

PETRONAS Chemicals Group Berhad

25th Annual General Meeting



**Annual General Meeting
Questions & Answers
18 April 2023**

Open

Note: The questions and feedbacks have been edited for brevity and clarity.

Gifts

No.	Question
1.	Is there any door gift?
2.	Is there any gift voucher?
3.	Appreciate petrol voucher gift.
4.	Is there any door gift?
5.	Is there any increment to the petrol voucher amount?
6.	Please increase the petrol voucher amount as RM50 is not enough for 1 round of fuel refill.
7.	Please reconsider increase in petrol amount.
8.	Appreciate the increase in petrol amount.
9.	Hope the Board of Directors will continue rewarding participants with last year's SETEL e-voucher if not more.
10.	Please give us some food vouchers or e-wallet as token of appreciation for attending AGM shareholder.
11.	Hope the Board of Directors will continue rewarding participants with last year's SETEL e-voucher if not more.
12.	Hope the Board of Directors will continue rewarding participants with last year's SETEL e-voucher if not more.
13.	Is the Company giving any door gift to shareholders attending this AGM?
14.	Please give PETRONAS vouchers.
15.	Please expedite the distribution of door gift.
16.	Kindly give us some e-vouchers, food vouchers or e-wallet (no discount vouchers please) for being loyal shareholders and attending this meeting. Times are bad now. Please be considerate to us shareholders during these trying times.
17.	Is there any Touch 'n Go reload for shareholders attending this meeting?
18.	Are there any vouchers for shareholders attending this meeting?
19.	Is there any gift?
20.	Are there any door gifts for Shareholders?
21.	Are there any door gifts for shareholders?
22.	Would a token of appreciation be given to shareholders who have taken their time and effort to attend this meeting?
23.	It would really be great if the Company can provide some form of e-vouchers for attendees of this AGM.
24.	Please give RM50 SETEL e-voucher for the AGM this morning.
25.	Is there any voucher or door gift for participants?
26.	Please provide door gift.
27.	Is there any gift?
28.	Please provide door gift.
29.	Is there any door gift?

Gifts

No.	Question
30.	Hope the Company will give all shareholders/ proxies attending this Remote Participation and Voting (RPV) a RM100 SETEL e-voucher as a token of appreciation.
31.	I humbly request Board of Directors to give e-voucher or e-wallet to shareholders as a token of appreciation.
32.	Is there any door gift?
33.	Is there any door gift?
34.	Kindly provide a higher value of door gift of RM100 SETEL e-voucher or Touch 'n Go e-wallet as a token of appreciation. Please note cost of living has increased.
35.	Kindly give us RM50 SETEL e-voucher as per last year for being loyal shareholders and attending this AGM. Times are bad now. Please be considerate to us shareholders during this trying times.
36.	Is there any door gift or token of appreciation for shareholders?
37.	It would be very much appreciated if the Company can provide some door gifts like e-vouchers for the attendees of this meeting.
38.	Hope the Board of Directors will continue rewarding participants with last year's SETEL e-voucher if not more.
39.	I would like to request that the Board of Directors kindly provide e-voucher as a token of appreciation for taking time to participate in this meeting.
40.	Thanking you in advance for providing some form of e-vouchers for those who attended this AGM.
41.	Can the Company give shareholders with e-voucher as a token of appreciation for taking the time to attend today's RPV?
42.	Would the Board of Directors kindly give e-voucher as a token of appreciation for attending today's meeting?
43.	Are there any door gifts for the attending shareholders?
44.	Please give the shareholders some e-vouchers/ e-wallet for attending this RPV as a token of appreciation.
45.	Please give the shareholders some e-vouchers/ e-wallet for attending this RPV as a token of appreciation.
46.	Please reward the shareholders to encourage support for virtual meeting.
47.	Please give the shareholders some e-vouchers/ e-wallet for attending this RPV as a token of appreciation.
48.	Please give the shareholders some e-wallet for attending this RPV.
49.	Is there any door gift?
50.	Is there any door gift?
51.	Thank you for the door gift.
52.	Can the Board of Directors consider giving some cash /shopping vouchers to all shareholders and proxies who attended today's AGM. The Board of Directors gets increments in salaries and allowances every year, presumably, but the shareholders only get dividends.

Gifts

No.	Question
Answer to question number 1 to 52:	
<p>Shareholders participating in the AGM today will be given RM100 SETEL voucher as a door gift as compared to RM50 SETEL voucher last year.</p> <p>These vouchers can be used at any PETRONAS' petrol stations to experience the new offerings in addition to fuel.</p> <p>Details will be emailed within five working days from the date of PCG's 25th AGM.</p>	

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Performance & Outlook

No.	Question
53.	Did OPEC+ production deductions benefit the Company?
Answer:	
The OPEC+ production cuts is expected to provide support to crude oil prices. Given the strong correlation with crude oil, our basic chemical product prices are expected to move in tandem with the changes in crude oil prices.	
No.	Question
54.	May I know what the Company's outlook is?
Answer:	
We expect the overall basic petrochemical and specialty chemicals prices to remain volatile in 2023, due to uncertainty in demand recovery, inflationary pressures and geopolitical conflicts. PCG will continue to manage product mix and pricing excellence in a challenging environment.	
No.	Question
55.	How is chemicals sector, especially for polymers and olefins improving after the reopening of the economy of China? Is there any impact from China's border re-opening that would affect the business in PCG? If yes, in positive way or negative way?
Answer:	
China's re-opening will benefit our sales into the market in anticipation of demand recovery with less logistics and shipping restrictions, thus encouraging higher trading activities between China and Southeast Asia (SEA).	
No.	Question
56.	Could you share the status of the feedstock contracts with PETRONAS Group for C1, C2, C3 and C4 (e.g. C1 until Q2 2024, C2 until Q4 2025 and etc.)?
Answer:	
The gas feedstock arrangement with PETRONAS is stipulated in multiple contracts with each individual plants, where each contract has its own duration and expiry. The next major contract due for renewal is for the C2 feedstock supply, which is currently under negotiation and targeted to be renewed by July 2023.	

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Performance & Outlook

No.	Question
57.	May I know the outlook for refinery/ cracker spread and what will be the sensitivity analysis for each movement of 1 USD per barrel of crude oil hedge contract? May I also know the forex sensitivity exposure for every RM0.10 movement of the RM against the USD as well as the sensitivity of cost of borrowing of every 1% to the bottom line?
Answer:	
<p>PCG does not own any refineries nor crude oil hedge contracts. PCG Group has a natural hedge as most of its revenue and expenses are denominated in USD. We have in place our Foreign Exchange (FX) Management Guideline, which covers the FX Management process and considerations required to prudently manage and mitigate exposures to FX risk.</p> <p>In term of sensitivity, we estimate every 10 sen movement in RM against USD, EBITDA changes by 3% to 4%. For cost of borrowing sensitivity, every 1% movement of borrowing cost gives a change of 0.4% of PCG's Profit After Tax.</p>	
No.	Question
58.	<p>Understand that one of PCG's competitive advantages is its low feedstock gas cost arrangement with PETRONAS.</p> <p>a) Recently, analysts reported that there is a huge possibility that the gas cost, which was previously fixed, will be revised upward in mid-2023. Can the Management confirm this?</p> <p>b) Will this have a very big impact on the Group's profitability?</p> <p>c) After this revision, does PCG still have competitive advantages compared to Naphtha-based players?</p>
Answer:	
<p>PCG and PETRONAS will continue to negotiate for the best value for our business to ensure we remain competitive in the market. In addition, we will continue to sustain our operational and commercial excellence, including cost discipline to further maximise our value.</p>	
No.	Question
59.	Will the prolonged Russia & Ukraine war affect the profit of the Company?
Answer:	
<p>The war impacts the movements of crude oil and energy prices. Consequently, these will affect chemical prices and our profitability.</p>	
No.	Question
60.	Is PCG is in top 10 chemical companies in the world in term of profitability?
Answer:	
<p>PCG is a leading integrated petrochemical producer in SEA. There are significantly larger companies in the world with different cost structure. PCG is not in the top 10 global chemical companies in terms of profitability.</p>	

Performance & Outlook

No.	Question
61.	Do you foresee if the recession is coming and how will it affect PCG business?
62.	When facing tough, uncertain and challenging times ahead, what mitigation and effective price cut measures that the Company need to undertake to stay competitive ahead of its peers? The last quarterly result is providing early signal of the challenges ensuing.
Answer:	
<p>The International Monetary Fund (IMF) has forecasted global growth to fall from an estimated 3.4% in 2022 to 2.9% in 2023 before rising to 3.1% in 2024. Inflationary pressures, geopolitical landscape uncertainties and persistent vulnerabilities in the global supply chain pose as downside risks to product demand.</p> <p>At PCG, we continue to sustain our operational and commercial excellence, including cost discipline, to offset potential margin compression should product prices continue to fall. Our team continues to be vigilant of potential risks and market disruptions.</p>	
No.	Question
63.	Oil price has been declining from their peak price and how does it affect PCG business?
64.	What is the impact of lower oil price to PCG, will lower oil price result in lower input cost and higher profit?
Answer:	
<p>The petrochemical product prices have a direct correlation to crude oil and as such, lower crude oil price will result in lower product prices. However, prices will also depend on supply and demand in the market. Our profitability will be influenced by these factors.</p>	
No.	Question
65.	How much profit is anticipated this year and when is the next dividend payout?
Answer:	
<p>Our profitability is primarily influenced by:</p> <ul style="list-style-type: none"> a) Global economic conditions affecting supply and demand; b) Petrochemical product prices, which have a correlation to crude oil price; and c) Utilisation rate of our production facilities. <p>The first interim dividend for financial year ending 31 December 2023, if any, will be declared and paid in Q3 2023.</p>	

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Business Strategies

No.	Question
66.	What is the impact to the Company when Pharmaniaga is closing down? Debating high of business with that company?
Answer:	
PCG has no direct business relationship with Pharmaniaga.	
No.	Question
67.	Understand that PCG has divested 25% stake in PETRONAS Chemicals Fertiliser Sabah to Sabah state unit at undisclosed amount. a) What is the selling amount for these 25% stake? What valuation it is based on (Price Earning, Price to Book or Enterprise Value)? b) Is this an act of political pressure instead of business strategies?
Answer:	
We are currently finalising the definitive agreement and a Bursa disclosure will be made upon entering the agreement. The divestment is part of PCG's strategic effort to position itself as a preferred partner in shaping and delivering our aspiration to sustain and grow the petrochemicals business in Sabah.	
No.	Question
68.	What is the effect of the Europe not buying from PCG?
69.	Why don't we sell products to Europe since they boycott Russian products?
Answer:	
PETRONAS Chemicals' business is largely within the Asia Pacific Region. The addition of BRB and Perstorp has expanded PCG's market globally, which includes their core market in Europe where they have long term customers.	

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Dividend

No.	Question
70.	Will PetChem declare a special dividend?
Answer:	
Our dividend policy provides a payout ratio of around 50% of Group Profit After Tax and Non-Controlling Interests ("PATANCI"). Our decision with regards to additional dividend payment depends upon factors, such as performance, capital requirements, general financial condition and other factors considered relevant by the Board.	
No.	Question
71.	Is there any increase of dividend expected for the year?
72.	Can we have a better dividend payout and intervals of the payout?
Answer:	
We note on shareholders' request for dividend payout. All decisions with regards to dividends are deliberated and decided by the Board of Directors based on the Company's dividend policy, i.e., Payout Ratio of around 50% of PATANCI.	

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Shares

No.	Question
73.	Can the Company give bonus shares to the shareholders?
74.	Please give bonus issue.
Answer:	
At the moment, PCG has no plans to provide any bonus shares.	
No.	Question
75.	Lately, the share price of PetChem has reduced by a lot? Can you share the reasons?
Answer:	
We are of the opinion that the share price has declined due to analysts' assessment that the Company's performance in 2023 will be lower compared to 2022 due to lower GDP growth forecast and inflationary pressures on costs.	
No.	Question
76.	Why is PETRONAS Chemicals Group's share price so low compared to PETRONAS Dagangan and PETRONAS Gas?
Answer:	
We are unable to comment on the share prices of PETRONAS Dagangan and PETRONAS Gas.	

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Market & Competitors

No.	Question
77.	Regarding China's Rongsheng Petrochemical investment in Malaysia, is there any direct impact/ competition to PCG?
Answer:	
<p>We note on Rongsheng Petrochemical investment in Malaysia. As with any other investments within the market that we are in, PCG will continue to assess the potential market competition impact and risks.</p> <p>We believe our track record as a reliable supplier along with provision of best product offerings and solutions to our customers will enable PCG to remain competitive.</p>	

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Specialties

No.	Question
78.	<p>Could you share the margin spread and product price for specialty chemicals from Perstorp?</p> <p>What is your strategy to improve the margin spread from Perstorp?</p>
Answer:	
<p>Historically, Perstorp's average annual EBITDA margin has been around 15%, in line with industry peers. As specialty chemical products are driven by end market demand, there is no specific price marker for the products as compared to commodity chemicals.</p> <p>For specialty chemicals, we will continue to manage product mix and pricing excellence while working closely with customers to deliver tailored solutions for improved margins.</p>	
No.	Question
79.	<p>The acquisition of Perstorp was completed on 11 October 2022 for a purchase consideration of RM7.3148 billion.</p> <p>What was the contribution of Perstorp in terms of Revenue and Profit Before Tax (PBT) after the completion of the acquisition?</p> <p>How much is percentage terms the budgeted contribution to the overall Revenue of PCG Group for FY2023?</p>
Answer:	
<p>The operational and financial results of Perstorp are consolidated together with BRB within the Specialties segment. In the fourth quarter of 2022, the Specialties segment contributed 19% of revenue to PCG with 2% to PBT.</p> <p>The Specialties segment is expected to provide similar contribution in 2023.</p>	
No.	Question
80.	<p>a) Please explain why the specialties segment turned into a loss of RM163 million in Q4 FY2022?</p> <p>b) Understand that the specialties segment consists of the BRB Group (Da Vinci Group) and the Perstorp Group, please provide the profit contribution on each of these groups and explain their performance.</p> <p>c) Is the performance of the recently-acquired Perstorp Group satisfactory?</p>
Answer:	
<p>a) The fourth quarter results for the Specialties segment are mainly due to seasonally lowest quarter for specialties arising from weaker demand in view of the slowdown in Europe & US, inventory destocking, higher European energy & raw material costs as well as unrealised foreign exchange loss resulting from depreciation of Swedish Kroner against the Euro.</p> <p>b) We do not disclose a stand-alone Perstorp and BRB's results as it is embedded as part of the Specialties segment.</p> <p>c) PCG's Specialties segment, which includes Perstorp and BRB, had a weaker performance in Q4 2022 due to the challenging market environment in line with other peers.</p>	

Specialties

No.	Question
81.	<p>Referring to Q4 FY2022 Q4 Note A9 in Quarterly Report Announcement:</p> <p>"During the year, the Group's investment holding company has provided for earn out costs amounting to RM177 mil arising from acquisition of BRB Group in 2019 which has been included in Others".</p> <p>Please explain the arrangement of the earn out cost, and how long it will last?</p>
Answer:	
<p>As part of the acquisition of BRB in 2019, PCG had entered into an earn-out scheme as part of the retention programme for BRB's key management personnel who were also shareholders.</p> <p>In the earn-out scheme, partial proceeds of the transactions for the key personnel were deferred for three to five years, where the final payout is based on the equity value of BRB's business, which is linked to its financial performance. The final recognition is expected to be made in 2024.</p>	
No.	Question
82.	<p>Geopolitical and global market demand turmoil affects all, including PCG. But European sanctions on Russian oil & gas supplies should favour our competitive and market advantage somewhat over them.</p> <p>Going forward, what, where and how is our Company's sustainable competitive advantages over our competitors secured, some of which will have new capacities coming in, such as Lotte Group expansion in Indonesia, others in China, etc. What will our new RM11.107 billion acquisition bring about?</p>
Answer:	
<p>Moving forward, PCG will continue to sustain our competitive advantage through our Two-Pronged strategy.</p> <p>The addition of Perstorp will strengthen our market position and assist in our product innovation. PCG will also benefit from Perstorp's technology, know-how and its customer-centric solutions. Perstorp's "Finite Material Neutral" will complement PCG's Net Zero Carbon Emissions (NZCE) 2050 aspirations, which could be adopted and implemented for the benefit of the Group. Having introduced innovative, sustainable and safe solutions to the European market, Perstorp's offerings will have significant opportunities for future growth in Asia, PCG's home market.</p>	

Stakeholders

No.	Question
83.	Who is the majority shareholder for the LG PETRONAS Chemicals Malaysia Sdn Bhd in Pengerang?
Answer:	
LG PETRONAS Chemicals Malaysia Sdn Bhd is a joint venture between LG Chem and PCG where LG Chem owns 51% equity while PCG owns 49% equity.	
No.	Question
84.	Please register me for Terengganu plant visit.
85.	How to participate in the plant visit?
86.	Is there any plant visit program this year? If yes, pls share some details.
Answer:	
Please register your interest by e-mail to petronaschemicals_ir@petronas.com	

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Board of Directors

No.	Question
87.	Is there any succession planning for retiring directors?
Answer:	
<p>The NRC has the responsibility in ensuring appropriate succession planning for Directors and reviewing the Board's required mix of skills and experience, which includes review of the tenure of Independent Directors on the Board and proposals for retirement and/or re-election of Directors.</p> <p>As Datuk Toh Ah Wah will be retiring in June 2023, the Company through external consultant is currently sourcing for his replacement.</p>	

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No.	Question
88.	When is the Company going to conduct AGM where shareholders can be physically present?
89.	Kindly consider having a physical meeting for next year's AGM.
90.	Will we be having physical AGM again?
91.	Will we be having physical AGM again?
Answer:	
We will continue to assess and ensure compliance to the recommended practices by Malaysian Code of Corporate Governance (MCCG) and consider the best mode to conduct the next AGM, be it physical or hybrid.	
No.	Question
92.	How much does the Company spend on this virtual AGM?
Answer:	
The Company spent around RM300,000 for this virtual AGM. 65% of the spending was allocated for door gifts to shareholders.	
No.	Question
93.	There are many very cheap platforms used by other companies to hold virtual meetings and not require registration of 48 hours in advance for shareholders.
Answer:	
<p>The selection of AGM platform is based on PCG internal guideline and criteria in line with MCCG's recommendation towards a secure and stable transmission of the meeting proceedings. It must also ensure a satisfactory experience for shareholders. We will continue to evaluate suitable platforms in the future.</p> <p>The requirement to register for 48 hours in advance is only for proxies registration for the submission of proxy form, as the law requires for a proxy form to be deposited no less than 48 hours before the time of holding the general meeting. The Shareholders can register anytime up to the day of AGM.</p>	

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Administrative

No.	Question
94.	Please send me a printed copy of the Annual Report.
95.	Can you send me the 2022 printed hardcopy Annual Report to my home address?
96.	Please send me a copy if the latest Annual Report.
97.	Please send a printed Annual Report 2022.
98.	Please send me the printed copy of Annual Report.
99.	Please send a copy of Annual Report.
Answer:	
As per standard practice, you would need to register your request on the Tricor website. In this case, we have notified the Share Registrar to arrange for the delivery of your Annual Report.	
No.	Question
100.	How to vote?
101.	How to vote?
102.	How to vote?
103.	I cannot find the voting button.
Answer:	
We do have an online remote voting platform via the Remote Participation and Voting (RPV) facilities, which is available on Tricor Investor & Issuing House Services Sdn. Bhd.'s (TIIH) Online website at https://tiih.online .	
Upon casting your vote, the Remote Voting event will no longer be available on your screen.	

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Others

No.	Question
104.	Do we need to contribute funds to the politicians to use at the election?
Answer:	
PCG does not contribute any funds for political purposes.	
No.	Question
105.	Does PCG have any plan against cyber security?
Answer:	
Our cyber security program has been in execution since 2019 and the effectiveness of our Human Firewall is better than industry benchmark. We will continue to remain vigilant of potential threats and reinforce awareness within the organisation.	

Pre-AGM Questions

No.	Question
1.	Is the Company giving any door gift to shareholders attending this AGM?
2.	I trust that the Company will be in the position to reward participants of this AGM with higher value Touch 'n Go reload compared to past AGMs of RM100 PETRONAS gift card.
3.	I trust that the Company will be in the position to reward participants of this AGM with higher value Touch 'n Go reload compared to past AGMs of RM100 PETRONAS gift card.
4.	I trust that the Company will be in the position to reward participants of this AGM with higher value Touch 'n Go reload compared to past AGMs of RM100 PETRONAS gift card.
5.	PETRONAS Chemicals Group Berhad recorded RM6.3 billion net profit in 2022. Will we be given a door gift as a token of appreciation for attending this AGM?
6.	It is my greatest hope that shareholders of PETRONAS Chemicals Group Berhad will also benefit from the tremendous saving arising from a virtual AGM as compared to a physical AGM in the form of a larger amount of a more generous door gifts i.e. a RM100.00 petrol voucher.
7.	Any door gifts for shareholders?
8.	Please reconsider giving door gift eg (SETEL e.g. RM100 as usual) as token of appreciation.
9.	We would greatly appreciate if you can increase the SETEL E-Wallet from the RM50. In the Pre-Covid years you gave RM100, provided food & beverage & free parking. Nowadays with virtual meetings there are much savings & so Company can give more or at least revert to the good old days of RM100 petrol e-vouchers.
10.	We would greatly appreciate if you can increase the SETEL E-Wallet from the RM50. In the Pre-Covid years you gave RM100, provided food & beverage & free parking. Nowadays with virtual meetings there are much savings & so Company can give more or at least revert to the good old days of RM100 petrol e-vouchers.
11.	Please give us more SETEL e-vouchers. With Virtual meetings as opposed to physical the Company is spending so much lesser and hence surely can afford to give more than the RM50. What is RM50 these days of high cost of living?
12.	Is the Company giving any door gift to shareholders attending this AGM?
Answer to question number 1 to 12:	
<p>Shareholders participating in the AGM today will be given RM100 SETEL voucher as a door gift as compared to RM50 SETEL voucher last year.</p> <p>These vouchers can be used at any PETRONAS' petrol stations to experience the new offerings in addition to fuel.</p> <p>Details will be emailed within five working days from the date of PCG's 25th AGM.</p>	

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Pre-AGM Questions

No.	Question
13.	<p>a) Why did the share price drop from RM10+ to RM7+?</p> <p>b) What is the Board going to do about the drop in share price? How soon can we see the result?</p>
Answer:	
<p>a) Based on historical data, PCG's share price moves in correlation with crude oil prices and prices of selected chemical products.</p> <p>PCG's share price reached a high of RM10.40 in second quarter of 2022, when crude oil was averaging at USD112 per barrel and prices, for example, of urea was above USD700 per metric tonne. As of 31 March 2023, crude oil prices have declined by 27%, urea prices came down by 50%, while other chemicals declined between 10% to 35%.</p> <p>We are of the opinion that the share price has declined due to analysts' assessment that the Company's performance in 2023 will be lower compared to 2022 due to lower GDP growth forecast and inflationary pressures on costs.</p> <p>b) We will continue to undertake cost optimisation efforts and strive to achieve the highest production and sales volume for the Company. Our wide customer network globally is mobilised to capture best returns for the Company as well as our stakeholders.</p>	
No.	Question
14.	In Q4 2022, PCG recorded net profit of RM481 million, a decline of 77% year-on-year. Can you explain what happened? And what is the net profit outlook for 2023?
Answer:	
<p>Our results are primarily influenced by:</p> <p>a) Global economic conditions affecting supply and demand;</p> <p>b) Petrochemical product prices, which have a correlation to crude oil price; and</p> <p>c) Utilisation rate of our production facilities.</p> <p>Net profit after tax and non-controlling interest in Q4 2022 reduced by 77% at RM481 million as compared to Q4 2021, which was mainly due to compressed margin as product prices declined following lower global demand and higher operational costs. Our profitability was also impacted by unrealised forex loss as well as lower share of profits from joint ventures and associates.</p> <p>We expect the overall basic petrochemical and specialty chemicals prices to remain volatile in 2023, due to uncertainty in demand recovery, inflationary pressures and geopolitical conflicts. PCG will continue to manage product mix and pricing excellence in a challenging environment.</p>	

Pre-AGM Questions

No.	Question
15.	What are the Company's strategies in the future to lower the cost of revenue, such as higher costs of raw materials and overhead costs? Furthermore, what are the Company's strategies to develop more Value-Added Products that are environmentally friendly and safe for humans compared to the current chemical products?
Answer:	
<p>To optimise our cost, we strive to ensure plant utilisation rate at an optimal level and continue HSE, operational & commercial excellence efforts.</p> <p>We are actively assessing several opportunities to advance our sustainable portfolio. For example, we are now at the engineering design stage to convert plastic waste to circular naphtha. Concurrently, we have ongoing feasibility studies into renewable feedstock for key chemicals.</p> <p>At Perstorp Group, there is a portfolio of sustainable products, i.e., Pro-Environment Solutions derived from renewable/recycled raw materials. In addition, through Project Air, Perstorp aims to build a unique production facility for sustainable methanol in Sweden.</p> <p>We are committed to the safety of our employees, communities and the environment where we operate. We engaged customers through product stewardship and technical talks to promote the safe handling of chemicals.</p>	
No.	Question
16.	The Company has shown strong historical production record in chemicals and co-related pharmaceutical industry, why isn't the Company doing better, financially, post-pandemic with the economic recovery? What can the Company do to improve profitability?
Answer:	
<ul style="list-style-type: none"> As mentioned in Question 14, our results are primarily influenced by several factors. In 2022, market condition for chemical products was volatile as a result of the Russia-Ukraine conflict, China's zero-COVID policy, high inflation and supply chain disruption. Against this backdrop, PCG experienced margin compression as product prices declined with lower global demand, as well as higher costs in line with higher energy prices. In addition, PCG undertook heavy statutory turnaround activities, which resulted in lower plant utilisation rate. We continue to sustain our operational and commercial excellence, including cost optimisation efforts. Our team continues to be vigilant of potential risks and market disruptions. 	

Pre-AGM Questions

No.	Question
17.	What is the latest market price trend for Specialties, O&D and F&M in view of the stabilising crude oil price at around USD80-USD90 per barrel?
Answer:	
<p>The movements in product prices observed in the first quarter of 2023 against fourth quarter 2022 are as follows:</p> <p>a) O&D: Slight increase trends for ethylene, glycols, polymers and paraxylene supported by improvements in downstream demand coupled with lower supply due to turnaround and maintenance shutdowns in Asia.</p> <p>b) F&M: Ammonia and Urea prices have declined due to soft demand and stabilised feedstock price. Methanol shows improvement supported by demand for gasoline blending.</p> <p>Specialties: While some market improvements were seen for engineered fluids, market demand remained soft for silicones, lube oil additives, polyols and oxo-intermediates.</p>	
No.	Question
18.	What is the update on your contract renewal progress for Ethane C2 as it was mentioned in last year's AGM that renewal is in 2023?
Answer:	
We are currently negotiating the terms of the ethane contract and it is targeted to be renewed by July 2023.	
No.	Question
19.	<p>Who are the Senior Managements/Directors that are accountable for such huge losses in terms of decision making? What is the action taken/ to be taken against the said Senior Managements/Directors?</p> <p>Is there any dividend being declared/or to be declared despite Company suffers from losses?</p>
Answer:	
<p>In FY2022, PCG recorded EBITDA of RM8.1 billion and PAT of RM6.3 billion.</p> <p>The Nomination and Remuneration Committee (NRC), which is made up of primarily independent Board of Directors, is responsible for matters regarding the performance of the Directors and Senior Management.</p> <p>All decision with regards to dividends are deliberated and decided by the Board of Directors based on the Company's dividend policy i.e., Payout Ratio of around 50% of PATANCI.</p>	
No.	Question
20.	How will OPEC's announcement on production reduction affect the Company's performance?
Answer:	
OPEC+ production cuts is expected to provide support to crude oil prices. Given the strong correlation with crude oil, our basic chemical product prices are expected to move in tandem with the changes in crude oil prices.	

Pre-AGM Questions

No.	Question
21.	What is the impact on the Company's profitability if oil price drop?
Answer:	
Assuming all other factors remain the same, petrochemical product prices generally move in positive correlation with crude oil prices. As such, lower crude oil price will consequently result in potentially lower product prices, lower spreads and therefore margin compression.	
No.	Question
22.	Are we going to have a physical AGM again?
23.	It is hereby hoped that the Board will consider reverting to physical AGM now that the pandemic is almost over. Shareholders can then interact with each other and with the directors on an informal basis.
Answer:	
We will continue to assess and ensure compliance to MCCG's recommended practices and consider the best mode to conduct the next AGM, be it physical or hybrid.	
No.	Question
24.	Does PCG already have a carbon management policy? If yes, what is the Company's carbon credit expenses in FY2022 as a percentage of its total OPEX?
Answer:	
<p>PCG has developed our own carbon reduction pathway, i.e., Net Zero Carbon Emissions (NZCE) 2050 Roadmap in 2021, with clear goals to reduce our emissions by 20% by 2030, more than half in 2040 and net zero by 2050.</p> <p>PCG has also allocated around 10% of its planned annual capital expenditure to scale up decarbonisation efforts and renewables & low carbon portfolio from 2023 to 2027.</p> <p>Carbon offsetting is part of PCG's NZCE 2050 roadmap, but to date, PCG has yet to embark on carbon offsetting as it is intended to only offset the hardest to abate carbon emissions in the future. As such, there were no carbon credit expenses in FY2022.</p>	
No.	Question
25.	What is the potential business for the Company in the next 5- year related to green energy?
Answer:	
<p>As a Chemical Company, we are a consumer of energy. We have developed the Net Zero Carbon Emissions (NZCE) 2050 Roadmap with clear goals to achieve net zero by 2050. We aim to switch from conventional electricity to renewables by investing in solar panel installation within our operating facilities and other form of green energies. Through these efforts, our products will be low carbon and provide a more attractive value proposition to our customers.</p> <p>Our aspiration is to offer low carbon or a green product portfolio. Through Perstorp's finite material neutral strategy, we already have pro-environment solutions product range. The portfolio will continue to be expanded through sustainable methanol, a key feedstock for Perstorp, produced from materials that are renewable.</p>	

Pre-AGM Questions

No.	Question
26.	How does the Company view the competition from ChemOne Pengerang Energy Complex?
Answer:	
<p>We note on the potential investment by ChemOne in Pengerang. As with any other investments within the market that we are in, PCG will continue to assess the potential market competition impact and risks.</p> <p>We believe our track record as a reliable supplier along with provision of best product offering and solutions to our customers will enable PCG to remain competitive.</p>	

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