF ROLES**

- Responsible for championing and steering the project delivery, project management capability and project governance through planning and executing all PCG Growth New Asset and Asset Improvement 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 (AACCI)
- Professional Quantity Surveyor (PQS) from Board of Quantity Surveyor Malaysia

**EXPERIENCE MATRIX****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

**9 NUR NADIA MOHD NORDIN***Head of Legal*

Nationality : Malaysia | Age : 49 | Gender : Female

**DATE OF APPOINTMENT**

1 July 2022

**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

**EXPERIENCE MATRIX****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, 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, PETRONAS Dagangan Berhad

**2020**

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

**2022**

- Appointed as Head of Legal, PCG

# MANAGEMENT COMMITTEE PROFILE

## 10 ADI SURIA ISHAK

Head of Human Resource Management

Nationality : Malaysia | Age : 42 | Gender : Male

### DATE OF APPOINTMENT

1 February 2024

### DESCRIPTION OF ROLES

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

### QUALIFICATIONS

- Bachelor in Software Engineering, University of Melbourne, Australia

### EXPERIENCE MATRIX

#### 2004

- Joined PETRONAS as Executive HRM and progressed through various roles in Human Resource with focus on Talent Sourcing, International HR and Remuneration areas

#### 2009

- Appointed as Executive HRM & Administration to be part of setting up of PETRONAS Australia Ltd Pty office in Brisbane, Australia in view of PETRONAS' investment in the Gladstone LNG Project

#### 2011

- Return to Malaysia to serve the PETRONAS' Gas & Power Business to manage all International HR & Services matters that span across 10 different countries and 11 business operating units

#### 2012

- Appointed as Manager (Talent Management), Malaysia LNG Group of Companies overseeing Talent Sourcing, People Development, Talent Management & Employee Performance, based in Bintulu, Sarawak

#### 2016

- Appointed as Executive Assistant to PETRONAS Chairman with exposure to other business entities such as Universiti Teknologi PETRONAS (UTP), Malaysia Digital Economy Corporation (MDEC) and KLCC Property Stapled Group

#### 2018

- Appointed as Head (Industry Intelligence), Malaysia Petroleum Management (MPM), PETRONAS

#### 2021

- Appointed as Head (Strategic Advisory), Malaysia Petroleum Management (MPM), PETRONAS

#### 2023

- After more than 6 years of business exposure, returned to HR and appointed as Head (People Strategy & Planning), HRM Downstream, PETRONAS

#### 2024

- Appointed as Head of Human Resource Management, PCG

## 11 NORFAILA HASSAN

Head of Strategic Communications & Administration

Nationality : Malaysia | Age : 51 | Gender : Female

### DATE OF APPOINTMENT

1 February 2020

### 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

### EXPERIENCE MATRIX

#### 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

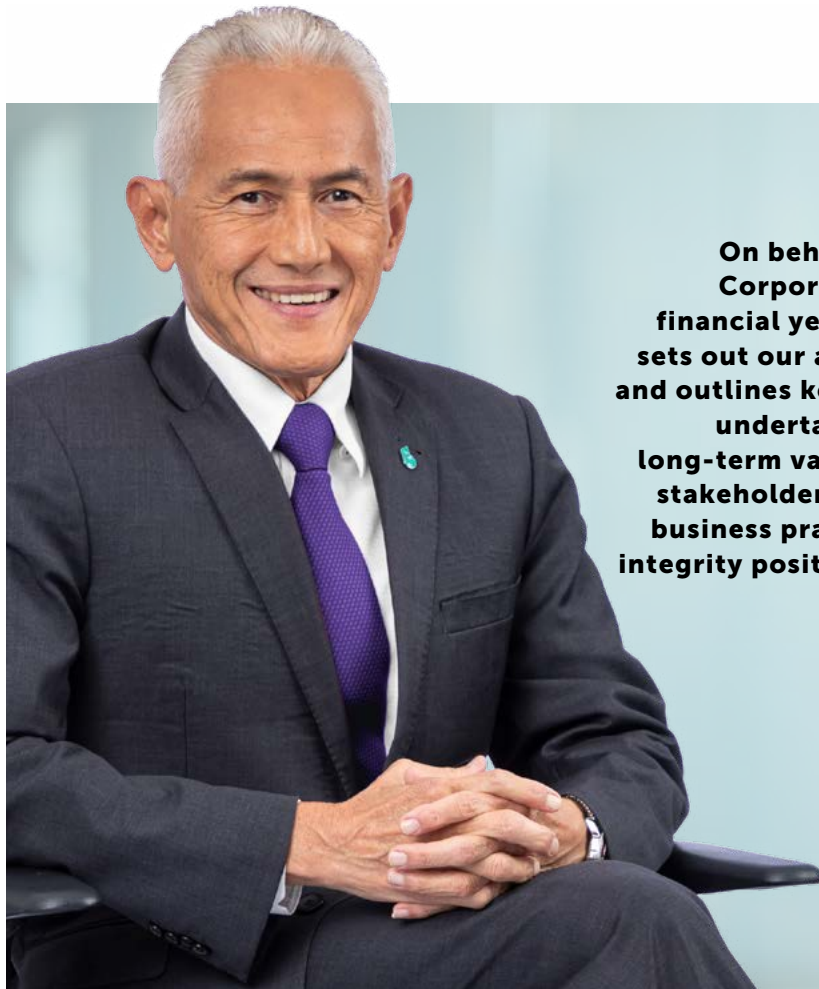
#### 2020

- Appointed as Head of Strategic Communications & Administration, PCG

### NOTES:

None of the MC members have any family relationship with any director and/or major shareholder of PCG, nor any conflict of interest with the Group including any interest in any competing business with PCG or its subsidiaries. They have 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 SHAREHOLDERS,**

On behalf of the Board, I am pleased to present the Corporate Governance Overview Statement for the financial year ended 31 December 2023. This Statement sets out our approach to effective corporate governance and outlines key focus areas of the Board and its activities undertaken during the year as we continue to drive long-term value for all our stakeholders. 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 challenging landscape.

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

### AWARDS 2023



# CORPORATE GOVERNANCE OVERVIEW STATEMENT



**PRINCIPLE A**  
Board Leadership and Effectiveness

*Details are elaborated on pages 88 to 101*



**PRINCIPLE B**  
Effective Audit and Risk Management

*Details are elaborated on pages 102 to 103*



**PRINCIPLE C**  
Integrity in Corporate Reporting and Relationship with Stakeholders

*Details are elaborated on pages 104 to 109*

**GOVERNANCE AND THE DELIVERY OF STRATEGY**

Pages between 92 and 121 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 sustainability aspects of the transactions or projects and 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.

Maintaining a robust corporate governance framework remains a key priority, ensuring we operate with the utmost integrity and accountability, in full consideration of our stakeholders’ best interests.

Demonstrating this commitment, the Board:

- Embraced a zero-tolerance stance on bribery and corruption by signing the PCG Integrity Pledge in FY2023
- Strengthened alignment with shared goals and objectives through a collaborative workshop with management on the core pillars of corporate governance
- Proactively shaped the Group’s future through three Board Strategic Conversations focused on talent, branding, sustainability and growth for PCG

**SUSTAINABILITY**

During the year under review, the Board received updates and engaged in discussions regarding several important matters relating to sustainability. This included a comprehensive overview of the sustainability agenda, encompassing goals, priorities, and targets.

Additionally, the Board reviewed ongoing sustainability programmes and discussed the resources required to support these initiatives effectively. There were deliberations on integrating sustainability considerations into key business decisions, ensuring that environmental and social factors were adequately addressed in strategic planning.

The Board also examined the Company’s sustainability performance against established targets on a quarterly basis, emphasising the importance of monitoring progress and identifying areas for improvement.

**SUCCESSION PLAN**

During the year, the Board approved the appointment of Mazuin Ismail as the new Managing Director/Chief Executive Officer (MD/CEO) of PCG in place of Ir. Mohd Yusri Mohamed Yusof effective 1 January 2024. In addition, Datuk Toh Ah Wah had retired as Senior Independent Director (SID) of the Company and the role of SID was assumed by Yeoh Siew Ming.

The Board wishes to express its sincere gratitude and appreciation to Ir. Mohd Yusri Mohamed Yusof and Datuk Toh Ah Wah for their invaluable services as members of the Board.

**BOARD EFFECTIVENESS**

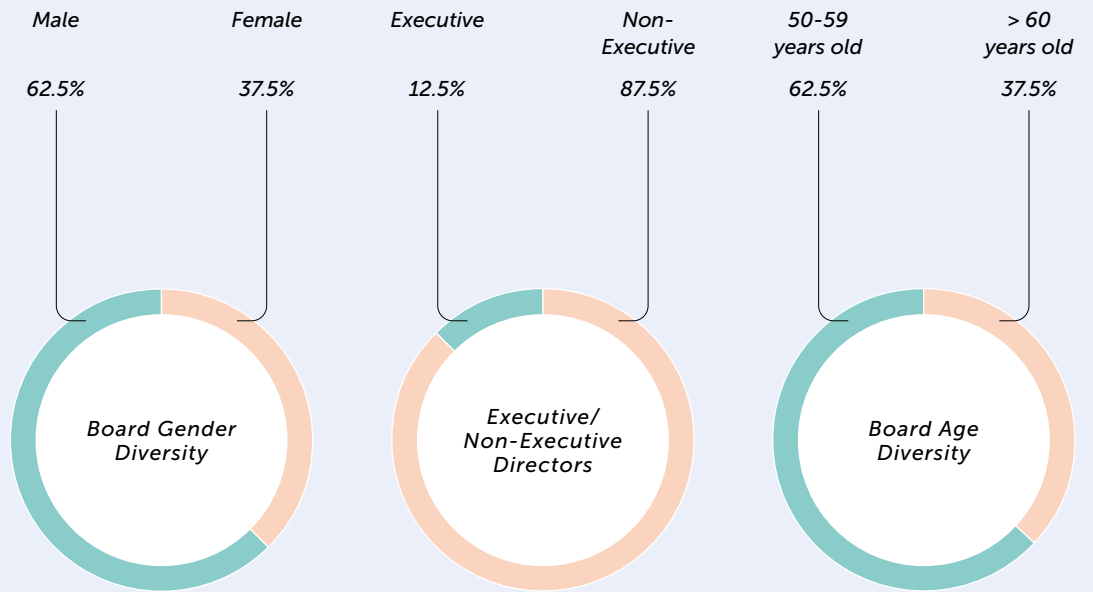
The annual review of Board effectiveness helps the Board to consider how it operates and how its operations can be improved. This year, the Board Effectiveness Evaluation (BEE) was undertaken internally and the findings of this review have provided the Board with ideas to further improve the manner in which the Board operates. Details of the BEE 2023 are set out on pages 94 to 95 of this report.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## BOARD AT A GLANCE

**Our Board remains vigilant of the evolving corporate governance landscape and is steadfast in its commitment to delivering effective leadership.**

The Board is confident that it possesses the right blend of skills, experience, independence, and knowledge to drive forward its strategic growth agenda.



### Industry Background:

- Oil and Gas
- Petrochemical

### International Experience:

- Global
- Regional

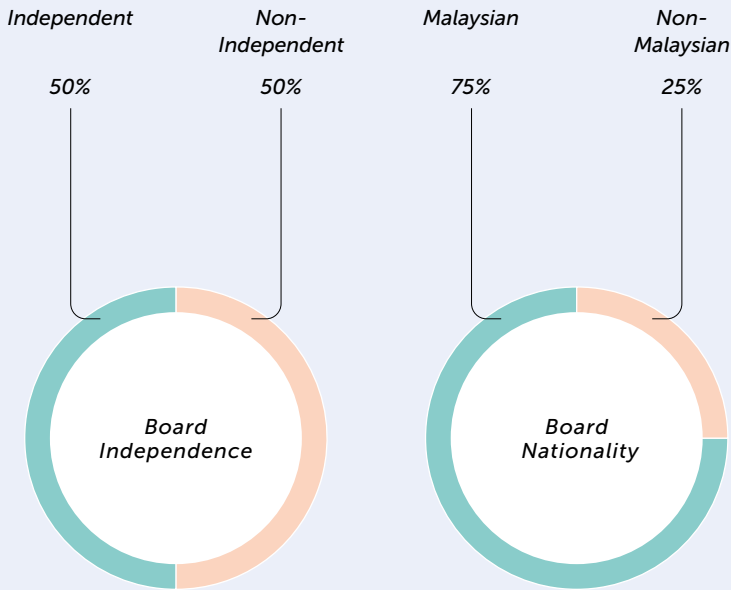
### Functional Experience:

- Engineering
- Logistics
- Legal/Regulatory
- Operations
- Commercial/Marketing
- Economics
- Finance
- Audit
- Risk Management
- Sustainability
- Corporate Strategy
- Technology
- Human Resource
- Project Management



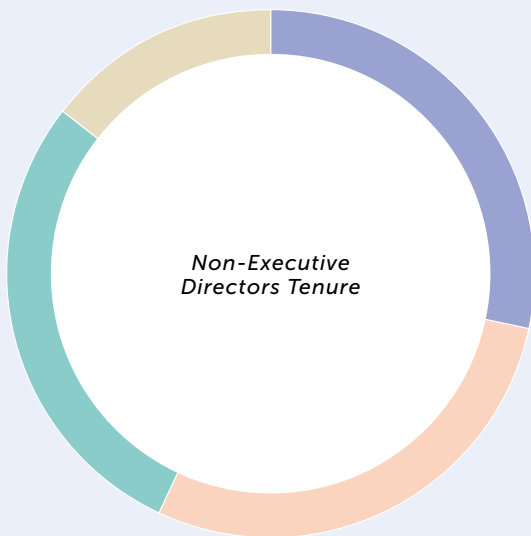


# CORPORATE GOVERNANCE OVERVIEW STATEMENT



**Total Board and Board Committees Meeting Hours**

**134**



- 0-2 years : **28.6%**
- 2-5 years : **28.6%**
- 5-9 years : **28.6%**
- >9 years : **14.2%**

### Independent Non-Executive Directors (INED)

	Yeoh Siew Ming	4 years 9 months
	Warren William Wilder	5 years 8 months
	Dr. Zafar Abdulmajid Momin	5 years 8 months
	Datin Seri Sunita Mei-Lin Rajakumar	1 year 8 months

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

### Non-Independent Non-Executive Directors (NINED)

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

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

**PRINCIPLE A Board Leadership and Effectiveness****BOARD LEADERSHIP**

Guided by an effective Board, the Group is committed to achieving long-term sustainable success, generating value for shareholders, and making positive contributions to a broader stakeholder base. As at the date of this Statement, the Board consisted of Non-Independent Non-Executive Chairman, four Independent Non-Executive Directors, two Non-Independent Non-Executive Directors and the MD/CEO.

The Board composition represents a mix of skills, knowledge and expertise relevant to PCG's business.

The Board's key role is to oversee the development and execution of the Group's strategies. The Board consists of individuals with diverse backgrounds and experiences, which facilitates constructive debates ensuring comprehensive discussions on the Group's performance and strategic initiatives.

The Board actively monitors operational and financial performance against established goals and objectives. It ensures the presence of effective controls and systems to manage risks, securing the necessary financial resources and skilled personnel to achieve strategic goals. The Non-Executive Directors (NEDs), possessing diverse business, financial, and international skills and experience, contribute to a balanced and dynamic foundation that supports the Group's strategic growth. During the year under review, the NEDs had a private session without the presence of the MD/CEO and Management to discuss any matters that the NEDs may wish to raise in the interest of the Company.

For a detailed understanding of the Directors' backgrounds, profiles can be found on pages 72 to 76.

**BOARD MEETINGS**

The Board adheres to a structured framework, delineating matters exclusively reserved for its approval. These encompass pivotal decisions ranging from endorsing the Group's strategic direction and budget to approving substantial corporate transactions, authorising capital expenditure, and overseeing crucial aspects such as risk management, dividends, change of MD/CEO, the Sustainability Agenda, and communications to shareholders. Throughout the year under review, all matters within the Board's purview received unanimous approval, underlining the cohesive and robust governance structure, with an average 99% attendance by the Directors for Board Meetings in FY2023.

Pre-scheduled Board and Board Committees meetings dates 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 crafted in consultation with the Chairman and MD/CEO, ensuring thorough preparation and a transparent decision-making process. Board Papers are distributed at least five business days before meetings, providing ample

time for comprehensive review and thoughtful deliberations. All materials for the Board meeting are uploaded onto a secure portal which can be accessed on tablet devices provided to the Directors. While decisions require a majority vote, the Board operates on a consensus basis. In a rare occurrence of a tied vote, the Chairman exercises a casting vote. Notably, during the year under review, the Chairman did not exercise this option, underscoring the alignment of perspectives within the Board.

Transparency and integrity are paramount, with Directors providing declarations of interest on transactions at the commencement of meetings. Those with vested interests disclose the extent and nature of their interest, maintaining objectivity by abstaining from deliberations and voting on such transactions.

For a comprehensive breakdown of matters within the Board's domain, interested parties can refer to our detailed Board Charter, accessible online at <https://www.petronas.com/pcg/about-us/governance>

**DIVISION OF RESPONSIBILITIES BETWEEN THE BOARD AND MANAGEMENT**

The Board fulfils its responsibilities through a combination of direct involvement and delegation to its Committees. The implementation of the Company's strategy and the day-to-day management are entrusted to the MD/CEO, who is supported by senior leadership teams. The Board maintains oversight, provides guidance, and holds management accountable, retaining ultimate responsibility for ensuring effective governance and strategic direction.

**SUPPLY AND ACCESS TO INFORMATION**

The Board is provided with comprehensive and timely access to all relevant information essential for the effective discharge of its duties. They have access to the advice and services as per the Board Charter of the Company Secretaries, MD/CEO, Chief Financial Officer and other senior management as well as external advisers. The Company Secretary, under the guidance of the Chairman, ensures a smooth flow of information within the Board, its Committees, and between the Management team and NEDs.

The Directors also have the opportunity to visit the Group's operational facilities to better understand the Group's business operations. Directors may, at any time, request for further explanations, briefings or informal discussions on any aspect of the Group's operations or business issues from senior management. Additionally, Directors, either collectively or individually, may seek independent professional advice in the course of their duties, with the Company bearing the associated expenses. During the year under review, the INEDs had engaged independent external professionals to provide advisory services in respect of certain transactions undertaken by the Group and the costs were borne by the Company. The Company has utilised an

electronic platform for delivery of documents or materials to the Board. This is to ensure prompt and secure delivery of high-quality information to the Board.

**BOARD DIVERSITY, SKILLS AND EXPERIENCE**

The Group is dedicated to fostering diversity within its Board, aiming for a well-rounded composition of directors with diverse backgrounds, experiences, perspectives, skills, and knowledge. We believe that diversity, encompassing gender and other factors, contributes to the Board's high performance, effectiveness, and the overall success of the Group. Our commitment to diversity is upheld through a meritocratic appointment process to maintain an optimal balance.

In addition to the Board Diversity Policy, the Board adopted the PETRONAS Diversity & Inclusion (D&I) statement, outlining baseline and long-term targets across gender, multinationalism, age, and culture. The recruitment and selection of new candidates for Board memberships prioritise diversity considerations. The Board ensures a focus on diversity by reviewing succession plans, identifying specific factors for recruitment, adhering to inclusive recruitment processes, and assessing the mix of diversity, addressing any gaps.

The Board Diversity Policy can be accessed on the Company's corporate website at <https://www.petronas.com/pcg/about-us/governance>

**CONFLICT OF INTEREST**

The Board meticulously follows a robust procedure for the regular scrutiny and oversight of potential conflicts of interest, which is conducted on a quarterly basis. Directors with substantial commitments beyond the Group are required to disclose these commitments prior to their appointment and are expected to provide updates in case of any changes. The Company Secretary maintains a comprehensive register of both actual and potential conflicts of interest, subject to an annual review.

Moreover, all Directors are mandated to declare their interests on a quarterly basis, and this information is presented to the Board for notation. The Group adheres to a set of guidelines and procedures concerning Related Party Transactions (RPT) and Recurrent Related Party Transactions (RRPT), as well as Conflict of Interest (COI) situations. These guidelines outline the principles and procedures governing such activities across the Group, ensuring compliance with the MMLR and other regulations.

The BAC Terms of Reference (TOR) was reviewed and updated in February 2024 to reflect the amendments to the MMLR in relation to COI.

The BAC TOR can be accessed on the Company's corporate website at <https://www.petronas.com/pcg/about-us/governance>

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

## ROLES AND RESPONSIBILITIES

## Division of Responsibility

The positions of Chairman and MD/CEO are distinct, held by Datuk Ir. (Dr.) Abdul Rahim Hashim and Mazuin Ismail, respectively. Well-defined guidelines on the division of responsibilities are established to maintain a balanced distribution of authority, enhance accountability, and foster independent decision-making. This clear hierarchical structure, guided by our Board Charter, promotes efficiency and facilitates prompt, well-informed decision-making.

Detailed information on their specific roles are specified in the Board Charter which can be found on the Company's corporate website at <https://www.petronas.com/pcg/about-us/governance>

## Chairman

Responsible for the orderly conduct and function of the Board.

## Non-Independent Non-Executive Directors (NINEDs)

Provide in-depth knowledge and insight from PETRONAS' perspective.

## Independent Non-Executive Directors (INEDs)

Provide independent judgement and views.

## MD/CEO

Responsible for the overall operations of the business, organisational effectiveness and implementation of the Group's strategies and policies.

## Senior Independent Director (SID)

Yeoh Siew Ming, in her role as the Senior Independent Director, serves as a liaison between the INEDs and the Chairman, particularly on sensitive issues. She is also available for confidential discussions with other NEDs who may have concerns not addressed by the full Board. Additionally, Yeoh Siew Ming is a designated contact for shareholders to raise concerns or queries, offering an alternative communication channel. With significant influence within the Board, she effectively fulfils her role as SID of PCG. For queries requiring SID's attention, please email [petchem.sid@petronas.com](mailto:petchem.sid@petronas.com)

## QUALIFIED AND COMPETENT COMPANY SECRETARIES

Our Company Secretaries, Azira Marini Ab Rahim and Mek Yam @ Mariam Hassan, are qualified under Section 235 of the CA 2016 to serve as Company Secretaries. They provide crucial advisory support to the Board, focusing on matters such as the Company's Constitution, Board policies, corporate governance, and procedures. Additionally, they ensure compliance with regulatory requirements, codes, guidelines, and legislation. The Company Secretaries meticulously document discussions and deliberations during Board and Board Committees' meetings, ensuring that action items are appropriately recorded as matters arising in the meeting minutes until resolved. To stay abreast of evolving regulatory changes and developments in corporate governance, the Company Secretaries actively participate in continuous training. During the year under review, they attended the following training sessions:

	Development Programme Attended	Organiser	Date (2023)
Azira Marini Ab Rahim	Refresher Training for PCG Group Nominated Directors and PCG Secondees on Directors' Duties and Responsibilities and Governance, Risk & Compliance	PCG	16 March
	Global Board of Directors Transformation Masterclass 2023	Corporate World Intelligence	30 May – 1 June
	PETRONAS Board Conversation Series #Q1 2023: Nature Action	PETRONAS	31 May
	iConnect Session for Leaders	PETRONAS	15 June
	"Bursa Malaysia the Company Secretary: Becoming a Changemaker" Programme	Bursa Malaysia	1 August
	PCG Board & Management Workshop	PCG	22 August
	PETRONAS Board Conversation Series #Q2 2023: Sustainability, Transparency and Disclosure	PETRONAS	30 August
	Industrial Relations for Leaders Programme	PETRONAS	6 September
	PDM 5.0: PETRONAS Board Governance and Decision - Making Process & Meeting Management	PETRONAS	21 September
	PCG Integrated Report 2023 Workshop	PCG	27 September
	PETRONAS Board Excellence: Continuous Education - Conflict of Interest	PETRONAS	27 October
	Get ready for ISSB Sustainability Disclosure	KPMG	21 November
	PETRONAS Board Conversation Series #Q3 2023: Physical Climate Risk and the Impact on PETRONAS	PETRONAS	24 November
Mek Yam @ Mariam Hassan	PETRONAS ESG Legal Conference	PETRONAS	7 February
	Integrated Governance, Risk & Compliance Framework: Driving Performance	MARCUS EVANS	15 May
	PETRONAS Board Excellence Series- Essential	PETRONAS	1 August
	PETRONAS Board Conversation Series #Q2 2023: Sustainability, Transparency and Disclosure	PETRONAS	30 August
	PETRONAS Board Excellence Series: Rising Above 2	PETRONAS	20 September
	PETRONAS Board Excellence: Continuous Education - Conflict of Interest	PETRONAS	27 October
	PETRONAS Board Conversation Series #Q32023: Physical Climate Risk and the Impact on PETRONAS	PETRONAS	24 November
	High Performance Leadership	LONDON FTE/LAYKAS GROUP	4-8 December

The Board is satisfied with the competence and performance of both Company Secretaries in fulfilling their roles and providing support.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## PRINCIPLE A Board Leadership and Effectiveness

### OUR GOVERNANCE STRUCTURE

The Board exercises oversight through its three main Committees: the Nomination and Remuneration Committee (NRC), the Board Audit Committee (BAC), and the Board Sustainability and Risk Committee (BSRC). The detailed terms of reference for each Committee are accessible at <https://www.petronas.com/pcg/about-us/governance>. All Board Committees solely comprised of NEDs. During every Board meeting, the Chairman of each Board Committee provides an update on significant matters discussed at the Board Committee meetings which are scheduled before the Board meeting.

### BOARD

The Board, as a collective entity, bears the responsibility for ensuring effective oversight of the Company. This includes steering the Company's strategic direction, defining objectives, formulating business plans, assessing viability, and establishing a governance structure conducive to achieving strategic growth and delivering sustainable shareholder value.

### Board Meeting Attendance for 2023

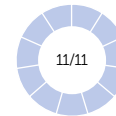
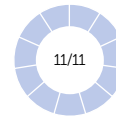
#### Board of Directors

**Datuk Ir. (Dr.) Abdul Rahim Hashim**  
*Non-Independent Non-Executive Director (Chairman)*

**Yeoh Siew Ming**  
*Senior Independent Non-Executive Director*

**Warren William Wilder**  
*Independent Non-Executive Director*

#### Total Meetings Attended



### BOARD COMMITTEE

#### BAC

The Committee oversees and assesses our financial and narrative reporting, internal controls, and risk management. This includes the evaluation of internal and external audit activities, along with finance, control, and compliance-related programmes.

#### BSRC

The Committee ensures the Group maintains robust sustainability and risk management frameworks. Provides oversight and advisory services on the implementation, performance, and compliance of sustainability and risk management activities.

#### NRC

The Committee ensures 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.

### Board Committee & AGM/EGM Meeting Attendance

#### BAC

**Chairperson**  
Yeoh Siew Ming  
Attendance **6/6**

**Members**  
Dr. Zafar Abdulmajid Momin  
Attendance **6/6**  
Datin Seri Sunita Mei-Lin Rajakumar  
Attendance **6/6**  
Datuk Toh Ah Wah <sup>(1)</sup>  
Attendance **4/4**

#### BSRC

**Chairman**  
Warren William Wilder  
Attendance **6/6**

**Members**  
Yeoh Siew Ming  
Attendance **6/6**  
Dr. Zafar Abdulmajid Momin  
Attendance **6/6**  
Datin Seri Sunita Mei-Lin Rajakumar  
Attendance **6/6**

#### INTERNAL AUDIT DEPARTMENT (IAD)

<sup>(1)</sup> Terms of reference is accessible to the public on the Company's corporate website at <https://www.petronas.com/pcg/about-us/governance>

**MD/CEO** - Responsible for the overall operations of the business, organisational effectiveness and implementation of the Group's strategies and policies.

### Management Committees

Regular reporting/ progress updates

### Working Group

Management Committee

People Development Committee

Project Steering Committee

Business Leadership Team

Manufacturing Leadership Team

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

For the day-to-day operational management of the business, the Board entrusts authority to the MD/CEO, who, in turn, is supported by various committees, including the Management Committee, People Development Committee, Project Steering Committee, Sustainability and Risk Management Committee (SRMC), Digital Steering Committee, and Tender Committee.

Furthermore, the Internal Audit Department, operating independently, directly reports to the BAC.

**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



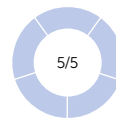
**Farehana Hanapiah**

Non-Independent  
Non-Executive Director



**Datuk Toh Ah Wah<sup>(1)</sup>**

Senior Independent  
Non-Executive Director



**Ir. Mohd Yusri Mohamed Yusof<sup>(2)</sup>**

Executive Director (MD/  
CEO)



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

# 99%

### Sustainability Governance

The Group's commitment to sustainability governance places a strong emphasis on transparency and accountability in the execution of sustainability strategies. The Board assumes the ultimate responsibility for overseeing the Group's sustainability practices, recognising the integration of Economic, Environmental, and Social factors as a fiduciary duty. The BSRC plays a pivotal role in overseeing the Group's sustainability commitments, goals, and opportunities.

To support the BSRC, the SRMC, operating at the management level and chaired by the MD/CEO, contributes to managing risks and offering guidance on sustainability matters that impact the business. Furthermore, the Sustainable Development Working Committee (SDWC), chaired by the Head (Strategy & Governance) Sustainability Development, reports directly to the SRMC. This committee, with a direct report to the MD/CEO, actively drives the Group's Sustainability Agenda.

### NRC

#### Chairman

Dr Zafar Abdulmajid Momin  
Attendance **6/6**

#### Members

Yeoh Siew Ming  
Attendance **6/6**

Farehana Hanapiah  
Attendance **6/6**

Datuk Toh Ah Wah<sup>(1)</sup>  
Attendance **4/4**

### AGM

#### Chairman

Datuk Ir. (Dr.) Abdul Rahim Hashim  
Attendance **1/1**

#### Members

Yeoh Siew Ming  
Attendance **1/1**

Warren William Wilder  
Attendance **1/1**

Dr. Zafar Abdulmajid Momin  
Attendance **1/1**

Datin Seri Sunita Mei-Lin Rajakumar  
Attendance **1/1**

Datuk Sazali Hamzah  
Attendance **1/1**

Farehana Hanapiah  
Attendance **1/1**

Datuk Toh Ah Wah<sup>(1)</sup>  
Attendance **1/1**

Ir. Mohd Yusri Mohamed Yusof<sup>(2)</sup>  
Attendance **1/1**

<sup>(1)</sup> Retired on 12 June 2023

<sup>(2)</sup> Resigned on 1 January 2024

Sustainability and Risk Management Committee (SRMC)

Digital Steering Committee

Tender Committee

Sustainable Development Working Committee

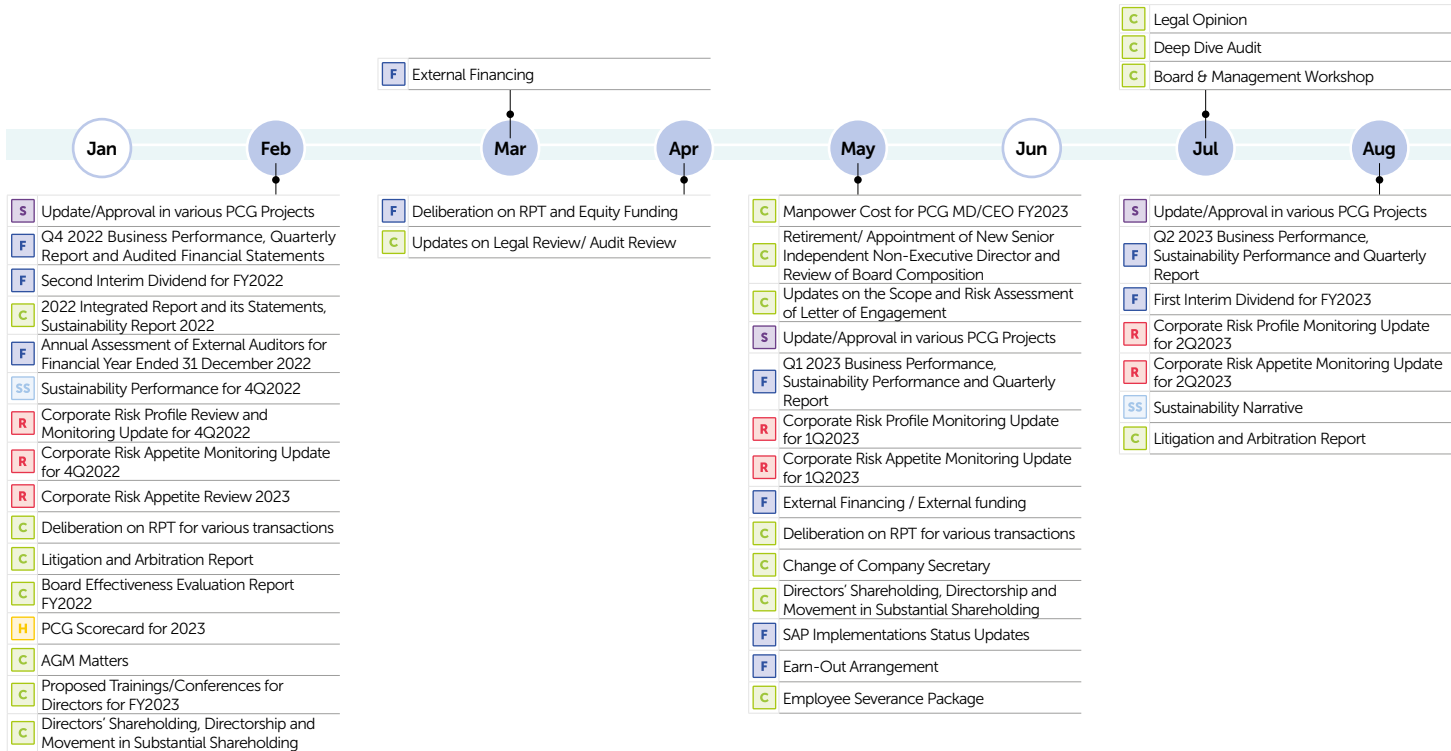
## CORPORATE GOVERNANCE OVERVIEW STATEMENT

## PRINCIPLE A Board Leadership and Effectiveness

## FOCUS AREAS FOR THE BOARD DURING 2023

## FY2023 BOARD AGENDA

● Months the Board met



## S Strategy

- Sustain HSE Excellence and continuous concerted efforts to meet "ZERO is Possible" aspiration
- Maximise value from Operational and Commercial Excellence through reliable plant operation and world class plant utilisation as well as focusing in delivering value from best netback market
- Execute Growth Delivery Excellence and strengthen specialty chemicals platform
- Execute Sustainability Development roadmap

## GROWTH

- Achieved Final Investment Decision (FID) to fully acquire Maleic Anhydride (MAN) plant in Gebeng, Kuantan from BASF PETRONAS Chemicals Sdn. Bhd. and to upgrade the facilities to produce refined MAN
- Reached the FID to construct advanced chemical recycling plant in Pengerang, Johor
- Specialty Chemicals Transformational Growth Strategy

## 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 2023 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

Throughout the year under review, three successful strategic sessions were conducted with the Management Committee of PCG. These sessions involved in-depth discussions by the Board on the Group's Talent Strategy and Corporate Branding Strategy, along with a reconsideration of its Sustainability and Specialty Chemicals Transformational Growth Strategy. Additionally, the Board, in collaboration with Senior Management, actively participated in on-site visits to the Specialty Chemicals plants under both Perstorp and BRB. These visits, conducted during the reviewed period, aimed to enhance the Board's understanding of the Company's operations and foster camaraderie among the leadership.

## F 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.

## SS Sustainability

## ADVANCING SUSTAINABILITY AGENDA

The Board convened to deliberate upon the following critical matters:

## Sustainability Implementation

Strategic discussion on the Group's comprehensive sustainability agenda, encompassing established goals, prioritised objectives, and measurable targets.

## Programme Assessment and Resource Allocation

Review of existing sustainability programmes and initiatives to evaluate their effectiveness and resource requirements to ensure optimal alignment with strategic objectives.

## Sustainability Integration

The Board engaged in detailed dialogue surrounding the integration of sustainability considerations into key business decisions, emphasising cross-functional collaboration and responsible long-term planning.

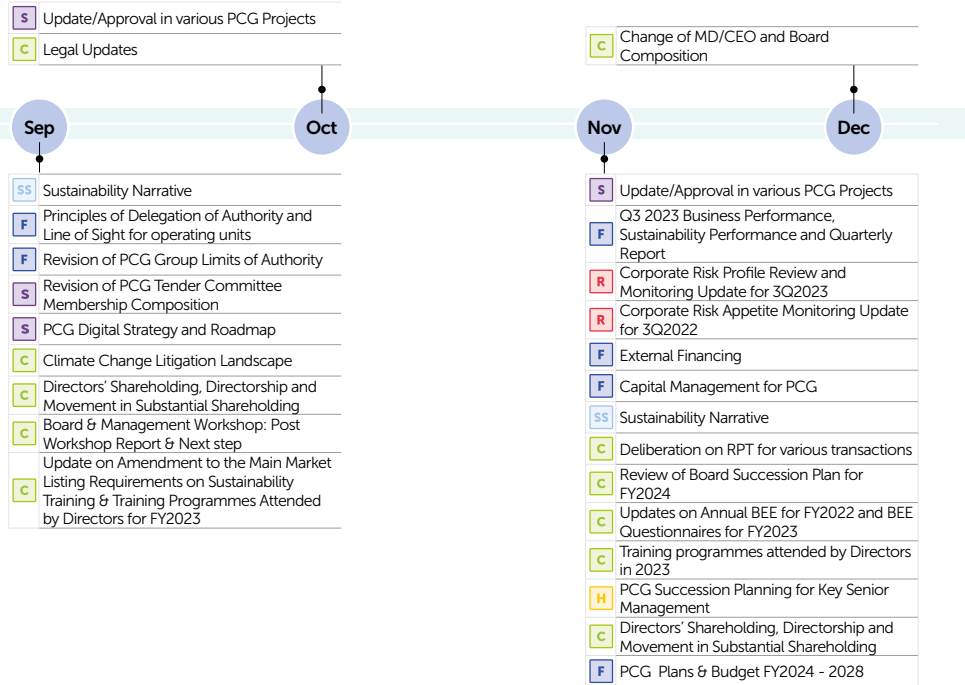
## Performance Monitoring and Improvement

A rigorous framework for monitoring sustainability performance against established targets on a quarterly basis was implemented, promoting continuous improvement and accountability.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

**Agenda & Areas of Focus**

**F** Financial   **R** Risk   **SS** Sustainability   **H** Human Capital Development   **S** Strategy   **C** Corporate Governance and Compliance



**BOARD FOCUS AREAS FOR FY2024**

**Core Business**

- Strive for ZERO Major HSE Incident & Best In-Class HSE Performance
- Enhance cyber resiliency
- Sustain Operational Excellence: Asset reliability & integrity
- Deliver Commercial Excellence: Value maximisation

**New Business**

- Achieve milestone for growth projects
- Build strong specialty chemicals business
- Complement with sustainable product portfolio

**Sustainability**

- Drive NZCE implementation
- Enhance nature and biodiversity action
- Elevate positive social impact

**Talent Management**

- Implement structured and focused talent solutioning to drive PCG's core & growth levers

**Technology + Digital**

- Embed OER2 and Digitalisation for a High Performing Organisation

**R 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.

**C Corporate Governance and Compliance**

During the year, the Board reviewed its composition, diversity, tenure, retirement of Directors at the AGM and the Board skills and experience matrix.

**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 Nomination and Remuneration Committee Report on pages 110 to 111.

**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 2023 until 31 December 2023, a total of 62 assessment were conducted.

Performances were evaluated based on the vendors' capability, responsiveness, reliability and HSE criteria.

**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 2023 until 31 December 2023, there were 2 RPT contracts, and 13 RRPT contracts entered into by the Company and its subsidiaries.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

**PRINCIPLE A Board Leadership and Effectiveness****BOARD RE-ELECTION**

In strict adherence to the Malaysian Code on Corporate Governance (MCCG), MMLR and in accordance with Article 107 of the Company's Constitution, one-third of the incumbent Directors to retire by rotation at each Annual General Meeting (AGM) provided always that each director shall retire from office at least once in every three years. This process underscores the mandate that each Director vacates their position at least once within a three-year interval but remains eligible for re-election at the AGM. Subsequently, a Director retiring at the AGM serves until the meeting's conclusion, whether adjourned or not. To ensure compliance with these regulatory and governance frameworks, the Directors' rotation list undergoes scrutiny by the NRC, receiving formal endorsement prior to its submission to the Board. Directors subject to re-election affirm their consent before deliberation at PCG's Board meeting.

In deciding candidates' eligibility for re-election, the NRC conducts a comprehensive assessment encompassing competencies, commitment, contribution, fitness and propriety, performance metrics derived from the Board Effectiveness Evaluation (BEE), fit and proper declarations, and the demonstrated ability to act in the best interest of PCG. On 26 February 2024, the Board endorsed the NRC's recommendation for the following Directors to be considered for re-election pursuant to the relevant Articles of PCG's Constitution at the Company's imminent 26<sup>th</sup> AGM.

Article 107:

- Warren William Wilder
- Dr. Zafar Abdulmajid Momin
- Datuk Sazali Hamzah

Article 100:

- Mazuin Ismail

**APPOINTMENT OF NON-EXECUTIVE DIRECTORS**

The Board oversees appointments, relying on recommendations from the NRC. Demonstrating a commitment to diversity, appointments follow merit-based criteria, aligning with corporate strategy and the Fit and Proper Policy. The selection process emphasises achieving an optimal mix of skills, personalities, and experience, following approved criteria. The procedure involves the NRC creating a detailed specification outlining the necessary skills and experience. External recruitment consultants may be engaged to assist with identifying and shortlisting suitable candidates. The NRC will interview the shortlisted candidates before recommending the most suitable candidates to the Board for appointment as Directors. Suitable candidates will be identified to fill vacancies on the Board as and when the needs arise.

**BOARD EFFECTIVENESS EVALUATION 2023**

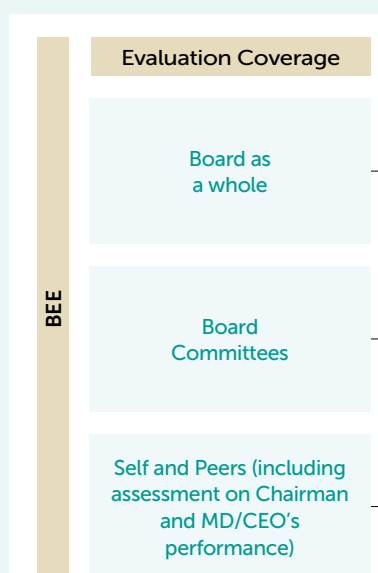
BEE is to evaluate the performance of Board/Board Committees/Members of the Board as well as identifying any gaps or areas of improvement, where required.

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

The Board engages an external consultant to perform BEE exercise once every three years. This is to facilitate an objective and candid Board evaluation. The last assessment carried out by an external consultant was for the year assessment 2021 while the next engagement is envisaged for year assessment 2024.

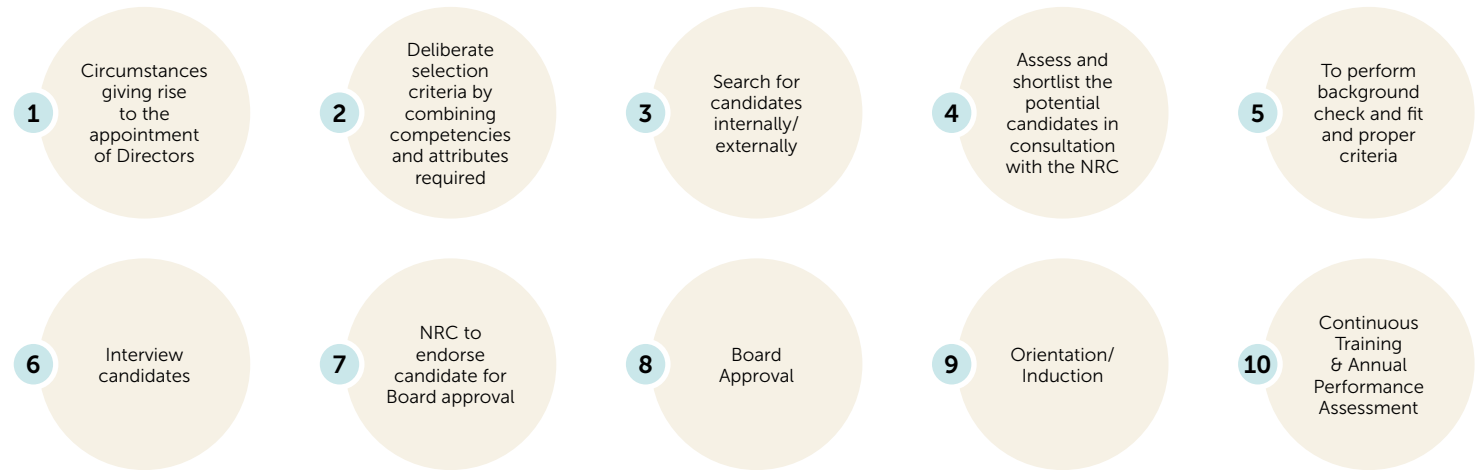
During the year under review, the BEE was conducted internally through an electronic platform. The indicators for the performance of the Board and Board Committees which included among others, the composition, planning process, conduct of meetings, communication with the Management and stakeholders as well as strategy and planning for the Group were used for the Directors to provide their ratings.





# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## BOARD APPOINTMENT PROCESS BASED ON BOARD SUCCESSION PLANNING FRAMEWORK



## BOARD INDEPENDENCE

Recognising the vital role that INEDs play in upholding robust corporate governance, the Board emphasises the obligation of all Directors, irrespective of their independent status, to prioritise the Company’s best interests and exercise independent judgement without constraints.

As part of the BEE process, both the NRC and the Board conducted assessments of the independence of INEDs. The evaluation affirmed the satisfactory level of independence demonstrated by all INEDs, highlighting their consistent delivery of sound, independent, and objective judgment during Board deliberations. Their active engagement in discussions and decision-making underscores their commitment to acting in the best interests of the Group.

During the year under review, Datuk Toh Ah Wah stepped down as the SID after nine years of esteemed service on 12 June 2023. Yeoh Siew Ming was subsequently appointed as SID to ensure continuity and effective oversight. As at the date of this Statement, the Board comprises four INEDs, representing 50% of the Board composition which meets the requirements outlined in Paragraph 15.02 of the MMLR, with more than one-third of its members serving as INEDs. The Board also acknowledges Practice 5.2 of

MCCG, requiring a majority of independent directors in large companies. In absence of having majority independent directors, the Board employs the following measures to provide independent judgement and views during Board deliberations:

- (1) The SID acts as a sounding board to the Chairman and serves as an intermediary for the INEDs when necessary.
- (2) All Board Committees are chaired by INED.
- (3) All Board Committees comprised solely of INEDs, except for the NRC.
- (4) The BAC reviews all RPTs adhering to PCG’s Guidelines and Procedures prior to Board meetings. During Board meetings, any Directors having an interest, shall abstain from deliberation and voting for all RPTs. This protocol is essential to maintain transparency and to safeguard the interests of minority shareholders.

None of the Company’s INEDs have exceeded a tenure of more than nine years on the Board, ensuring continual fresh perspectives.

Assessment Criteria (among others)	Evaluation Mode	Action Plans
<ul style="list-style-type: none"> <li>Overall impressions and effectiveness</li> <li>Involvement and engagement</li> <li>Organisation and composition</li> <li>Board’s focus on sustainability</li> </ul>	The Board through the NRC, review the findings of BEE and set the action plans	Action plans are monitored by the Board to ensure they are addressed properly and updated to the NRC and Board accordingly
<ul style="list-style-type: none"> <li>Effectiveness</li> <li>Coverage of topics per the TOR</li> <li>Organisation and composition</li> </ul>	Circulation of e-Questionnaires	
<ul style="list-style-type: none"> <li>Professionalism and independent judgement</li> <li>Knowledge and skills</li> <li>Contribution and participation</li> </ul>	The self and peers findings are shared with the NRC Chairman and Board Chairman	One-on-one Session between the Chairman and the Director

## BOARD’S EFFECTIVENESS REVIEW AND PERFORMANCE

The outcome of the 2023 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 takeaways included the need to focus on Board composition, stakeholder engagement, succession planning, digitalisation capability and sustainability by the Group.

The 2023 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 in its growth strategy and sustainability journey.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

**PRINCIPLE A Board Leadership and Effectiveness****INDUCTION AND TRAINING**

New Directors joining the Board undergo a comprehensive onboarding programme conducted by members of the Management Committee. This programme covered essential aspects of the business, including 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. Additionally, the Directors are briefed on ongoing and potential projects undertaken by the Group, facilitating their familiarisation with the Group's businesses.

Following the new appointment of the MD/CEO, a comprehensive onboarding programme was conducted on 3 January 2024 which covered all aspects of the Group's business. In adherence to Paragraph 15.08 of the MMLR, the Directors recognise the significance of attending conferences, training programmes, and seminars to stay informed about industry developments and changes. This practice also helps them stay updated on new statutory and regulatory requirements. Throughout the year under review, all Directors attended programmes, conferences and forums covering environmental, social, governance, sustainability, financial matters, relevant industry updates and global business developments. This proactive approach is seen as valuable in contributing to the effective discharge of their duties.

Director	Trainings Programmes/Conferences Attended	Organiser	Date (2023)
Datuk Ir. (Dr.) Abdul Rahim Hashim	PETRONAS Board Conversation Series #Q1 2023: Nature Action	PETRONAS	31 May
	Energy Asia: Charting Pathways for A Sustainable Asia	International Conference & Exhibition Professionals	26 – 28 June
	PCG Board & Management Workshop	PCG	22 August
	BEM Convention 2023: Engineering Leadership on "Nurturing Leadership: A Case for Engineers"	The Board of Engineers Malaysia (BEM)	24 August
	PETRONAS Board Conversation Series #Q2 2023: Sustainability, Transparency and Disclosure	PETRONAS	30 August
	S&P Sharing Session on Sharing of Petrochemical Industry	S&P	27 November
	MyGAS 2023: Malaysian Gas Symposium "Revitalising the Role of Gas in Energy Transition"	Malaysian Gas Association (MGA)	16 November
Mazuin Ismail	Malaysia Centre for Fourth Industrial Revolution (C4IR)	World Economic Forum	15 May
	PETRONAS Board Excellence: Sustainability 101 Programme	Group Secretarial & Board Governance, PETRONAS	25 May
	PETRONAS Board Conversation Series #Q1 2023: Nature Action	PETRONAS	31 May
	Top Leaders Dialogue	PETRONAS	11 – 12 June
	Energy Asia: Charting Pathways for A Sustainable Asia	International Conference & Exhibition Professionals	26 – 28 June
	LNG Canada Conference	International Gas Union (IGU) & GTI Energy	11 – 12 July
	TNB Energy Transition Conference	Tenaga Nasional Berhad (TNB)	28 – 29 August
	PETRONAS Board Excellence: Continuous Education - Conflict of Interest	PETRONAS	27 October

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

Director	Trainings Programmes/Conferences Attended	Organiser	Date (2023)
Yeoh Siew Ming*	Enterprise Compliance - Introduction to Export Control	PETRONAS	18 May
	Energy Asia: Charting Pathways for A Sustainable Asia	International Conference & Exhibition Professionals	26 – 28 June
	PCG Board & Management Workshop	PCG	22 August
	PETRONAS Board Conversation Series #Q2 2023: Sustainability, Transparency and Disclosure	PETRONAS	30 August
	2023 Board and Audit Committee Practices	KPMG	6 July
	Introducing the first ISSB Standards: Understanding what they mean for global companies	KPMG	21 July
	Advocacy Session for Directors and CEO for Main Market Listed Issuers	Bursa Malaysia	17 August
	Navigating AI Governance and ESG Reporting for the Future	KPMG	17 October
	Management of Cyber Risk	Bursa Malaysia	25 October
	PETRONAS Board Excellence: Continuous Education - Conflict of Interest	PETRONAS	27 October
	Get ready for ISSB Sustainability Disclosure	KPMG	21 November
	S&P Sharing Session on Sharing of Petrochemical Industry	S&P	27 November
	Climate Change and Carbon Footprint: Getting the Right Financial Risk and Reporting Perspectives	ICDM	1 December
	Cyber Security & You	PETRONAS	6 December
Enterprise Compliance: Zero Tolerance Rules Interactive	PETRONAS	15 December	
Warren William Wilder	PCG Board & Management Workshop	PCG	22 August
	World Chemical Forum 2023	Chemical Market Analytics by Opus - Dow Jones Company	12 – 14 September
	Webinar: Africa's Giant Fields: Greener and Faster	S&P Global	17 November
	84 <sup>th</sup> Transactions Roundtable	Pilko & Associates Motiva Morgan Stanley Skadden	8 November
	Circular Plastics Service Update: Price & Margins Outlook for Recycled Polyolefins and Bio-Polyolefins (EMEA/AMER)	Chemical Market Analytics by Opus - Dow Jones Company	14 November
	S&P Sharing Session on Sharing of Petrochemical Industry	S&P	27 November
Dr. Zafar Abdulmajid Momin*	From Carbon Capture to Hydrogen Economy	National University of Singapore (NUS) (RU Mini)	22 February
	Building Connected and Sustainable Organizations and Ecosystems	NUS Global Asia Institute	17 March
	Singapore Commodity Market Insights Forum	S&P Global Commodity Insights	28 March
	Smart Additive Manufacturing	NUS (RU Mini)	23 April
	PETRONAS Board Conversation Series #Q1 2023: Nature Action	PETRONAS	31 May
	PCG Board & Management Workshop	PCG	22 August
	PETRONAS Board Conversation Series #Q2 2023: Sustainability, Transparency and Disclosure	PETRONAS	30 August
	Asia Pacific Petroleum Conference (APPEC) 2023	S&P Global Training	4 – 6 September

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

**PRINCIPLE A Board Leadership and Effectiveness**

Director	Trainings Programmes/Conferences Attended	Organiser	Date (2023)
Dr. Zafar Abdulmajid Momin*	Asia Pacific Board Leadership Forum 2023	Russell Reynolds	17 – 18 October
	PETRONAS Board Excellence: Continuous Education - Conflict of Interest	PETRONAS	27 October
	Get ready for ISSB Sustainability Disclosure	KPMG	21 November
	PETRONAS Board Conversation Series #Q3 2023: Physical Climate Risk and the Impact on PETRONAS	PETRONAS	24 November
	S&P Sharing Session on Sharing of Petrochemical Industry	S&P	27 November
Datin Seri Sunita Mei-Lin Rajakumar*	Nature and Business: How to Accelerate Business Action to Reverse Nature Loss	PETRONAS	13 January
	UK-Malaysia Low Carbon Energy Programme (LCEP) "Powering a Just Transition"	British High Commission	7 February
	Chairman McKinsey Global Institute Sven "A New Era for the World: Opportunities and Risks for Malaysia"	McKinsey	20 February
	Whistleblowing Training	HSBC	27 February
	Insights from COP27 & COP15 and its Implications for the Board	Climate Governance Singapore	4 April
	EY C-Suite Forum 2023	Ernst & Young	6 April
	HSBC Global Non-Executive Director Summit	HSBC	15 – 17 May
	PETRONAS Board Conversation Series #Q1 2023: Nature Action	PETRONAS	31 May
	Energy Asia: Charting Pathways for A Sustainable Asia	International Conference & Exhibition Professionals	26 – 28 June
	Webinar Series Carbon Pricing in Malaysia Session 2: Mandatory Carbon Markets	Climate Governance Malaysia (CGM) & The European Roundtable on Climate Change and Sustainable Transition (ERCST)	26 July
	PNB Knowledge Forum 2023	Permodalan Nasional Berhad (PNB)	27 July
	Pricing A Negative Externality: Carbon Session 4 - Carbon Pricing in the Malaysia Context	CGM & ERCST	7 August
	PCG Board & Management Workshop	PCG	22 August
	PETRONAS Board Conversation Series #Q2 2023: Sustainability, Transparency and Disclosure	PETRONAS	30 August
	Russell Reynolds 3 <sup>rd</sup> Annual Asia Board Leadership Forum	Russell Reynolds	18 October
	PETRONAS Board Excellence: Continuous Education - Conflict of Interest	PETRONAS	27 October
	Get ready for ISSB Sustainability Disclosure	KPMG	21 November
	S&P Sharing Session on Sharing of Petrochemical Industry	S&P	27 November
	2023 United Nations Climate Change Conference (COP 28)	COP28 International Emissions Trading Association (IETA) Pavilion/ Malaysia Pavilion COP 28	30 November – 2 December
	CGI Key Takeaways from COP28 for the Boardroom	Climate Governance Initiative	14 December

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

Director	Trainings Programmes/Conferences Attended	Organiser	Date (2023)
Datuk Sazali Hamzah	CERAWeek 2023, Houston USA	S&P Global	6 – 10 March
	Invitation: Invest Malaysia 2023 Series 1 - Strengthening Resilience & Sustaining Growth	Bursa Malaysia & Maybank	8 March
	Board Dialogue Series 1: Innovation	PETRONAS	20 March
	PETRONAS Board Conversation Series #Q1 2023: Nature Action	PETRONAS	31 May
	Training for PDB Board & C-Suite Upskilling: Sustainability (FTSE4GOOD & TCFD)	PETRONAS Dagangan Berhad (PDB)	7 June
	Top Leaders Dialogue	PETRONAS	12 June
	Energy Asia: Charting Pathways for A Sustainable Asia	International Conference & Exhibition Professionals	26 – 28 June
	PCG Board & Management Workshop	PCG	22 August
	PETRONAS Board Conversation Series #Q2 2023: Sustainability, Transparency and Disclosure	PETRONAS	30 August
	PETRONAS Board Excellence: Continuous Education - Conflict of Interest	PETRONAS	27 October
	PETRONAS Board Conversation Series #Q3 2023: Physical Climate Risk and the Impact on PETRONAS	PETRONAS	24 November
	S&P Sharing Session on Sharing of Petrochemical Industry	S&P	27 November
Farehana Hanapiah	CERAWeek 2023, Houston USA	S&P Global	6 – 10 March
	Board Dialogue Series 1: Innovation	PETRONAS	20 March
	PETRONAS Board Conversation Series 1: Nature Action	PETRONAS	31 May
	Top Leaders Dialogue	PETRONAS	12 June
	Energy Asia: Charting Pathways for A Sustainable Asia	International Conference & Exhibition Professionals	26 – 28 June
	PCG Board & Management Workshop	PCG	22 August
	PETRONAS Board Conversation Series #Q2 2023: Sustainability, Transparency and Disclosure	PETRONAS	30 August
	Top Leaders Dialogue 2023: Route to Sustainability Excellence	PETRONAS	18 – 19 October
	Coaching Summit 2023 at PETRONAS Leadership Centre	PETRONAS	25 October
	PETRONAS Board Excellence: Continuous Education - Conflict of Interest	PETRONAS	27 October
	S&P Sharing Session on Sharing of Petrochemical Industry	S&P	27 November

\* BAC Members

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

**PRINCIPLE A Board Leadership and Effectiveness****DIRECTOR'S INDEMNITY**

Throughout the reviewed year, PCG provided indemnification for its Directors, in compliance with the provisions of the CA 2016. Directors and Officers are indemnified against liabilities incurred in the discharge of their duties while holding office, to the extent allowed under the Directors' and Officers' Liability Insurance (D&O) procured by the Company. The indemnification extends to circumstances covered by the insurance.

Directors have the option to secure additional D&O insurance, offering protection against unindemnified liabilities by the Company or uninsured circumstances, to the extent insurable. The determination of premiums for this insurance is made by the insurance company and the Directors may opt to subscribe to this coverage.

**DIRECTORS' REMUNERATION**

Our strategic approach to Directors' fees is crafted to align with our objectives, fostering the attraction, motivation, and retention of top-tier talent. This fees structure, adhering to regulatory requirements and reflecting prevailing market practices and trends, is designed to offer both attractive and well-balanced rewards.

In pursuit of transparency and formality, the Board has established a robust Directors' Remuneration Framework. This framework encompasses special fees, retainer fees, meeting allowances, and benefits in-kind. To comply with Section 230(1) of the CA 2016, the resolution seeking approval for Directors' fees from the 25<sup>th</sup> AGM until the upcoming AGM was presented to shareholders for their endorsement.

	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 = Up to 5 times of meeting attendance fee)	3,500	

\* NINEDs who are employees of PETRONAS are not eligible for fuel allowance

The fees and meeting allowances for NINEDs who are PETRONAS employees are directly disbursed to PETRONAS. These fees and allowances for NEDs will persist until a subsequent review by the Board, contingent upon the PCG's shareholders' approval. Additionally, the Company covers all relevant expenses incurred by Directors in the discharge of their duties.

The breakdown of the detailed Directors' remuneration is disclosed in the Corporate Governance Report 2023 (CG Report 2023) which is accessible to the public at Company's corporate website at <https://www.petronas.com/pcg/media/reports>. During the year under review, Ir. Mohd Yusri Mohamed Yusof was remunerated an amount of RM1,915,980.00 as MD/CEO of PCG. He was not entitled to receive director's fee or meeting allowances throughout his service as PCG's MD/CEO.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

## SENIOR MANAGEMENT'S SHAREHOLDINGS

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

Name	Held by whom	Direct Interest				% of shareholdings
		Opening balance/ Date of Appointment	Bought	Sold	Closing balance	
Ir. Mohd Yusri Mohamed Yusof	Self	23,000	27,000	-	50,000	0.00

## SENIOR MANAGEMENT'S REMUNERATION

Our approach to remuneration underscores the Group's dedication to adhering to best practices in compensation, retention, and rewards, aiming to attract and retain exceptional talent. We consistently assess remuneration packages and incentives through regular evaluations aligned with 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, comprising PETRONAS employees seconded to the Company, receives remuneration aligned with industry standards and benchmarked against the market. The Board acknowledges that there is a departure from Practice 8.2 of the MCGG (disclosure on a named basis of the top five Senior Management's remuneration components). The Company has opted not to disclose the components of the remuneration of its top 5 Senior Management as their salary, bonus, benefits in-kind and other emoluments are subject to the Personal Data Protection Act (PDPA) 2010.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## PRINCIPLE B Effective Audit and Risk Management

### Financial Reporting

Under the ownership of the Chief Financial Officer, policies and procedures governing the financial reporting process and preparation of financial statements are transparently communicated through the Group Policies system. The BAC conducts regular reviews during which reports from members of the finance team and external auditors, who are invited to attend BAC meetings, are scrutinised. In this review process, the BAC considers various aspects, including material accounting assumptions and estimates made by management, significant judgements or key audit matters identified by the external auditor, compliance with relevant accounting standards and other regulatory reporting requirements, such as the MCCG, as well as the applied accounting policies and procedures.

### Internal Audit Function

The internal audit function plays a crucial role in offering independent and objective assurance, advice, and insight on the Group's governance, risk management, and internal control processes. The audit results encompass opinions on adequacy and effectiveness, identification of root causes for audit findings, their implications, and recommendations for sustainable actions to be taken by the Management. Management takes responsibility for implementing the closure of audit issues, and the BAC is regularly informed about the status of these closures.

## TRANSPARENT AND ACCOUNTABLE

### Code of Conduct and Business Ethics

The Group upholds and implements the PETRONAS Code of Conduct and Business Ethics (CoBE), which underscores the principles of discipline, good conduct, professionalism, loyalty, integrity, and cohesiveness crucial for the success and well-being of the Group. Within the CoBE are comprehensive policy statements delineating the expected standards of behaviour and ethical conduct for every individual within the Group.

Notably, the Group extends the requirement of compliance with the relevant sections of the CoBE to contractors, sub-contractors, consultants, agents, and representatives, as well as others involved in performing work or services for or on behalf of the Group. The CoBE explicitly forbids improper solicitation, bribery, and other corrupt activities, not only by employees and directors but also by third parties engaged in work or services for or on behalf of Group's companies.

For public accessibility, the CoBE is available on the Company's corporate website at <https://www.petronas.com/pcg/about-us/governance>

### Corporate Liability

The corporate liability provision imposes accountability on a company for any illicit actions undertaken by its employees for the benefit of the company, unless the company can demonstrate the presence of adequate procedures to prevent such misconduct. Aligned with the T.R.U.S.T values and principles, the Company has implemented anti-bribery and corruption programmes and controls, guided by the Guidelines on Adequate Procedures issued by the Prime Minister's Department.

Throughout the year under review, groupwide communications focused on conveying a clear tone from the top, with top management at PETRONAS actively delivering messages. This strategic communication approach played a pivotal role in promoting transparency and integrity, incorporating awareness campaigns such as "Leaders Speak Integrity" to reach all PETRONAS employees, including those at PCG. These campaigns underscored the commitment to implementing best practices and upholding integrity in day-to-day operations and business transactions.

### Anti-Bribery and Corruption Policy and Guidelines

Upholding a stringent zero-tolerance approach towards bribery and corruption, PCG relies on PETRONAS' Anti-Bribery and Corruption Policy and Guidelines, commonly known as the ABC Manual, as a comprehensive framework. This manual elucidates the foundational principles and provides explicit guidance to employees in addressing improper solicitation, bribery, and other corrupt activities that may arise during business operations. Crucially, the ABC Manual extends its reach to encompass all individuals associated with the company, including employees, directors, contractors, sub-contractors, consultants, agents, representatives, and others.

In the fiscal year ending 2023, significant steps were taken in line with this commitment. All Directors signed the Integrity Pledge during the year under review. Furthermore, all employees were mandated to submit asset declarations in the same fiscal year. Additionally, the ABC manual underwent revision in 2023, reinforcing our dedication to maintaining the highest standards of integrity and ethical conduct across its operations.

PCG underwent the ISO 37001:2016 Anti-Bribery Management Systems (ABMS) audit in Q4 2023 and successfully obtained certification from SIRIM in February 2024. This achievement serves as a tangible testament to our unwavering commitment to proactively manage and minimise risk on activities that are exposed to corruption or integrity, hence reinforces our pledge to conducting business ethically and transparently. The certification marks a significant milestone, providing robust validation of our dedication to the effective implementation and continuous enhancement of our anti-bribery compliance programme.

For more details on the ABC Manual, please refer to the Company's corporate website at <https://www.petronas.com/pcg/about-us/governance>



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## Risk Management and Internal Controls

The Board recognises its duty to uphold a robust system of risk management and internal controls, adhering to the guidelines set forth in the Financial Reporting Council's Guidance on Risk Management, Internal Control, and Related Financial Business reporting, as well as the MCCG. The Management team has established a well-defined organisational structure with explicit operating procedures, delineated lines of responsibility, and delegated authority, subject to a comprehensive review by the Board.

Quarterly reviews by the Board encompass an assessment of the risk profile, mitigation measures, and risk appetite. The Board is committed to ensuring the integrity of control systems, including internal financial controls, to effectively protect the Company's assets and investments.

For a comprehensive understanding of risk management and internal controls within the Group, please refer to the Statement on Risk Management and Internal Control (SORMIC), outlined on pages 122 to 136 of the report.

## Whistleblowing Policy

The Company upholds the PETRONAS Whistleblowing Policy, offering a platform for both Group employees and the public to disclose any improper conduct in adherence to the stipulated procedures. This policy assures individuals that disclosures are secure and handled confidentially, operating through accessible whistleblowing channels with the utmost integrity and accountability.

The Whistleblowing Policy outlines the oversight and responsibilities of the whistleblowing process, the reporting procedure, whistleblower protection, and the global confidentiality extended to whistleblowers. The policy and procedures are publicly accessible on the Company's corporate website at <https://www.petronas.com/pcg/about-us/governance>. To report any improper conduct, individuals can email [whistle@petronas.com](mailto:whistle@petronas.com).

## Trading on Insider Information

Every quarter, the Company Secretary disseminates a Notice of Closed Period to Directors, the Management Committee, and pertinent senior management within the PCG Group. This notice emphasises the protocols governing the trading of the Company's shares, particularly during the "Closed Period" when individuals possess price-sensitive information related to PCG. Throughout the reviewed year, neither the Board nor the Principal Officers engaged in any trading activities during the Closed Period. This information was regularly communicated to the Board on a quarterly basis for their acknowledgment.

When dealings outside closed period, the Directors and key senior management must, within three market days after the dealing has occurred, give notice of the dealing in writing to the Company Secretary in which the announcement to Bursa Malaysia will be made immediately.

## Related Party Transactions and Conflicts of Interest

The BAC meticulously reviews all RPTs, including RRPTs, conducted by the Company or its subsidiaries, adhering to PCG's Guidelines and Procedures on Related Party Transactions and Conflict of Interest Situations. To fortify internal control, the Company has established robust Guidelines and Procedures on RPTs and Conflict of Interest Situations.

A more streamlined process has been implemented, incorporating an RPT Assessment Checklist that outlines each step of approval, monitoring, and reporting for RPTs/RRPTs before final endorsement by the BAC. During the year under review, an independent assessment and assurance on PCG's RPT/RRPT management was carried out by an Internal Audit Department to ensure necessary controls are adequate and the completeness of reporting in meeting the relevant laws and regulations. This audit exercise commenced in 4Q FY2023 and the audit findings was tabled to the BAC in February 2024. The audit covered the reporting period from 31 December 2021 to 31 December 2023. For a comprehensive overview of the Group's policies and procedures on RPTs and RRPTs, please refer to the SORMIC, available on pages 122 to 136 of this report.

## Selection of Vendors

The Group adheres to and incorporates the PETRONAS tendering process and governing principles outlined in the PETRONAS Procurement Standard for the selection of vendors. Typically, the primary selection criteria revolve around technically acceptable and commercially attractive bids.

To facilitate an impartial review on vendors' selection and ensure adherence to established guidelines and procedures, Tender Committees are established for deliberation of tenders above certain threshold and upon endorsement from the Tender Committees, award recommendations are forwarded to the approving authority for approval.

The tendering process encompasses several key stages:

- Tender Plan Approval
- Technical Evaluation
- Commercial Evaluation
- Award Recommendation

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

**PRINCIPLE C** Integrity in Corporate Reporting and Relationship with Stakeholders**OUR CUSTOMERS**

**Our MD/CEO, in charge of overseeing the management of key customers, regularly updates the Board on his interactions with customers and engagement with policy makers and regulatory bodies.**

The Board receives comprehensive customer insights and information through reports presented by the MD/CEO and management teams, as well as during strategy and business presentations. This ensures a well-rounded understanding of our customer relationships and the external landscape.

**MEANINGFUL****OUR COMMUNITIES**

**To carry out impactful long-term initiatives, employees harness collaborations and partnerships with various non-governmental organisations and local government agencies. PCG's Social Impact programmes, strategically planned and implemented, align with and support the Company's Sustainability Agenda.**

These community engagements are focused on Education, Community Well-being & Development, and Environment, mirroring the three key areas outlined in the PETRONAS Social Impact Management Framework. This strategic alignment ensures a cohesive and targeted approach to our social impact initiatives.



## CORPORATE GOVERNANCE OVERVIEW STATEMENT

**OUR SHAREHOLDERS**

**A dedicated Investor Relations team consistently engages with shareholders and investors, organising and coordinating sessions to facilitate access to management and occasionally the Board.**

The Group proactively addresses inquiries from shareholders and potential investors, focusing on their specific areas of interest.

The Investor Relations team provides weekly updates on the daily movement of PCG shares vis-à-vis the Brent crude price, FBM Kuala Lumpur Composite Index (FBM KLCI) and selected peer shares. Monthly and quarterly management reports include similar periodic reviews of PCG shares as well as updates on top ten and foreign shareholdings. Additionally, the Board is kept informed of market perceptions and investor expectations, particularly pre and post quarterly financial results announcements, as analysts' reports and views are provided regularly. All shareholders are provided several avenues to post questions and comments directly to the Board i.e., email as well as the Q&A channel provided before and during AGMs. Any feedback or suggestions received are promptly communicated to the Board.

**COMMUNICATION****OUR SUPPLIERS**

**Our commitment to supply chain integrity underscores our dedication to sustainability, with our supplier relationships serving as a valuable source of insights for the Board.**

Our site and purchasing teams collaborate extensively with suppliers on diverse matters, encompassing product stewardship, ethical sourcing, regulatory compliance, and operational enhancements. The Board gains comprehensive insights into these issues through detailed Board reports and active engagement with our operations and functional teams. This collaborative approach ensures that the Board remains well-informed about the intricacies of our supply chain.



## CORPORATE GOVERNANCE OVERVIEW STATEMENT

**PRINCIPLE C Integrity in Corporate Reporting and Relationship with Stakeholders**

The Management is dedicated to fostering regular and transparent communication with investors. Orchestrated by the Investor Relations Department, our comprehensive investor engagement programme encompasses various activities. These include hosting quarterly results analyst briefings, arranging site and company visits for analysts and investors, conducting non-deal roadshows, thematic webinars and participating in investment conferences.

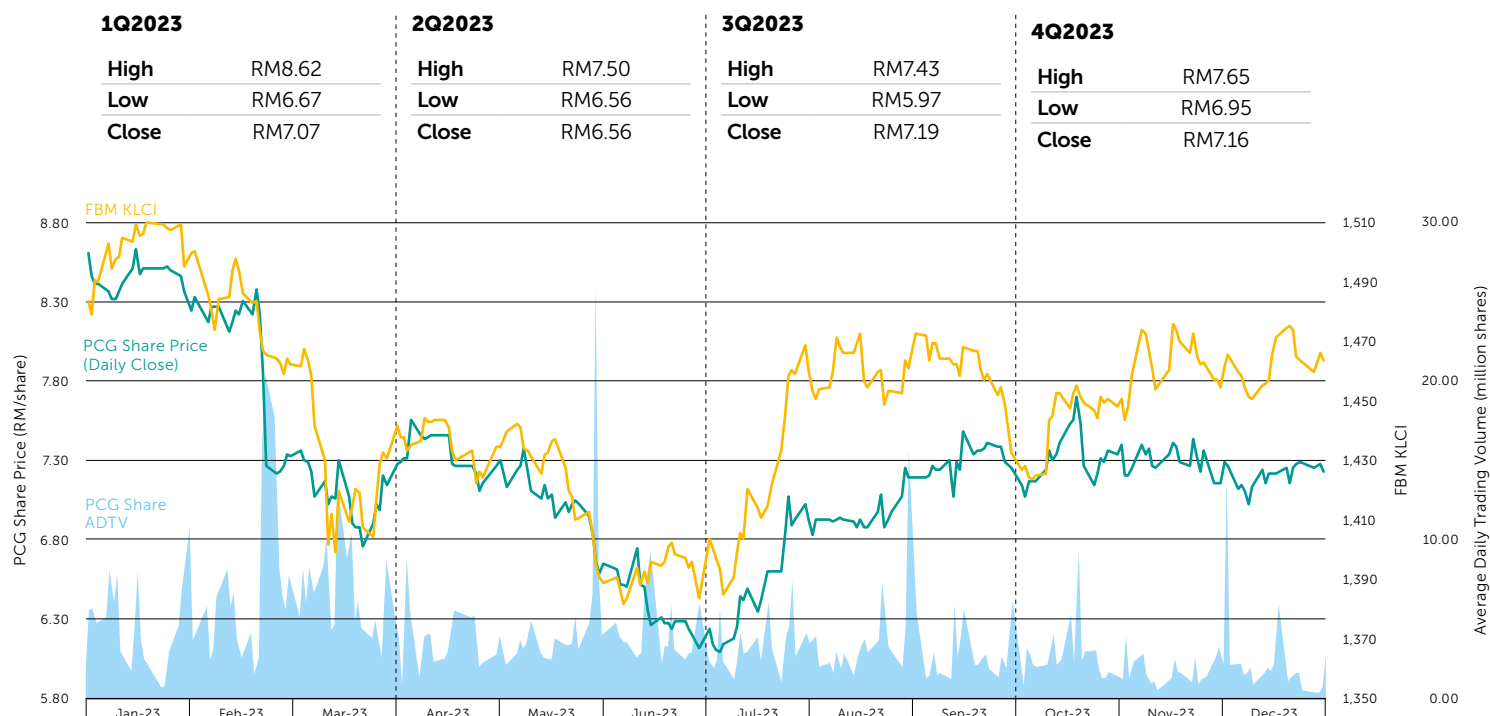
While the investor relations engagements are selectively led by the MD/CEO and the Chief Financial Officer, certain activities are occasionally joined by other Board members, especially when their areas of expertise align with key shareholder discussions. Quarterly analyst briefings feature the presence of senior management, addressing operational matters, market trends, growth projects, sustainability, and other pertinent issues. Recordings and transcripts of these briefings are promptly made available on our corporate website to ensure equal access for all investors.

Regular updates are provided to the Board through quarterly Board papers, management presentations, and email correspondence. Beyond being a communication channel, the investor relations team serves as a conduit, conveying investors' feedback, capital market views and sentiments, relative share price performance as well as suggestions for enhanced corporate disclosures. This invaluable information equips the management and Board with insights into investors' concerns and requirements, aiding informed decision-making for the Group's future direction.

In addition to formal events, the investor relations team maintains ongoing communication with stakeholders through meetings, telephone calls, and email correspondence. The AGM serves as a traditional platform for direct engagement between shareholders and the Board. Shareholders can submit questions and comments before and during the AGM, fostering a transparent and interactive environment.

**FY2023 SHARE PRICE PERFORMANCE**

- In 2023, PCG shares registered an overall decline in prices and market capitalisation, corresponding to the decline in quarterly earnings. Sentiments surrounding the shares included sluggish economic recovery, crude oil price volatility, negative chemicals sector outlook weakened by low demand, high supply, high inflation and margin pressure
- The shares closed at RM8.60 per share on the first trading day (3 January) and ended the year 17% lower at closing price of RM7.16 on the last day (29 December). The shares reached a 3-year low of RM5.97 on 6 July. In comparison, the FBM KLCI declined only marginally during the period
- The average daily trading volume (ADTV) during the year was recorded at 4.5 million shares a decline of 44% compared to 8.1 million shares in 2022, indicating low investor interest. This is further explained by the gradual decline in monthly foreign shareholding as the chemicals sector continued its downcycle throughout 2023



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The investor relations team extends its engagement efforts beyond retail and institutional shareholders to include potential investors, analysts, investment banks, stockbrokers, and other capital market participants. These efforts encompass interactions with entities such as Bursa Malaysia, the Securities Commission, the Minority Shareholder Watch Group, and the Malaysian Institute of Corporate Governance.

## 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 FY2022

Declaration Date: 23 February 2023  
Entitlement Date: 13 March 2023  
Payment Date: 23 March 2023

### First Interim Dividend FY2023

Declaration Date: 22 August 2023  
Entitlement Date: 8 September 2023  
Payment Date: 21 September 2023

March 2023 (Second Dividend) payment for 2022.

**412**  
**Engagements**  
(FY2022: 359)

### CHANNELS

Annual General Meeting
Quarterly Analyst Briefings
Conferences and Roadshows
Corporate Meetings
Emails and Telephone Calls
Site Visits

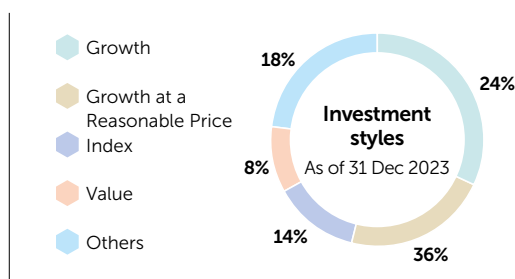
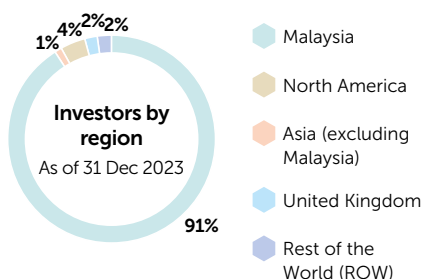
## OWNERSHIP BY NON-MALAYSIANS

As at Financial Year Ended 31 December	2019	2020	2021	2022	2023
Foreign shareholding (%)	9.5	7.3	9.4	10.6	8.2

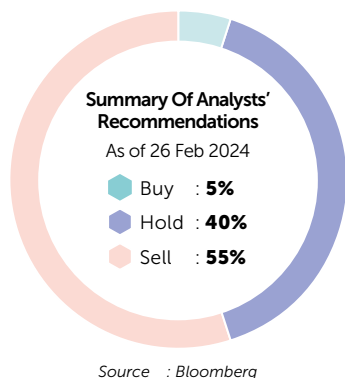
As at month end in FY2023	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Foreign shareholding (%)	10.3	9.9	8.9	8.7	8.8	8.7	8.5	8.4	8.3	8.2	8.2	8.2

Foreign shareholding declined in FY2023 compared to the previous year in line with net foreign outflow recorded by Bursa Malaysia. Non-Malaysian institutional investors reallocated investments towards sectors with positive outlooks while their interest in PCG fell on expectations of declining earnings forecast as the chemicals downcycle was set to be prolonged.



Source : Nasdaq Ir Insights, as at 31 Dec 2023

## ANALYST COVERAGE



Source : Bloomberg

No.	Research House
1.	Affin Hwang Investment Bank Berhad
2.	AmInvest Bank Berhad
3.	BIMB Securities Sdn. Bhd.
4.	CGS-CIMB Securities
5.	CLSA Securities (M) Sdn. Bhd.
6.	Citi Investment Bank
7.	Goldman Sachs Investment Banks
8.	Hong Leong Investments Bank Berhad
9.	JP Morgan Securities
10.	KAF Equities Sdn. Bhd.

No.	Research House
11.	Kenanga Investment Bank Berhad
12.	MIDF Amanah Investment Bank Berhad
13.	Macquarie Securities
14.	Maybank Investment Banking Group
15.	Morgan Stanley Asia (Singapore) Pte.
16.	Nomura Securities Malaysia Sdn. Bhd.
17.	RHB Investment Bank
18.	TA Securities Holdings Berhad
19.	UBS Securities (Thailand) Ltd
20.	UOB Kay Hian Securities (M) Sdn. Bhd.

## CONFERENCES ATTENDED

CGS- CIMB 15<sup>th</sup> Annual Virtual Corporate Day, 3 January 2023

CLSA Malaysia Strategy & PETRONAS Outlook 2023, 6 January 2023

Nomura ASEAN Conference 2023, 6 March 2023

Morgan Stanley Virtual ASEAN Conference 2023, 28 June 2023

JP Morgan Steel ASEAN Energy and Metal Forum, 11 July 2023

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## PRINCIPLE C Integrity in Corporate Reporting and Relationship with Stakeholders

### KEY CONCERNS

#### VALUE PROPOSITION:

The company's commendable performance amidst external and internal challenges validates its robust fundamentals, strength and resilience. Having successfully implemented its strategy to diversify into specialty chemicals in 2022 with the acquisition of Perstorp, PCG has effectively completed its post-merger integration at the end of 2023 with a keen focus on maximising synergies between the companies while developing the growth strategy for the segment. This further cements our drive to future proof the business to ensure long term returns, growth and stability, while realising its near term target to obtain 30% additional revenue from non-traditional business.

Lead by a management team with a diverse set of skills and experience, PCG is well positioned for long term sustainable and value creation. The company has dividend policy of about 50% profit after tax and minority interest but has continuously surpassed the policy in its commitments to pay.

#### MANAGING PERFORMANCE:

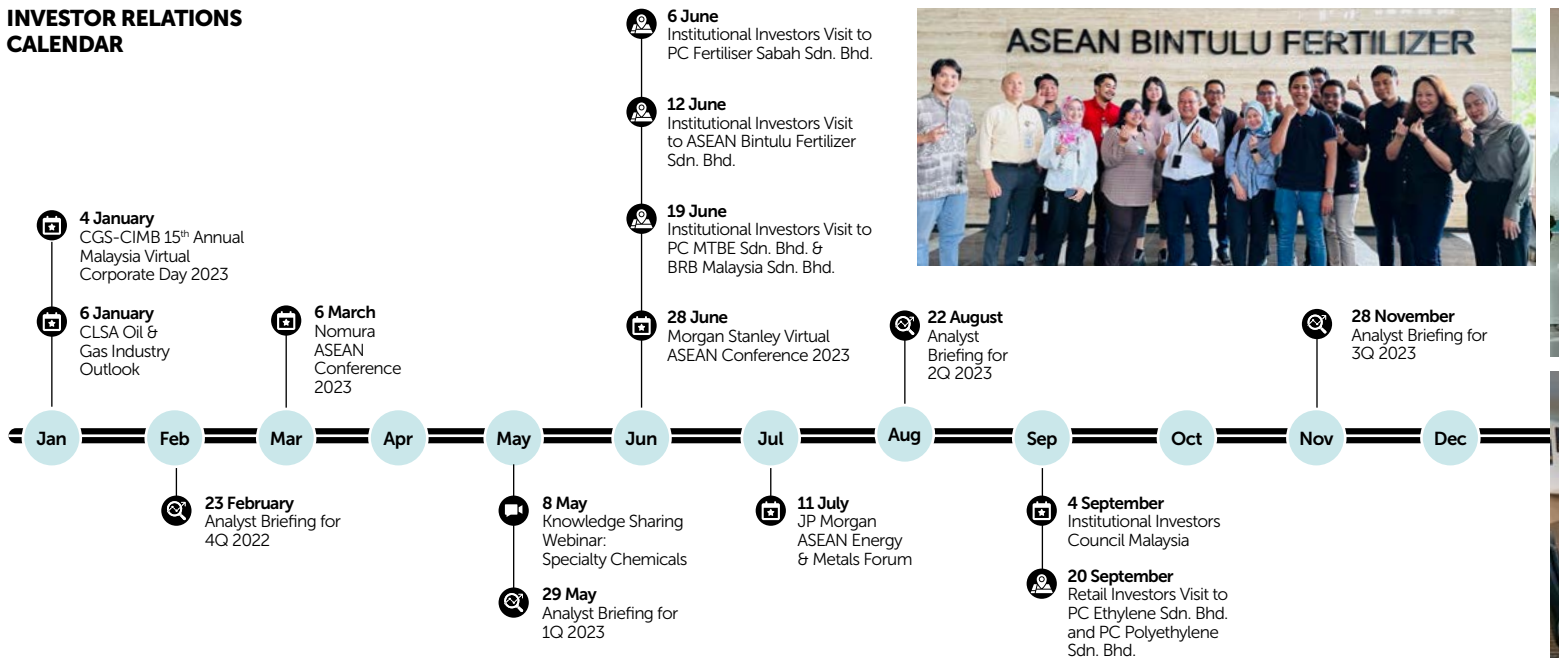
The company continues to focus on its operational excellence initiatives to overcome the challenges faced during the year, including unplanned shutdown at a number of plants while maintaining scheduled statutory turnarounds and maintenance works. With the new specialty chemicals segment, the company now has a broader product portfolio and access to more diverse end user markets. At the same time, proximity to key markets, backed by strong market knowledge allows us to be responsive and agile in navigating market changes and dynamics. As was apparent during the year, changes in energy prices due to supply-demand dynamics, economic movements and growth has a direct impact on chemical product prices. As such, we must optimise our operational and commercial performance while maintaining strict financial prudence.

#### PROJECT DELIVERABLES:

In 2023, the company achieved Ready for start-up (RFSU) for the specialty ethoxylates and polyether polyols plant in Kertih, Terengganu and nitrile butadiene latex plant in Pengerang, Johor. The petrochemical plants in Pengerang Integrated Complex (PIC) are currently undergoing performance test runs. The Melamine plant in Gurun, Kedah, is on track to start-up in the second half of 2024. Following the acquisition of the Maleic Anhydride (MA) plant located in Gebeng, Pahang, rejuvenation work is currently ongoing and is targeted for completion in 2025. The acquisition of Perstorp has brought on board a new Pentaerythritol (Penta) and ISCC PLUS certified Voxtar™ M40 plant in Sayakha, India, that was inaugurated in February 2024. On the sustainability front, PCG reached the Final Investment Decision (FID) to build an advanced chemical recycling plant in Pengerang, Johor, that will convert end-of-life plastic waste into pyrolysis oil, targeted to begin operation in 2026.

### EVENTS

#### INVESTOR RELATIONS CALENDAR



#### FINANCIAL CALENDAR

2023



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## MANAGING EESG:

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 addresses 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.

## CONDUCT OF ANNUAL GENERAL MEETING

The AGM is the principal forum of open dialogue with shareholders. The Company's 25<sup>th</sup> AGM was conducted virtually through live streaming and online remote voting via Remote Participation and Voting Facilities provided by Tricor Investor & Issuing House Services Sdn. Bhd., on 18 April 2023. The Notice and Agenda of the 25<sup>th</sup> AGM were delivered to the shareholders on 17 March 2023, this being 31 days before the AGM. The Notice and Agenda were also published in the local English and Bahasa Malaysia newspapers and made available on the Company's corporate website at <https://www.petronas.com/pcg/investor-relations/annual-general-meeting>. The AGM Notice includes details of the resolutions proposed, along with any relevant information and reports.

The Company had notified the shareholders on the conduct of the AGM virtually via the RPV application, together with the instructions in the Administrative Guide. The same was also published through the announcement to Bursa Malaysia and the Company's corporate website, respectively.

There was active engagement between the Board and shareholders, and there was opportunity for shareholders to have real-time interaction with the Board and the MD/CEO during the AGM. The Chairman, who chaired the proceedings, provided fair opportunity and time to all shareholders to exercise their rights to raise questions and make recommendations. The proceedings of the 25<sup>th</sup> AGM were recorded in the minutes of the meeting and made available within 30 days after the AGM on corporate website at <https://www.petronas.com/pcg/investor-relations/annual-general-meeting>.

## RELATIONSHIP WITH 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.

**R** Details of the Company and the Group's financial statements was set out in the Financial Report.

## STATEMENT OF 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, CA 2016, MCCG, CG Guide - 4<sup>th</sup> edition issued by Bursa Malaysia Berhad and other applicable laws and regulations throughout the financial year ended 31 December 2023. The Board considers that the Company has complied and applied the Principles of MCCG for the year under review, save for Practice 5.2 (majority of Independent Directors) and Practice 8.2 (senior management's remuneration). Details of how the Company has applied the MCCG Principles and complied with its Practices are set out in the CG Report 2023. The explanation for the departures is further elaborated in the CG Report 2023, which is accessible through the Company's corporate website at <https://www.petronas.com/pcg/media/reports>.

## 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 2023 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 26 February 2024.

**DATUK IR. (DR.) ABDUL RAHIM HASHIM**  
Chairman



## 2024

**26 February 2024**  
Announcement of the unaudited consolidated results for the fourth quarter ended 31 December 2023

**13 March 2024**  
Date of entitlement of the second interim dividend for the financial year ended 31 December 2023

**22 March 2024**  
- Date of Notice of the 26<sup>th</sup> Annual General Meeting  
- Date of issuance of 2023 Integrated Report

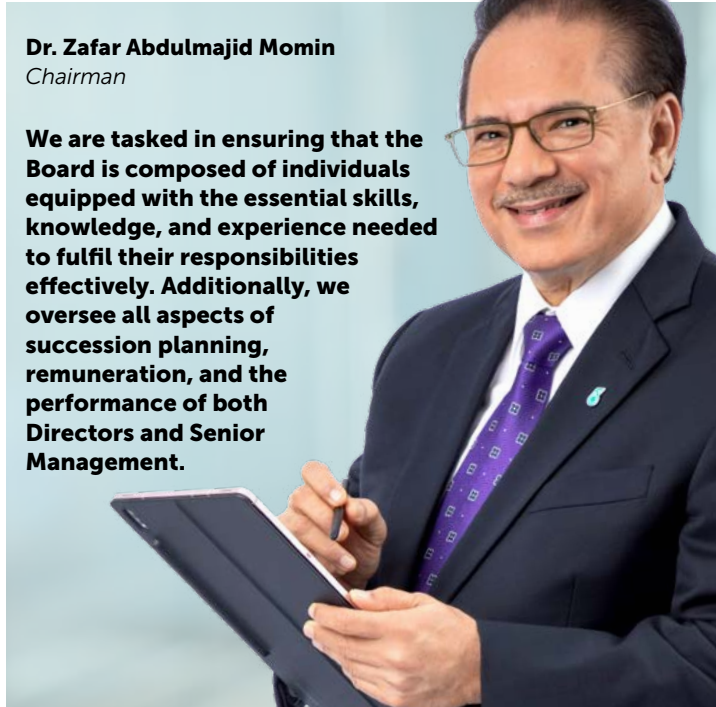
**27 March 2024**  
Date of payment of the second interim dividend of the financial year ended 31 December 2023

**24 April 2024**  
26<sup>th</sup> Annual General Meeting

# NOMINATION AND REMUNERATION COMMITTEE REPORT

**Dr. Zafar Abdulmajid Momin**  
Chairman

**We are tasked in ensuring that the Board is composed of individuals equipped with the essential skills, knowledge, and experience needed to fulfil their responsibilities effectively. Additionally, we oversee all aspects of succession planning, remuneration, and the performance of both Directors and Senior Management.**



## FUNCTIONS OF THE NRC AND RELATED ACTIVITIES IN 2023

### BOARD SUCCESSION PLAN

The Nomination and Remuneration Committee (NRC) holds the responsibility to ensure effective succession planning for Directors and reviewing the Board's skill mix, including the tenure of Independent Directors and proposals for retirement or re-election. On 10 November 2022, the Board Succession Planning Framework was further refined, incorporating enhancements to the selection criteria.

During the reviewed period, notable changes occurred in our Board composition. Datuk Toh Ah Wah retired as a Director, effective from 12 June 2023. Dr. Zafar Abdulmajid Momin assumed the role of NRC Chairman, and Yeoh Siew Ming was appointed as the Senior Independent Director (SID).

Following the above, the NRC had reviewed the Board skills and experience matrix to evaluate the adequacy of the required skills and experience based on the current Board composition. The NRC then engaged an external recruitment consultant to facilitate in sourcing and identifying suitable candidates for the position of Independent Non-Executive Director where potential candidates were expected to possess vast experience in managing a diverse specialty chemicals portfolio and to have a deep understanding of the market segments. At this juncture, the current Board composition shall be maintained. The Board appointment process is based on Board Succession Planning framework as detailed in the Corporate Governance Overview Statement (CGOS) which could be found in pages 94 to 95 of this report.

With the retirement of Datuk Toh Ah Wah, the Board Committees maintained a majority of Independent Directors in its composition and recorded 37.5% of women Directors, in accordance with the Company's Diversity Policy, Main Market Listing Requirements (MMLR) and the principles of the Malaysian Code on Corporate Governance (MCCG).

### MD/CEO AND SENIOR MANAGEMENT SUCCESSION PLAN

In November 2023, the NRC conducted an extensive evaluation of succession planning for five corporate critical positions within PCG, namely the MD/CEO, Senior General Manager (Strategic Planning & Ventures), Chief Manufacturing Officer (CMO), Chief Commercial Officer (CCO), and Chief Financial Officer (CFO). Additionally, recognising the strategic importance of the portfolio, a specific succession plan was formulated for the role of Chief Operating Officer (COO) overseeing Specialty Chemicals within PCG.

The PETRONAS Top Talent Management (TTM) rigorously developed successors for the PCG Senior Management team, utilising a customised approach firmly grounded in the PETRONAS Top Talent Development Framework. This comprehensive framework encompasses various components such as Board Memberships, Executive Coaching, Executive Courses at Business Schools, and Techno Commercial Leaders Development.

The tailored development programme for PCG successors seamlessly aligns with the solutioning provided by TTM, ensuring a resilient and well-prepared leadership pipeline for the organisation.

### DIRECTORS' RE-ELECTION AND RE-APPOINTMENT

Considering the relevant requirements, the Directors' rotation list underwent scrutiny by the NRC before being presented for endorsement and subsequent recommendation to the Board. As part

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

#### Chairman

##### **Dr. Zafar Abdulmajid Momin**

*Independent Non-Executive Director*

*(redesignated from Member to Chairman w.e.f. 12 June 2023)*

6/6

100%

#### Members

##### **Yeoh Siew Ming**

*Senior Independent Non-Executive Director (w.e.f. 12 June 2023)*

6/6

100%

##### **Farehana Hanapiah**

*Non-Independent Non-Executive Director*

6/6

100%

##### **Datuk Toh Ah Wah**

*Senior Independent Non-Executive Director*

*(retired as SID and NRC Chairman w.e.f. 12 June 2023)*

4/4

100%



# NOMINATION AND REMUNERATION COMMITTEE REPORT

of this process, the affected Directors were required to provide their consent for re-election ahead of PCG's Board meeting.

In accordance with the Company's Constitution, the Board has the authority to appoint an individual as a director to fill a casual vacancy or as an addition to the existing directors. Any person appointed as a director must seek re-election at the next Annual General Meeting (AGM).

The Company's Constitution also outlines the rotation of Directors, with one-third of the Directors scheduled for retirement at every AGM. Pursuant to Articles 100 and 107 of the Constitution, the following Directors are set to retire at the 2024 AGM:

#### Article 100 (Casual Vacancy):

- Mazuin Ismail

#### Article 107 (Retirement by Rotation):

- Warren William Wilder
- Dr. Zafar Abdulmajid Momin
- Datuk Sazali Hamzah

In assessing the candidates' eligibility for re-election, the NRC considers their competencies, commitment, contribution, fitness and propriety, and performance based on the Board Effectiveness Evaluation (BEE), fit and proper declaration, and their ability to act in the best interest of PCG.

#### 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 2023 scorecard and their performance against the set targets:

- Chief Operating Officer (Specialty Chemicals)
- Chief Financial Officer
- Chief Commercial Officer
- Chief Manufacturing Officer
- Head of Strategic Planning & Ventures
- Head of Internal Audit

#### NRC's Effectiveness Review and Performance

Based on the BEE 2023 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 pages 94 to 95.

#### SUMMARY OF ACTIVITIES OF THE NRC

The following activities were carried out in 2023:

- 1 Reviewed performance of the MD/CEO and Key Senior Management
- 2 Reviewed the Directors' training requirement and ensure that the Directors attended the required training during the year
- 3 Reviewed the NRC Report for inclusion in the 2022 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 which was conducted internally through an e-platform
- 5 Reviewed the succession planning for the CEO and Key Senior Management
- 6 Reviewed the manpower cost for MD/CEO of PCG FY2022
- 7 Interview sessions with the 5 potential candidates for the position of Independent Non-Executive Director
- 8 Reviewed Board Succession Plan for FY2024
- 9 Reviewed the actions taken by the Company to address the agreed areas of improvement arising from the BEE 2022
- 10 Update on trainings attended by PCG Directors for 2023
- 11 Attended sharing sessions on various HR topics such as PCG Talent Strategy, PETRONAS Senior Management Remuneration Principles, Specialty Chemicals Talent Strategy and Nurturing Talents in PETRONAS which enabled the NRC to share their thoughts, opinions and experience which might benefit the Group
- 12 Annual Update on the Succession Planning for Key Senior Management Positions FY2023
- 13 Reviewed the Boards Governance Structure for the PCG Group and explored the option of setting up a Specialty Chemicals Advisory Panel
- 14 Interview sessions for the position of MD/CEO

#### NRC Priority Areas in FY2024

In addition to the matters which are under the purview of NRC, the following activities are the priority areas in 2024 which is in line with the key highlights of the BEE 2023 results:

- 1 Overseeing the development of Human Capital
- 2 Talent sourcing for Chief Sustainability Officer
- 3 Succession and development plans for successor of key Senior Management position
- 4 Training for Directors on digitalisation/Artificial Intelligence (AI) and sustainability
- 5 Setting up of Specialty Chemicals Advisory Panel

**Dr. Zafar Abdulmajid Momin**

*Chairman,*

*Nomination and Remuneration Committee*

# BOARD AUDIT COMMITTEE REPORT

**Yeoh Siew Ming**  
Chairperson

**Throughout the year, the Committee remained dedicated to scrutinising the efficacy and integrity of the Group's financial reporting, internal control, and risk management processes.**



## HOW THE COMMITTEE OPERATES

Throughout the review period, the Board Audit Committee (BAC) convened six meetings, with the Company Secretary assuming the role of secretary to the BAC. The BAC extended invitations to the Managing Director/Chief Executive Officer (MD/CEO), Chief Financial Officer, and Head of Internal Audit Division (IAD) to contribute insights, guidance, and pertinent information, clarifying agenda items when necessary.

The Head of IAD presented comprehensive internal audit reports and activities to the BAC. During these sessions, key members of the Management were invited to address specific issues arising from audit findings. External auditors actively participated in BAC meetings, presenting the annual external audit plan and outcomes of the statutory audit conducted on the Company and its subsidiaries. Additionally, the BAC held two private sessions with external auditors on 15 February 2023, and 16 August 2023, respectively, without the presence of the Management.

The BAC ensured timely dissemination of agenda and meeting papers, inclusive of qualitative and quantitative information relevant to meeting objectives, through a secure collaborative software, providing BAC members with online accessibility at least five business days before each meeting. This facilitated document review, communication among BAC members, and ensured informed discussions.

Any Circular Resolutions of the BAC were circulated through an e-Signature tool for member approval. Deliberations during BAC meetings encompassed the Company's financial performance review, interim financial reporting to Bursa Malaysia, year-end statutory audits, assessment of Related Party Transactions (RPTs) and Recurrent Related Party Transactions (RRPTs), along with the status of open audit findings and agreed corrective actions. Minutes of the BAC meeting were confirmed at subsequent sessions and presented to the Board for notation.

In addition to reporting deliberations to the Board, the BAC Chairperson recommended for the Board approval for annual financial statements, annual assessment of External Auditors, RPTs, RRPTs, revisions to internal and external governance processes as suggested by MCCG, and quarterly financial results.

## CONTINUOUS TRAINING

BAC members have recognised the importance for ongoing education and training. In the assessed year, every BAC member actively participated in a minimum of one training session that focused on advancements in accounting and auditing standards, practices, and regulations, aligning with the principles outlined in Practice 9.5 of MCCG.

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

### Chairperson

**Yeoh Siew Ming**

Senior Independent Non-Executive Director

6/6 100%

### Members

**Dr. Zafar Abdulmajid Momin**

Independent Non-Executive Director

6/6 100%

**Datin Seri Sunita Mei-Lin Rajakumar**

Independent Non-Executive Director

6/6 100%

**Datuk Toh Ah Wah\***

Senior Independent Non-Executive Director

4/4 100%

\* Retired on 12 June 2023

## BOARD AUDIT COMMITTEE REPORT

## BAC'S ACTIVITIES IN 2023

## 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 Malaysian Financial Reporting Standards (MFRS) issued by the Malaysian Accounting Standards Board (MASB), Main Market Listing Requirements (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.	<p>Impairment indicators of non-current assets (i.e., property, plant and equipment and intangible asset) and relevant detailed impairment testing.</p> <ul style="list-style-type: none"> <li>• The review of internal and external factors that may give rise to impairment indication</li> <li>• Should indication exists, the review and deliberation of the impairment assessments 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. For FY2023, this includes the review of the Management's impairment assessment on: <ul style="list-style-type: none"> <li>- Pengerang Petrochemical Company's property, plant and equipment</li> <li>- Perstorp's goodwill and intangible assets with indefinite useful life</li> <li>- BRB Group's goodwill</li> <li>- PETRONAS Chemicals Aromatics Sdn. Bhd.</li> </ul> </li> </ul>
2.	Carrying values of inventories and any write-off thereon.
3.	Provision of non-audit services by KPMG in accordance with Malaysian Institute of Accountants (MIA) By-Laws revision.
4.	The review of Audit Planning Memorandum which includes statutory and non-statutory audit fees for PCG Group for Financial Year 2023 to 2025.
5.	Updates on revised MFRS pronouncements issued in 2023.
6.	Divestment of PCG's partial equity in PETRONAS Chemicals Fertiliser Sabah Sdn. Bhd.
7.	Earn-out costs arising from acquisition of a subsidiary in 2019.
8.	Finalisation of leakage audit and purchase price allocation in relation to acquisition of Perstorp in 2022.
9.	Updates on Sabah State Sales Tax legislation and regulations as well as the impact to financial statements.
10.	The review of Principles of Delegation of Authority and Line of Sight for Specialty Chemicals subsidiary.
11.	Revision of PCG Group Limits of Authority.
12.	Getting ready with International Sustainability Standards Board (ISSB) Sustainability Disclosure.
13.	Guarantee on PPC project financing.

- 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 to understand whether any significant control deficiencies are being identified during the course of audit.

# BOARD AUDIT COMMITTEE REPORT

## BAC'S ACTIVITIES IN 2023 (CONTINUED)

### 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 PCG Group Limits of Authority and Summary of Authority for Legal and Corporate Secretarial Services to include new areas of decision making as well as changes of authority level to align with current business requirements and governing documents.
- c. Established line of sight on key decision making for specialty chemicals subsidiaries to ensure alignment to PCG Group strategic objectives.

### 3 CORPORATE GOVERNANCE

- a. Reviewed the Corporate Governance Overview Statement and BAC Report for inclusion in the 2022 Integrated Report.

### 4 INTERNAL AUDIT

- a. Reviewed and approved the changes of Annual Audit Plan FY2023 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 on Annual Audit Plan FY2024 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 FY2022 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 FY2023.
- f. Reviewed IAD's Quality Assurance and Improvement Programme activities.
- g. The Chairperson 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

- a. Reviewed all RPTs/RRPTs prior to execution, in accordance with the PCG Guidelines and Procedures on RPTs/RRPTs and Conflict of Interest (COI), and affirmed that the transactions are carried out in the best interest of the Company, fair, reasonable and are not detrimental to the interest of the 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 2022.

### 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

	2023		2022	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
<b>KPMG PLT</b>				
<b>Audit Fees</b>				
Statutory Audit	1,758	493	1,518	317
<b>Non-audit Fees</b>				
Half-yearly Limited Review	201	201	191	191
Audit of non-financial information for Integrated Report	130	130	130	130
Review of the quarterly Consolidated Results Report for announcement to Bursa Malaysia	33	33	32	32
Review of Statement on Risk Management and Internal Control	27	27	27	27
Verification of Investment Tax Allowance of PETRONAS Chemicals Fertiliser Sabah Sdn. Bhd.	20	-	20	-
Professional services in relation to acquisition of a subsidiary	-	-	120	-
	<b>411</b>	<b>391</b>	<b>520</b>	<b>380</b>
<b>Overseas affiliate of KPMG PLT</b>				
<b>Audit Fees</b>				
Statutory Audit	385	-	178	-
<b>Non-audit Fees</b>				
Tax services for BRB Group	49	-	-	-
Tax services for Perstorp Group	6	-	-	-
Consultancy/advisory	-	-	433	-
	<b>55</b>	<b>-</b>	<b>433</b>	<b>-</b>
<b>Other Auditors</b>				
<b>Audit Fees</b>				
Statutory Audit	6,431	29	7,676	37
<b>Non-audit Fees</b>				
Tax services for overseas subsidiaries	7,046	-	4,441	-
Review of Transfer Pricing documentation	2,701	11	1,023	9
Review on acquisition of Perstorp Group	1,374	-	-	-
Purchase Price Allocation Assessment for Perstorp Group	1,305	-	-	-
Due diligence and cost verification services	1,192	-	3,874	-
Accounting services	1,019	-	890	-
Half-yearly Limited Review	723	7	357	7
Goodwill impairment assessment for Perstorp Group	523	-	-	-
Impairment assessment at Pengerang Petrochemical Company Sdn. Bhd.	25	25	-	-
Audit of report required for application of Government incentive in Netherlands for BRB Group	-	-	159	-
IFRS convergence from Dutch Generally Accepted Accounting Principles (GAAP) for BRB Group	-	-	332	-
Business and legal advisory for incorporation of JV entity	-	-	159	159
	<b>15,908</b>	<b>43</b>	<b>11,235</b>	<b>175</b>
Total Statutory Audit Fees	<b>8,574</b>	<b>522</b>	<b>9,372</b>	<b>354</b>
Total Non-audit Fees	<b>16,374</b>	<b>434</b>	<b>12,188</b>	<b>555</b>
<b>% of Non-audit Fees over Statutory Audit Fees</b>	<b>&gt;100%</b>	<b>83%</b>	<b>&gt;100%</b>	<b>&gt;100%</b>
<b>% of Non-audit Fees over Statutory Audit Fees by KPMG PLT</b>	<b>23%</b>	<b>79%</b>	<b>34%</b>	<b>&gt;100%</b>

# BOARD AUDIT COMMITTEE REPORT

## EXTERNAL AUDIT

To safeguard the autonomy of external auditors, a rotational policy is implemented, necessitating a change in the Audit Engagement Partner overseeing the Company every seven years. This includes a mandatory cooling-off period of five years before re-appointment, aligning with the requirements stipulated by the MIA.

Internally, the external auditors undergo an Independent Partner Review to uphold their independence. A written assurance was provided to the BAC by the external auditors, affirming their adherence to all pertinent professional and regulatory requirements, thereby maintaining independence throughout the audit engagement.

The BAC, in its commitment to thorough oversight, conducted an evaluation of the external auditors' performance, suitability and independence. This assessment focused on four key areas:

- Quality of engagement team and services
- Adequacy of resources
- Quality of communication and interaction
- Independence, objectivity and professional scepticism

## Annual Reporting

The BAC carefully assessed its report for the financial year ended 31 December 2023, confirming its adherence to relevant regulatory requirements and guidelines.

## Internal Audit Function

The BAC is supported by an in-house internal audit, tasked with undertaking independent and objective assurance and advisory activities aimed at adding value and enhancing the Group's operations. The IAD contributes to the Group's objectives by systematically and rigorously evaluating, designing, and improving the effectiveness of governance, risk management, and internal control processes.

Reporting functionally to the BAC and administratively to the MD/CEO, the Head of IAD, Dewi Izza Suhana Radin Amir, ensures impartiality and independence in fulfilling the role outlined in the

BAC-approved Audit Charter. She is a Fellow Chartered Accountant of the Institute of Chartered Accountants in England and Wales (ICAEW) and holds a Bachelor of Arts in Accounting and Financial Management and Economics from the University of Sheffield, United Kingdom.

The IAD operates within the framework of the Internal Audit Charter, that defines its responsibilities, authority, and scope of work within the Group. Aligned with the standards and principles of the Institute of Internal Auditors' International Professional Practices Framework (IPPF), the Charter guides the IAD's activities.

Conducting audits according to established procedures, guidelines, and the COSO Internal Control Integrated Framework, the IAD employs a comprehensive, structured approach based on the five COSO components:

- Control Environment
- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring Activities

To maintain independence and objectivity, internal auditors annually declare freedom from any relationships or conflicts of interest. In case of potential conflicts arising after the annual declaration, internal auditors promptly report to the Head of IAD and abstain from audit scopes leading to conflicts of interest.

The IAD adopts a risk-based approach, prioritising the Annual Audit Plan based on the Group's principal risks and critical areas aligned with business strategic objectives. Inputs for the plan are derived from various sources, including Group and PETRONAS Downstream risk profiles, business objectives and strategies, materiality/criticality of operations, maturity of internal controls in auditable areas, and feedback from stakeholders such as the BAC, Senior Management, selected directors of PCG OPU, Joint Venture (JV) companies and partners, external auditors, and the internal audit fraternity.

# BOARD AUDIT COMMITTEE REPORT

Continuously assessing emerging risks and areas requiring audit, the IAD presents proposed changes to the Annual Audit Plan to the BAC for approval. Throughout the review year, the IAD conducted audit engagements as per the approved plan, and presented the reports to the BAC. The list of audit engagements is as follows:

- 1 Audit on PETRONAS Chemicals Fertiliser Kedah Sdn. Bhd. (PC FK)
- 2 Audit on PETRONAS Chemicals Methanol Sdn. Bhd. (PC Methanol) - Plant Reliability
- 3 Audit on PETRONAS Chemicals Methanol Sdn. Bhd. (PC Methanol) - Turnaround Management
- 4 Audit on PETRONAS Chemicals MTBE Sdn. Bhd. (PC MTBE)
- 5 Audit on Asean Bintulu Fertilizer Sdn. Bhd. (ABF)
- 6 Shareholder’s Audit on PCGPCC Oxyalkylates Sdn. Bhd. (PCGPCC)
- 7 Shareholder’s Audit on Production and Maintenance of Citral Plant at BASF PETRONAS Chemicals Sdn. Bhd. (BPC)
- 8 Audit on PCG OER2 Manufacturing
- 9 Audit on PETRONAS Chemicals Marketing (Labuan) Ltd. (PCML): Commercial Value Chain (CVC) of A&F and MAM
- 10 Shareholder’s Audit on Idemitsu Styrene Monomer Sdn. Bhd. (ISM)
- 11 Audit on Kertih Port Sdn. Bhd. (KPSB)
- 12 Audit on Cybersecurity - International Assets
- 13 Audit on Merger & Acquisition Perstorp Holding AB
- 14 Audit on Post-Merger Integration Activities Perstorp Holding AB
- 15 Audit on PCG Integrity Management
- 16 Shareholder’s Audit on PRefChem
- 17 Audit on Risk Management at PCG
- 18 Audit on PCG RPT and RRPT
- 19 Audit on Sustainability – Environment

The IAD persisted in embracing a data analytics audit approach, employing suitable tools to enable auditors in executing a systematic sampling strategy and conducting audits across the ecosystem and work processes. This approach focused on targeted key risk areas, enhancing coverage and efficiency. The IAD also delved into the application of technologies like Robotic Process Automation (RPA) as integral components of the audit approach, promoting efficiency and systemic audit testing.

Internal audit reports presented to the BAC conveyed opinions on the adequacy and effectiveness of the Group’s governance, risk management, and internal controls. They also outlined root causes of audit findings, their implications, and proposed corrective actions for Management consideration. Management, in turn, assumed responsibility for ensuring the implementation and satisfactory closure of agreed corrective actions within specified time frames. Monthly tracking of corrective action status ensued until resolution, with IAD verification preceding quarterly reporting to the BAC.

The Quality Assurance and Improvement Programme (QAIP) remained an integral part of the assessment framework, continually evaluating the quality of audit processes. This ongoing and periodic evaluation covered the entire spectrum of Internal Audit activities, assessing efficiency, effectiveness, and identifying opportunities for improvement through both internal and external assessments. Results and updates from QAIP assessments were regularly reported to the BAC.

The IAD has ample and adequate resources to execute its Approved Audit Plan. With a total of 18 internal auditors in the Group, each hailing from diverse backgrounds in accounting, finance, plant operations, and procurement, risk management and commercial, the IAD staff held various professional qualifications and certifications.

ICAEW/ACCA/MICPA: <b>4</b>	Master’s Degree: <b>3</b>
Certified Internal Audit: <b>1</b>	COSO Certificate: <b>7</b>
ISC2: <b>2</b>	Engineer’s Certificate of Competency (Steam) DOSH: <b>2</b>
Certified Environmental Professional in the Operation of Industrial Effluent Treatment System, DOE: <b>1</b>	

- Note:**
- Institute of Chartered Accountants in England and Wales (ICAEW)
  - Association of Chartered Certified Accountants (ACCA)
  - Malaysian Institute of Certified Public Accountants (MICPA)
  - International Information System Security Certification Consortium (ISC2)
  - Department of Occupational Safety and Health Malaysia (DOSH) – Ministry of Human Resource
  - Department of Environment (DOE) – Ministry of Environment and Water

## BOARD AUDIT COMMITTEE REPORT

Throughout the reviewed year, the IAD collaborated with business line resources and subject matter experts sourced from partners within the PETRONAS Group. These experts specialised in areas such as Environment, Climate Change, Cybersecurity audit, Enterprise Risk Management, and HSE. Collaborating closely with Joint Venture (JV) and Joint Operation (JO) partners, the IAD actively participated in conducting shareholders' audits for the respective JV/JO entities.

The Group's commitment to empowering internal auditors included continuous training on business acumen and industry best practices. These training initiatives, facilitated by both in-house experts and external accredited training providers, also incorporated professional certifications. On-the-job learning remained a crucial platform for assessing and enhancing the capability and competency of internal auditors.

An annual individual competency assessment gauged the competence of internal auditors, determining specific learning and development needs. This assessment, integrated into PETRONAS' capability development program for internal auditors, adhered to core competencies outlined in the Internal Audit Competency Framework issued by the Institute of Internal Auditors.

In the financial year 2023, the total costs incurred by the internal audit function of the Group amounted to RM7.0 million.

### RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST SITUATIONS

In the past year, the BAC assessed all RPTs and RRPTs, as well as instances of COI, in accordance with the Guideline and Procedures of RPT and COI. This comprehensive guideline outlines the principles and procedures governing such activities across PCG Group, ensuring compliance with applicable MMLR and other legal regulations.

The BAC is satisfied that the Guideline establishes robust procedures to identify, monitor, and track all RPTs/RRPTs in a timely and organised manner. This framework guarantees that these transactions are consistently carried out in the best interests of the Group, maintaining fairness, reasonableness, adherence to normal commercial terms, and preventing detriment to minority shareholders. The BAC has periodically reviewed RPTs within the Group in alignment with the Guideline and intends to revisit procedures and processes based on Management recommendations.

Based on the Guideline and Procedures of RPT and COI, the following situations may give rise to a COI:

- If the Director holds an interest in a business that competes or is likely to compete, either directly or indirectly, with the business of PCG Group;
- In cases where there is no competing interest in the business, but the Director receives commission or fees due to providing consultancy or advisory services to the transacting party having business with PCG Group;
- When the Director is involved in or has an interest in business transactions concerning goods or services, either directly or indirectly, with PCG Group;
- If the Director provides or receives financial assistance from PCG Group.

During the year, there were no COI situations that had arisen which required the BAC's assessment.

The BAC Terms of Reference (TOR) was reviewed and updated in February 2024 to reflect the amendments to the MMLR in relation to COI.

The BAC TOR can be accessed on the Company's corporate website: <https://www.petronas.com/pcg/about-us/governance>



## BOARD AUDIT COMMITTEE REPORT

As part of the integrated oil and gas value chain of the PETRONAS Group, PCG engages in transactions crucial to its operations, such as the supply of raw materials. Due to the integrated nature of PCG's business with the PETRONAS Group, the Company has obtained a waiver from complying with the requirement of Paragraph 10.09 of the MMLR. This waiver, facilitates operational efficiency, by exempting PCG from seeking shareholders' approval for transactions related to certain goods, services, and facilities integral to PETRONAS Group's integrated operations.

		For Year Ended 31 December 2023 RM'000
Transacting Parties	Nature of transactions	
<b>PCG and PETRONAS &amp; its subsidiaries (PETRONAS Group)</b>	<b>INTEGRATED OPERATIONS OF OUR GROUP</b>	
	i. Supply of fuel and feedstock (such as ethane, propane, butane, dry gas, naphtha, natural gas) by PETRONAS Group	7,743,271
	ii. Supply of utilities, electricity and water by PETRONAS Group	174,952
	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	9,489
	v. Provision of operating and maintenance services by PETRONAS Group	8,684
	vi. Purchase of marine diesel oil from PETRONAS Group	28,342
	<b>SERVICES RENDERED WITHIN THE PETRONAS GROUP</b>	
	vii. Provision of vessel screening services by PETRONAS Maritime Services Sdn. Bhd.	679
	viii. Provision of freight, transportation and warehousing services by MISC Berhad and its subsidiaries (MISC Group)	Nil
	<b>OTHERS</b>	
	ix. Sales of petrochemical products and other related products to PETRONAS Group	1,245,390
x. Supply of products from Pengerang Refining Company Sdn. Bhd. (PRC) to PCG	1,209,325	
xi. Supply of products by PCG to PRC	Nil	
xii. Terminal Usage Agreements between PCG Group with Pengerang Terminals (Two) Sdn. Bhd.	Nil	

The BAC is confident that, during the review year, all RPTs/RRPTs were fairly concluded at prevailing market rates/prices, conducted at arm's length, and adhered to normal commercial terms, applicable industry norms, without detriment to PCG and its minority shareholders. Quarterly reporting to the BAC ensured ongoing oversight of these transactions.

**BAC EFFECTIVENESS REVIEW AND PERFORMANCE**

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

**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**

Chairperson,  
Board Audit Committee

# 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

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<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%

# BOARD SUSTAINABILITY AND RISK COMMITTEE REPORT

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*

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

PCG has a risk management framework and internal control systems are 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 opportunity 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 robust risk management practices and internal control system 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 principal risks that may materially affect the achievement of our corporate objectives. The Board monitors the principal 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 recommends 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

## 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			
<p><b>BOARD OF DIRECTORS</b></p> <p>Responsible for the overall effective oversight of PCG’s risk management to safeguard PCG’s assets, reputation and deliver sustainable shareholders’ value</p>			
<p><b>Board Committee Level</b></p>	<p><b>BOARD SUSTAINABILITY AND RISK COMMITTEE (BSRC)</b></p> <ul style="list-style-type: none"> <li>Responsible for guidance and oversight of PCG Group risk management</li> <li>Review and endorse the Group’s risk profile and risk appetite</li> <li>Deliberate risk assessment for high impact business matters</li> <li>Review the Group’s sustainability agenda, commitment, strategy and goals, the risk as well as opportunities</li> </ul>		
<p><b>Management Level</b></p>	<p><b>SUSTAINABILITY AND RISK MANAGEMENT COMMITTEE (SRMC)</b></p> <ul style="list-style-type: none"> <li>Responsible for ensuring the adequacy and effectiveness of sustainability and risk management system and its implementation</li> <li>Deliberate and recommend sustainability and risk performances to be reported and escalated to the BSRC and Board</li> </ul>		
<p><b>Operational Level</b></p>	<table border="1"> <tr> <td> <p><b>MANUFACTURING LEADERSHIP TEAM</b></p> <p>Responsible to oversee risk management for manufacturing</p> </td> <td> <p><b>COMMERCIAL LEADERSHIP TEAM</b></p> <p>Responsible to oversee risk management for commercial</p> </td> </tr> </table>	<p><b>MANUFACTURING LEADERSHIP TEAM</b></p> <p>Responsible to oversee risk management for manufacturing</p>	<p><b>COMMERCIAL LEADERSHIP TEAM</b></p> <p>Responsible to oversee risk management for commercial</p>
<p><b>MANUFACTURING LEADERSHIP TEAM</b></p> <p>Responsible to oversee risk management for manufacturing</p>	<p><b>COMMERCIAL LEADERSHIP TEAM</b></p> <p>Responsible to oversee risk management for commercial</p>		

The Board is supported by the Board Sustainability and Risk Committee (BSRC) in supervising the Group’s risk management frameworks and practices. Together, they establish the ‘tone from the top,’ fostering the desired implementation of risk management throughout the Group.

**R** The key activities of the Board and BSRC are set out in the Corporate Governance Overview Statement on pages 84 to 109 and Board Sustainability and Risk Committee Report on pages 120 to 121.

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 risk management policy and internal control mechanisms, along with their implementation strategies, aimed at mitigating risks for sustaining business operations throughout the Group.

The SRMC deliberates among others PCG’s risks profile, risk appetite, sustainability related matters, crisis and business continuity management and risk assurance activities, and recommends additional course of action or interventions if required.

The Management also provides a reasonable assurance to the Board that the Group’s risks and internal control systems are being managed appropriately.

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.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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.

## Three Lines of Defence

### FIRST LINE OF DEFENCE

#### BUSINESS LINE (RISK OWNER)

Own and manage risks directly within respective area. Conduct self-assessment and corrective action

### SECOND LINE OF DEFENCE

#### RISK MANAGEMENT AND RESPECTIVE SMEs FROM RISK FOCUS AREAS

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

### THIRD LINE OF DEFENCE

#### INTERNAL AND EXTERNAL AUDIT

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.

### PCG IS COMMITTED TO BECOME A RISK RESILIENT ORGANISATION

PCG shall continuously strive to implement:

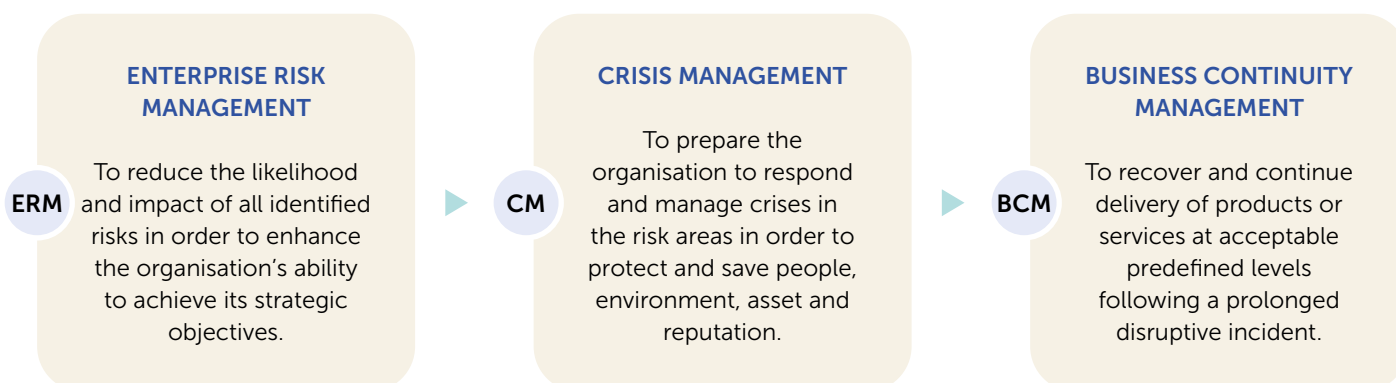
- Risk management best practices to protect and create value within the set boundaries
- Risk based decision making by providing a balanced and holistic view of exposure to achieve business objectives

Managing risk is everyone's responsibility.

The policy underscores the pivotal role for everyone in the organisation to be responsible and accountable in managing risks associated with their actions and decisions.

## 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).



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.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## ENTERPRISE RISK MANAGEMENT

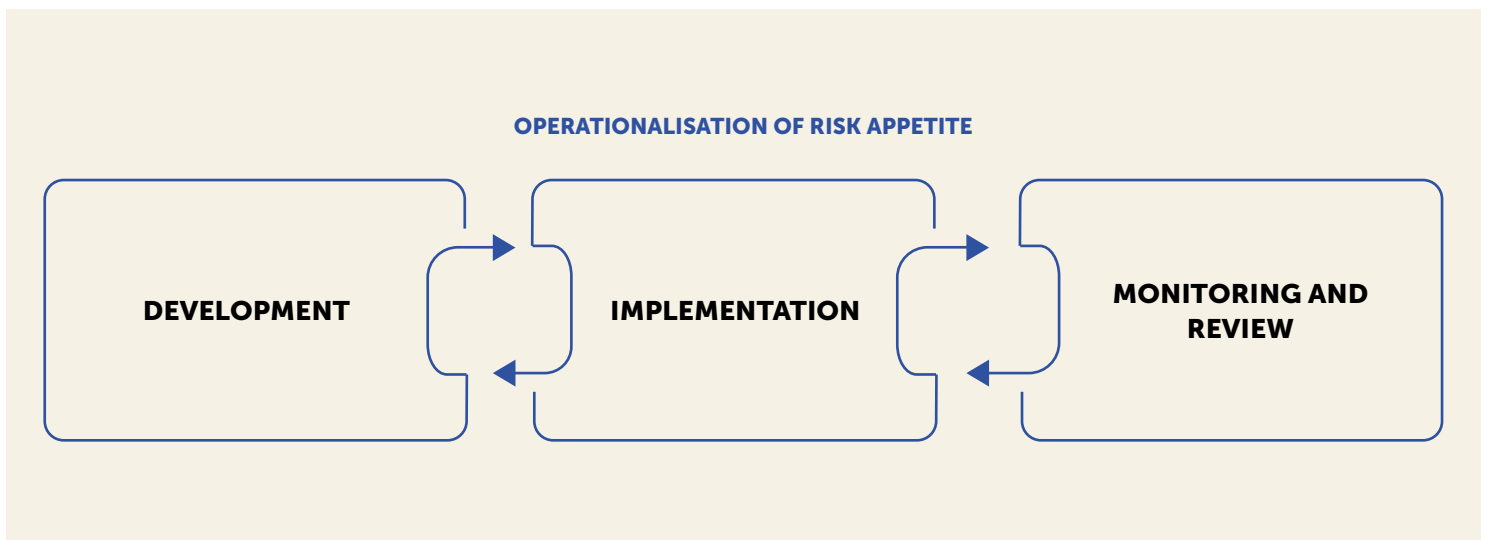
Our ERM Framework and relevant guidelines are generally aligned with the Principles and Guidelines of ISO 31000:2009 and provides a standard and consistent approach in implementing the elements and processes to identify, assess, treat, monitor and review risks impacting PCG’s business objectives and targets.



### 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:



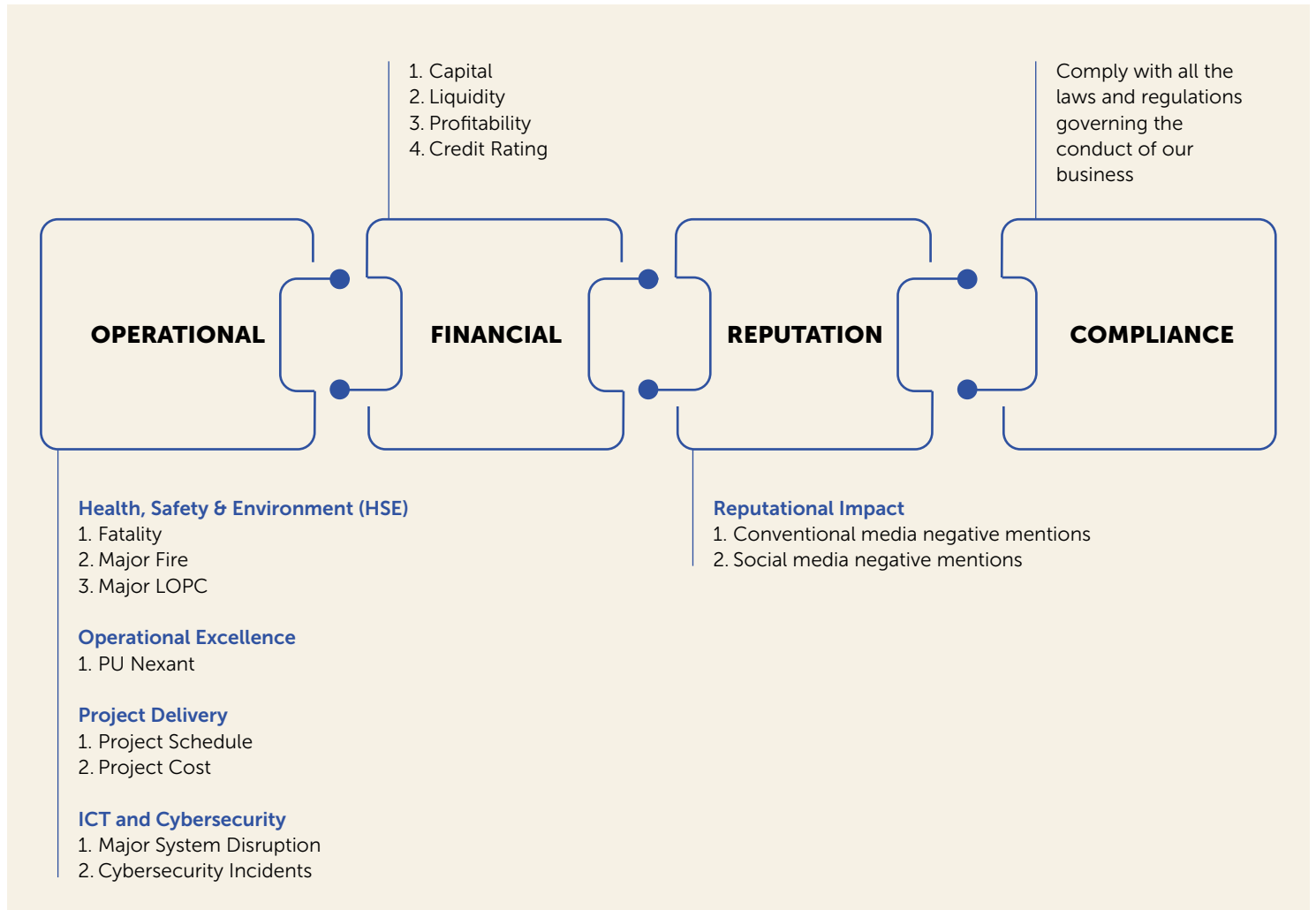
# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## 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:



## b. Implementation

To ensure clear accountability, the roles and responsibilities of all parties involved in Risk Appetite implementation were established. The Risk Appetite is 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.

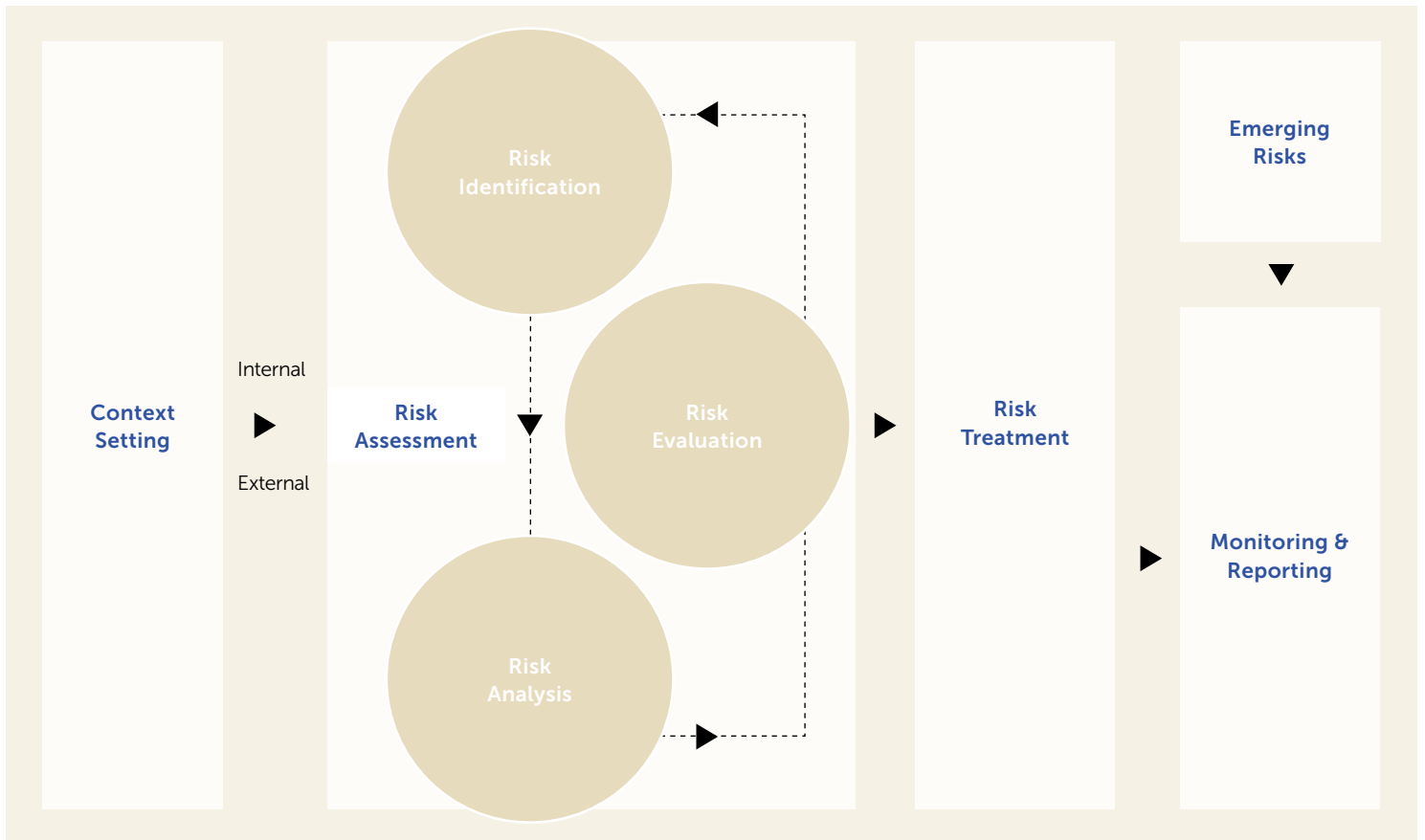


# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## 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.

Proactively, we have initiated efforts to establish the Risk International Database (RID), a comprehensive tool designed to assess and monitor geopolitical issues in countries that may impact PCG’s business. This strategic initiative not only aids in decision-making for current operations but also supports future expansion plans by providing crucial information for informed decision-making.

**R** For more information on PCG’s principal risks, please refer to Risk Overview on pages 64 to 70.

## 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:

<b>Corruption Risk Assessment</b>	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
<b>Health, Safety &amp; Environment Management System (HSEMS)</b>	To manage HSE risks and ensure our operations are in tandem with HSE regulatory requirements and industry best practices
<b>Social Risk Assessment</b>	To ensure the systematic identification, assessment and mitigation of any existing and potential human rights impact to communities, partners and stakeholders through business activities
<b>Environmental Impact Assessment (EIA)</b>	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
<b>Carbon Footprint Assessment (CFA)</b>	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
<b>Project Risk Assessment (PRA)</b>	To ensure the systematic identification, assessment and mitigation of risks associated with projects, in line with PETRONAS Project Management System (PPMS) requirements
<b>Turnaround Risk Assessment (TaRA)</b>	To ensure the systematic identification, assessment and mitigation of risks for turnaround activities
<b>Contractor Risk Assessment (CoRA)</b>	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
<b>Counterparty Risk Assessment</b>	To ensure the systematic identification, assessment and mitigation of risks associated with credit and financial performance, in line with PCG Financial Policy and PETRONAS Credit Guidelines  Each counterparty is assigned credit ratings which will eventually facilitate business decision-making
<b>Supplier Risk Assessment</b>	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.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

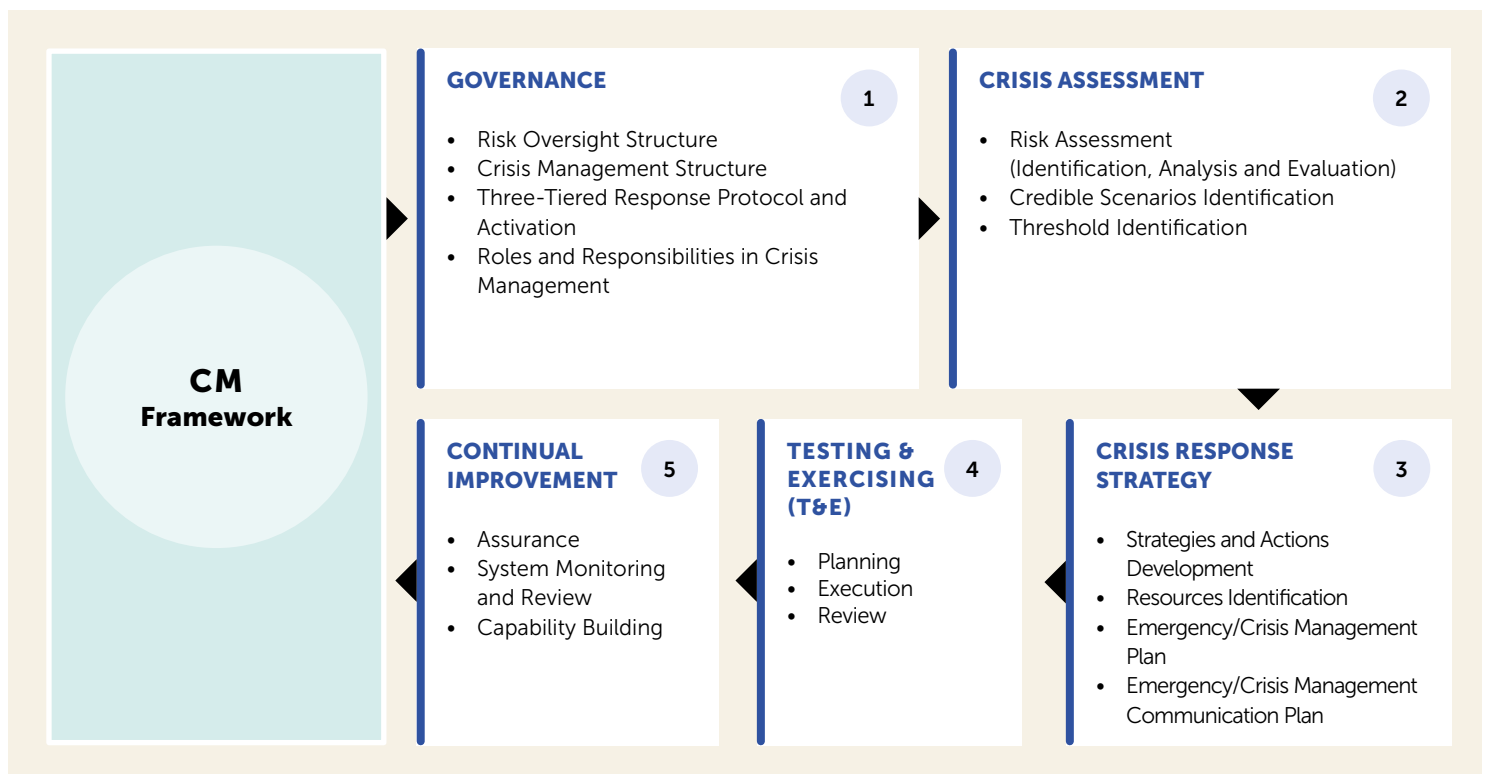
## Risk in Decision-Making

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.

## 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 been established in order to give comprehensive and strategic support to manage crises, including defining the roles and duties of the Crisis Management Team. The CMP outlines 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.

During the year, refresher training was conducted for Crisis Management Team (CMT) on their roles and responsibilities.

Subsequently, a tabletop exercise was carried out to evaluate CMT’s response time to Emergency Command Centre (ECC), collaboration among CMT members in devising solutions for testing scenarios, and management of press conferences.

## 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 that could affect delivery 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. 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 Products Supply 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.

**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 communication programmes to instil the importance of risk management. Throughout the period under review, PCG conducted several engagement sessions with joint venture and associate companies to share insights on risk management implementation, including business and operation readiness for risk management workstream deliverables for LG PETRONAS Chemicals Malaysia Sdn. Bhd. and PCG PCC Oxyalkylates Sdn. Bhd.

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. The 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.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## 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 refers to the 17 principles outlined in the Committee of Sponsoring Organizations of The Treadway Commission (COSO) Internal Control Integrated Framework, serving as a roadmap for ensuring robust and effective internal controls, as depicted below:

<b>CONTROL ENVIRONMENT</b>	<ul style="list-style-type: none"> <li>• Demonstrates a commitment to integrity and ethical values</li> <li>• Board of Directors demonstrates independence from the Management and exercises oversight of internal control performance</li> <li>• Establishes structures, reporting lines and appropriate authorities and responsibilities</li> <li>• Demonstrates commitment to attract, develop and retain competent workforce</li> <li>• Holds individuals accountable for their internal control responsibilities</li> </ul>
<b>RISK ASSESSMENT</b>	<ul style="list-style-type: none"> <li>• Specifies objectives with sufficient clarity for risk identification and assessment</li> <li>• Identifies and analyses risks relating to objectives for determining how the risks are to be managed</li> <li>• Evaluates and considers potential for fraud in assessing risks</li> <li>• Identifies and assesses changes that could significantly impact the system of internal control</li> </ul>
<b>CONTROL ACTIVITIES</b>	<ul style="list-style-type: none"> <li>• Selects and develops control activities to mitigate risks</li> <li>• Selects and develops control activities through technology</li> <li>• Deploys control activities through policies and procedures</li> </ul>
<b>MONITORING ACTIVITIES</b>	<ul style="list-style-type: none"> <li>• Selects, develops, and performs ongoing and/or separate evaluations to ascertain the components of internal control are present and functioning</li> <li>• Evaluates and communicates internal control deficiencies in timely manner</li> </ul>
<b>INFORMATION AND COMMUNICATION</b>	<ul style="list-style-type: none"> <li>• Obtains or generates and uses relevant, quality information to support the functioning of internal control</li> <li>• Communicates internal control information internally and externally</li> </ul>

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 Group's interests are secured by its representatives on the boards and PCG secondees involved in the oversight of joint ventures, joint operations and associates. This commitment is reinforced by routine examinations of management accounts and joint shareholders' audits.

### 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.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

IAD performs continuous risk sensing and insights to ensure the proposed audit activities are carried out as per emerging and relevant risks as well as latest enterprise or business strategies.

The BAC reviews IAD planned and ongoing activities on a quarterly basis with emphasis on audit priority, 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 IAD activities and 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.

**R** *The key activities of the internal audit function and audit competencies are set out in the BAC Report on pages 112 to 119.*

### 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 any key risk arising from 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.

**R** *Further details on the BAC activities are set out on pages 112 to 119.*

- 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.

- Anti-Bribery Management Systems (ABMS)

The Group maintains a zero-tolerance stance against any form of bribery or corruption. To guide employees and third parties in navigating potential or actual bribery and corruption situations, as well as improper conduct in daily business activities, we rely on the PETRONAS Code of Conduct and Business Ethics (CoBE), PETRONAS Anti-Bribery and Corruption Manual, and PETRONAS Whistleblowing Policy.

PCG is dedicated to enhancing the integrity and governance capabilities of our workforce, achieved through the Certified Integrity Officer (CeIO) programme. This initiative, conducted in collaboration with the Malaysian Anti-Corruption Academy (MACA) and PETRONAS Group Integrity, has led to the certification of 11 PCG staff as CeIO, with five staff attaining Exemplar Global certification. Regular integrity strengthening programmes are implemented across the Group, focusing on awareness of key integrity-related topics such as whistleblowing and corporate liability.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

In Q4 2023, PCG successfully underwent the ISO 37001:2016 Anti-Bribery Management Systems (ABMS) audit, culminating in certification from SIRIM in February 2024. The ABMS certification journey, initiated in May 2023, involved a comprehensive review and enhancement of documentation, including manuals, guidelines, procedures, and Corruption Risk Assessment (CRA). This certification reinforces our commitment to the effective implementation, maintenance, and continuous improvement of our anti-bribery compliance programme. It serves as a testament to our dedication to managing any integrity-related activities and adhering to all applicable laws and regulations.

- 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 whistleblows 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>.

- 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.

The Limits of Authority is reviewed in every five years or as necessary, adapting to shifts in organisational structure and business needs to enhance effective decision-making. During the year, the LOA underwent revisions to incorporate new areas of decision-making and changes of authority levels, aligning with current business requirements and governing documents. Review of LOAs for joint ventures were also carried out, striking a balance between operational flexibility and management control to align decision-making areas and authorities with the business activities and operations.

- 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 reviewed at specific intervals or as and when changes happen in the work process to ensure its relevancy, applicability 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

The Group relies on the deployment of Information and Communications Technology (ICT) and Digital programmes to automate workflow processes, aiming to boost operational efficiency, productivity, and facilitate data-driven decision-making. This strategic approach not only propels business growth but also elevates data management practices and bolsters cyber resilience.

The Group is investing in programmes to accelerate maturity towards digital intelligence enabling analytics, Artificial Intelligence (AI), Internet of Things (IoT) and robotics. Digitalisation is undertaken in consideration of business risk and exposure towards increasing cyber threats and sophisticated attacks that may impact operations with financial loss, reputational damage and regulatory impact.

The Group's cybersecurity standards and practices are firmly rooted in the PETRONAS Enterprise Cyber Security Governance Framework (ECSGF), serving as a guide against cyber threats and attacks on our data and systems. ECSGF incorporates industry best practices and standards, such as Information Security Management Systems (ISMS) ISO27001, International Electrotechnical Commission IEC62442, and National Institute of Standards and Technology (NIST), spanning both the Information Technology (IT) and Operational Technology (OT) domains. The group acknowledges cybersecurity threats as a critical risk within the Corporate Risk Profile (CRP) and ensures diligent monitoring and reporting of such risks.

Our IT and OT systems are under constant monitoring by the Cyber Security Operations Centre (SOC), which actively tracks cyber risks, vulnerabilities, threat intelligence, and potential attacks. A proactive approach is taken to raise awareness among employees regarding the current trends and complexities of cyber attacks across the industry. This initiative aims to empower our workforce to remain vigilant and uphold compliant human firewall behaviour.

The awareness efforts specifically address social engineering scams, email phishing, vishing, smishing, and the misuse of deep fake videos generated by AI to steal both company and personal data. The cybersecurity performance was reported to management on a monthly basis.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

- 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 focals 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.

- 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.

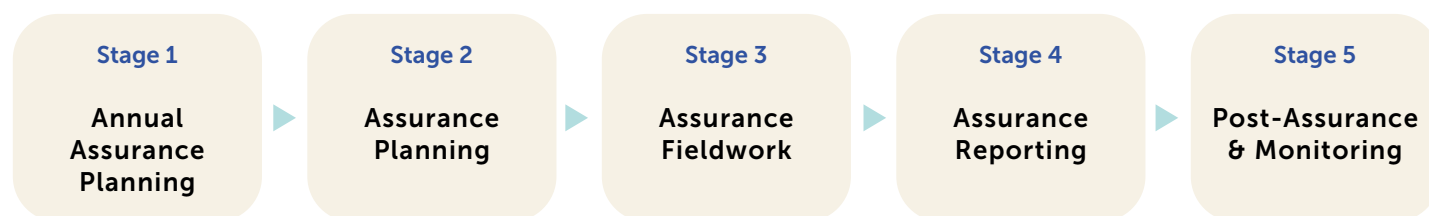
In order to ensure that good governance is practised, an assurance programme is established to evaluate the adequacy and effectiveness of PCG's internal control system. This assurance requirement is a continuous process which provides insight and oversight towards effective and informed decision-making 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 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:



The bedrock of FRC comprises key governing documents, namely the FRC Assurance Guideline, the Risk and Control Assessment Matrix (RCAM) and the Functional Checklist (FC). The FC which consists of a series of questionnaires, serves as a crucial tool for evaluating adherence to FRC's requirements.

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 finalising 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.



## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

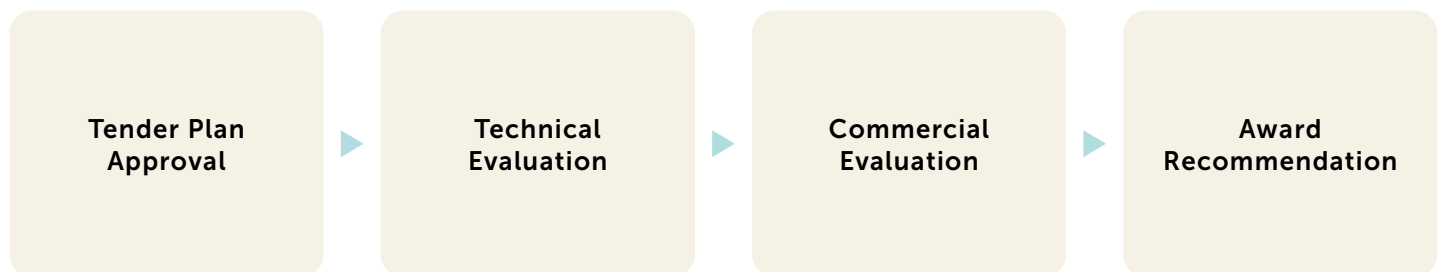
- Tax Compliance & Control

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 of providing 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 to act as the first line of defense 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 (FC) 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:



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 Counterparty" (KYC) questionnaire, strengthening third-party due diligence process and controls in ensuring they consistently meet PETRONAS high integrity standards. Furthermore, tenders are also subjected to cybersecurity contract requirements, ensuring the protection of PCG/PETRONAS data and systems.

- 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, maximising performance towards high performing culture. Talent overall performance is objectively assessed and differentiated based on fulfilment of performance objectives and demonstration of PETRONAS Cultural Beliefs (PCB) behaviours. 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 performance management cycle.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## RELATED PARTY TRANSACTIONS (RPTS)/RECURRENT RELATED PARTY TRANSACTIONS (RRPTS) AND CONFLICT OF INTEREST (COI) SITUATIONS

The Group has established the Policy on RPTS/RRPTS and COI situations (Policy) and the Guideline and Procedures on RPTS and COI situations (the Guideline) to promote continuous awareness and provide consistent approach to all RPTS and RRPTS or COI situations. While the Policy commits PCG Group to comply with MMLR requirements and other laws and regulations relating to RPT and COI situations in all its activities across the Group, the Guideline sets forth the principles and 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 said 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 adhering to PCG's Guidelines and Procedures prior to the approval 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.

According to the Guideline, a COI may arise in the following scenarios:

- If the Director holds an interest in a business that competes or is likely to compete, either directly or indirectly, with the business of the PCG Group
- In cases where there is no competing interest in the business, but the Director receives commission or fees due to providing consultancy or advisory services to the transacting party having business with the PCG Group
- When the Director is involved in or has an interest in business transactions concerning goods or services, either directly or indirectly, with the PCG Group
- If the Director provides or receives financial assistance from the PCG Group

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. There was no COI situation that had arisen which required the BAC's assessment.

## 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 2023, 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 26 February 2024.

## TOP 10 PROPERTIES OF PCG GROUP

No	Name of registered owner/ Beneficial owner:	Acquisition date	Existing use	Land area (sq metre unless otherwise stated)	Age of Plant & Building (Years)	NBV as at 31/12/2023
1	<b>PETRONAS Chemicals Methanol Sdn. Bhd.</b> No. 205350607, Kg. Ranca-Ranca, Wilayah Persekutuan Labuan Leasehold for 79 years, expiring on 31 December 2082	31.08.2004	Industrial land - Plant for production of methanol	14 hectares	19	1,073,282
	<b>PETRONAS Chemicals Methanol Sdn. Bhd.</b> 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	16	
	<b>PETRONAS Chemicals Methanol Sdn. Bhd.</b> 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	15	
	<b>PETRONAS Chemicals Methanol Sdn. Bhd.</b> 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	15	
	<b>PETRONAS Chemicals Methanol Sdn. Bhd.</b> 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	14	
	<b>PETRONAS Chemicals Methanol Sdn. Bhd.</b> 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	31	
	<b>PETRONAS Chemicals Methanol Sdn. Bhd.</b> 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	29	
	<b>PETRONAS Chemicals Methanol Sdn. Bhd.</b> 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	19	
2	<b>Perstorp Oxo AB</b> Sanden 216-220, 444 95 Ödsmål, Sweden Stenungsund Sanden 6:5	30.06.1993	Production site (land, buildings)	571,136	30	783,959
	Stenungsund Sanden 5:10	30.06.1999		790,879	24	
	Ale Nol 31:1	30.06.2000		18,071	23	
	Stenungsund Ödsmåls Prästgård 1:10	30.06.2012		44,918	11	
	Ale Nol 2:442	30.06.2000		6,568	23	
3	<b>Perstorp Specialty Chemicals AB</b> Industriparken, 284 80 Perstorp	30.06.2001	Production site (machinery and other technical work & equipment, tools and installations)	25,900	22	459,825

## TOP 10 PROPERTIES OF PCG GROUP

No	Name of registered owner/ Beneficial owner:	Acquisition date	Existing use	Land area (sq metre unless otherwise stated)	Age of Plant & Building (Years)	NBV as at 31/12/2023
4	<b>ASEAN Bintulu Fertilizer Sdn. Bhd.</b> 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	372,200
5	<b>PETRONAS Chemicals Fertiliser Sabah Sdn. Bhd.</b> 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	9	287,687
6	<b>Kertih Port Sdn. Bhd.</b> 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	23	270,317
7	<b>Perstorp Polyols Inc.</b> 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	260,671
8	<b>PETRONAS Chemicals MTBE Sdn. Bhd.</b> 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	23	244,056
9	<b>PETRONAS Chemicals Derivatives Sdn. Bhd., PETRONAS Chemicals Olefins Sdn. Bhd., PETRONAS Chemicals Glycols Sdn. Bhd.</b> (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	23	243,600
	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	23	
	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	23	
10	<b>PETRONAS Chemicals Ethylene Sdn. Bhd., PETRONAS Chemicals Polyethylene Sdn. Bhd.</b> 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	212,349

## ANALYSIS OF SHAREHOLDINGS

AS AT 29 FEBRUARY 2024

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	1,628	7.07	6,585	0.00
100 - 1,000	8,509	36.98	6,178,591	0.08
1,001 - 10,000	10,323	44.87	41,146,678	0.51
10,001 - 100,000	1,877	8.16	53,874,845	0.67
100,001 to less than 5% of issued shares	670	2.91	2,157,313,855	26.97
5% and above of issued shares	2	0.01	5,741,479,446	71.77
<b>Total</b>	<b>23,009</b>	<b>100.00</b>	<b>8,000,000,000</b>	<b>100.00</b>

### CLASSIFICATION OF SHAREHOLDERS

Category	No. of Shareholders		% of Shareholders		No. of Shares		% of Shareholdings	
	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
1. Individuals	17,682	177	84.05	0.84	71,679,972	1,039,214	0.90	0.01
2. Body Corporate								
a. Banks/Finance Companies	78	1	0.37	0.00	813,923,749	166,700	10.17	0.00
b. Investment Trusts/ Foundation/Charities	4	0	0.02	0.00	183,000	0	0.00	0.00
c. Other types of companies	245	5	1.16	0.02	11,731,801	1,554,000	0.15	0.03
3. Government Agencies/ Institutions	5	0	0.02	0.00	4,018,400	0	0.05	0.00
4. Nominees	3,990	821	18.97	3.90	6,448,363,018	647,340,145	80.60	8.09
5. Others	1	0	0.00	0.01	1	0	0.00	0.00
<b>Total</b>	<b>22,005</b>	<b>1,004</b>	<b>104.59</b>	<b>5.58</b>	<b>7,349,899,941</b>	<b>650,100,059</b>	<b>91.87</b>	<b>8.13</b>

### 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 Petroliam Nasional Berhad</i>	5,148,000,000	-	64.35	-
2	Citigroup Nominees (Tempatan) Sdn. Bhd. <i>Employees Provident Fund Board (Including Portfolio Manager)</i>	944,114,328	-	11.80	-

## 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	Mazuin Ismail	-	-	-	-
3	Datuk Sazali Hamzah	-	8,000	-	0.00
4	Farehana Hanapiah	6,000	-	0.00	-
5	Dr. Zafar Abdulmajid Momin	-	-	-	-
6	Warren William Wilder	-	-	-	-
7	Yeoh Siew Ming	-	-	-	-
8	Datin Seri Sunita Mei-Lin Rajakumar	-	-	-	-

## LIST OF MANAGEMENT'S SHAREHOLDINGS

No.	Name	No. of Shares		% of Shareholdings	
		Direct	Deemed Interest	Direct	Deemed Interest
1	Mazuin Ismail	-	-	-	-
2	Mohd Azli Ishak	-	-	-	-
3	Zamri Japar	-	-	-	-
4	Shakeel Ahmad Khan	-	-	-	-
5	Ir. Yaacob Salim	-	-	-	-
6	Dr. Debbie Chiu	-	-	-	-
7	Alfa Abdul Razak	-	-	-	-
8	Sr Aminudin Yahia	6,000	-	0.00	-
9	Nur Nadia Mohd Nordin	4,000	-	0.00	-
10	Adi Suria Ishak	500	-	0.00	-
11	Norfaila Hassan	-	-	-	-

## LIST OF 30 LARGEST SHAREHOLDERS

No.	Name	Holdings	%
1	CIMB Group Nominees (Tempatan) Sdn. Bhd. <i>Exempt AN for Petroliam Nasional Berhad</i>	5,148,000,000	64.35
2	Citigroup Nominees (Tempatan) Sdn. Bhd. <i>Employees Provident Fund Board</i>	593,479,446	7.42
3	Amanahraya Trustees Berhad <i>Amanah Saham Bumiputera</i>	303,717,900	3.80
4	Citigroup Nominees (Tempatan) Sdn. Bhd. <i>Employees Provident Fund Board (Islamic)</i>	260,081,282	3.25
5	Kumpulan Wang Persaraan (Diperbadankan)	164,922,439	2.06
6	Lembaga Tabung Haji	58,077,700	0.73
7	Cartaban Nominees (Asing) Sdn. Bhd. <i>Exempt AN for State Street Bank &amp; Trust Company (West CLT OD67)</i>	49,721,400	0.62
8	HSBC Nominees (Asing) Sdn. Bhd. <i>JPMCB NA for Vanguard Total International Stock Index Fund</i>	38,813,858	0.49
9	HSBC Nominees (Asing) Sdn. Bhd. <i>JPMCB NA for Vanguard Emerging Markets Stock Index Fund</i>	38,654,812	0.48

## ANALYSIS OF SHAREHOLDINGS

No.	Name	Holdings	%
10	Citigroup Nominees (Tempatan) Sdn. Bhd. <i>Exempt AN for AIA Bhd.</i>	34,721,300	0.43
11	Maybank Nominees (Tempatan) Sdn. Bhd. <i>Maybank Trustees Berhad for Public Ittikal Fund (N14011970240)</i>	31,000,000	0.39
12	Permodalan Nasional Berhad	30,506,200	0.38
13	Citigroup Nominees (Tempatan) Sdn. Bhd. <i>Great Eastern Life Assurance (Malaysia) Berhad (Par 1)</i>	30,040,100	0.38
14	Citigroup Nominees (Tempatan) Sdn. Bhd. <i>Employees Provident Fund Board (Nomura)</i>	29,090,200	0.36
15	Citigroup Nominees (Asing) Sdn. Bhd. <i>CB Spore Gw for Government of Singapore (GIC C)</i>	25,802,561	0.32
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	0.31
18	Cartaban Nominees (Tempatan) Sdn. Bhd. <i>PAMB for Prulink Equity Fund</i>	23,858,700	0.30
19	Amanahraya Trustees Berhad <i>Amanah Saham Malaysia 2 - Wawasan</i>	22,998,400	0.29
20	Amanahraya Trustees Berhad <i>Amanah Saham Malaysia</i>	21,623,400	0.27
21	Cartaban Nominees (Asing) Sdn. Bhd. <i>BNYM SA/NV for People's Bank of China (SICL Asia EM)</i>	20,070,800	0.25
22	Citigroup Nominees (Tempatan) Sdn. Bhd. <i>Employees Provident Fund Board (CGS CIMB)</i>	20,000,000	0.25
23	HSBC Nominees (Asing) Sdn. Bhd. <i>JPMCB NA for Vanguard Fiduciary Trust Company Institutional Total International Stock Market Index Trust II</i>	18,729,700	0.23
24	Cartaban Nominees (Tempatan) Sdn. Bhd. <i>Prudential Assurance Malaysia Berhad For Prulink Strategic Fund</i>	17,309,400	0.22
25	Amanahraya Trustees Berhad <i>Amanah Saham Bumiputera 3 - Didik</i>	16,902,700	0.21
26	HSBC Nominees (Asing) Sdn. Bhd. <i>JPMCB NA for Blackrock Institutional Trust Company, N.A. Investment Funds For Employee Benefit Trusts</i>	15,785,800	0.20
27	Cartaban Nominees (Tempatan) Sdn. Bhd. <i>PBTB for Takafulink Dana Ekuiti</i>	15,293,900	0.19
28	Amanahraya Trustees Berhad <i>Amanah Saham Bumiputera 2</i>	15,217,900	0.19
29	Citigroup Nominees (Tempatan) Sdn. Bhd. <i>Great Eastern Life Assurance (Malaysia) Berhad (PAR 3)</i>	14,853,900	0.19
30	Pertubuhan Keselamatan Sosial	14,546,710	0.18
<b>Total</b>		<b>7,123,067,108</b>	<b>89.05</b>

## PERFORMANCE DATA

Indicator	Measurement Unit	2021	2022	2023
<b>Innovation and Product Stewardship</b>				
Bursa C8(a) Number of substantiated complaints concerning breaches of customer privacy and losses of customer data	Number	-	-	0
<b>Bursa (Supply chain management)</b>				
Bursa C7(a) Proportion of spending on local suppliers	Percentage	66.00	70.00	87.00
<b>Climate Change</b>				
Bursa C4(a) Total energy consumption	Megawatt	28,408,333.00	29,138,889.00	27,883,333.00
Bursa C11(a) Scope 1 emissions in tonnes of CO <sub>2</sub> e	Metric tonnes	5,984,727.00	5,949,058.00	5,958,648.00
Bursa C11(b) Scope 2 emissions in tonnes of CO <sub>2</sub> e	Metric tonnes	1,480,406.00	1,482,709.00	1,375,353.00
<b>Environmental Stewardship</b>				
Bursa C9(a) Total volume of water used	Megalitres	63,720.000000	62,660.000000	56,460.000000
<b>Human Rights</b>				
Bursa C6(d) Number of substantiated complaints concerning human rights violations	Number	-	-	0
<b>Safety &amp; Health</b>				
Bursa C5(a) Number of work-related fatalities	Number	0	0	0
Bursa C5(b) Lost time incident rate ("LTIR")	Rate	0.07	0.17	0.09
<b>Talent Management &amp; Well-Being</b>				
Bursa C3(a) Percentage of employees by gender and age group, for each employee category				
Age Group by Employee Category				
Management Under 30	Percentage	-	0.00	0.00
Management Between 30-50	Percentage	-	13.00	13.00
Management Above 50	Percentage	-	3.00	3.00
Non-Management Under 30	Percentage	-	10.00	11.00
<span style="background-color: #d9ead3;">Internal assurance</span> <span style="background-color: #548235; color: white;">External assurance</span> <span style="background-color: #f1f3f4;">No assurance</span>		(*) Restated		

Indicator	Measurement Unit	2021	2022	2023
Non-Management Between 30-50	Percentage	-	67.00	65.00
Non-Management Above 50	Percentage	-	7.00	8.00
Gender Group by Employee Category				
Management Male	Percentage	-	12.00	9.00
Management Female	Percentage	-	4.00	4.00
Non-Management Male	Percentage	-	71.00	70.00
Non-Management Female	Percentage	-	13.00	17.00
Bursa C5(c) Number of employees trained on health and safety standards	Number	-	-	4,287
Bursa C6(a) Total hours of training by employee category				
Management	Hours	-	26,228	41,485
Non-Management	Hours	-	238,436	305,759
Bursa C6(b) Percentage of employees that are contractors or temporary staff	Percentage	-	-	8.00
Bursa C6(c) Total number of employee turnover by employee category				
Management	Number	3	11	11
Non-Management	Number	39	57	44
<b>Community Engagement</b>				
Bursa C2(a) Total amount invested in the community where the target beneficiaries are external to the listed issuer	MYR	-	-	2,727,125.69
Bursa C2(b) Total number of beneficiaries of the investment in communities	Number	295,000	75,442	171,715
<b>Corporate Governance</b>				
Bursa C1(a) Percentage of employees who have received training on anti-corruption by employee category				
Management	Percentage	-	100.00	99.00
Non-Management	Percentage	-	99.00	95.00
<span style="background-color: #d9ead3;">Internal assurance</span> <span style="background-color: #548235; color: white;">External assurance</span> <span style="background-color: #f1f3f4;">No assurance</span>		(*) Restated		



## PERFORMANCE DATA

Indicator	Measurement Unit	2021	2022	2023
Bursa C1(b) Percentage of operations assessed for corruption-related risks	Percentage	-	-	100.00
Bursa C1(c) Confirmed incidents of corruption and action taken	Number	-	-	0
Bursa C3(b) Percentage of directors by gender and age group				
Male	Percentage	78.00	67.00	62.00
Female	Percentage	22.00	33.00	38.00
Under 30	Percentage	0.00	0.00	0.00
Between 30-50	Percentage	0.00	0.00	0.00
Above 50	Percentage	100.00	100.00	100.00

**Note:**

1. The performance data table above is generated from the custom template of Bursa's ESG reporting platform.
2. Indicators labeled "n/a" signifies that the information is not available due to first time reporting, in accordance with Bursa MMLR.
3. As PCG strives to improve the inclusiveness of its disclosure, data boundaries for the above table is as follows:
  - a. Data is representing PCG+BRB+Perstorp: Indicators C2(b), C3(b), C6(b), C9(a), C11(a), C11(b).
  - b. Data is representing PCG+BRB: Indicators C3(a), C5(a), C5(b).
  - c. Data is representing PCG only: C1(a), C1(b), C1(c), C2(a), C4(a), C5(c), C6(a), C6(c), C6(d), C7(a), C8(a).
4. For indicator C3(a), data is inclusive of Perstorp for gender group in 2023.
5. For indicator C9(a), data is for water withdrawal. For further information, refer to Environmental Stewardship on pages 61 to 65 in the Sustainability Report.
6. For indicator C11(b), data is for market based emissions. For further information, refer to Climate Change on pages 56 to 59 in the Sustainability Report.

Internal assurance

External assurance

No assurance

(\*)Restated

# INDEPENDENT LIMITED ASSURANCE REPORT

## TO THE BOARD OF DIRECTORS OF PETRONAS CHEMICALS GROUP BERHAD

REGISTRATION NO: 199801003704 (459830-K)  
(INCORPORATED IN MALAYSIA)

### INDEPENDENT PRACTITIONER'S LIMITED ASSURANCE REPORT ON PETRONAS CHEMICALS GROUP BERHAD'S INTEGRATED REPORT FOR THE YEAR ENDED 31 DECEMBER 2023

We have been engaged by PETRONAS Chemicals Group Berhad ("PCG") to perform an independent limited assurance engagement on selected sustainability indicators (collectively, the "Subject Matter Information") as reported by PCG in its Integrated Report for the year ended 31 December 2023 (the "Integrated Report 2023") for all subsidiaries in Malaysia.

#### Limited Assurance Conclusion

Based on the procedures we have performed as described under the "Summary of the work we performed as the basis of our assurance conclusion" and the evidence we have obtained, nothing has come to our attention that causes us to believe Subject Matter Information contained in the PCG's Integrated Report 2023, has not been prepared, in all material respects, in accordance with the Applicable Criteria.

#### Subject Matter Information

The Subject Matter Information reported in the PCG's Integrated Report 2023 on which we provide limited assurance, consists of:

Material Matter	Applicable Criteria		Selected Disclosures
<b>Environmental (All manufacturing subsidiaries in Malaysia)</b>			
<b>GRI 305: Emissions 2016</b>	<b>GRI 305-1</b>	Direct (Scope 1) GHG emissions	• Scope 1 GHG emission (million tonnes CO <sub>2</sub> e): <b>5.74</b>
	<b>GRI 305-2</b>	Energy indirect (Scope 2) GHG emissions	• Scope 2 GHG emission, Location based (million tonnes CO <sub>2</sub> e): <b>1.33</b>
			• Scope 2 GHG emission, Market based (million tonnes CO <sub>2</sub> e): <b>1.24</b>
<b>GRI 305-7</b>	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	• Air emissions, NOx (kilotonne): <b>21.8</b> • Air Emissions, SOx (kilotonne): <b>0.16</b>	
<b>GRI 302: Energy 2016</b>	<b>GRI 302-1</b>	Energy consumption within the organisation	• Total energy consumption within the organisation (million GJ): <b>100.38</b>
<b>GRI 303: Water and Effluents 2018</b>	<b>GRI 303-3</b>	Water withdrawal	• Freshwater withdrawal (million m <sup>3</sup> ): <b>37.7</b>
	<b>GRI 303-4</b>	Water discharge	• Chemical Oxygen Demand (COD), (tonne): <b>219.4</b>
<b>Social (All subsidiaries in Malaysia)</b>			
<b>GRI 403: Occupational Health and Safety 2018</b>	<b>GRI 403-9</b>	Work-related injuries	• Lost Time Injury Frequency (Number of lost time injuries per million man-hours): <b>0.09</b>
<b>Tier-1 Process Safety Event (All manufacturing subsidiaries in Malaysia)</b>			
<b>ANSI/API recommended practice 754</b>	<b>ANSI/API recommended practice 754</b>	Process Safety Performance Indicators for the Refining and Petrochemical Industries	• Number of Tier-1 Process Safety Event(s) occurred: <b>1</b>

We do not express an assurance conclusion on information in respect of earlier periods included in, linked to, or from the Integrated Report 2023, or any other information accompanying the said document.

#### Applicable Criteria

The Subject Matter Information needs to be read and understood together with the Applicable Criteria, which PCG is exclusively responsible for selecting and applying.

The Applicable Criteria used for the reporting of the Subject Matter Information are as follows:

- The Global Reporting Initiative ("GRI") Universal Standards 2021 disclosures;
- The American Petroleum Institute ("API") Recommended Practice 754, Process Safety Performance Indicators for the Refining and Petrochemical Industries, Third Edition 2021; and
- PCG's internal sustainability reporting policies and procedures by which the Subject Matter Information's data is collected, collated, and consolidated internally. (collectively known as "Applicable Criteria").

# INDEPENDENT LIMITED ASSURANCE REPORT

## Independence and Quality Management

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 ("MIA") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Management 1 ("ISQM1"), 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.

## Management's Responsibilities

Management of PCG is responsible for:

- Selecting or establishing the suitable Applicable Criteria for preparing the Subject Matter Information;
- Preparing the Subject Matter Information included in the Integrated Report 2023 in accordance with the Applicable Criteria; and
- Designing, implementing, and maintaining internal control over information relevant to the preparation of the Subject Matter Information that is free from material misstatement, whether due to fraud or error.

## Our Responsibilities

Our responsibility is to form a conclusion whether, based on the procedures performed, anything has come to our attention that causes us to believe Subject Matter Information contained in the PCG's Integrated Report 2023, has not been prepared, in all material respects, in accordance with the Applicable Criteria. We conducted our engagement in accordance with the approved standard for assurance engagement in Malaysia: International Standard on Assurance Engagements 3000 (Revised) Assurance Engagements other than Audits or Reviews of Historical Financial Information ("ISAE 3000 (Revised)"). That standard requires that we plan and perform this engagement to obtain limited assurance about whether the Subject Matter Information is free from material misstatement.

A limited assurance engagement undertaken in accordance with ISAE 3000 (Revised) involves assessing the suitability in the circumstances of PCG's use of the Applicable Criteria as the basis for the preparation of the Subject Matter Information, assessing the risks of material misstatement whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of Subject Matter Information. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

Our engagement will include such procedures as we consider necessary in the circumstances, including, but not limited to:

- Evaluating the suitability in the circumstances of PCG's use of the Applicable Criteria, as the basis for preparing the Subject Matter Information;
- Through inquiries, obtained an understanding of PCG's control environment, processes and information systems relevant to the preparation of the Subject Matter Information. Our procedures did not include evaluating the design, implementation or operating effectiveness of control activities;
- Evaluating whether PCG's methods for developing estimates are appropriate and had been consistently applied. Our procedures did not include testing the data on which the estimates were based and we did not separately develop our own estimates against which to evaluate PCG's estimates;
- Testing a number of selected items to or from supporting records, as appropriate;
- Performing analytical procedures by comparing the expected targets to actual emissions or consumption, and by comparing current period to prior period, and made inquiries of management to obtain explanations for any significant differences we identified; and
- Considering the presentation and disclosure of the Subject Matter Information.

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. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether the Subject Matter Information report has been prepared, in all material respects, in accordance with the Applicable Criteria.

## Inherent Limitations

The absence of a commonly used generally accepted reporting framework or a significant body of established practice on which to draw to evaluate and measure the Subject Matter Information allows for different, but acceptable, measurement techniques that can affect comparability between entities and over time.

Consequently, the Subject Matter Information needs to be read and understood together with the Applicable Criteria and Section 1, set out in the "Basis of This Report" of the Integrated Report 2023, which PCG has used to prepare the Subject Matter Information.

## Restriction on Use

This report is made solely to the Board of Directors of PCG in accordance with the terms of our engagement. Our work has been undertaken for the purpose of providing a limited assurance conclusion on the Subject Matter Information. As a result, this report may not be suitable for another purpose. We consent to the inclusion of this report in the PCG's Integrated Report 2023 to be disclosed on the website of PCG at <https://www.petronas.com/pcg/>, to assist the Board of Directors in responding to their governance responsibilities by obtaining an independent limited assurance report on the Subject Matter Information for 2023.

We do not accept or assume responsibility to anyone other than the Board of Directors of PCG for our work, for this limited assurance report, or for the conclusions we have reached.



**DELOITTE PLT** (LLP0010145-LCA)  
Chartered Accountants (AF 0080)

26 Feb 2024

# NOTICE OF 26<sup>TH</sup> ANNUAL GENERAL MEETING

## PETRONAS CHEMICALS GROUP BERHAD

Registration No: 199801003704 (459830-K)

(Incorporated In Malaysia)

**NOTICE IS HEREBY GIVEN THAT** the 26<sup>th</sup> Annual General Meeting (AGM) of the Company will be held virtually through live streaming via a Remote Participation and Electronic Voting (RPEV) facilities at the Broadcast Venue, Banquet Hall, Level 3, Kuala Lumpur Convention Centre, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia on Wednesday, 24 April 2024 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 2023 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) Warren William Wilder **(Resolution 1)**
  - (b) Dr. Zafar Abdulmajid Momin **(Resolution 2)**
  - (c) Datuk Sazali Hamzah **(Resolution 3)***Please refer to Explanatory Note B*
3. To re-elect Mazuin Ismail who was appointed as a Director pursuant to Article 100 of the Company's Constitution. **(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 25 April 2024 until the next AGM of the Company. **(Resolution 5)**  
*Please refer to Explanatory Note C*
5. To approve the re-appointment of KPMG PLT, as Auditors of the Company for the financial year ending 31 December 2024 and to authorise the Directors to fix their remuneration. **(Resolution 6)**  
*Please refer to Explanatory Note D*
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 26<sup>th</sup> AGM, the Company will be requesting the Record of Depositors as at 18 April 2024. Only a depositor whose name appears on the Record of Depositors as at 18 April 2024 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)

**Mek Yam @ Mariam Hassan** (SSM Practising Certificate No. 201908000788) (MAICSA 7030578)

Company Secretaries

Kuala Lumpur

22 March 2024

NOTICE OF 26<sup>TH</sup> 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 RPEV facilities provided by Boardroom Share Registrars Sdn. Bhd. (Boardroom) via Boardroom Smart Investor Portal (BSIP) at <https://investor.boardroomlimited.com>.

**NOTES****Proxy and/or Authorised Representatives**

1. A member who is entitled to participate in this AGM via RPEV 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 RPEV **must request his/her proxy or attorney or authorised representative to register himself/herself for RPEV** via BSIP at <https://investor.boardroomlimited.com>. Procedures for RPEV 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 Boardroom 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) Boardroom, 11<sup>th</sup> Floor, Menara Symphony  
No. 5, Jalan Prof. Khoo Kay Kim  
Seksyen 13, 46200 Petaling Jaya, Selangor
      - (ii) By email to [bsr.helpdesk@boardroomlimited.com](mailto:bsr.helpdesk@boardroomlimited.com)

OR

    - (b) By electronic means  
The proxy form can be electronically lodged with Boardroom through BSIP at <https://investor.boardroomlimited.com>. Kindly refer to the Administrative Guide for the AGM on the procedures for electronic lodgement of proxy form via BSIP.
  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 **Monday, 22 April 2024 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 Boardroom 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 Boardroom 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 26<sup>th</sup> 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 26<sup>th</sup> AGM will be put to vote on a poll.

# NOTICE OF 26<sup>TH</sup> ANNUAL GENERAL MEETING

## EXPLANATORY NOTES

### Note A

#### **Audited Financial Statements for the Financial Year Ended 31 December 2023**

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 at least once 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 Warren William Wilder, Dr. Zafar Abdulmajid Momin and Datuk Sazali Hamzah 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 Board of Directors' Profile on pages 72 to 76 of the Integrated Report 2023.

#### **Re-election of Director who retires in accordance with Article 100 of the Company's Constitution**

Mazuin Ismail who was appointed as a Director on 1 January 2024, will be retiring under Article 100 of the Company's Constitution.

The Board endorsed the NRC's recommendation that the Director who retires in accordance with Article 100 of the Company's Constitution, namely Mazuin Ismail is eligible to stand for re-election. He, being eligible for re-election has given his consent for re-election.

The profile of the retiring Director is set out in the Board of Directors' Profile on page 73 of the Integrated Report 2023.

### 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 Petroliaam Nasional Berhad (PETRONAS) are paid directly to PETRONAS. The shareholders at the last AGM held on 18 April 2023 approved the Directors' Fees and Allowances of up to an amount of RM2.7 million for the period from 19 April 2023 until the next AGM of the Company. The actual Directors' fees and allowances paid to the NEDs for the said period was RM1,939,800.

The Directors' fees and allowances for the NEDs for the period from 25 April 2024 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 2023 are published in the Corporate Governance Report 2023 on the Company's corporate website at [www.petronas.com/pcg](http://www.petronas.com/pcg).

### 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:

- (a) quality of engagement team and services;
- (b) adequacy of resources;
- (c) quality of communication and interaction; and
- (d) 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 31 December 2023 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 26 February 2024 recommended the reappointment of KPMG PLT as External Auditors of the Company for the financial year ending 31 December 2024 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 26<sup>th</sup> AGM.

#### **Other Information**

The Company has engaged independent scrutineers to count, audit and validate the votes for each proposal presented to shareholders.

# ADMINISTRATIVE GUIDE 26<sup>TH</sup> ANNUAL GENERAL MEETING

## FOR THE 26<sup>TH</sup> ANNUAL GENERAL MEETING (26<sup>TH</sup> AGM) OF PETRONAS CHEMICALS GROUP BERHAD (THE COMPANY)

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The 26<sup>th</sup> 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. In this respect, the Company will continue to leverage on technology, to ensure that the 26<sup>th</sup> AGM supports meaningful engagement between the Board/Management and Shareholders of the Company.

The date, time and venue for the 26<sup>th</sup> AGM of the Company are as below:

**Date** : **Wednesday, 24 April 2024**  
**Time** : **10.00 a.m.**  
**Broadcast Venue** : **Broadcast Venue, Banquet Hall, Level 3, Kuala Lumpur Convention Centre, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia**

- The Company will conduct the 26<sup>th</sup> AGM on a **virtual basis through live streaming and online remote voting** via Remote Participation and Electronic Voting (RPEV) facilities which are available via Boardroom Smart Investor Portal (BSIP) at <https://investor.boardroomlimited.com> provided by Boardroom Share Registrars Sdn. Bhd. (Boardroom).
- The Broadcast Venue of the 26<sup>th</sup> 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 26<sup>th</sup> AGM via the RPEV facilities provided by Boardroom via BSIP at <https://investor.boardroomlimited.com>. You may also consider appointing the Chairman of the Meeting as your proxy to attend and vote on your behalf at the 26<sup>th</sup> AGM.

### Remote Participation and Voting

- The RPEV facilities are available on Boardroom's BSIP at <https://investor.boardroomlimited.com>.
- Shareholders are to participate remotely at the 26<sup>th</sup> AGM using RPEV facilities from Boardroom.
- Kindly refer to procedures for RPEV as set out below for the requirements and procedures.

# ADMINISTRATIVE GUIDE 26<sup>TH</sup> ANNUAL GENERAL MEETING

## Procedures to Remote Participation and Voting via RPEV Facilities

Please read and follow the procedures below to engage in remote participation through live streaming and online remote voting at the 26<sup>th</sup> AGM using the RPEV facilities:

### BEFORE THE 26<sup>th</sup> AGM DAY

#### Step 1: Register Online with BSIP

*Note: This is a one-time registration. If you have already signed up with BSIP, you are not required to register. You may proceed to Step 2.*

(Only for first time BSIP users)

- Open an internet browser. Latest versions of Chrome, Firefox, Safari, Edge or Opera are recommended.
- Go to BSIP website at <https://investor.boardroomlimited.com>

Individual Account (For Shareholder & Proxy)	Corporate Account (For Representative of Corporate Holder or Authorised Nominees)
<ul style="list-style-type: none"> <li>Click Register to sign up for a user account and select the correct account type "Sign up as Individual".</li> <li>Complete the registration with all required information. Upload and attach your MyKad (front and back) or Passport in JPEG, PNG or PDF format.</li> <li>Click Sign Up.</li> </ul> <p><i>[Note: Please ensure that you sign-up for Individual Account if you are an appointed proxy to attend the meeting]</i></p>	<ul style="list-style-type: none"> <li>Click Register to sign up for a user account and select the correct account type "Sign up as Corporate Holder".</li> <li>Complete the registration by providing all the required information. Upload and attach your MyKad (front and back) or Passport in JPEG, PNG or PDF format, along with the <b>completed authorization letter</b>.</li> <li>Click Sign Up.</li> </ul> <p><i>[Note: If you are appointed as the authorised representatives for more than one (1) company, kindly click the home button and select "Edit Profile" in order to add your representation after your BSIP account has been approved.]</i></p>

- You will receive an email from Boardroom for email address verification. Click "**Verify Email Address**" from the email received to continue with the registration process.
- Once your email address is verified, you will be re-directed to BSIP for verification of mobile number. Click "**Request OTP Code**" and an OTP code will be sent to the registered mobile number. You will need to enter the OTP code for verification and click "**Enter**" to complete the registration process.
- Once your mobile number is verified, registration of your new BSIP account will be pending for final verification.
- An e-mail will be sent to you within one (1) business day informing on the approval of your BSIP account. Once account registration completed, you can login at BSIP at <https://investor.boardroomlimited.com> with the email address and password that you have provided during registration to proceed with the next step.

#### Step 2: Submit Request for RPEV (applicable for individual account only)

The registration for RPEV will open from Friday, 22 March 2024 at 10.00 a.m. until the day of the 26<sup>th</sup> AGM on Wednesday, 24 April 2024.

#### **For Individual account only**

- Open an internet browser. Latest versions of Chrome, Firefox, Safari, Edge or Opera are recommended.
- Go to BSIP website at <https://investor.boardroomlimited.com>
- Login your BSIP account with your registered email address and password.  
*[Note: If you do not have an account with BSIP, please sign-up/register with BSIP for free - refer to process "Step 1: Register Online with Boardroom Smart Investor Portal ("BSIP")" above.]*
- Click "**Meeting Event**" and select "**PETRONAS CHEMICALS GROUP BERHAD 26<sup>TH</sup> ANNUAL GENERAL MEETING**" from the list of companies and click "**Enter**".
- Go to "**VIRTUAL**" and click on "**Register for RPEV**".
- Check the box to register for RPEV and enter your 9 digits CDS account number.
- Read and check the box to accept the Terms & Conditions, then click "**Register**".
- You will receive a notification that your RPEV registration has been received and pending verification.
- Upon system verification against the General Meeting Record of Depositors ("General Meeting ROD") as at **18 April 2024** you will receive an email from Boardroom notifying you whether your registration has been approved or rejected.



# ADMINISTRATIVE GUIDE 26<sup>TH</sup> ANNUAL GENERAL MEETING

## Entitlement to Participate and Appointment of Proxy

If Members who wish to submit their Proxy Form electronically via BSIP, please refer to the procedures for electronic lodgement of Proxy Form as follows:

### **For Individual Shareholders, Corporate Shareholders**

- (a) Open an internet browser. Latest versions of Chrome, Firefox, Safari, Edge or Opera are recommended.
- (b) Go to BSIP website at <https://investor.boardroomlimited.com>
- (c) Login your BSIP account with your registered email address and password.  
[Note: If you do not have an account with BSIP, please sign-up/register with BSIP for free - refer to process "Step 1: Register Online with BSIP" above.]
- (d) Click "Meeting Event" and select "PETRONAS CHEMICALS GROUP BERHAD 26<sup>TH</sup> ANNUAL GENERAL MEETING" from the list of companies and click "Enter".

By Shareholder and Corporate Holder	By Nominees Company
<ul style="list-style-type: none"> <li>• Select the Company that you are representing - for <b>Corporate Account user</b> only.</li> <li>• Go to "PROXY" and click on "Submit eProxy Form".</li> <li>• Click on "Submit eProxy Form"</li> <li>• Enter your 9 digits CDS account number and number of securities held.</li> <li>• Select your proxy/proxies appointment – either the Chairman of the meeting or individual named proxy/proxies.</li> <li>• Read and accept the Terms and Conditions and click "Next".</li> <li>• Enter the required particulars of your proxy/proxies.</li> <li>• Indicate your voting instructions for each Resolution – FOR, AGAINST, ABSTAIN or DISCRETIONARY. If DISCRETIONARY is selected, your proxy/proxies will decide on your votes during poll at the meeting.</li> <li>• Review and confirm your proxy/proxies appointment and click "Submit".</li> <li>• Download or print the eProxy Form as acknowledgement.</li> </ul>	<ul style="list-style-type: none"> <li>• Select the Nominees Company that you are representing.</li> <li>• Go to "PROXY" and click on "Submit eProxy Form".</li> <li>• Click on "Download Excel Template" to download.</li> <li>• Insert the appointment of proxy/proxies for each CDS account with the necessary data and voting instructions in the downloaded excel file template. Ensure inserted data is correct and orderly.</li> <li>• Proceed to upload the duly completed excel file.</li> <li>• Review and confirm your proxy/proxies appointment and click "Submit".</li> <li>• Download or print the eProxy form as acknowledgement.</li> </ul>

Please note that the closing date and time to submit your proxy/proxies form is by **Monday, 22 April 2024 at 10.00 a.m.**

## Revocation of Proxy

- If a shareholder has submitted his/her proxy form prior to the AGM and subsequently decides to appoint another person or wishes to participate in the virtual AGM by himself/herself, please revoke the appointment of proxy/proxies at least **forty-eight (48) hours** before the AGM. Please find the below step for revocation on eProxy form or physical proxy form:

eProxy Form	Physical Proxy Form
<ul style="list-style-type: none"> <li>• Go to "Meeting Event" and select "PETRONAS CHEMICALS GROUP BERHAD 26<sup>TH</sup> ANNUAL GENERAL MEETING" from the list of companies and click "Enter".</li> <li>• Go to "PROXY" and click on "Submit Another eProxy Form".</li> <li>• Go to "Submitted eProxy Form List" and click "View" for the eProxy form.</li> <li>• Click "Cancel/Revoke" at the bottom of the eProxy form.</li> <li>• Click "Proceed" to confirm.</li> </ul>	<ul style="list-style-type: none"> <li>• Please write in to <a href="mailto:bsr.helpdesk@boardroomlimited.com">bsr.helpdesk@boardroomlimited.com</a> to revoke the appointment of proxy/proxies.</li> </ul>

Upon revocation, proxy/proxies appointed earlier will not be allowed to participate at the AGM. In such event, shareholders should advise their proxy/proxies accordingly.

# ADMINISTRATIVE GUIDE 26<sup>TH</sup> ANNUAL GENERAL MEETING

## ON THE DAY OF THE AGM

- (a) Open an internet browser. Latest versions of Chrome, Firefox, Safari, Edge or Opera are recommended.
- (b) Go to BSIP website at <https://investor.boardroomlimited.com>
- (c) Login your BSIP account with your registered email address and password.  
[Note: If you do not have an account with BSIP, please sign-up/register with BSIP for free - refer to process "Step 1: Register Online with BSIP" above.]
- (d) Meeting platform will be made available at any time from **9:00 a.m.** i.e. one hour before the commencement of the AGM at **10:00 a.m. on 24 April 2024.**
- (e) Click into "**Meeting Event**" and go to "**PETRONAS CHEMICALS GROUP BERHAD 26<sup>TH</sup> ANNUAL GENERAL MEETING**" and then click "**Join Live Meeting**" to join the proceedings of the AGM remotely.

If shareholders have any question for the Chairman/Board/Management, they may use the Messaging window facility to submit their questions during the meeting. The Messaging window facility will open one (1) hour before the AGM which is from 9:00 a.m. on 24 April 2024.

- (f) Once the voting has opened, click on the voting icon. The resolution and voting choices will be displayed.
- (g) To vote, simply select your voting direction from the options shown on screen. A confirmation message will appear to show your vote has been received.
- (h) To change your vote, simply select another direction. If you wish to cancel your vote, please select Cancel.

### Important Notes:

- (a) *The quality of the connectivity to the Virtual Meeting Portal for live webcast as well as for remote online voting is dependent on the bandwidth and the stability of the internet connection available at the location of the remote users.*
- (b) *Recommended requirement for live webcast:*
  - (i) *Browser: Latest versions of Chrome, Firefox, Edge, Safari or Opera.*
  - (ii) *Bandwidth: Minimum 9 Mbps stable speed for High Definition (HD) High Quality video quality or 12 Mbps for Extra HD (EHD) video quality.*
  - (iii) *Device with working and good quality speakers.*
- (c) *You may not be able to gain access to the AGM via the RPEV facilities if your connecting device is on network with firewall and other security filtration. Seek onsite IT/technical support if required.*

### Entitlement to Participate and Vote

- Only shareholders whose names appear on the General Meeting ROD as at 18 April 2024 shall be eligible to participate at the AGM.
- If a shareholder is unable to participate at the AGM, he/she may appoint proxy/proxies, including the Chairman, to participate and vote on his/her behalf.
- If a shareholder wishes to participate in the AGM, they must not submit a Proxy Form. A shareholder will not be allowed to participate in the meeting if they have appointed proxy/proxies.

### Voting at Meeting

- The voting at the 26<sup>th</sup> AGM will be conducted on a poll pursuant to Paragraph 8.29A of the MMLR of Bursa Malaysia. The Company has appointed Boardroom to conduct the poll voting electronically (e-voting) via BSIP and Scrutineer Solutions 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 26<sup>th</sup> AGM at 10.00 a.m. Kindly refer to "**Procedures to Remote Participation and Voting via RPEV Facilities**" provided above for guidance on how to vote remotely via RPEV Facilities.
- The resolutions proposed at the 26<sup>th</sup> AGM and the results of the voting will be announced at the 26<sup>th</sup> AGM and subsequently via an announcement made by the Company through Bursa Malaysia at [www.bursamalaysia.com](http://www.bursamalaysia.com).

# ADMINISTRATIVE GUIDE 26<sup>TH</sup> ANNUAL GENERAL MEETING

## Pre-Meeting Submission of Questions to the Board of Directors

### Prior to the AGM

Members and proxies may submit questions before the AGM to the Chairman or the Board of Directors via BSIP at <https://investor.boardroomlimited.com> no later than Monday, 22 April 2024 at 10:00 a.m. Click "Submit Question" after selecting "PETRONAS CHEMICALS GROUP BERHAD 26<sup>TH</sup> ANNUAL GENERAL MEETING" from "Meeting Event" to submit your questions.

Alternatively, you may also send your questions for the 26<sup>th</sup> AGM to the following email address:

Investor Relations: [petronaschemicals\\_ir@petronas.com](mailto:petronaschemicals_ir@petronas.com)

### During the AGM

If you have any questions for the Chairman or the Board of Directors, you may use the messaging window facility by clicking the messaging icon within the Boardroom Meeting Portal to submit your questions. The messaging window facility will open one (1) hour before the commencement of the AGM which is on 24 April 2024 at 10:00 a.m. and will remain open until such time that the Chairman announces the closure of the Q&A session. The Chairman or the Board of Directors will endeavour to address all questions received in relation to the AGM.

### Annual Report

- The Annual Report is available on the Company's corporate website at [www.petronas.com/pcg](http://www.petronas.com/pcg) and Bursa Malaysia's website at [www.bursamalaysia.com](http://www.bursamalaysia.com) under Company's announcements.
- You may request for a printed copy of the Annual Report at <https://investor.boardroomlimited.com> 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 enquiries relating to the Boardroom Meeting Portal or proxy appointment prior to the AGM, or encounter any technical issues with participating in the virtual AGM, please contact Boardroom during office hours from Monday to Friday, 8:30 a.m. to 5:30 p.m. (except for public holidays):

### Boardroom Share Registrars Sdn. Bhd.

General Line : +603 7890 4700  
Email : [bsr.helpdesk@boardroomlimited.com](mailto:bsr.helpdesk@boardroomlimited.com)

## GLOSSARY OF TERMS, ABBREVIATIONS AND ACRONYMS

Abbreviation	Full Term/Definition	Abbreviation	Full Term/Definition
2-EHA	2-Ethylhexanoic Acid	EESG	Economic, Environmental, Social and Governance
ABF	ASEAN Bintulu Fertilizer Sdn. Bhd.	EO	Enterprise Optimisation
ABMS	Anti-Bribery Management Systems	EPD	Enhanced Product Development
ABC Manual	Anti-Bribery and Corruption Policy and Guidelines	EU	European Union
AET	Additional Ethane Taskforce	EPCC	Engineering, Procurement, Construction and Commissioning
AGM	Annual General Meeting	ePDC	Electronic Pre-Departure Checklist
AI	Artificial Intelligence	ERM	Enterprise Risk Management
AMT	Additional Methanol Task Force	ESG	Environmental, Social and Governance
APAC	Asia Pacific	EVC	Extend Value Chain
APC	Advanced Process Control	F&M	Fertilisers & Methanol
ARISE	ABF Reliability Improvement Strategy & Execution	FBM KLCI	FBM Kuala Lumpur Composite Index
B&OR	Business and Operational Readiness	FDI	Foreign Direct Investment
BAC	Board Audit Committee	FID	Final Investment Decision
BANI	Brittle, anxious, non-linear and incomprehensible	FR	Financial Report
BCM	Business Continuity Management	GAI	Generative Artificial Intelligence
BCP	Business Continuity Plan	GDP	Gross Domestic Product
BEE	Board Effectiveness Evaluation	GE	Growth Delivery Excellence
BEM	Board of Engineers Malaysia	GET	Green Energy Tariff
Bio-MEG	Bio-Monoethylene Glycol	GHG	Greenhouse Gas
BoC	Balance of Consequences	GJ	GigaJoules
BRB	BRB Group	GRI	Global Reporting Initiative
BRP	Business Recovery Plan	HSE	Health, Safety and Environment
BSP	Build Specialty Platform	IAD	Internal Audit Department
BSRC	Board Sustainability and Risk Committee	ICP	Internal Carbon Price
BPC	BASF PETRONAS Chemicals Sdn. Bhd.	IIRF	International Integrated Reporting Frameworks
BUST	Bottom-Up Stock Target	IFRS	International Financial Reporting Standards
CBAM	Carbon Border Adjustment Mechanism	IMF	International Monetary Fund
CCUS	Carbon Capture, Utilisation & Storage	INEDs	Independent Non-Executive Directors
CE	Commercial Excellence	IR	Integrated Report
CDEx	Customer Delivery Excellence	IRP	Incident Response Procedure
CFFO	Cash Flow from Operation	ISCC	International Sustainability and Carbon Certification
CoBE	Conduct and Business Ethics	ISSC	International Sustainability Standards Board
COD	Chemical Oxygen Demand	IUCN	International Union for Conservation of Nature
CoG	Create Opportunity Growth	JVs	Joint Ventures
COI	Conflict of Interest	KPSB	Kertih Port Sdn. Bhd.
CM	Crisis Management	KIPC	Kertih Integrated Petrochemical Complex Key Risk Indicators
CMP	Crisis Management Plan	KRI	Key Risk Indicators
CPRV	Current Plant Replacement Value	LAC	Lube Oil Additives & Chemicals
CSRD	Corporate Sustainability Reporting Directive	LCA	Life Cycle Assessment
CSS	Customer Satisfaction Survey	LDPE	Low Density Polyethylene
D&I	Diversity and Inclusion	LOA	Limits of Authority
DDT	Defensive Driving Training (DDT)	LOI	Letters of Intent
DJSI	Dow Jones Sustainability Indices	LTI	Lost Time Injury
DoE	Department of Environment	LTIF	Lost Time Injury Frequency
EBITDA	Earnings before Income Tax and Depreciation and Amortisation		

## GLOSSARY OF TERMS, ABBREVIATIONS AND ACRONYMS

Abbreviation	Full Term/Definition	Abbreviation	Full Term/Definition
<b>MAAn</b>	Maleic Anhydride	<b>PU</b>	Plant Utilisation
<b>MCCG</b>	Malaysian Code on Corporate Governance	<b>R&amp;D</b>	Risk International Database
<b>MFRS</b>	Malaysian Financial Reporting Standards	<b>RCI</b>	Renewable Carbon Index
<b>MIA</b>	Malaysian Institute of Accountants	<b>RID</b>	Research & Development
<b>MIGHT</b>	Malaysian Industry-Government Group for High Technology	<b>RMD</b>	Risk Management Department
<b>MMLR</b>	Main Market Listing Requirements	<b>RPT</b>	Related Party Transactions
<b>NAC</b>	Network access control	<b>RRPT</b>	Recurrent Related Party Transactions
<b>NEDs</b>	Non-Executive Directors	<b>RFSU</b>	Ready for Start-Up
<b>NGOs</b>	Non Government Organisations	<b>RTOG</b>	Road Transport Operation Guideline
<b>NINEDs</b>	Non-Independent Non-Executive Directors	<b>RTOT</b>	Real-Time OT
<b>NOx</b>	Nitrogen Oxides	<b>SBTi</b>	Science Based Targets initiative
<b>NPE</b>	New Plastics Economy	<b>SER</b>	Kertih Site-wide Energy Review
<b>NPS</b>	Net Promoter Score	<b>SID</b>	Senior Independent Director
<b>NRC</b>	Nomination and Remuneration Committee	<b>SOC</b>	Security Operations Centre
<b>NZCE</b>	Net Zero Carbon Emissions	<b>SORMIC</b>	Statement on Risk Management and Internal Control
<b>OE</b>	Operational Excellence	<b>Sox</b>	Sulfur Oxides
<b>OEE</b>	Overall Equipment Effectiveness	<b>SR</b>	Sustainability Report
<b>O&amp;D</b>	Olefins & Derivatives	<b>SRMC</b>	Sustainability and Risk Management Committee
<b>OFR</b>	Order Fulfilment Reliability	<b>SSGP</b>	Sabah-Sarawak Gas Pipeline
<b>OPEC</b>	Organization of the Petroleum Exporting Countries	<b>TA4MS</b>	Turnaround Main Mechanical and Maintenance Mechanical Static
<b>OPUs</b>	Operating Units	<b>T-1 PSE</b>	Tier 1 Process Safety Event
<b>OTAM</b>	OT Asset Management	<b>TCC</b>	Tax Compliance & Control
<b>P360</b>	PETRONAS 360 Customer Portal	<b>TCEP</b>	Tray Circularity Evaluation Platform
<b>PAIP</b>	Post-Acquisition & Integration Plan	<b>TCFD</b>	Taskforce for Climate-related Financial Disclosures
<b>PAM</b>	Privilege Access Management	<b>TIC</b>	Technology & Innovation Centre
<b>PAT</b>	Profit After Tax	<b>Tpa</b>	Tonne per annum
<b>PATANCI</b>	Profit After Tax and Non-Controlling Interests	<b>tph</b>	Tonne per hour
<b>PBT</b>	Profit Before Tax	<b>TOR</b>	Terms of Reference
<b>PCG</b>	PETRONAS Chemicals Group Berhad	<b>UHPM</b>	Ultra High Purity Methanol
<b>PCG SC</b>	PCG Specialty Chemicals	<b>UNSDGs</b>	The United Nations Sustainable Development Goals
<b>PCML</b>	PETRONAS Chemicals Marketing (Labuan) Ltd	<b>UTP</b>	Universiti Teknologi PETRONAS
<b>PC FK</b>	PETRONAS Chemicals Fertiliser Kedah Sdn. Bhd.	<b>VAC</b>	Vehicle Acceptance Checklist
<b>PC Methanol</b>	PETRONAS Chemicals Methanol Sdn. Bhd.	<b>VUCA</b>	Volatile, uncertain, complex, ambiguous
<b>PC MTBE</b>	PETRONAS Chemicals MTBE Sdn. Bhd.	<b>WHO</b>	World Health Organization
<b>PCGPCC</b>	PCGPCC Oxyalkylates Sdn. Bhd.		
<b>PD&amp;T</b>	Project Delivery & Technology		
<b>Penta</b>	Pentaerythritol		
<b>PESTEL</b>	Political, Economic, Social, Technology, Environment, Legal		
<b>Perstorp</b>	Perstorp Group		
<b>PFA</b>	Plant Facing Analytics		
<b>PIC</b>	Pengerang Integrated Complex		
<b>PIVOT</b>	PETRONAS' Integrated Vision for Operational Excellence Transformation		
<b>PRefChem</b>	Pengerang Refining Company Sdn. Bhd. & Pengerang Petrochemical Company Sdn. Bhd.		

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# PROXY FORM

PETRONAS CHEMICALS GROUP BERHAD

REGISTRATION NO: 199801003704 (459830-K)

(INCORPORATED IN MALAYSIA)

FOR THE 26<sup>TH</sup> ANNUAL GENERAL MEETING



PETRONAS

<b>Number of Ordinary Shares Held</b>	
<b>CDS Account Number</b>	

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 26<sup>th</sup> Annual General Meeting of the Company which will be held virtually through live streaming via a Remote Participation and Electronic Voting (RPEV) facilities at the Broadcast Venue, Banquet Hall, Level 3, Kuala Lumpur Convention Centre, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia on Wednesday, 24 April 2024 at 10.00 a.m. and at any adjournment thereof and vote as indicated below:

Resolution	Ordinary Business	For	Against
1	Re-election of Warren William Wilder as a Director of the Company		
2	Re-election of Dr. Zafar Abdulmajid Momin as a Director of the Company		
3	Re-election of Datuk Sazali Hamzah as a Director of the Company		
4	Re-election of Mazuin Ismail as a Director of the Company		
5	Directors' Fees and Allowances of up to RM2.7 million with effect from 25 April 2024 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 26<sup>th</sup> 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 RPEV 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 RPEV must request his/her proxy or attorney or authorised representative to register himself/herself for RPEV via Boardroom Smart Investor Portal (BSIP) at <https://investor.boardroomlimited.com>. Procedures for RPEV 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 Boardroom Share Registrars Sdn. Bhd. (Boardroom) 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) Boardroom, 11<sup>th</sup> Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor
    - (ii) By email to [bsr.helpdesk@boardroomlimited.com](mailto:bsr.helpdesk@boardroomlimited.com)

OR
  - (b) By electronic means  
The proxy form can be electronically lodged with Boardroom through BSIP at <https://investor.boardroomlimited.com>. Kindly refer to the Administrative Guide for the AGM on the procedures for electronic lodgement of proxy form via BSIP.
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 **Monday, 22 April 2024 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 Boardroom 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 Boardroom 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 26<sup>th</sup> AGM and any adjournment thereof.

Please fold here



**BOARDROOM SHARE REGISTRARS SDN. BHD.**

11<sup>th</sup> Floor, Menara Symphony  
No. 5, Jalan Prof. Khoo Kay Kim  
Seksyen 13, 46200 Petaling Jaya, Selangor

Please fold here



PCG's Integrated Report 2023 has been produced in line with our theme: **Steadfast. Advancing Sustainably.** 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 Monalisa White 280 gsm paper, while inside pages are printed on FSC® certified Vincent Extra White 160 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

- Consciously minimising sizes of photographic images and other graphic representation (such as graphs, charts and diagrams) where possible



#### 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**

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