

PETRONAS Chemicals Group Berhad is the leading integrated chemicals producer in Malaysia and one of the largest in Southeast Asia. With over three decades of experience in the chemicals industry, we have grown and delivered outstanding achievements, leaving us well positioned for a sustainable

tomorrow.

# **VISION**

OUR VISION IS TO BE THE PREFERRED CHEMICAL COMPANY PROVIDING INNOVATIVE CUSTOMER SOLUTIONS.

# SHARED VALUES

OUR SHARED VALUES ARE DEEPLY EMBEDDED IN OUR CULTURE AND 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

PROFESSIONALISM
Strive for excellence

INTEGRITY

Honest and upright

**COHESIVENESS** 

United, trust and respect for each other







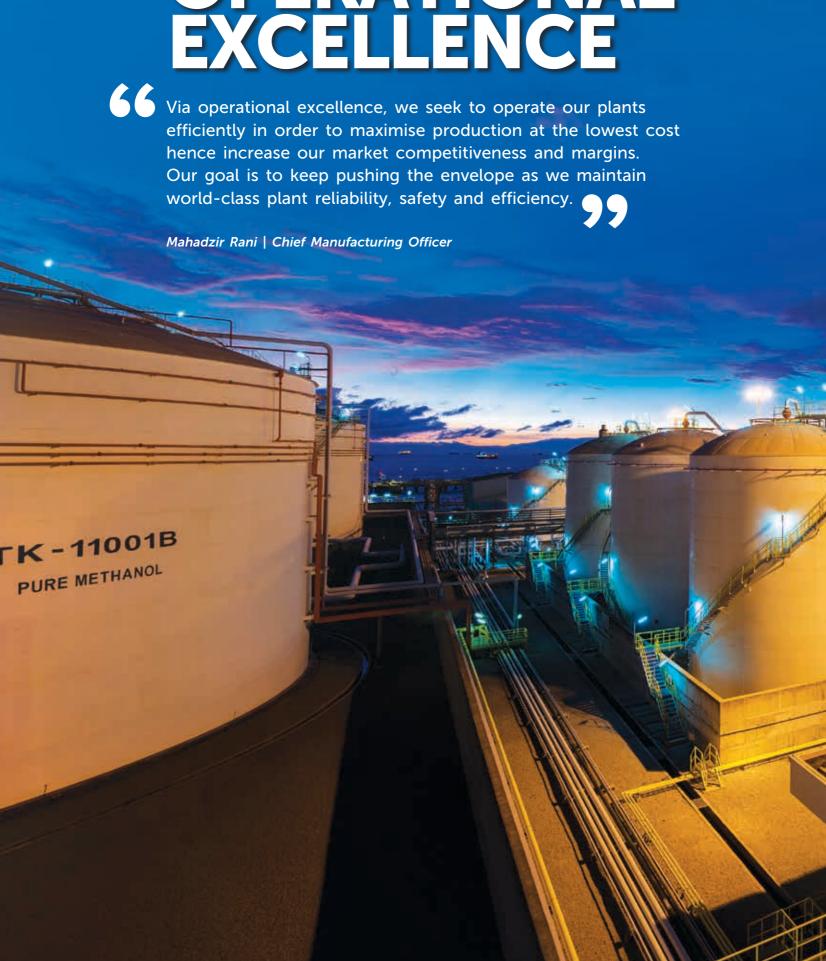






























# ABOUT THIS REPORT

# INTEGRATED REPORTING APPROACH

As one of the largest companies on Bursa Malaysia Securities Berhad (Bursa Malaysia) by market capitalisation, our operations have a significant impact on our stakeholders. These stakeholders are important to us, and to strengthen the trust they have in PETRONAS Chemicals Group Berhad (PCG or the Group), we seek to provide clarity on our business direction, strategies and performance while articulating our business and material risks. This Integrated Report (IR) has been produced to satisfy that purpose. It provides a holistic and material assessment of our ability to create value in the short, medium and long term.

# **Scope and Boundary**

This IR covers the year from 1 January 2019 to 31 December 2019, unless otherwise stated. Information presented relates to the activities of the Group comprising our subsidiaries, joint operation, joint ventures (JVs) and associates. Subsidiaries included are pursuant to Malaysian Financial Reporting Standards (MFRS) 10 Consolidated Financial Statements.

# **Reporting Framework**

In producing this report, we are guided by the International Integrated Reporting Framework (IIRF) of the International Integrated Reporting Council (IIRC) as well as the Main Market Listing Requirements (MMLR) of Bursa Malaysia, the Corporate Governance Guide (3<sup>rd</sup> Edition) issued by Bursa Malaysia, the Companies Act 2016 (CA 2016) and the Malaysian Code on Corporate Governance (MCCG) 2017.

# **Our Targeted Readers**

This IR was prepared to cater to the information needs of our shareholders and the investment community at large. It also provides relevant information to other stakeholders — such as our customers, employees, partners and regulators — who are interested in how we create value for them.

# Materiality

In presenting the information, we have been guided by matters that are material to our targeted readers. These matters were identified, prioritised and validated via a four-step materiality assessment.





Futher details of PETRONAS Chemicals Group Berhad can be found on  $\underline{www.petronaschemicals.com}$ 

### Assurance

The report development process is supported by our robust internal control and good governance practices. Assurance for this report is provided by our Board of Directors (Board), supported by external verification by KPMG PLT, our auditors for financial information and providers of limited assurance on selected non-financial information.

- Read more on **page 154** for Non-financial Assurance Report
- Read more on **page 152** for Independent Auditors' Report

## **Forward-looking Statements**

This report contains certain forward-looking statements relating to future performance. These statements and forecasts are based on current assumptions and circumstances, which could change, hence necessarily involve uncertainty. Various factors could cause actual results to differ materially from those expressed or implied by these forward-looking statements.

### **OUR CAPITALS**

### **Natural Capital**

Refer to all renewable and non-renewable environmental resources and processes that provide goods or services that support the past, current or future prosperity of an organisation.

# Financial Capital

Refers to the pool of funds that is available to an organisation for use in the production of goods or the provision of services.

# Manufactured Capital

Refers to the manufactured physical objects or assets that are available to an organisation for use in the production of goods or the provision of services, including buildings, equipment and infrastructure.

# **Intellectual Capital**

Refers to the organisation's knowledge-based intangibles, systems, procedures and protocols, including intellectual property such as patents, proprietary chemical formulations, trade secrets, trademarks, copyrights, software and licenses.

# **Human Capital**

Refers to workforce and their competencies, capabilities and experience, and motivations to innovate.

# Social and Relationship Capital

Refers to the relationships within and between communities, groups of stakeholders and other networks, and the ability to share information to enhance individual and collective well-being.

### **NAVIGATION ICONS**

### **Material Matters**



- Market Dynamics
- Customer Centricity
- Environment
- Social and Governance
- Health and Safety

# **Our Capitals**

- Natural Capital
- \$\ \text{Financial Capital}
- Manufactured Capital
- Intellectual Capital

  Human Capital
- Social and Relationship Capital

# **Our Strategic Thrusts**

- OE Operational Excellence
- CE Commercial Excellence
- GE Growth Delivery Excellence

# **Key Stakeholder Groups**

- Employees
- Customers
- Suppliers and Vendors
- Business Partners
- Shareholders and Investment Community
- Government and Regulators
- Communities
- Media

# OUR REPORTING SUITE



At PCG, we produce a range of corporate reports for the benefit of our stakeholders, providing them with critical information on the many areas of our business operations and performance. Our 2019 Annual Report Suite provides a comprehensive and accurate account of our value creation activities. Our Integrated Report is a key document in the suite, and should be read in conjunction with the other reports.

Our reporting suite comprises:

# **Disclosures:**

# **Reporting Framework:**



### INTEGRATED REPORT (IR) 2019

PCG's IR has been produced with the primary objective of providing our stakeholders a comprehensive overview and a balanced assessment of our financial and non-financial performance.

Reading the Report, our stakeholders are informed of our strategy, businesses and performance, our approach to governance and risks as well as our future goals. The Report demonstrates our accountability and strengthens the trust of our stakeholders.

- MCCG 2017 issued by Bursa Malaysia
- · MMLR issued by Bursa Malaysia
- IIRF by the IIRC
- CA 2016
- MFRS
- International Financial Reporting Standards (IFRS)

### GFR) GOVERNANCE AND FINANCIAL REPORTS (GFR) 2019

PCG's GFR presents detailed reporting of Corporate Governance Statements, including expanded information of our Corporate Governance Overview Statement, Nomination and Remuneration Committee Report, Board Audit Committee Report, Board Risk Committee Report and Statement on Risk Management and Internal Control. Our GFR also includes our Audited Financial Statements consisting of Directors' Report, Audited Financial Statements and our Independent Auditors' Report. The GFR provides detailed governance and financial disclosures to our shareholders, investors, analysts and other interested parties.

- MCCG 2017 issued by Bursa Malaysia
- Corporate Governance Guide (3rd Edition) issued by Bursa Malaysia
- MMLR issued by Bursa Malaysia
- CA 2016
- MFRS
- IFRS

# SR SUSTAINABILITY REPORT (SR) 2019

PCG's SR provides a detailed account of the Group's sustainability performance for the year - our economic, social, environmental and governance performance.

The SR delivers a balanced report on our efforts to create value for stakeholders and conducting business in a responsible

It showcases various initiatives and programmes implemented to create shared value for positive impact in the community, workplace, marketplace and the environment.

- MCCG 2017 issued by Bursa Malaysia
- Global Reporting Initiative (GRI) Standards
- FTSE4Good Bursa Malaysia Index's Environmental, Social and Governance (ESG) indicators
- International Petroleum Industry Environmental Conservation Association's (IPIECA) Oil and Gas Industry Guidance on Voluntary Sustainability Reporting
- United Nations' Sustainability Development Goals (UN SDGs)
- Dow Jones Sustainability Index (DJSI)

PCG's Board of Directors (Board) acknowledges its responsibility in ensuring the integrity of this Integrated Report, which in the Board's opinion addresses all the issues that are material to the Group's ability to create value and fairly presents the integrated performance of PCG Group. This report has been prepared in accordance with the IIRC <IR> Framework. This report was approved by the Board on 26 February 2020.

## **Datuk Md Arif bin Mahmood**

Chairman

## Datuk Sazali bin Hamzah

Managing Director/Chief Executive Officer

**INTEGRATED REPORT 2019** 

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Vision Shared Values

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# 22<sup>nd</sup> ANNUAL GENERAL MEETING

## Venue

Exhibition Hall 7, Level 3, Kuala Lumpur Convention Centre, Kuala Lumpur City Centre, Jalan Pinang, 50088 Kuala Lumpur, Malaysia

# Date & Time

Tuesday, 16 June 2020 10.00 a.m.

# **ADDITIONAL INFORMATION**



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Proxy Form



as at 26 February 2020

# **BOARD OF DIRECTORS**

**DATUK MD ARIF MAHMOOD DATUK SAZALI HAMZAH DATUK TOH AH WAH** (Chairman) (MD/CEO) Senior Independent Director Non-Independent Non-Executive Director Non-Independent Executive Director WARREN WILLIAM WILDER DR ZAFAR ABDULMAJID MOMIN **YEOH SIEW MING** Independent Non-Executive Director Independent Non-Executive Director Independent Non-Executive Director **NOOR ILIAS MOHD IDRIS FREIDA AMAT** Non-Independent Non-Executive Director Non-Independent Non-Executive Director

# **Senior Independent Director**

Datuk Toh Ah Wah

Email: petchem.sid@petronas.com

# Nomination and Remuneration Committee

Datuk Toh Ah Wah (Chairman) Yeoh Siew Ming Dr Zafar Abdulmajid Momin

# **Board Audit Committee**

Yeoh Siew Ming *(Chairman)* Datuk Toh Ah Wah Dr Zafar Abdulmajid Momin Freida Amat

# **Board Risk Committee**

Warren William Wilder (Chairman) Yeoh Siew Ming Dr Zafar Abdulmajid Momin Noor Ilias Mohd Idris

# **Company Secretaries**

Hasnizaini Mohd Zain (LS0009780) Kang Shew Meng (MAICSA 0778565)

# **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

### **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

# **Banking Services Provider**

PETRONAS Integrated Financial Shared Service Centre (IFSSC)\*

# Website

www.petronaschemicals.com

<sup>\*</sup> Banking requirements are substantially managed centrally by PETRONAS IFSSC to enable more efficient banking management for the Group and the Company.

# **WHO WE ARE**

PCG is the chemical arm of PETRONAS specialising in the manufacturing, marketing and selling of a diversified range of chemical products. Listed on 26 November 2010, we have a market capitalisation of RM58.8 billion as at 31 December 2019, positioning us among the top five on Bursa Malaysia. We also rank among the top ten in the FTSE4Good Bursa Malaysia (F4GBM) Index, out of 200 largest companies by market capitalisation.



Established more than 30 years ago, PCG is one of the largest integrated chemicals producers in Southeast Asia.

In September 2019, we made our first foray via acquisition into specialty chemicals and specifically in the growing silicones business, through Netherlands incorporated Da Vinci Group (DVG).

With this acquisition, the Group now has a total asset base of RM38.9 billion as at 31 December 2019 and a combined production capacity of 12.8 million tonnes per annum (million tpa) from 11 production sites in Malaysia, Netherlands, Canada, Singapore and Germany. Two of the sites in Malaysia are fully integrated chemicals complexes from feedstock to products.

ONE OF THE

# **LARGEST**

INTEGRATED CHEMICALS PRODUCER IN SOUTHEAST ASIA\*

# LARGEST METHANOL PRODUCER IN ASIA PACIFIC &

# **4TH LARGEST**

IN THE WORLD\*

# **LARGEST**

MTBE, BUTANOL, BGE & EOA
PRODUCER IN SOUTHEAST ASIA\*

# 2<sup>ND</sup> LARGEST

UREA, AMMONIA &
BUTYL ACETATE PRODUCER
IN SOUTHEAST ASIA\*

# **3RD LARGEST**

MEG, LDPE & ETHOXYLATES
PRODUCER IN SOUTHEAST ASIA\*

# **NEWLY**

ACQUIRED DVG, LEADING
INDEPENDENT PRODUCER AND
FORMULATOR OF SILICONES,
LUBE OIL ADDITIVES AND
CHEMICALS

MORE THAN 4,500 EMPLOYEES

<sup>\*</sup> By capacity

# **WHAT WE DO: OUR PRODUCT PORTFOLIO**

We produce a range of commodities and specialty chemicals that are used by customers in different sectors - from agriculture to automotive, and packaging to personal care - to manufacture items that enhance our daily life.

# **PRODUCT PORTFOLIO**







**Polymers** 

**Methanol and MTBE** 

**Ammonia and fertilisers** 

**Aromatics** 



Olefins, glycols and derivatives



Silicones, lube oil additives and chemicals

**Products from JVs and** associates

# **APPLICATIONS**



Construction



**Electrical & electronics** 



**Packaging** 



Personal care



**Agriculture** 



**Textile** 



**Automotive** 



**Pharmaceutical** 



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# KEY HIGHLIGHTS

# **BUSINESS**



World-Class Safety Performance (LTIF)\*

0.08

2018: 0.13



PIC Project Completion 99.8%

2018: 96.0%



Production Volumes

10.4 million tpa

2018: **10.4 million tpa** 



Plant Utilisation (PU) **92**%

2018: 92%



Sales Volumes

8.4 million tpa

2018: **8.4 million tpa** 

Growth: Acquisition of DVG,

Achieved 2 Final Investment Decisions (FIDs) for Butadiene Derivative and Specialty Chemicals

- **5 New Products**
- PETRONAS AireBlue™ PETRONAS PowerClean™ TS301 PETRONAS PowerClean™ RS301
- PETRONAS PowerClean™ WS601 Nitrogen Stabilised Urea

# **FINANCIAL**



Revenue

RM16.4 billion

2018: RM19.6 billion



Profit After Tax (PAT)

RM2.8 billion

2018\*\*: RM4.9 billion



**EBITDA** 

RM4.4 billion

2018: **RM7.0** billion



**EBITDA Margin** 

**27.2**%

2018: 35.6%



Total Dividend

\* LTIF based on Oil and Gas industry benchmark of 0.27

RM1.4 billion

2018: RM2.6 billion



**Total Assets** 

RM38.9 billion

2018: **RM37.4 billion** 

<sup>\*\*</sup> Certain financial information and its corresponding financial ratios have been restated due to change in accounting policy in 2019 with respect



# **SUSTAINABILITY**



**NPE Education Reach** 

~35,000 people

Corporate Social Responsibility (CSR) Initiatives Reach ~20,000 people

2018: 13,000

# **Key Initiatives**



### ecoCare

A collaborative programme with the Malaysian Nature Society (MNS) which supports preservation and rehabilitation of the mangrove habitat.

**Number of Trees Planted** 

6,319

2018: 2,944

Number of Visitors

4.065 2018: 4,374

Be Green



An environmental conservation and plastic waste management awareness programme conducted in collaboration with Malaysian Plastic Manufacturers Association (MPMA), in line with NPE.

**Number of Volunteers** 2,700

2018: 1,370



# **Back-To-School**

A programme which provides school necessities and assistance to underprivileged students in our areas of operation.

**Number of Beneficiaries** 

1,100

2018: 800



**GHG Emissions Intensity** 

**0.83** tonne

CO<sub>2</sub>e\*\*/tonne

2018: **0.87 tonne CO,e/** tonne

**Energy Intensity** 

**15.37** GJ/tonne

2018: **16.36 GJ/tonne** 



Water Withdrawal Intensity

4.37 m<sup>3</sup>/tonne

2018: 4.68m³/tonne



**Waste Generation** 

25.53 kilotonnes

2018: 28.21 kilotonnes



Women Representation in Senior Management\*\*\*

25.2%

2018: 20.0%



**Number of Technical** Professionals (TP) Developed

2018: 16

- \*\* Carbon dioxide (CO<sub>2</sub>) equivalent
- \*\*\* Senior Manager and above

For environmental footprint intensity, the unit is based on per tonne of production



# KEY MILESTONES

1985

### **PCG'S ACHIEVEMENTS**

Since our inception in 2010, PCG has grown to become the leading integrated chemicals producer in Malaysia and one of the largest in Southeast Asia. Today, we are further cementing our leadership with the completion of one of the world's biggest petrochemical complexes. Our value creation journey towards realising our vision to be *The Preferred Chemical Company Providing Innovative Customer Solutions* to date has been marked by a series of turning points which we describe below.

1992-1999

# Commenced • Commenced production of propylene, polypropylene and MTBE at Gebeng production of Integrated Petrochemical Complex in Pahang ammonia and · Acquired methanol plant in Labuan urea in Bintulu, • Commenced production of ethylene and polyethylene at Kertih Integrated Sarawak Petrochemical Complex (KIPC) in Terengganu · Commenced production of styrene monomer in Pasir Gudang, Johor • Commenced production of ammonia, urea and methanol in Gurun, Kedah 30 years 2019 of Growth First production of polyethylene (PE), Acquired DVG, the world's leading polypropylene (PP) and ethylene independent producer and glycols (EG) at PIC in Pengerang, formulator of silicones, lube oil additives and chemicals Johor

- · Sanctioned development and construction of isononanol (INA) project at PIC in Pengerang, Johor
- Commenced production of ammonia and urea at PC Fertiliser Sabah in Sipitang, Sabah
- Commenced production of citral, citronellol, L-menthol and highly reactive polyisobutylene (HR-PIB) at BPC in Gebeng, Pahang

2017-2018

- Divested 50% equity in PPC to Aramco Overseas Holding Coöperatief U.A., a wholly-owned subsidiary of Saudi Arabian Oil Company (Saudi Aramco)
- Launched state-of-the-art Surfactant Laboratory in Bangi, Selangor





# 2000-2002

# · Commenced production of acrylic acid at BPC in Gebeng,

- Commenced production of benzene, paraxylene, ammonia, vinyl chloride monomer, polyvinyl chloride, acetic acid, olefins, glycols and derivatives at KIPC in Terengganu
- Commenced production of polyvinyl chloride in Baria-Vung Tau, Vietnam

# 2004-2009

- Expanded production capacities of ammonia and urea in Bintulu, Sarawak
- Expanded production capacities of ammonia and urea in Gurun, Kedah
- Commissioned mega methanol plant in Labuan
- Acquired additional interest in PC Olefins, PC Glycols and PC Derivatives from Dow Chemicals



Sanctioned the development and construction of specialty chemicals plant at KIPC in Terengganu



Sanctioned the development and construction of butadiene derivative plant at PIC in Pengerang, Johor

# 2015-2016

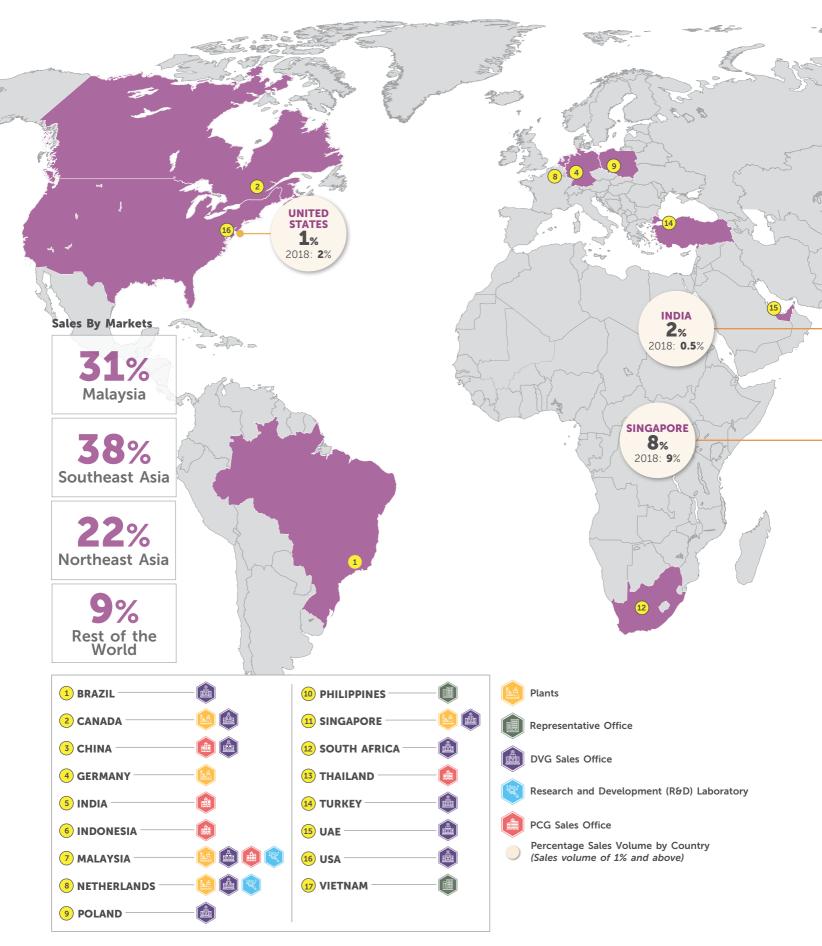
- Acquired 100% equity in PPC and PRPC Elastomers to undertake petrochemical projects as part of Pengerang Integrated Complex (PIC) in Pengerang, Johor
- Commenced production of 2-ethylhexanoic acid (2-EHAcid) at BPC in Gebeng, Pahang
- Sanctioned development and construction of High Density Polyethylene (HDPE) project at PPC in Pengerang, Johor
- Incorporated an overseas marketing subsidiary, PC Marketing Indonesia

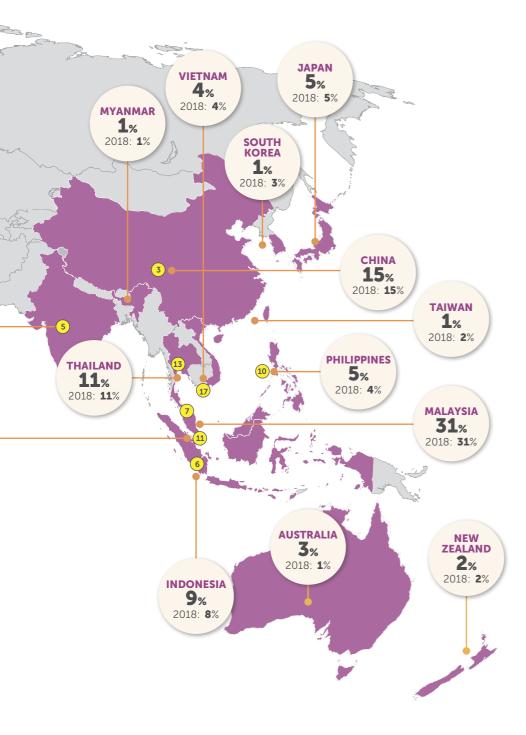
# 2010-2014

- · Acquired additional interest in PC Ethylene and PC Polyethylene from British Petroleum (BP)
- Listed on Main Market of Bursa Malaysia
- Divested Phu My Plastics & Chemicals Co Ltd pursuant to decision to discontinue vinyl business
- Secured license for PC Marketing Labuan as Labuan International Commodity Trading Company
- Incorporated overseas marketing subsidiaries, PC Marketing Thailand and PC Marketing China

## **INTEGRATED REPORT 2019** -

# WHERE WE OPERATE: OUR PRESENCE





The Group has 11 production sites in Malaysia, the Netherlands, Canada, Singapore and Germany as well as two R&D laboratories in Malaysia and the Netherlands.

# **MALAYSIAN OPERATIONS**

# FEDERAL TERRITORY OF KUALA LUMPUR

PETRONAS Chemicals Group is headquartered in the PETRONAS Twin Towers, Kuala Lumpur City Centre

# **TERENGGANU**

# **Kertih Integrated Petrochemical Complex** (KIPC)

- Ammonia
- Benzene
- Butanol
- Butyl Acetate
- Butyl Glycol Ethers
- Ethanolamines
- Ethylene
- Ethylene Glycols
- Ethoxylates • Polyethylene Glycols
- Paraxylene
- Polyethylene
- Propylene · Acetic Acid\*
- **PAHANG**

# **Gebeng Integrated Petrochemical Complex**

- Methyl Tertiary Butyl Ether
- Propylene
- Highly Reactive
- Polyisobutylene\*
- Acrylics\*
- Butanediol\*
- Citral\*
- Citronellol\* • L-Menthol\*
- 2-Ethylhexanoic Acid\*

# **JOHOR**

# **Pasir Gudang**

Styrene Monomer\*

# **KEDAH**

# Gurun

- Ammonia
- Methanol
- Urea
- NPK Fertilisers\*

# FEDERAL TERRITORY OF LABUAN

Methanol

# SABAH

# **Sipitang**

Ammonia

Urea

# **SARAWAK**

## Bintulu

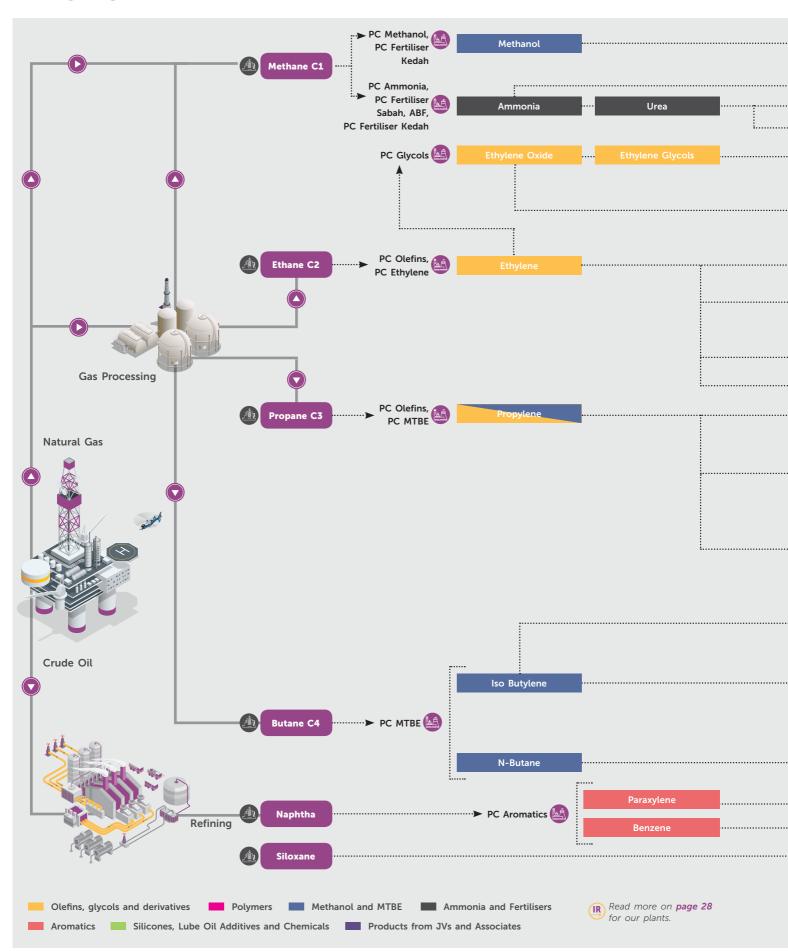
Ammonia

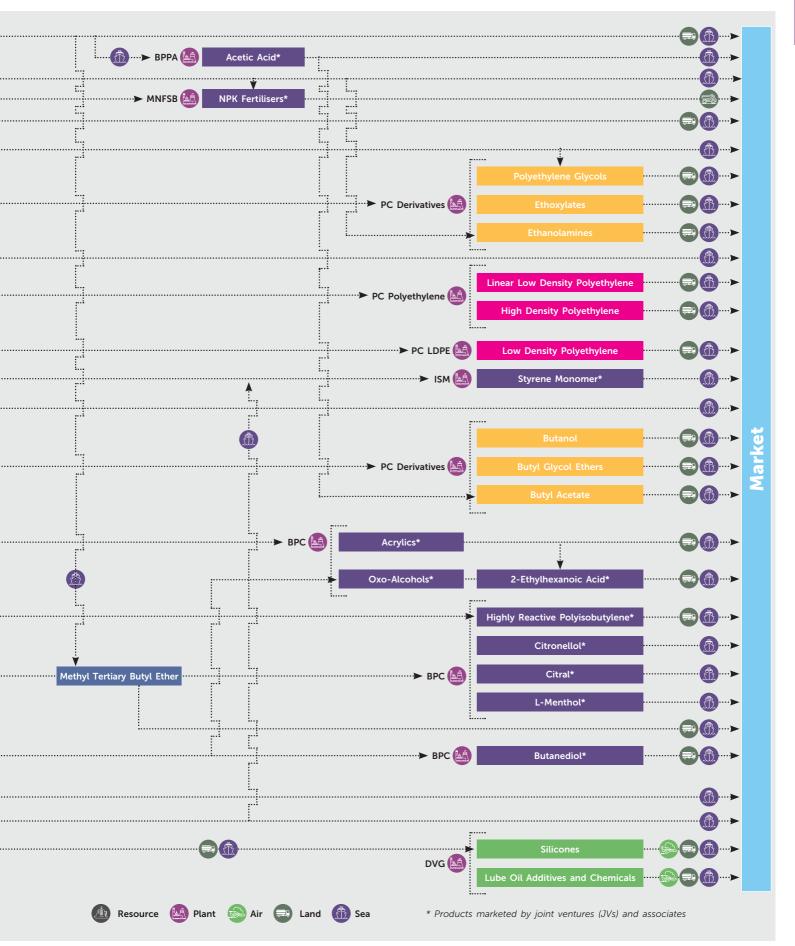
• Urea

\* Produced by joint ventures and associates

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# INTEGRATED PRODUCT VALUE CHAIN

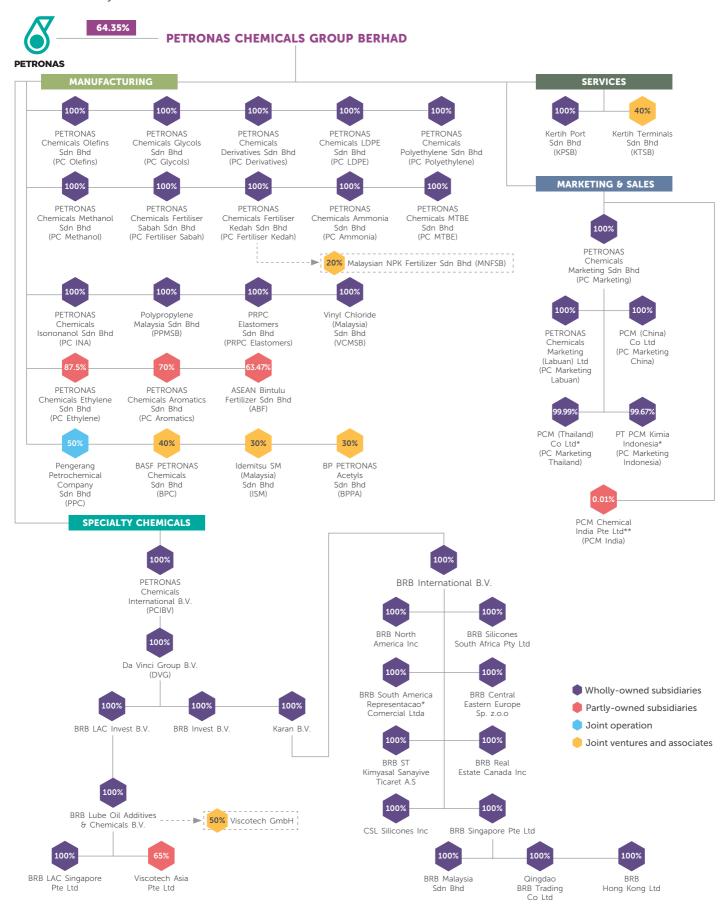




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# GROUP STRUCTURE

as at 26 February 2020



 $<sup>^{\</sup>star} \ \ \text{Wholly-owned subsidiary as remaining shareholding is held through other subsidiaries within PCG}$ 

<sup>\*\*</sup> Subsidiary pursuant to MFRS 10

# **WHY INVEST** IN US

PCG's performance in recent years demonstrates our resilience as a leading regional chemical player. We are now on a path of rapid growth to future-proof our business. In line with our two-pronged strategy, we are focused on developing our portfolio of derivatives and specialty chemicals to meet changing market needs. To ensure our growth is sustainable, we seek to create value for our shareholders and other stakeholders by upholding the highest level of corporate governance.



# **Commercial Excellence**

- Large-scale diversified product portfolio
- Close proximity to key growth markets
- Established market leader



# **Operational Excellence**

- Fully integrated facilities and infrastructure
- Secure and competitive feedstock supply
- World-class plant performance

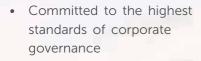


# **Growth Delivery Excellence**

- Capacity growth and portfolio expansion into derivatives and specialty chemicals
- Commitment to sustainable investment



# **Corporate Governance**



# **Financial Strength**

- Strong returns and capacity to fund future growth
- Attractive dividend policy with payout ratio of around 50% of Group PAT and Non-Controlling Interests (PATANCI)



PC Methanol, Labuan







## CHAIRMAN'S STATEMEN

## Dear Shareholders.

The year 2019 was particularly challenging for chemical players globally, marked by lower prices and suppressed demand. PCG proved yet again our resilience and ability to ride out industry downturns. Adhering to our business strategy, we recorded revenue of RM16.4 billion and PAT of RM2.8 billion, enabling us to provide strong shareholder returns.

Our performance was anchored on a strong foundation of Health, Safety, Security and Environment (HSSE) and sustainability. In addition to stringent policies, we have committed to multifaceted programmes to instill a safety mindset which has been embedded in our culture and way of working. Our objective is simple: every individual who comes to work must return home safely.

Our resilience, built over years of Operational and Commercial Excellence, has culminated in world-class performance and a steadily expanding market reach, positioning us well to pursue our growth agenda. In this regard, we saw steady progress at the Pengerang Integrated Complex which is now ready for full commercialisation. We also made our first forav via acquisition into the specialty chemicals market through Da Vinci Group, a leading independent producer and formulator of silicones, lube oil additives and chemicals. With more specialty chemicals in our portfolio, we are better hedged against market volatilities and less reliant on gas-related feedstock, thus futureproofing our business.

On sustainability, we have set ourselves targets for reduced greenhouse gas emissions (GHG) while increasing the recycling rate of our operational waste. Taking our commitment a step higher, we have also embarked on a comprehensive New Plastics Economy (NPE) initiative which involves working with technology experts to convert plastic waste into circular feedstock and alternative energy. This would greatly support the nation's circular economy agenda, ultimately shaping a more sustainable tomorrow. We also continue to empower our employees and local communities to create positive change. With our flagship CSR programme, ecoCare, for example, we have been collaborating with the local community to rehabilitate the mangrove ecosystem in Terengganu.

RM2.8 **BILLION** 

**EBITDA** RM4.4 BILLION

DIVIDENDS PAID RM1.4

#### CHAIRMAN'S STATEMENT





Since PCG's inception almost a decade ago, the Group has grown from strength to strength, increasing in capacity, efficiency, product portfolio as well as international presence.

PCG is committed to ensuring high standards of governance. This year, we set up a new Board Risk Committee (BRC) to further strengthen our oversight of risk management. We also signed the Malaysian Anti-Corruption Commission (MACC) Integrity Pledge and reinforced our commitment to integrity.

For the first time also, the Board is providing assurance on the contents of the year's IR. This is something we will continue to do, to substantiate the integrity of information being shared.

I am proud to note that our initiatives to maintain integrity and transparency are recognised. During the year, PCG won the Industry Excellence Award under the 2018 Malaysia-ASEAN Corporate Governance assessment conducted by the Minority Shareholders Watch Group (MSWG). We were also ranked 12 out of Top 100 Malaysian companies for

overall Corporate Governance and Performance under this assessment. In addition, PCG won Gold for Integrated Reports and the Industry Excellence Award (Industrial Products & Technology category) at the National Annual Corporate Report Awards (NACRA). We were also acknowledged with a Gold for our Integrated Report by the Australasian Reporting Awards (ARA).

Sound business strategies, anchored on a commitment to safety, sustainability and robust governance, present a powerful combination that has enabled us to create value for our shareholders year after year. Since PCG's inception almost a decade ago, the Group has grown from strength to strength, increasing in capacity, efficiency, product portfolio as well as international presence. This has allowed us to deliver solid, resilient performance unabated by market headwinds with 2019 being no exception.



PCG is at an exciting juncture in our ongoing journey, and I would like to acknowledge our various stakeholders for their contributions to the Group. This includes you, our shareholders, as well as our business partners, customers and the entire PCG family.

I am therefore very pleased to announce that the Board has recommended a second interim dividend of 7 sen per ordinary share. Together with the first interim dividend of 11 sen per ordinary share, our total dividend payout for the year amounts to 18 sen or RM1.4 billion, translating into a dividend payout ratio of 51.2% of Profit After Tax and Non-Controlling Interests (PATANCI).

PCG is at an exciting juncture in our ongoing journey, and I would like to acknowledge our various stakeholders for their contributions to the Group. This includes you, our shareholders, as well as our business partners, customers and the entire PCG family. A special note of thanks goes to Ching Yew Chye, Vimala Menon and Zakaria Kasah who served the Board well before stepping down during the year. On behalf of the rest of the Board, I would like to wish you the best in your future undertakings. At the same time, I would like to welcome Yeoh Siew Ming and Noor Ilias Mohd Idris, who joined us in May.

Even as we steer through an increasingly challenging environment, I remain confident of our continued success. Our strong performance over the past years is testament that puts PCG Well Positioned to pursue our next stage of growth to create a Sustainable Tomorrow.

**DATUK MD ARIF MAHMOOD** CHAIRMAN





# MD/CEO'S

## Dear Shareholders,

It gives me great pleasure to present an overview of PCG's performance in 2019. It was a year of many significant achievements and several exciting milestones that together allowed us to overcome headwinds, positioning us well to further grow our business as we shape a sustainable tomorrow.

A key highlight was to leapfrog our growth strategy by acquiring a significant silicones player, launching us in a big way into a specialty segment which has one of the highest growth potential in the industry. Equally noteworthy, we reinforced our sustainability, and the sustainability of the nation, by investing in a holistic, allencompassing NPE initiative. Alongside these landmark developments, we sustained world-class plant performance while achieving our best safety scorecard, recording zero fatality and better LTIF than the industry benchmark. We also stayed ahead of competition by delivering five new high-impact products to meet evolving market needs.

What is more, these achievements unfolded amid headwinds that swept across the global chemicals industry, pushing down product prices by as much as 37%. They took place, additionally, during a year marked by one of our most intensive plant statutory turnaround programmes, including that of our olefins and related downstream plants, which were completed ahead of schedule within budget and without any major safety incident

In line with generally lacklustre results in the industry, our revenue and profit decreased by 16% and 43% year-on-year respectively. The impact, however, was mitigated to a large extent by achieving higher than 90% utilisation rates at our plants, which lowered our unit cost amid other ongoing cost optimisation efforts. Focusing on factors within our control. we remained resilient in these challenging

Our solid performance was the culmination of years of unwavering focus on Operational and Commercial Excellence as well as Growth Delivery Excellence, enabled by great teamwork. We are now firmly on course with our growth trajectory, focused on venturing into derivatives and specialty chemicals that are less susceptible to fluctuations in crude oil price and prevalent market volatilities. Further future-proofing our business, our next phase of Growth Delivery Excellence is concentrated on deriving the most value through sustainable means. This will be driven by a formidable team who share a common vision of transforming PCG into the preferred chemicals company providing innovative solutions.



Alongside these landmark developments, we sustained world-class plant performance while achieving our best safety scorecard, recording zero fatality and better LTIF than the industry benchmark. We also stayed ahead of competition by delivering five new highimpact products to meet evolving market needs.



#### MD/CEO'S REVIEW

#### **OVERVIEW**

Uncertainties in the global environment in 2019 generated widespread volatility across various sectors. Most pertinently for the chemicals industry, crude oil prices trended lower amid continuous oversupply. Meanwhile, escalating tensions between the US and China saw changes in trade flows, resulting in cargoes being redirected to Southeast Asia, flooding our markets. Added to this, geopolitical upheavals combined with heightened protectionism resulted in softer economic growth, pushing down demand for commodities. This manifested in a broad-based decrease in price of chemicals, further narrowing already tight margins.

#### **BUSINESS PERFORMANCE**

PCG continued to focus on our strategic priorities against this challenging backdrop and, in the process, further strengthened our fundamentals. Operationally, we did not just meet but exceeded world-class PU rates, achieving a PU of 92% despite undergoing a third consecutive year of intense plant turnarounds. This contributed to our memorably high production level of 10.4 million tpa.

Even better, constant tightening of our safety policies and procedures, and reinforcement of these among our contractors and transportation providers, led to zero fatality throughout our operations. We also saw a further reduction in LTIF, from 0.13 per million man-hours in 2018 to 0.08 in 2019.

HSE is given top priority at PCG, and is driven by direct involvement of management in institutionalising a Generative Culture. Through Felt Leadership, management conduct walkabouts and engage with employees on the ground, reinforcing a mindset in which everyone accepts accountability not only for their own safety but also the safety of their colleagues. We encourage all employees to speak up via Jom Patuh & Tegur, when they notice any potential hazards and to keep thinking of ways in which we can carry out our business efficiently as well as safely. Our goal is to attain zero incident through our Zero Tolerance (ZeTo) HSE Rules. This is an ambitious target, but one that we will continuously strive to achieve.

## ZeTo Rules



Work with a valid work permit (PTW) required by the job



Verify energy isolation before starting work



Obtain authorisation before overriding or disabling safety critical equipment



Obtain authorisation before entering a confined space



Protect yourself against a fall when working at height



Use the correct personal protective equipment (PPE) when handling hazardous chemicals



Obtain authorisation before excavation or entering a trench



Do not position yourself under a suspended load



Do not smoke outside designated areas or bring potential ignition sources into process areas without authorisation



Do not use your mobile phone/walkie-talkie while driving, follow the speed limit and use your seat belt

Group Health, Safety and Environment





Operationally, we did not just meet but exceeded world-class PU rates, achieving a PU of 92% despite undergoing a third consecutive year of intense turnarounds. This contributed to our memorably high production level of 10.4 million tpa.

Leveraging our record production volumes, we forged ahead with our commercial agenda to sustain a high level of sales. Looking through our customer's lens, we were able to co-create no less than 13 high-impact solutions while delivering another 183 technical solutions that help to address their pain points, thus further advancing their business. We also launched two innovations that have been very well received by the market: PETRONAS AireBlue™, an environmentally-friendly solution for diesel engine vehicles; and PETRONAS PowerClean  $^{\text{TM}}$  which provides effective and comprehensive cleaning solutions for drilling activity in the oil and gas industry.

#### **GROWTH**

Growth is essential to our sustained profitability and represents one of the pillars supporting our business strategy. We seek to grow by adding value to our basic petrochemicals while building our presence in the derivatives and specialty chemicals space, both organically as well as through JVs and acquisitions.

We are very excited about the progress of PIC, currently at the stage of commissioning during which, we witnessed the first production of polyethylene, polypropylene and ethylene glycols. Our investments in PIC, which will begin commercial operations in 2020, will also avail us further opportunities to add value to our molecules by venturing further downstream into specialty

In this regard, we approved a FID, for the development of a butadiene derivative plant in PIC, marking a go-ahead in our project evaluation stage-gating process. In addition, we also approved another FID for a specialty chemicals plant at KIPC. Both plants are expected to come on-stream in 2022.

We also made a significant foray into specialty chemicals via an acquisition. I'm pleased to share that we acquired DVG and successfully incorporated it into PCG. With DVG in our fold, we have a ready-made business in high-growth end markets such as personal care, coatings, construction and healthcare. While we are extremely excited about entering the versatile silicones business, we will continue to explore the possibility of investing into more assets that will further expand our high-value chemicals portfolio. We are, in fact, evaluating a number of potential acquisitions and new ventures including opportunities in biobased chemicals, which would support our growing emphasis on environmentally-friendly products and solutions.



#### MD/CEO'S REVIEW





#### **SUSTAINABILITY**

PCG has always sought to grow sustainably. As a chemicals producer, we feel a particular sense of responsibility to develop economically viable solutions to address the plastic pollution issue. In this regard, we have adopted a holistic approach towards establishing a NPE initiative focusing on education, clean up, infrastructure and innovation.

Through education, we seek to inspire behavioural change among the young and nurture a generation of environmentally-responsible future leaders. The clean up activities provide a platform for students and local communities alike to participate in sustainable 3R (reduce, reuse, recycle) initiatives. Infrastructure wise, we are entering into partnerships to implement effective waste recovery systems. Lastly, we will invest in innovation to further develop technological solutions to address plastic pollution.

Driving the NPE, during the year we signed Memorandums of Understanding (MoUs) with Plastic Energy Ltd to establish a chemical recycling facility in Malaysia, and Cypark Resources Bhd to evaluate the potential of converting plastic waste to energy. We also worked with the Ministry of Education (MOE), Solid Water Corporation (SWCorp) and the Malaysian Plastics Manufacturers Association (MPMA) to develop a supplementary module on *Plastic, Sustainability & You* for primary and secondary schools. In the public domain, we tagged on a *#recycleforlifecycle* awareness campaign to our annual Be Green programme. This saw more than 2,700 volunteers get together to pick up rubbish along four rivers in Selangor, Pahang, Terengganu and Sarawak. Of the total 2,819kg collected, 1,345kg was recyclable plastics which was separated and sent to recycling centres.

As part of our initiative for education, we support PETRONAS Foundation's Back-to-School programme. It paves the way for children to have a brighter future where we seek to alleviate the financial burden of parents by providing their children with school uniforms and supplies. In 2019, about 1,100 students in our areas of operations benefited from this programme.

Together, all these initiatives further entrench our business sustainability in line with our commitment to the Dow Jones Sustainability Index (DJSI) and PETRONAS' sustainability pledge by investing in technologies that would significantly reduce our environmental footprint.

#### **TALENT**

Recognising how critical our people are to achieving our growth aspirations, we continue to invest in building our talents and capabilities whilst creating a conducive environment for them to flourish. In terms of competency development, we have been encouraging self-learning through PETRONAS' e-learning and digital platforms. Together with more traditional classroom programmes, we recorded an increase in training man-hours year-on-year. This has been supported by an organisational realignment for our manufacturing employees that empowers them to make decisions in areas that are directly related to their functions. The outcomes are a greater sense of ownership of roles and responsibilities, quicker decision-making, and further enhancement of our operational efficiencies.

At the same time, we have been intensifying efforts to engage with our employees while enhancing their work-life balance in order to create an optimally conducive work environment. The leadership team has been engaging personally on a regular basis with employees through various platforms including Coffee with the CEO, Leader's Talk, and Recognition Sessions. The results speak for themselves. Our employees' satisfaction levels have been increasing over the years, as indicated by our biennial surveys.



In terms of growth, the groundwork has been laid; next year heralds a new era at PCG as we commercialise our investments in PIC and fully integrate DVG into our operations.

#### **OUTLOOK**

Given the ongoing trade war and prevailing geopolitical tensions, the landscape will continue to be challenging in 2020 with global growth forecast at 3.3%. Although higher than growth in 2019, it is still one of the lowest rates since the 2008-2009 meltdown. Most industry observers expect the crude oil price to continue to be weak with a prolonged impasse between the US and China and possible lapses in compliance by members of the Organisation of the Petroleum Exporting Countries-Plus (OPEC+) to curtail production.

We at PCG look forward to another exciting year despite these uncertainties. We will make every effort to maintain our world-class plant performance while further developing our markets. In terms of growth, the groundwork has been laid; next year heralds a new era at PCG as we commercialise our investments in PIC and fully integrate DVG into our operations. Financially, we are in a strong position to undertake more growth projects and I look forward to being able to report on these in the near

With increasing awareness of critical sustainability matters, it is timely that we assume greater responsibility on relevant issues. We have made a start via the NPE. In the years to follow, we will build on this initiative to contribute more meaningfully to a Sustainable Tomorrow for everyone.

**DATUK SAZALI HAMZAH** MANAGING DIRECTOR/ **CHIEF EXECUTIVE OFFICER** 



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# CFO'S

It gives me pleasure to present an account of the financial performance of PCG for the year 2019. Although we were not spared from a softening of the chemicals market due to the global economic slowdown and massive capacity additions that put a pressure on prices, our world-class operational performance enabled us to achieve commendable sales, underlining the Group's resilience. This is testament to the strength of our strategy, which continues to drive our steadfast growth.

Total assets remains robust, growing by 4.0% to

RM38.9 billion

Revenue

RM16.4 billion

PAT **RM2.8** billion

#### **RESILIENT PERFORMANCE**

In line with a contraction in the global economy, demand for chemicals in 2019 decreased significantly. Together with the flooding of chemicals in Southeast Asia due to the US-China trade war, capacity additions, and softening of crude oil prices, chemical prices across the board also dropped, some by as much as 36.7%. This overshadowed the benefits we were able to accrue from a strengthening of the US Dollar against the Ringgit Malaysia. Consequently, although our sales volume increased slightly year on year, revenue decreased from RM19.6 billion in 2018 to RM16.4 billion.

Margin compression due to the decrease in product prices, particularly for ethanerelated products and methanol, took a toll on our earnings. Our earnings before interest, tax, depreciation and amortisation (EBITDA) decreased from RM7.0 billion to RM4.4 billion while our EBITDA margin stood at 27.2%. Along with the decrease in EBITDA, we also saw a reduction in our profits. Our profit before tax (PBT) contracted from RM5.8 billion in 2018 to RM3.2 billion while PAT was squeezed from RM4.9 billion to RM2.8 billion.

#### **STRONG BALANCE SHEET**

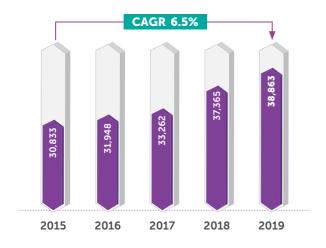
Despite the industry downturn, PCG pressed ahead with our growth strategy and completed the acquisition of Netherlands-based DVG. We also increased our capital investment in the PIC, which is to be commercialised in 2020, adding significantly to our nameplate capacity. These investments, together with deferred tax assets recognised as a result of investment tax allowance granted to our ammonia and urea plant in Sipitang, Sabah, enabled us to record a 4.0% increase in total assets to RM38.9 billion.

Over the past five years, we have increased our total assets at a compounded annual growth rate (CAGR) of 6.5%. This puts us in a strong position to navigate through the trough of the current downturn in the chemicals cycle, and provides us a solid platform for growth. With healthy cash reserves, strong cash flow generation and ample credit headroom, we are financially well positioned to pursue the second prong of our strategy to diversify into derivatives and specialty chemicals.



#### CFO'S REVIEW

Total Assets (RM million)



#### Return on Equity (ROE)



#### **2019 KEY DRIVERS**

Our focus during the year was on our growth strategy as well as maintaining robust financial fundamentals complemented by effective risk management and strong governance.

#### **Acquisition of DVG**

In September 2019, we concluded the EUR163 million acquisition of DVG using internal funds, marking our first foray into the specialty chemicals business via acquisition. This reduces our reliance on gas feedstock, serving as a hedge against market volatilities. The acquisition was, moreover, the first ever to be undertaken by PCG, and proved our capability to undertake the necessary evaluation and due diligence processes, building our capability to execute a merger and acquisition that can be leveraged for future exercise.

We have since successfully implemented post-merger integration plans enabling DVG's smooth and seamless transition into PCG to ensure value creation.



#### Project financing for capital investment

We had previously secured USD1.0 billion in bridge financing to meet the operational and capital requirements for PPC, a private limited company equally owned by PCG and Aramco Overseas Company B.V. (AOC). During the year, we procured project financing from various export credit agencies and commercial banks in order to repay this bridge loan. This marked the completion of the long-term financing exercise which enabled harmonisation of equity ownership across the PIC.

#### Strong cost discipline and optimisation

Cost discipline is integral to our Operational and Commercial Excellence initiatives. And I am pleased to share that for Operational Excellence, despite undergoing one of our heaviest years of turnaround involving one of our crackers, we continued to keep a tight rein on our costs through a number of cost optimisation initiatives. Specifically for our turnarounds, we leveraged on our 10-year Turnaround Master Integrated Schedule which ensure optimisation across our value chain. At the same time, we optimised energy efficiency at our plants through continued use of the Energy and Loss Management System (ELMS).

Commercially, we continued to reduce our cost to serve via initiatives such as product co-loading which reduces our transportation costs, and entering into affreightment contracts to secure vessel commitment.

Rigorous cost optimisation and cost discipline helped us to keep our costs low, thus maximising shareholders value.

<sup>\*</sup> Certain financial information and its corresponding financial ratios have been restated due to change in accounting policy in 2019 with respect to investment tax allowance



#### Robust management of working capital and liquidity

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

Efficient inventory management is achieved through planning and proactive monitoring to ensure the availability of products to meet customers' demands, especially during turnarounds and planned shutdowns. We also source products from third parties in order to meet our customers' requirements in the event of any unplanned plant shutdowns.

To manage our trade receivables, we have a strong credit risk policy of continuously assessing the creditworthiness of potential and existing counterparties and customers. New customers are subject to credit assessments and approvals, while existing customers undergo regular assessments, re-appraisals and approvals of granted credit limits. In addition, any overdue receivables are diligently tracked and monitored by our Credit Risk Management Committee (CRMC), which ensures appropriate measures are implemented to mitigate potential credit risks.

To safeguard our creditors, we have put in place similar monitoring processes on our payables to ensure efficient and timely payment within the agreed terms.

Liquidity management also remains a key focus area to ensure sufficient cash for the daily running of the business. Daily cash flows as well as quarterly cash flow forecasts are prepared and examined to assure optimal working capital for the Group.



#### CFO'S REVIEW



...we declared two interim dividends of 11 sen and 7 sen per ordinary share, representing a total payout of 51.2% of profit after tax and non-controlling interests (PATANCI) amounting to RM1.4 billion. I am pleased to share that while we adhered to our dividend policy of paying out 50% of our PATANCI, we have sufficient cash to meet our operational and growth requirements.

#### Effective foreign exchange management

As a global entity with business transactions in many countries, one of the challenges we face is exposure to foreign exchange (forex) fluctuations. Given the volume of our foreign currency transactions, from day-to-day sales transactions to project implementation, we remain cautious of the movement of the US Dollar against the Ringgit Malaysia and manage our forex risk to safeguard our profitability.

Managing our forex exposure is increasingly important as we pursue our growth agenda. Towards this end, we adhere to the Foreign Exchange Management Guidelines as encapsulated by PETRONAS' Corporate Financial Policy. In the immediate term, we will continue to hedge our US Dollar exposure based on actual cash calls from our projects while in the medium term, we will either build up and retain US Dollar proceeds in the Group for future obligations, or hedge to predetermine the conversion rate based on long-term cash commitments, depending on the market and the viability of these two options. This is to ensure effective balance sheet management and to protect cashflows generation required for our growth projects.

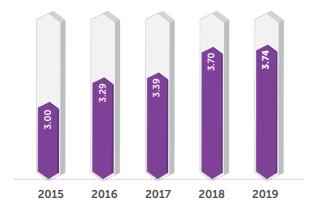
#### Heightened risk management and governance practices

Domestic and international expansion exposes PCG to unfamiliar and complex risks, which we are managing through a combination of risk identification, monitoring and control. Our risk management processes ensure all decisions are made with a firm understanding of the level of risks involved such that the appropriate controls can be implemented.

In February 2019, we established a BRC comprising mainly Independent Directors to oversee our risk management framework and policies. Among its main responsibilities, the BRC is to review our corporate risk profile (CRP) and risk appetite and recommend appropriate actions to the Board. The committee will also assist our Board in assessing the risks of high-impact business matters including mergers and acquisitions, divestments and joint venture proposals, cross jurisdiction commercial transactions, key capital projects and new business ventures. In addition, it will oversee the effectiveness of our crisis management, business continuity management and assurance frameworks.

Our DVG acquisition highlighted the importance of proactively preparing ourselves to counter any potential risk, and engaging with our new partners in the effort. Post-merger, we are continuing to manage our merger risks by ensuring the smooth transition of DVG into the Group. A clear plan has been outlined for this, which is unrolling satisfactorily.

Net Assets per Share (RM)





#### **DIVIDEND PAYOUT**

Committed to creating value for our shareholders, we declared two interim dividends of 11 sen and 7 sen per ordinary share, representing a total payout of 51.2% of PATANCI amounting to RM1.4 billion. I am pleased to share that while we adhered to our dividend policy of paying out 50% of our PATANCI, we have sufficient cash to meet our operational and growth requirements. Meanwhile, in line with our financial results, our earnings per share (EPS) for the financial year stood at 35 sen, compared to 60 sen in 2018.

#### REGULAR ENGAGEMENT WITH THE INVESTMENT COMMUNITY

In order to enable investors to make informed decisions, we communicate regularly with potential and existing investors to provide business and operational updates as well as a balanced perspective on market trends and PCG's future plans.

We participate in various investor relations events such as roadshows and conferences. We engage on a one-to-one basis with investors and organise plant visits to provide a better understanding of our operations and facilities. Our efforts have been recognised by the investment communities both locally and internationally. In 2019, we won three awards at the 9th Asian Excellence Award organised by Corporate Governance Asia. These include being named Best Investor Relations Company in Malaysia.

#### **OUTLOOK**

The market looks set to be as challenging in 2020 as it was in the year under review. Although global GDP is expected to grow at 3.3%, higher than growth in 2019, geopolitical and economic uncertainties continue to abound. This, combined with heightened supply of chemicals and lower prices - driven down by that of crude oil, point to continued squeeze on margins.

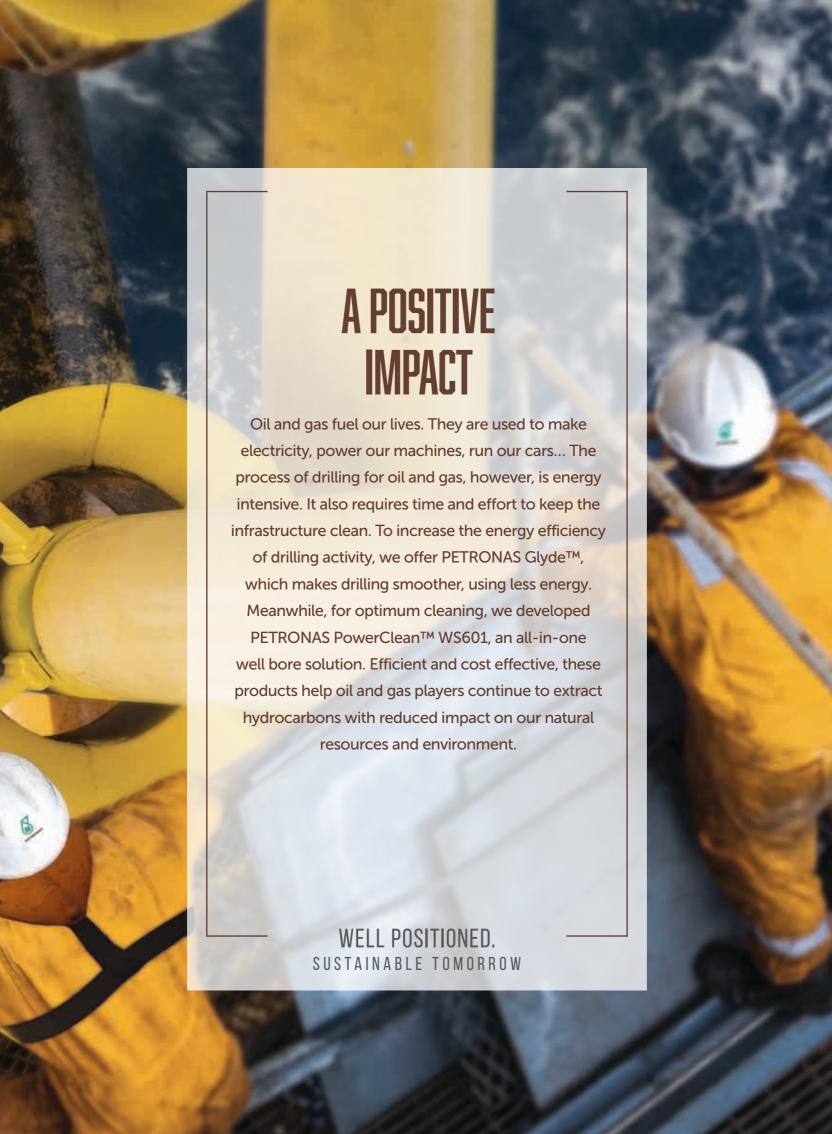
Within such an environment, cost containment will once again be paramount, and we will continue to focus intently on maintaining strong cost discipline through proven cost optimisation efforts to underline our competitiveness and resilience.

On a more positive note, we expect sales to be increased by commercialisation of PIC and full integration of DVG into our operations. Added revenue from these investments, together with unrelenting focus on Operational and Commercial Excellence, will further strengthen our balance sheet and provide us with the flexibility to explore even more growth projects.

We therefore enter the year 2020 with a great deal of confidence. Years of strategic financial, operational and commercial management have placed us on a strong footing in the industry today. We have strong fundamentals and are well positioned to deliver greater, more sustainable growth in 2020 and many more years to come.

**RASHIDAH ALIAS CHIEF FINANCIAL OFFICER** 





#### OUR BUSINESS MODEL

Our business model demonstrates how we leverage our six capitals to create value in the form of outputs and outcomes and how we ensure the sustainability of our business for our stakeholders. Guided by our two-pronged strategy, we strive for excellence in our core business of manufacturing, marketing and selling commodities and specialty chemicals. Our actions are influenced by a robust governance framework which also ensures we manage our material matters effectively, thus reducing our risks and maximising opportunities.



#### CAPITAL RESOURCES —



#### GOVERNANCE -



#### **Natural Capital**

- > Total natural gas consumption:
  - Methane: **110** million mmbtu
  - Ethane, Propane, Butane: 2.3 million MT
- Heavy naphtha processed: 804 kMT
- > Total energy usage: 101.5 million GJ
- > Total water consumption: **37.1** million m<sup>3</sup>



#### S Financial Capital

- > As at 1 January 2019,
  - Shareholders' equity: RM29.6 billion
  - Cash and cash equivalents: RM12.3 billion
  - Free cash flow: RM5.6 billion
- > Debt raised to execute capital investment: RM1.9 billion



#### Manufactured Capital

- > Total no. of plants: 21
- > Subsidiaries and representative offices: 17 countries
- > Total no. of port: 1



#### Intellectual Capital

- > Intellectual property rights in the form of proprietary chemical formulations, trade secrets, trademarks and in-house design processes
- > Licensed technology and processes
- > Analytics derived from digital application
- > Strong network with global business partners
- > Efficient business processes and robust management systems



#### Human Capital

- > An experienced and diverse Board
- > A strong well-diversified leadership team inspiring culture of high performance
- > Skilled, motivated and highly engaged employee: more than 4,500 people



#### Social and Relationship Capital

- > Effective partnerships with customers, suppliers, vendors and business partners
- > Continuous engagement with our community where we operate, government and other stakeholders
- (IR) Read more on page 56-59 for Our Key Capitals

Supported by strong governance and effective Board leadership

- Robust Corporate Governance Ecosystem

#### VISION

The Preferred Chemical Company Providing Innovative Customer Solutions

#### TWO-PRONGED STRATEGY

1 <sup>st</sup> -prong	2 <sup>nd</sup> -prong
Sustain strength in basic petrochemicals	Selectively diversify into derivatives, specialty chemicals and solutions

#### **Our Strategic Thrusts**



#### **Operational Excellence**

Sustain world-class manufacturing performance across all plants



#### **CE** Commercial Excellence

Sustain best-in-class commercial attributes, creating added value for our customers



#### **GE** Growth Delivery Excellence

Expand into derivatives and specialty chemicals to future-proof our business

#### **Material Matters**

- Business Operations
- - Market Dynamics
- **Customer Centricity**
- Environment
- Social and Governance
- Health and Safety
- Read more on page 70-75 for Material Matters



#### **FINANCIAL OUTCOMES**

**REVENUE** 

RM16.4 billion (2018: RM19.6 billion)

PAT

RM2.8 billion (2018: RM4.9 billion)\* **EBITDA** 

RM4.4 billion (2018: RM7.0 billion)

**TOTAL ASSETS** 

RM38.9 billion

(2018: RM37.4 billion)

<sup>\*</sup> Certain financial information and its corresponding financial ratios have been restated due to change in accounting policy in 2019 with respect to investment tax allowance

## WE CREATE VALUE OVER THE LONG TERM THROUGH OUR RESILIENT **BUSINESS MODEL**



#### **OUTPUTS**

#### **Production volumes**

> Total production volumes of **10.4** million tpa

#### Sales volumes

Total sales volumes of 8.4 million toa

#### **Innovative solutions**

- > **5** new product solutions
- > 13 high impact co-created application solutions
- > 183 technical solutions
- > 587 Number of proprietary chemical formulations/ synthesised products

#### **Environmental footprint**

- > Greenhouse gases (GHG) emissions intensity: 0.83 tonne CO<sub>2</sub>e/tonne
- > Energy intensity: 15.37 GJ/ tonne
- > Water withdrawal intensity: 4.37 m<sup>3</sup>/tonne
- > Air emissions intensity: 3.48 tonne/kilotonne
- > Chemical oxygen demand (COD) intensity: 0.02 tonne/ killotonne
- > Waste generation: 25.53 kilotonne

#### OUTCOMES

#### **CREATE VALUE FOR OUR STAKEHOLDERS Employees**

- > Salaries and benefits: RM1.1 billion, increase by 10%
- > Training investment: RM8,481 per employee, increase by 59.1%
- > Women representation in Senior Management: increase to 25.2%

#### Customers

- > OFR at **97%,** increase from 93%
- > Customer Satisfaction Survey overall score of **3.3** over 4.0
- > Reach 400 customers with 8 Product Stewardship engagements

#### **Supplier and Vendors**

- > Minimal disruption to suppliers' plant operations
- > Multiple safety engagements with logistics service providers leading to zero transport related fatality

#### **Business Partners**

> Total dividend paid to business partners: RM68 million

#### **Shareholders and Investment Community**

- > Dividend payout: RM1.4 billion
- > Shareholders' equity increase by: RM0.3 billion
- > Net assets per share increase: RM3.70 to

#### **Government and Regulators**

> RM341 million direct & indirect tax contributions

#### Communities

- > ~20,000 people benefitted from our CSR programmes
- > 6,319 mangrove trees planted in an area of **11,000** square metres along Kertih River
- > Industry recognition through 17 Responsible Care® Awards by CICM

#### Media

> Media mileage: RM3 million

Read more on page 60-61 for Outcomes/Outputs

ROE

9.2% (2018: 15.8%)\*

Operational Risk

**DIVIDEND PAY-OUT RATIO** 

Project Risk

51.2% (2018: 53.5%)\*

RM29.9 billion (2018: RM29.6 billion)\*

SHAREHOLDERS' EQUITY

**MARKET CAPITALISATION** RM58.8 billion

(2018: RM74.3 billion)

**INTEGRATED REPORT 2019** 

**Operations** spanning across

Germany. Two of the sites in

Malaysia are fully integrated

chemicals complexes from

11 production sites in

Malaysia, Netherlands,

Canada, Singapore and

feedstock to products.

million tonnes

per annum of total

combined production

for Our Products

Read more on page 23

12.8

capacity

55

#### OUR KEY CAPITALS

We rely on various resources to achieve our operational, commercial and growth aspirations. These resources and relationships represent our capitals, which are broadly categorised into natural, financial, manufactured, intellectual, human and social and relationship.

All six capitals are important to our smooth operations and in creating a healthy balance between our economic, social and environmental scorecards. They are also interrelated, and may change in compositions according to actions taken as we focus on different areas that are strategic to our sustainable growth.

We believe it is important for our stakeholders to understand our capitals as this helps to create greater clarity on what we do as an organisation, and the various factors that have an impact on our performance. Perhaps more importantly, by reading our IR, our stakeholders will appreciate how we seek to protect and, where possible, build on our key capitals to create added value for them.



#### **NATURAL CAPITAL**

At the heart of our operations is the conversion of hydrocarbons feedstock into a range of chemicals from commodities such as urea to specialty such as ethoxylates. In addition to the feedstock, we rely on having sufficient energy and water to operate efficiently. Natural gas features as both a feedstock as well as source of energy. Although it is cleaner than other forms of fossil-based fuels, we seek to minimise our environmental footprint by reducing as far as possible our energy consumption and waste generation through intensifying 3R (reduce, reuse and recycle). In addition, we seek to minimise our water intake as water is a finite and increasingly scarce resource, while ensuring all emissions – through water effluents and air – are non-toxic.



- © GHG EMISSIONS INTENSITY

  0.83

  TONNE CO.e/TONNE
- ENERGY INTENSITY

  15.4

  GLITTONNE
- WATER
  WITHDRAWAL
  INTENSITY
  4.37
  M³/TONNE
- © WASTE GENERATION 25.5 KILOTONNES
- © COD INTENSITY 0.02 TONNE/KILOTONNE



#### FINANCIAL CAPITAL

Our financial capital is defined by the pool of funds available to us which allows us to maintain all of our other capitals. We have strong financial management and we rigorously & diligently monitor our cash flows. In addition, we maintain an optimal level of working capital while maximising our fund investment. Today, as we strive to grow our basic chemicals portfolio and diversify into derivatives and specialty chemicals, it is even more critical than ever for us to manage our financial capital efficiently. We preserve and grow our financial capital via stringent cost discipline, cost optimisation, efficient management of our working capital and investments, heightened risk management as well as governance practices. As a result, we are able to maintain a consistently healthy dividend payout while sustaining our long-term growth.



- EBITDA
- SHAREHOLDERS BILLION
- PAYOUT  $\mathsf{RM}^{oldsymbol{\prime}}$ BILLION



#### MANUFACTURED CAPITAL

We pride ourselves on being an integrated chemicals producer, with two integrated complexes, in Kertih and Gebeng, at the core of our operations. Over the last few years, we have been developing our third integrated complex - at PIC which is set to be the largest of its kind in Southeast Asia. Once operationalised in 2020, it will increase our nameplate capacity by 14.1% to 14.6 million tpa. We also have six standalone plants throughout Malaysia, and our own port in Kertih used for the export of our products to our regional and international markets. With the acquisition of DVG and its successful incorporation into PCG, we have added more facilities and further expanded our geographical footprint. DVG provides us with global manufacturing bases, sales offices, warehouses and R&D facilities. Our headquarters in the PETRONAS Twin Towers, Kuala Lumpur, is now supported by 18 other offices around the world.



- TOTAL NO. OF PLANTS OWNED
- SUBSIDIARIES AND REPRESENTATIVE OFFICES
- - 18 offices

**COUNTRIES** 

57

#### **OUR KEY CAPITALS**



#### **INTELLECTUAL CAPITAL**

We adopt an innovative culture encouraging innovative thought processes and approaches in meeting our customer's needs while ensuring that our work processes and management systems reflect those of a high performance organisation. We continuously push the boundaries of innovation to develop product solutions that address the evolving needs of our customers and the marketplace. By viewing pain points through the customer's lens and collaborating closely with them, we are able to co-create application solutions and deliver technical recommendations that allow them to resolve the pain points and grow their businesses.



- © CO-CREATED

  13

  APPLICATION
  SOLUTIONS
- INTRODUCED
   NEW PRODUCTS
- DELIVERED
  183
  TECHNICAL
  SOLUTIONS



#### **HUMAN CAPITAL**

Our employees are critical to the entire value chain of our business. Without them, we would not be able to fully leverage other capitals to create value. Our people's skills and experience enable us to enhance our productivity, create greater operational efficiencies and build better relationships with our customers. Therefore, we invest in their professional development, enhancing their competencies and capabilities. In striving to enhance gender diversity and retain women in the workforce, we have been participating in PETRONAS Leading Women Network (PLWN), a platform created for women to grow and support each other, as well as to nurture the development of strong female leadership. We are also now restructuring our human resources ecosystem to further empower our people and lend them greater voice in decision-making. Most importantly, we ensure the highest level of safety in our operations to protect their well-being.



- AVERAGE TRAINING MAN-DAYS 7.86
- NUMBER OF TP DEVELOPED 26
- 80.0
- women
  representation
  in senior
  management
  25.2%



#### SOCIAL AND RELATIONSHIP CAPITAL

Over the years, we have built strong relationships based on trust with our diverse spectrum of stakeholders. These are continuously nurtured through regular engagement which provide a platform for us to understand those matters that are important to our stakeholders and ensure we protect their interests in the course of conducting our business. Among our most important relationships are those with our customers, business partners, suppliers and vendors. We view our customer's requirements through their lens as we continuously seek to enhance our customer relationships. We work closely with our business partners; and we invest in our suppliers as well as vendors to help them build their businesses. We also strive to empower marginalised communities through CSR programmes because we believe in social equity. At PCG, we also recognise the importance of effective communications and maintaining good relationships with shareholders as well as media to provide transparent sharing of information and trend, ultimately maintaining PCG's reputation.



- CUSTOMER SATISFACTION SURVEY SCORE
  - PRODUCT STEWARDSHIP ENGAGEMENT
- SHAREHOLDERS
- CSR REACH PEOPLE
- MEDIA
  MILEAGE GAIN RM3 MILLION



**Manufactured Capital** 



Natural gas processed:

Methane	110 mil mmbtu
Ethane	1,180 kMT
Propane	755 kMT
Butane	374 kMT

- Heavy naphtha processed: 804 kMT
- Total energy usage: 101.47 million GJ
- Total water consumption: 37.06 million m<sup>3</sup> (2018: 37.88 million m<sup>3</sup>)
- As at 1 January 2019,
  - Shareholders' equity: RM29.6 billion
  - Cash and cash equivalents: RM12.3 billion
  - Free cash flow: RM5.6 billion
- Debt raised to execute capital investment: RM1.9 billion
- Number of plants owned: 21
- Number of port: 1

Production volume (million tpa) - O&D

Subsidiaries and representative offices: 17 countries

2018

39

2019

3.8

	2018	2019
GHG emissions intensity (tonne CO <sub>2</sub> equivalent/tonne)	0.87	0.83
Energy intensity (GJ/tonne)	16.36	15.37
Water withdrawal intensity (m³/tonne)	4.68	4.37
Waste generations (kilotonnes)	28.21	25.53
COD Intensity (tonnes/kilotonne)	0.02	0.02
Air emissions intensity (tonnes of pollutants, i.e. NOx) (tonnes/ kilotonne)	2.59	3.48

	2018	2019
EBITDA (RM billion)	7.0	4.4
Shareholders' equity (RM billion)	29.6*	29.9
Dividends payout (RM billion)	2.6	1.4
ROE (%)	15.8*	9.2
Net assets per share (RM/share)	3.70	3.74

- F&M	6.5	6.6
Sales volume (million tpa) – O&D – F&M	3.1 5.3	3.2 5.2

- Efficiently manage our energy consumption as guided by ELMS
- Perform best practices for energy consumption, water conservation and emissions minimisation
- Ensure robust financial capital management
- Practise stringent cost discipline and optimisation

Certain financial information and its corresponding financial ratios have been restated due to change in accounting policy in 2019 with respect to investment tax allowance

- Heighten risk management and governance practices
- Assess various funding alternatives for our growth initiatives
- · Conduct efficient management of working
- · Continue to improve asset reliability and integrity in supporting PCG to deliver business targets and achieve world-class operational performance
- Look through the customer's lens to sustain a high level of sales
- Continue evaluating various growth opportunities and achieve FIDs

Read more on page 86-99 for Business Review

Read more on page 48 for Strong cost discipline and optimisation

Increasing population, urbanisation, our own industrial consumption and growing climate change concerns are impacting the availability of the Natural Capital we rely on: hydrocarbon, water, and energy among others, which are non-renewable. By leveraging on Financial Capitals to invest in our Manufactured Capital, we are converting Natural Capital into valueadded products which then improves the other capitals.

Increasing our Financial Capital is key to sustaining growth across all other capitals, such as Manufactured Capital, Intellectual Capital and Human Capital. It also allows for our investment in operations which promote resource efficiency, thus reducing negative impact on Natural Capital.

As we invest in Manufactured Capital to improve plant performance and pursue our growth projects, we are able to return longterm value to our Financial Capital, and strengthen our customer relationship within our Social and Relationship Capital. Our investments to reduce our environmental footprint will benefit Natural, Intellectual, Human and Social and Relationship Capital.



#### **Intellectual Capital**



- **Human Capital**
- **Social and Relationship** Capital

- Intellectual property rights in the form of proprietary chemical formulations, trade secrets, trademarks and in-house design processes
- Licensed technology and processes
- Analytics derived from digital application to create new value through innovation
- Strong network with global business partners
- Our business processes and management systems
- An experienced and diverse Board that oversees the Group's strategies, direction and overall sustainability while maintaining good governance
- Dedicated and well-diversified leadership team who lead by example and set the tone for a safe, high-performance culture
- A workforce comprising more than 4,500 people with skills and competencies required to achieve Operational, Commercial and Growth Delivery Excellence
- · Close and collaborative relationship with customers, suppliers, vendors and business partners
- Constructive relationships with the government, regulators and nongovernmental organisations (NGOs)
- Confidence of shareholders and investors
- Empowerment of local communities
- Effective communications and good relationship with media

	2018	2019
Number of new products	1	5
Number of co-created application solutions	10	13
Number of technical solutions	53	183
Number of proprietary chemical formulations/ synthesised products		
– Polymers	67	77
– Chemicals	12	29
<ul> <li>Silicones, lube oil additives and chemicals</li> </ul>	_	481

	2018	2019
Board members' attendance rate (%)	95	98
Number of TP developed	16	26
Women representation in Senior Management (%)	20.0	25.2
Salaries and benefits (RM billion)	1.0	1.1
Training investment (RM/employee)	5,329	8,481
Average training man-days	7.77	7.86
LTIF	0.13	0.08
Total recordable case frequency (per mil man hours)	0.43	0.29

	2018	2019
OFR (%)	93	97
CSS	3.0/4	3.3/4
Key customer engagements	16	17
Product stewardship engagements	6	8
Shareholders engagements	220	260
Dividend paid to business partners (RM million)	0	68
Taxation paid (RM million)	443	341
Total CSR  - Reach (people)  - Mangroves (trees)	13,175 2,944	19,582 6,319
Media mileage gained (RM million)	2.3	3.0

- Co-create and provide customised applications and solutions to address the needs and aspirations of our customers
- Continue technology research activity for long term sustainability
- Implement improvement to work processes and management system towards a high performance organisation
- · Protect data and intellectual property
- Read more on page 71 for Innovation and Product Stewardship and page 72 for Talent Development
- · Continue providing safe and conducive workplace for employees
- Provide competitive salary and attractive benefit for employees
- Execute a structured and integrated Capability Development Framework (CDF)
- Provide staff development programme to support life-long learning
- Develop a leadership pool that can drive our organisational business objectives.
- Read more on page 72 for Talent Development
- Directors and employee-related costs affect

Our Intellectual Capital is key in growing our Social and Relationship Capital, especially in relation to our customers, with whom we work closely to provide innovative products as well as ensuring timely and reliable supply. Investment for R&D and new technology would result in short-term reduction of our Financial Capital, but ultimately leads to longer term growth. Our Intellectual Capital is also important in enabling us to find ways to improve our operational efficiency, which eventually allow us to reduce the consumption of our Natural Capital.

our Financial Capital. However, we believe the provision of competitive salary and benefits, investments in talent development, and spendings on safety and health initiatives would create a productive, safe and healthy workforce. This high quality Human Capital will generate value across the business, positively affecting Manufactured, Social and Relationship and Intellectual Capital.

- · Continue to invest in sustainable CSR for communities
- Continue interactive communication with various stakeholders to increase their confidence in the company, management as well as our growth potential
- Continue to rehabilitate mangroves through the ecoCare programme
- R Please refer to Value Creation for Stakeholders on page 62-63 and Customer Relationship Management on page 71

As we invest in enhancing the Social and Relationship Capital with our stakeholders, we are positively affecting the availability and quality of all capitals across the board. By continuously engaging our employees and applying fair labour practices we ensure a sustainable workforce to support our operations, while our efforts to forge long term partnerships with our customers and suppliers will be reflected in a stronger financial bottom line. Through our environmental awareness programmes, we are able to improve both Natural and Social and Relationship capitals.

# VALUE CREATION FOR STAKEHOLDERS

Using our six capitals, we create value for our stakeholders while maintaining our reputation and credibility as well as strengthening the level of trust that the market has in our ability to deliver on our goals and promises. Ultimately, stakeholder value creation further reinforces our sustainability.



#### **Employees**

We employ more than 4,500 people throughout our operations. Our employees are our most valued asset. They ensure our continued business growth and success. As a result of their contributions, we have attained world-class manufacturing operations while maintaining loyal customer relationships.

#### We create value through:

- · Providing competitive salary and attractive benefits
- Empowering our people through training; entrusting them with greater decision-making responsibilities; and encouraging high performance with incentives
- · Promoting inclusivity through fair employment and gender equality
- · Enforcing stringent safety programmes to protect the well-being of our people
- Creating job opportunities as we grow
- Ensuring work-life balance through flexible working arrangements



#### **Customers**

In an increasingly complex and competitive landscape, we place great emphasis on fulfilling our customers' needs and aspirations. We rely on our customers for sales, our primary source of income. We seek to build our existing customer relationships while developing new ones, especially in new markets and for new products, to better manage our market risks.

#### We create value through:

- Delivering the right product in the right quantity at the right time
- Utilising Customer Relationship Management (CRM) application to enhance our customer service
- Gathering feedback via Customer Satisfaction Survey (CSS), with actions for improvement
- Developing new product solutions and collaborating to co-create product application solutions that meet customers' needs and business growth aspiration
- Providing customers with knowledge to ensure safe handling and value maximisation from our products



#### **Suppliers and Vendors**

We depend on suppliers for our feedstock and utilities such as natural gas and electricity. Uninterrupted supply of feedstock and utilities are essential to maintaining the highest level of production. We work together with vendors such as logistics service providers to ensure safe and efficient product delivery to our customers.

#### We create value through:

- Coordinating shutdowns with our feedstock and utility suppliers to minimise disruption to operations and reap the best value for the value chains
- Instilling Road Transport Operations Guidelines (RTOG) to help logistics service providers maintain high level of safety in delivering our products
- Implementing advanced digital analytics to detect risky driving behaviours
- Supporting local suppliers and adopting PETRONAS' Supply Chain Management Policy
- Empowering vendors via Vendor Development Programme to ensure their businesses thrive in a competitive environment



#### **Business Partners**

We engage with business partners in JVs, joint operations and associates such as the Integrated Aroma Ingredients Complex in Gebeng, Pahang; and PIC in Pengerang, Johor. The success of these partnerships depends on close collaboration and shared objectives as well as values.

#### We create value through:

- Providing reliable feedstock supply to the ventures
- Sharing of expertise and best practices in operations
- Coordinating shutdowns with partners to minimise disruption to operations for both parties









#### **Shareholders and Investment Community**

Our Board and Management are committed to rewarding our shareholders for their investment in the Group as they are an important source of our financial capital.

#### We create value through:

- Providing sustainable returns to shareholders through dividend payments
- Delivering business excellence and performance
- Employing our financial resources effectively in pursuing our investment and growth plans
- Ensuring strong governance and maintaining a culture of integrity
- Providing timely and value-relevant information



#### **Government and Regulators**

The Government, through regulators, plays a role in ensuring all businesses are conducted responsibly and ethically. Various regulations are in place to reinforce good environmental, social and governance practices. These include more stringent policies in areas such as waste management and emissions.

In addition, agencies such as Malaysian Investment Development Authority (MIDA) and Malaysia External Trade Development Corporation (MATRADE) play a critical role in attracting direct investment to the country including the chemicals industry.

#### We create value through:

- Complying with all relevant regulations
- Ensuring payment of tax in all jurisdictions where we conduct business
- Collaborating with Ministry of Energy, Science, Technology, Environment and Climate Change (MESTECC) to develop Circular Economy roadmap for plastics
- Partnering with foreign investors in driving investment into chemicals industry in Malaysia



#### **Communities**

The local communities endorse our social license to operate. These communities are important to us because they reflect our social citizenry and the validity of our claims to operate in a responsible manner.

#### We create value through:

- Enhancing CSR programme to focus on empowering marginalised communities and protecting the environment
- Ensuring safe operations throughout our value chain with a robust HSE policy
- Engaging local communities to impart right information as well as conducting sustainable activities through our signature Be Green programme
- Providing job opportunities as well as training for relevant skills for the chemicals industry
- Spurring economic growth that creates other business opportunities



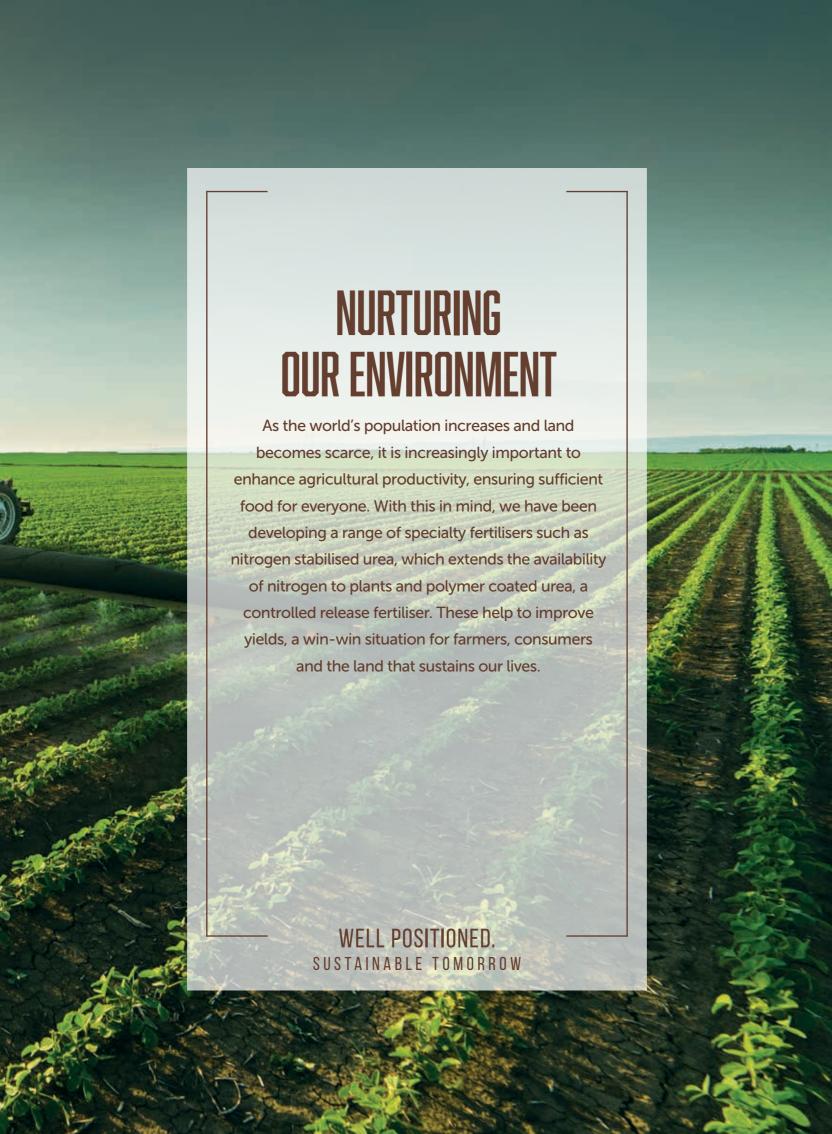
#### Media

The media presents an important communication link between PCG and our stakeholders. Articles in traditional and online media help us convey important information such as our quarterly and annual performance, new corporate developments and operational milestones achieved, among others.

#### We create value through:

- Encouraging frequent engagement by top management to enhance networking and sharing of business and growth information
- Fostering open and transparent communication to increase public confidence and maximise experience of stakeholders
- Ensuring speedy response to media requests to address media interests and fulfil public concerns





#### STRATEGIC REVIEW

#### OPERATING ENVIRONMENT AND OUTLOOK

Factors including the global economy, supply and demand for chemicals, environmental stewardship as well as megatrends have an impact on our capitals. These factors, which are closely linked to our material matters, help us define our strategies to achieve our goal to become the preferred chemical company providing innovative customer solutions.

















#### **CHEMICALS INDUSTRY**

#### **Operating Environment**

- · Lower global GDP growth resulting in slower demand growth including demand for chemicals
- Oversupply due to massive capacity addition
- Lower energy and feedstock prices
- Market uncertainties due to political tension
- (R) Please refer to deliberation of Market Risk on page 78 and Feedstock Risk on page 79
- (IR) Read more on Price Volatility on page 74 and Market Volatility on page 75

#### **Our Response**

- Leveraged on our integrated value chain to maintain our competitive cost and maximise value
- Sustained operational excellence
- Collaborated with customers to co-create application solutions to address their evolving business needs and
- Grew our presence in high-value markets by delivering innovative product solutions and value-added services
- (IR) Read more on Innovation and Product Stewardship on page 71

#### Market Prices 1,250 1,000 USD/MT 750 500 250 2015 2016 2017 2019 Paraxylene (PX) Polyethylene **—** Ethylene ■ Monoethylene glycol (MEG) ■ Urea ■ Methanol Source: ICIS, Platts and Fertecon

#### **Impact on Our Business**

- PCG experienced growth in sales volume and met our target in 2019 despite dampened global demand
- Compressed margin due to the reduced prices were cushioned by our prudent cost management

(IR) Read more on page 76-80 for Risk Overview

#### **Outlook**

- Global GDP is expected to grow at 3.3% as compared to 2.9% in 2019
- · Higher chemicals demand growth in tandem with GDP
- Energy and feedstock prices as well as market uncertainties remain similar to 2019
- Continue to focus on OE and CE to increase our market competitiveness

Capitals Affected



Strategic Response



states & cities)

Zimbabwe



#### **ENVIRONMENTAL STEWARDSHIP**

#### **Operating Environment**

- Increasing concern on plastic waste and pollution
- Increasingly stringent environmental regulations

R Please refer to deliberation of Plastics Waste and Regulatory Risk on page 80

#### **Our Response**

- Engaged with the authorities to provide workable solutions to address environmental issues
- Implemented best practices in environmental management through efficient energy management, emissions reduction and waste recycling
- Launched "Be Green" and #recycleforlifecycle awareness campaign to enhance public awareness on the need for sustainable waste management
- Developed and delivered "Plastics, Sustainability & You', an educational module on plastics for primary and secondary schools nationwide
- Collaborated on potential development of waste recovery facility to generate renewable feedstock and energy
- Overall movement to support the UN SDGs
- (IR) Read more on GHG Emissions and Climate Adaptation on page 72
- (SR) Read more on page 21 for our New Plastics Economy approach

#### – Argentina France Malavsia Switzerland Australia Germany South Korea – Belaium - Ireland – Mongolia – Tanzania - China – Israel - New Zealand - Taiwan Colombia Italy - Panama US (only in some

National-level Regulation to Ban/ Limit the Use of Plastic Bags

Source: Various news

#### **Impact on Our Business**

- Through our sustainability efforts, we believe that we create positive change for our employees and the local communities
- With the NPE initiative, we have aligned ourselves with Malaysia's circular economy agenda

#### **Outlook**

Denmark

Eritrea

• Evolving policies and regulations

Kenya

- Macedonia

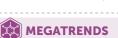
• Increasing demand for sustainable and innovative products

- Somalia

Spain

Continue to strengthen our sustainability efforts

Strategic Response



**Operating Environment** 

- Rising middle-class population
- · Urbanisation and industrialisation
- Advancements in technology and digitalisation
- Demand for clean and safer environment

(IR) Read more on Emerging Risks and Regulatory Risk on page 80

#### **Our Response**

- Greater focus on the second-prong of our business strategy to diversify our portfolio into more derivatives and specialty chemicals to meet evolving market needs
- Investment in technology and digitalisation for enhanced cost, operational and commercial efficiencies
- Undertake R&D to develop chemicals that are environmentallyfriendly which support the circular economy

Read more on Innovation & Product Stewardship on page 71 and Environmental Stewardship on page 74

#### Increasing global population and affluent consumers drive the demand for various manufactured goods

	2010	2015	2020	2030
Global Population (Bil)	6.9	7.4	7.8	8.5
Middle Class Population (Bil)	1.8	2.5	3.2	4.9
Polyester Production (Mil MT)	53	67	86	117
Plastic Packaging Sales (USD Bil)	211	283	375	574
Motor Vehicle Sales (Mil Unit)	70	80	90	105
Personal Care Consumption (USD Bil)	374	453	530	770

Source: Organisation for Economic Cooperation and Development The World Bank Wood Mackenzie PlasticsToday, Euromonitor and World Resources Institute

#### **Impact on Our Business**

• The megatrends presented opportunities for us to pursue our next phase of growth and to future-position our business via three identified lever namely Extend Value Chain, Build Specialty Platform and Create Optionality for Growth

#### Outlook

- Demand for chemicals is set to increase along with the megatrends
- Pursue our growth and future-position our business in line with the megatrends

#### STAKEHOLDER ENGAGEMENT

We define our stakeholders as those who are able to influence our operations or reputation, as well as those who are impacted by them. Over the years, we have identified eight main stakeholder groups, namely our employees, customers, suppliers and vendors, business partners, shareholders and investment community, government and regulators, communities and the media.

Each group is important to us, and we seek to build relationships with them based on trust via open and transparent communication. Through established engagement platforms, we keep our stakeholders updated on our operations, performance and direction, while obtaining feedback on their needs, interests and expectations. The latter guides our strategies, plans and every-day actions.

A summary of our stakeholder groups, explaining our value proposition to them and why they are important to us, as well as topics of interest covered in our engagement, and their key concerns – is presented below.



on page 61

on page 75

• Suppliers and Vendors on page 62

• Supply Chain Management

on page 61

• Business Partners on page 62

• Employees on page 62

• Talent Development on page 72

Human Rights & Fair Employment on page 74

on page 61

Customers on page 62

Customer Relationship Management on page 71

#### Quality of Engagement

No existing relationship

Relationship established, but much work to be done to improve quality of relationship

Relationship established, value-generating connection, but with some room for improvement

Good-quality, mutually beneficial relationship, with some room for improvement

Strong relationship of mutual benefit

#### Frequency of Engagement

Weekly

Monthly

**Every Two Months** 

Quarterly

Twice Yearly

Yearly



Shareholders & **Investment Community** 





Consistent returns on investment, business excellence & growth and strong governance.

Our shareholders are an important source of financial capital to fund our business & growth plans.

- · Investors and analysts briefings
- · Site visits, meetings and conferences
- Annual Reports
- Annual General Meetings
- Announcements via Bursa Malaysia website.
- · Company website



#### Government & Regulators





Compliance with regulations, strong governance, New Plastics Economy and payment

The government facilitates a conducive, ethical marketplace that attracts foreign investors and customers.

- Regular reporting to relevant Government agencies
- · Plant visits by Government agencies
- Regular meetings and briefings with Government agencies and regulators







address plastic waste issue and and spurring economic growth including providing job opportunities.

Our local communities endorse our social licence to operate. They also provide labour for our operations.

- Periodic briefings and

#### Media





Openness and transparency on business operations and performance.

The media presents an important channel for us to communicate key messages to our stakeholders.

- CSR programmes
  - engagement with local communities
  - Festivity celebrations
- · Interview with PCG management
- Media briefing by PCG management
- Media familiarisation visit
- Press conferences
- Press releases

#### E Q T Y

- Responsible and ethical business practices
- Shareholders returns
- · Market dynamics including supply and demand
- · Business sustainability
- Growth
- · Transparency and timeliness of disclosures
- · Regulatory compliance

Regulatory compliance

• Environmental management

• Ethical business practices

M Q T Y

• Health & safety

- Е
- Safety of our plant operations
- · Quality of air and water emissions
- Job & other income generating opportunities
- M Q Y
- Business performance & arowth
- Environmental management
- New innovation and technology
- Health & safety
- Ethical business practices & regulatory compliance

- (IR) Please refer to:
- Shareholders and Investing
- **IR**) Please refer to:
- Government and Regulators on
- Corporate Governance on
- (IR) Please refer to:
- Communities on page 63 Community Engagement on page 75
- (IR) Please refer to:
- Media on page 63

Community on page 63

- page 63
- page 75

#### MATERIAL MATTERS

Various economic, social and environmental factors impact our performance as well as our ability to create value for our stakeholders, now and in the future. These factors comprise our material matters. We seek to understand what our material matters are in order to better define our strategies and develop plans that focus on our most important issues. Knowledge of our material matters would also enable us to allocate our resources more effectively in order to manage emerging issues and meet our stakeholders' expectations.

As the chemicals industry is sensitive to changes in our operating landscape, it is important to review our material matters regularly. In 2019, the industry was particularly challenging due to increased global capacity and dampened demand. Along with this, we continued to see new regulations and standards aimed at managing global issues, and increasing stakeholder expectations especially with regard to environmental matters. This prompted a refresh of our material matters based on a new materiality assessment.

As topics related to customers are becoming more significant, we expanded our growth material topic in 2018 into two categories in 2019; Customer Centricity and Market Dynamics. In these two categories, we are addressing topics on Price & Market Volatility, Innovation & Product Stewardship and Customer Relationship Management.

#### **OUR MATERIALITY ASSESSMENT**

We conducted our first materiality assessment in 2016 and have been updating our material matters annually since, using industry trends, stakeholders feedback and management reviews to guide us. In 2019, we conducted a completely new materiality assessment applying the GRI Reporting Principles of Stakeholder Inclusiveness, Sustainability Context, Materiality and Completeness.

The materiality assessment comprises four steps:



#### Step 1: Identification

Internally, we conducted a review of issues, risks and opportunities that impact our business and strategy as well as key and emerging risks from our Corporate Risk Profile. This was supplemented by research on sustainability issues in the current landscape. We reviewed global and industry-specific sustainability trends, and key topics in global standards. We also reviewed the reports of peers, focusing on their stakeholders expectations and interests.



#### Step 2: Stakeholder Engagement

For an update on our stakeholders' perspectives, we interviewed 11 stakeholders from different groups – five comprising members of PCG's leadership team (to determine the impact of identified issues on PCG's business) and six comprising external stakeholders, ie investors (including socially responsible investors), customers and influencers (regulators and government agencies). With each interviewee, we discussed how they would prioritise PCG's identified material matters



#### **Step 3: Prioritisation**

Based on feedback from the interviews, we assessed the importance of each identified material matter taking into consideration its impact on the business and stakeholder interest. To determine its business impact, we scored each material according to its financial, operational and reputational significance, and took a weighted average. The same process was adopted for stakeholders, this time averaging the scores obtained based on the extent to which the material matter would influence customers' and investors' decisions; and whether the matter is perceived to be a priority among influencers. Finally, the material matters were plotted on a materiality matrix, with the x-axis representing importance to the business, and y-axis importance to stakeholders.



#### Step 4: Validation

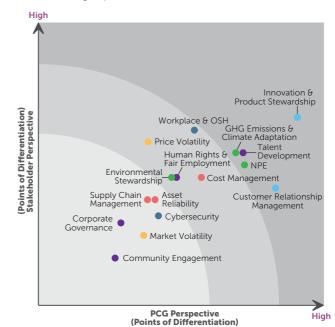
The materiality matrix was reviewed and approved by our Sustainable Development Working Committee (SDWC) and, Management Committee

Indicators and targets for material matters are set annually and reviewed by the Management Committee on a quarterly basis.

#### **MATERIALITY MATRIX**

As shown in the materiality matrix, we have identified and prioritised 16 material matters, five of which - Innovation & Product Stewardship, Customer Relationship Management, GHG Emissions & Climate Adaptation, Talent Development and NPE - are high priority. All 16 matters are considered in developing our sustainability strategies and initiatives. We also report on all these matters in our Sustainability

For ease of reference, these material matters have been categorised into six broad groups.



- Business Operations:
  - Cost Management, Asset Reliability, Supply Chain Management
- Market Dynamics:
  - Price & Market Volatility
- Customer Centricity: Innovation & Product Stewardship, Customer Relationship Management
- Environment:
  - Environmental Stewardship, GHG Emissions & Climate Adaptation, NPE
- Social and Governance:
  - Corporate Governance, Human Rights & Fair Employment, Community Engagement, Talent Development
- Health and Safety:
- Cybersecurity, Workplace and Occupational Safety & Health (OSH)

The Materiality Matrix impacts value creation in PCG within three areas according to the colour shades below:

- Points of Differentiation: Topics where PCG can lead
- Value Enhancement: Topics which can add operational value to PCG
- Value Protection:
- Foundation topics for PCG

### INNOVATION & PRODUCT STEWARDSHIP

Build competitive advantage through high-performance products and innovative solutions to meet customer and societal needs

### **Associated Opportunities**

- Innovation enables development and co-creation of new products and technical solutions, enabling customers to grow their business and penetrate new market segment
- Opportunity to tap into megatrends and develop new solutions to meet ever-changing business and customer needs
- Product stewardship enables customers and stakeholders to derive maximum benefit from PCG products with minimum impact to HSE

### **Associated Risks**

- Impact on competitive edge as peers move quickly with specific innovation programmes to develop products with societal benefit
- Inherent risk of dealing with new types of chemicals as we enter into specialty chemicals play









### **Our Response**

- Undertake and execute new product development (NPD) programmes systematically to create products and application solutions that address market risks and trends
- · Work closely with customers to co-create application solutions that address their needs and push the boundaries of their product performance
- · Diversify into derivatives and specialty chemicals business to meet rapid changes in market demand and trends
- Further enhance product stewardship integration into NPD process to support the development of safe and sustainable derivatives and specialty chemicals
- · Equip customers and other stakeholders with the knowledge to handle and use our products safely by assessing and communicating their risks

SR) Read more on page 29 for Innovation & Product Stewardship

Indicator	Target	Results
Number of new products	2	5
Number of co-creations	15	13
Number of technical solutions	100	183
Number of product stewardship engagements	5	8













Link to Strategic Thrusts OE CE GE



Stakeholders Affected ( )







### CUSTOMER RELATIONSHIP MANAGEMENT

Create sustainable and collaborative business relationships, delivering quality products to meet customer needs

### **Associated Opportunities**

- Collaboration with customers on global business opportunities maximising the impact through partnership
- Transparent dialogue with customers ensures continuous improvement to meet customers' expectations

### **Associated Risks**

- Impact to revenue due to reduced customers' confidence and lovalty
- Inability to meet customers' expectations may impact our brand and reputation



### **Our Response**

- · Design distinct value propositions for each customers' segment by identifying pain points and providing solutions to address market
- Strengthen networking and Customer Relationship Management (CRM) programme to understand customers' needs and establish customer lovalty
- · Collaborate with strategic partners to develop product application solutions and produce high-quality product offerings
- · Upskill our logistics service providers with RTOG to ensure our products are delivered to the customers safely and on time
- Introduce digital platform to deliver reliable, efficient and effective service to customers

(IR) Read more on page 62 for Value Creation for Customers



Indicator	Target	Results
OFR (%)	95	97
Customer satisfaction survey	3.2	3.3/4
Total vehicle accident rate	0.25	0.07

Capitals Impacted (1) (S) (E) (III)







Link to Strategic Thrusts OE CE



Stakeholders Affected ( )







# MATERIAL MATTERS

### **GHG EMISSIONS & CLIMATE ADAPTATION**

Adapt our business for a changing climate, limiting GHG emissions by improving production technology and using low-carbon processes

### **Associated Opportunities**

- Transition to a low-carbon economy presents innovation opportunities to shift our business models and assets in response to climate change
- Gain confidence of broader stakeholders such as general public and future talent pool who seek businesses that actively manage climate related topics
- Create value for customers through safe and efficient products which support carbon footprint reduction
- Operational efficiencies and cost saving through GHG reduction

### **Associated Risks**

- · Customers' changing preference for environmental friendly product
- Shareholders' inclination to invest in companies with sustainable
- Reallocation of capitals to cleaner and greener investments by financial institutions.
- Significant investment into technologies and infrastructure to address climate change and to look beyond own operations
- Increase in operational costs to meet regulatory requirements for GHG emissions and climate change









### **Our Response**

- · Identified, assessed and prioritised risks pertinent to our business operations as guided by the PETRONAS Climate Change Framework
- · Managed our energy consumption efficiently as guided by an ELMS, which encouraged continuous improvements in energy efficiency, hence reduced operating costs



(IR) Read more on page 77 for HSE risk and mitigation



(SR) Read more on page 35 for GHG Emissions & Climate Adaptation

Indicator	Target	Results
GHG emissions (million tonnes)	≤6.92 (by 2024)	7.02
Energy intensity reduction (from baseline year 2014) (%)	10 (by 2020)	13

Capitals Impacted ( ) (S)





Link to Strategic Thrusts OE



Stakeholders Affected







### TALENT DEVELOPMENT

Attract, develop and retain high-performing employees, creating an inclusive and diverse culture

### **Associated Opportunities**

- Become more agile and effective by creating an empowering culture for employees, shifting from hierarchies to teams, supporting leadership at all levels
- Talent development to meet demand for new skills and capabilities needed to deliver business strategy
- Focus on diverse and inclusive workforce leads to higher productivity and shareholder returns

### **Associated Risks**

- · Challenge in attracting, developing and retaining the right talents to achieve high-performance organisation
- · Lack of knowledge and competency to manage high value assets, leading to inability to sustain world-class plant utilisation
- Lack of capability and competency to grow in derivatives and specialty chemicals business









### **Our Response**

- Developed a talent strategy to remain ahead of trends in human capital such as a growing 'alternative' workforce (gig economy), young talents seeking sense of purpose and meaning; and expectation of a positive employee experience
- · Developed employees' functional and leadership competency through integrated talent development programmes
- · Intensified recruitment efforts for scarce or niche competencies to support PCG's business operations and growth
- Developed comprehensive and efficient succession plans

(SR) Read more on page 46 for Talent Development

Indicator	Target	Results
Capability assessment (%)	100	95
Number of TP developed	15	26
Ratio of ready talent to critical position	2.4:1	2.6:1
Turnover rate (%)	2.1*	0.72









Link to Strategic Thrusts OE CE GE



Stakeholders Affected 🔠 🕲





<sup>\*</sup> Based on 2018

### **NEW PLASTICS ECONOMY (NPE)**

Initiative to address plastic waste and contribute to a circular economy with sustainable production and responsible consumption of resources

### **Associated Opportunities**

- Opportunity for PCG to take a leadership role in Malaysia's NPE
- Convert plastic waste into circular feedstock and alternative energy which will help to reduce the environmental impacts of plastic consumption, improve resource efficiency for customers and support sustainability aspirations

### **Associated Risks**

• Reputational risk if plastic waste issue is not addressed comprehensively



Read more on page 67 for Impact on Our Business and page 80 for Plastics Waste

### **Our Response**

- Established a dedicated taskforce to drive a sustainable and holistic approach to address plastic waste issue through NPE
- Signed two MoUs with reputable industry players (PLASTIC ENERGY Ltd and Cypark Resources Bhd) to convert plastic waste into circular feedstock and energy
- · Developed a supplementary module on "Plastic, Sustainability and You" for primary and secondary schools in collaboration with MOE, MPMA and SWCorp
- Enhanced PCG's Be Green initiative with element of sustainability by engaging NGOs to reach out to the community
- To play a leading role in the development of Circular Economy Roadmap initiated by MESTECC to shape the future landscape of Malaysia's plastic industry





Indicator	Target	Results
Number of project established	2	2
Completion of Educational Module	December 2019	November 2019
Execution of Be Green Programme	4	4

Capitals Impacted











Stakeholders Affected ( ) ( ) ( ) ( ) ( )









Other material matters are discussed below:

### **WORKPLACE AND OCCUPATIONAL SAFETY & HEALTH**

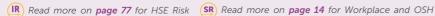
Associated Risks H P O R T







The safety of our people and assets is critical to the sustainability of our business. We therefore place the highest priority on HSE, and adhere to a robust HSE framework which encompasses a Mandatory Control Framework (MCF), HSE Management System (HSEMS) and Process Safety Management (PSM). We also enhance behavioural safety to drive a safety culture with our leadership serving as role models under our HSE Generative Culture. Our efforts were reflected in lower LTIF and TRCF in 2019, as well as zero fatality.













Link to Strategic Thrusts OE



Stakeholders Affected [8]



### **COST MANAGEMENT**

Associated Risks H S P M O F R T E







Prudent cost management enables us to manage our working capital effectively. By minimising costs, we maximise shareholders' value. We maintain a strong cost discipline by driving various cost optimisation initiatives across the value chain, from ensuring optimal efficiency in our plants and their turnarounds, to reducing our cost to serve. Our efforts were rewarded by a lower unit cost of production, solid cash balance and robust balance sheet despite weak market condition.

(SR) Read more on page 14 for Cost Management



Link to Strategic Thrusts OE CE



Stakeholders Affected ( )







**INTEGRATED REPORT 2019** 

# MATERIAL MATTERS

### PRICE VOLATILITY



Associated Risks M O F

It is important for us to mitigate any cost impact to our operations due to the volatility of commodity prices particularly key raw materials and feedstocks. An increase in base costs can lower profit margins and limit PCG's ability to invest strategically to achieve our business strategy across other material matters. We manage price volatility by collaborating with feedstock suppliers to secure long-term supply of key raw material at competitive prices while optimising our feedstocks to develop higher-margin products. As a result, we have managed to mitigate cost overruns, increase the margin of high-value products and improve our resilience against price volatility.

(R) Read more on page 66 for Our Response and page 78 for Market Risks

SR Read more on page 16 for Price Volatility

Capitals Impacted (\$)



Link to Strategic Thrusts OE



Stakeholders Affected







### **HUMAN RIGHTS & FAIR EMPLOYMENT**

Associated Risks S P O







Human rights are basic rights that every individual should be accorded, and fair employment is an extension of this. We adhere to PETRONAS' Human Rights Commitment, which is in line with the UN's Guiding Principles on Business and Human Rights. At the same time, we ensure fair employment by adhering to all relevant labour laws, safeguarding the right of employees to have their voices heard, while also providing competitive salaries and benefits.

(R) Read more on page 80 for Talent Risk



**SR)** Read more on **page 50** for Human Rights and Fair Employment



Stakeholders Affected









Associated Risks H O R E







We recognise the importance of mitigating any potential negative impacts our operations might have on the environment. Hence we monitor and manage our air emissions through programmes such as Leak Detection and Repair (LDAR), while minimising waste and reducing water usage. As a result of our efforts, our air emissions are well within regulated limits; and we recorded a 10% reduction in waste generation with more than 300MT of waste recycled in 2019. In addition, our water withdrawal intensity reduced by 7%.

Read more on page 77 for HSE Risk and page 67 for Our Response



Capitals Impacted





Link to Strategic Thrusts



Stakeholders Affected (\*\*)









Associated Risks H S P O F









Asset reliability is key to generating maximum value for PCG, our shareholders and customers. We ensure our assets perform optimally through a comprehensive asset performance management programme and predictive digital system that prevents performance deterioration. As a result of our focus on asset reliability, we achieved a world-class plant utilisation rate of 92% despite a heavy schedule of turnarounds.

(SR) Read more on page 16 for Asset Reliability

GFR) Read more on page 79 for Operational Risks

Capitals Impacted



Link to Strategic Thrusts OE



Stakeholders Affected (\*)







### **CYBERSECURITY**

Associated Risks H P O R T E







While digitalisation of systems and processes enhances operational and resource efficiencies, it carries an inherent risk of cyber intrusion and/or attack. To protect our systems and critical data, we have implemented a Cybersecurity Strategy Deployment Programme (CSSDP) while an Enterprise Security Management System is being implemented to protect our data from spyware and virus attacks. To date, our security barriers have proven effective, with zero system downtime in 2019.



(R) Read more on page 80 for Cybersecurity Threat (SR) Read more on page 16 for Cybersecurity











Link to Strategic Thrusts OE CE



Stakeholders Affected (\*\*)







### SUPPLY CHAIN MANAGEMENT

Strong supply chain management is critical for operational efficiency, ensuring we manage our feedstock and service suppliers effectively. We adhere to our Procurement Policy to ensure ethical and transparent treatment of our suppliers. At the same time, we seek to ensure our suppliers embrace the same standards of safety as PCG and operate in a manner that is environmentally and socially responsible. While aligning our suppliers with our environmental and social goals, we play our part in supporting the development of the chemicals ecosystem by empowering local contractors and suppliers.

(SR) Read more on page 34 for Supply Chain Management

Capitals Impacted



Link to Strategic Thrusts



Stakeholders Affected









Associated Risks



The chemicals market can be volatile, with significant shifts in supply and demand due to various geopolitical and economic factors such as the health of the global economy, production capacity and trade flows. As a hedge against market volatility we are shifting our business focus towards specialty and bio-based chemicals. This saw us acquiring DVG in September 2019, which provides us with immediate access into the high-growth silicones market, a new market for PCG.

(R) Read more on page 66 for Our Response and page 78 for Market Risks

(SR) Read more on page 16 for Market Volatility

Capitals Impacted



Link to Strategic Thrusts



Stakeholders Affected (\*\*)









### **CORPORATE GOVERNANCE**

Associated Risks H S P M O F R T E











Good corporate governance is essential to build stakeholders' trust in an organisation. We uphold the highest standards of governance by adhering to the MCCG 2017 and relevant guidelines in all other markets where we operate. Our Board currently comprises 50% Independent Directors, and we aim to further increase the representation of Independent Directors by end 2020 in keeping with MCCG 2017 quideline. We conduct our business ethically and transparently, quided by PETRONAS' Code of Conduct and Business Ethics (CoBE) Compliance to CoBE is assured via the PETRONAS Integrity Compliance Framework.

(SR) Read more on page 24 for Corporate Governance



GFR To know more, please refer to PCG Governance and Financial Reports 2019

Capitals Impacted



Link to Strategic Thrusts



Stakeholders Affected (\*)









### **COMMUNITY ENGAGEMENT**

Associated Risks H S P O R







We believe it is important to engage with the community to understand their expectations on PCG, and how to deliver on these. We seek to empower local communities through education and other relevant activities to be able to shape a more economically and environmentally sustainable future. This is achieved through initiatives such as Be Green, ecoCare, safety programmes, Back to School,

Sentuhan Kasih and the recently introduced NPE. (SR) Read more on page 51 for Community Engagement





Link to Strategic Thrusts OE



Stakeholders Affected ( )





# RISK OVERVIEW

### **OUR KEY RISKS AND MITIGATION**

### **RISK MANAGEMENT**

Risks arising from a constantly shifting global industrial and geopolitical landscape are among the major challenges PCG faces. We are committed to maintaining an effective risk management framework with the goal of growing shareholder value in a sustainable manner.

### **Risk Oversight**

Risk oversight at PCG takes place at the Board and Management levels. To further strengthen our oversight function, this year we established and implemented a dedicated BRC comprising mostly Independent Directors. The Committee meets at least every quarter to deliberate on the risks and mitigations relating to high-impact business decisions such as mergers and acquisitions, divestment and capital projects.

### **Risk Appetite and Tolerance**

We manage our risks proactively, ensuring they remain within defined risk appetite and tolerance limits. We develop comprehensive risk appetite, covering risk focus areas namely operational, financial sustainability, reputation and compliance for effective monitoring and reporting. For each area, we identify respective risk appetite statements, risk tolerances and risk thresholds. We report on our risk appetites to the Management on a quarterly basis, and any breach is escalated to the BRC and Board for further deliberation.

### Risk in Planning and Decision-Making

Risk management is integrated into our annual business planning exercise. During our 2019 business plan and budget session, we ensured that our key activities are robust and the associated risks of any business assumptions were deliberated.

It is also a requirement for Board and Management to discuss risks and mitigations prior to decisions being made. This is to ensure that decision-makers are fully informed of the risks associated with their decisions, and are able to put in place the necessary controls to achieve the desired business objectives.

As we strive to grow and diversify our product portfolio into specialties, risk assessments are even more vital to mitigate unfamiliar and complex risks. Risk assessments will be undertaken at key stages in every project before it is allowed to progress to the next phase.

### **Risk Management Tools**

Our Corporate Risk Profile (CRP) is reviewed annually, and takes into consideration key sources such as our key focus area, past risk profile, risk monitoring and scanning reports, industry risk reports and audit findings.

These are mapped onto a risk matrix which specifies the likelihood of the occurrence of each risk and its impact.

Key risks are identified based on the following considerations:

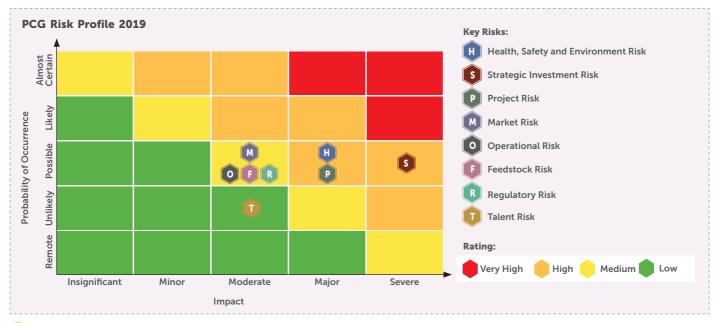
- The complexity, hazards and integrated nature of our manufacturing process
- ii. The market environment and the cyclical nature of the chemicals industry
- iii. PCG's growth agenda

Each risk is evaluated and rated on the basis of its probability and impact.

Specific mitigation plans are deliberated to ensure that identified risks are addressed and assigned to risk owners for implementation. Risks rated as either "very high" or "high" will be escalated to the Management and to the Board on a quarterly basis even if the probability of occurrence is low.

### **Risk Culture and Continuous Improvement**

We strive to inculcate a strong risk culture and ownership by engaging our employees through risk management communication programmes. In addition, we continue to undertake risk assurance to ensure compliance of risk management including crisis management and business continuity management.



Further details of our risk management framework and governance oversight structure can be found on pages 46–58 under the Statement on Risk Management and Internal Control (SORMIC) of our standalone CG, which is available online at www.petronaschemicals.com

Below, we provide details of our key risks, along with their potential impacts on our business and how we mitigate the risks.



### **KEY RISK NO. 1**

### **HEALTH, SAFETY AND ENVIRONMENT RISK**

# Material Matters

### Capitals Affected

Strategic Thrusts





### **Description**

Health, safety and environment remains our top priority. Any HSE incident or non-compliance can have an adverse impact on people, asset, environment and reputation.

### **Potential Causes**

- HSE framework and guidelines including PSM compliance
- Equipment reliability
- Product stewardship

### **Impact on Value Creation**

- Impact to employees, contractors and/or surrounding communities as well as the environment
- Asset damage, leading to plant slowdown or shutdown
- Potential legal litigation and stop work order by regulatory bodies
- GHG emissions or chemical spillage affecting the environment

### **Mitigation Plans**

- Strengthen HSE preventive programmes such as Enhanced Behavioural Safety (EBS)
- Comply with HSE ZeTo rules
- Strengthen HSE communication programmes, such as HSE Safety Pause, HSE Alerts and HSE Lessons Learnt
- · Effective implementation of FELT Leadership programme including leaders' conversation to the masses
- Strengthen land transport management through RTOG
- To conduct a scenario analysis relating to climate change and its impact to the business by Q4 2020

### Risk Movement ST



The risk is stable and comparable to 2018 with an improvement in some HSE performance indicators and safety culture.

# **KEY RISK NO. 2**

### STRATEGIC INVESTMENT RISK

### **Description**

Every business investment carries a risk. Moving forward, PCG will pursue the next phase of Growth Delivery Excellence to deliver sustainable value by extending our value chain and building specialty chemicals business. We need to ensure our growth projects are completed as planned to future-proof our business. As we enter into specialty chemical play, there is an inherent risk of venturing into a new business segment.

### Material Matters







# Strategic Thrusts

### **Potential Causes**

- · Project management effectiveness
- Capable talents with niche competencies
- · Timeliness and adequacy of funding
- Timely response to market changes

### Impact on Value Creation

- Inability to realise our business strategy to diversify portfolio into specialty chemicals
- Missed business opportunity and loss of customers
- Unable to obtain additional earnings as planned

### **Mitigation Plans**

- Assess growth opportunities through market-backed approach
- · Ensure sufficient pool of projects in the event the identified projects pursued become unfavourable
- · Enhance project execution process for improved pace without compromising quality and governance
- Adhere to project governance documents such as PETRONAS Project Management System (PPMS) and PETRONAS Technology Management System (PTMS)
- Ensure availability of funding to support growth projects
- · Source and develop talent for commercial and manufacturing for specialty business
- Prioritisation of portfolio for effective delivery of targeted value

# Risk Movement ST

The risk is comparable to 2018 as growth projects are at an early stage.

### Risk Movement



ST Stable



Increase



Decrease

### RISK OVERVIEW



**KEY RISK NO. 3** 

Material Matters

Capitals Affected

Strategic Thrusts













### Description

With PIC currently at commissioning stage, it is critical to achieve operational and commercial readiness to ensure smooth execution. Any delay in commercialisation or stabilisation of new plants may cause opportunity loss in capturing value from this investment.

### **Potential Causes**

- Project management effectiveness
- Capable talents with niche competencies
- Infrastructure and timely system readiness

### **Impact on Value Creation**

- · Unable to implement operational and commercial activities as planned
- Missed business opportunity and loss of customers
- Damage reputation as investment at PIC is one of key growth projects for PCG

### **Mitigation Plans**

- · Closely monitor and strengthen contractor management
- Execute operational and commercial readiness plan
- Adhere to project governance documents such as PPMS and PTMS
- · Leverage on broader experience and expertise of PETRONAS Group, comprising technical and commercial personnel to support delivery of targets

# Risk Movement ST

The risk is stable and comparable to 2018 due to effective project execution, operational and commercial readiness plan.



**KEY RISK NO. 4** 

Material Matters 

Capitals Affected

Strategic Thrusts



**Description** 

# **Potential Causes**

- Adverse market conditions amidst lower global GDP growth, massive capacity addition and lower energy price, coupled with political tension, leading to compressed margin, hence posing challenges to
- business sustainability.

(IR) Read more on page 75 for Market Volatility

- · Capacity addition by new and existing producers offering greater availability and variety of products besides attractive marketing propositions
- Global trade disruption
- Continuing crude oil price volatility

### **Impact on Value Creation**

- · Lower consumer demand due to cautious business and consumer sentiment
- High inventory leading to potential plant slowdown or shutdown
- Squeezed margins due to low price environment

### Mitigation Plans

- · Leverage on our integrated value chain to maintain our competitive cost and maximise value and sustain operational excellence
- · Co-create innovative application solutions to meet customers' evolving needs whilst maintaining high quality products
- Continue to implement Commercial Excellence initiatives to deliver cost effective products to customers
- Strengthen networking and CRM programme to understand customers' needs and establish customer loyalty

# Risk Movement ST



Despite market volatility, the risk is stable and comparable to 2018 due to our effective response strategy to minimise the impact of adverse market.

### Risk Movement





Decrease



Material Matters

Capitals Affected

Strategic Thrusts

### **OPERATIONAL RISK**













### Description

As our operations are highly integrated from feedstock, utilities and downstream chemical plants, there is a risk of operational interruption if one or more plants in the value chain fail to operate reliably.

### **Potential Causes**

- Equipment Reliability Strategy (ERS), inspection and maintenance programme
- Feedstock or utilities supply reliability
- Cybersecurity
- Turnaround execution effectiveness

### **Impact on Value Creation**

- Production loss
- Inability to meet customers' demand
- Increase in maintenance cost

### Mitigation Plans

- · Continue implementing effective Operation Management and Asset Life Management programme to maximise asset or equipment performance such as Bad Actor Management Programme and Plant Reliability Threat programme
- Continuous implementation of OER2 programme to optimise time and resources in producing high-quality products
- Conduct regular maintenance and inspection programmes to minimise risk of equipment failure and unplanned shutdowns
- Execute Turnaround Management programmes
- · Activate Business Recovery Plan (BRP) and Business Continuity Plan (BCP), should there be a prolonged interruption



Our production depends on reliable supply

of feedstock and utilities. We must secure

sufficient volumes of feedstock and utilities

# Risk Movement ST

The risk is stable and comparable to 2018 due to effective reliability and turnaround execution strategy, coupled with improved feedstock and utilities supply, resulting in sustained production volume and plant utilisation.



# Material Matters

Capitals Affected

Strategic Thrusts

### **FEEDSTOCK RISK**

in a timely manner.

**Description** 



· Feedstock and utilities supply reliability



### **Impact on Value Creation**

- · Loss in production volume
- Loss in revenue
- Increase in production cost

### **Mitigation Plans**

- Collaborate with feedstock and utilities suppliers for reliable supplies
- · Leverage on Value Optimisation Model to optimise molecules along the value chain in case of supply limitation
- Activate BRP and BCP in the event of prolonged interruption

### Risk Movement DC

The risk has decreased compared to 2018 due to reliable supply of feedstock and utilities.

### Risk Movement



ST Stable



Increase



Decrease

# RISK OVERVIEW



**KEY RISK NO. 7** 

Material Matters

Capitals Affected

Strategic Thrusts

### **REGULATORY RISK**















### **Description**

As we expand our footprint globally, compliance is increasingly a challenge, especially in an environment where laws and regulations are getting more stringent. Any change in laws or regulations may have an impact on our operations or future investment opportunities.

### **Potential Causes**

- Trade protectionism
- Anti-competition law
- Environment laws

### Impact on Value Creation

- Penalty charged and damage to reputation
- Reduced profit and loss of business or market share
- Decrease in stakeholder (customers, suppliers, investors) confidence

### **Mitigation Plans**

- Continue tracking changes in regulatory requirements
- Perform periodic Internal Compliance Programme (ICP) to ascertain compliance against regulatory requirements
- Liaise proactively with relevant local authorities, agencies and service providers to get timely updates on any new regulatory changes



# Risk Movement ST

Risk is stable and comparable to 2018 due to our continuous compliance monitoring and regular engagement with relevant government agencies and regulatory bodies



### **KEY RISK NO. 8**

for sustainable current operations.

Material Matters

Capitals Affected

Strategic Thrusts



Description

- **Potential Causes**
- Regulatory requirement of specific skills and certification for plant operations Capable talents with niche competencies required to drive our business aspiration into specialty chemicals

### **Impact on Value Creation**

- Non-compliance with regulatory requirements
- Disruption to current operations
- Non delivery of business growth strategies

### **Mitigation Plans**

- Promote PETRONAS Employee Value Proposition to attract and retain talents
- Recruit for scarce or niche competencies to support our business operations and growth
- Execute comprehensive and efficient succession planning

SR) Read more on page 46 for Talent Development

Skilled and dedicated employees are essential for

high performance and business sustainability. In addition, as PCG embarks on Growth Delivery

Excellence, it may encounter difficulties in recruiting

employees with niche competencies that are

required for future business developments. It is equally critical to have continuous competent talents



The risk has been stable since 2018 due to effective implementation of the above.



### **EMERGING RISKS**

Material





















As risks are dynamic, we continuously scan and monitor our operating and external environments to identify any emerging risks. Special attention is given to the global and industrial trends before it becomes a threat and impact our business objectives. These emerging risks are discussed at Board and Management. In the event that the emerging risk poses a real threat, we will escalate it into our key risks and develop appropriate response and mitigation plans. The following emerging risks were monitored closely.

Risk event and description	Impact on PCG value creation
Plastics Waste Intense environmental concerns on plastics especially on single-use plastics by stakeholders  (SR) Read more on page 21 for New Plastics Economy	Potential domestic and/or international ban would impact our profitability and reputation
Cybersecurity Threat Multiple cybersecurity incidences have been recorded in the oil and gas industry. As PCG embarks on digital initiatives, we are more susceptible to cybersecurity issues such as viruses and malware  Read more on page 75 for Cybersecurity	Business disruption such as critical system failure and data leakage

### Risk Movement



IC Increase

DC Decrease

# **OUR STRATEGY**

PCG's Two-Pronged Strategy was developed to guide us towards achieving our vision of becoming 'the preferred chemical company providing innovative customer solutions'. It takes into account various external environment comprising amongst others; market dynamics, megatrends, emerging regulatory requirements and policy changes. We also consider our current and emerging key risks and material matters to our stakeholders in coming up with our business strategy.

Our business strategy has two key objectives, namely to sustain our strength in basic petrochemicals thus increase our competitive advantage through volume play; and to diversify into derivatives as well as specialty chemicals and solutions to add value to customers and benefit from higher margins. We believe that by focusing on these two prongs, we will be able to meet the increasingly differentiated needs of our existing as well as future customers thus futureproofing our business.

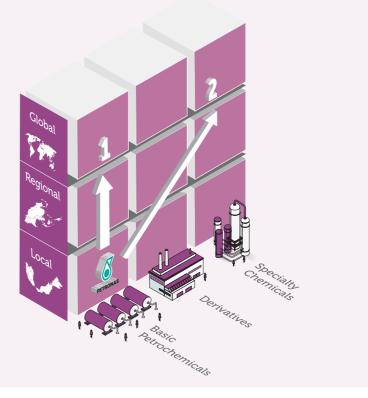
### TWO-PRONGED STRATEGY

Our business strategy will see PCG progress up the value chain from producing basic petrochemicals into derivatives and specialty chemicals. As we move up the value chain, we will increase our margins and strengthen our business fundamentals.

### **First-prong**

### **Second-prong**

Sustain strength in basic petrochemicals Selectively diversify into derivatives, specialty chemicals and solutions



### **STRATEGIC THRUSTS**

In driving our business strategy, we seek to achieve optimum operational and commercial efficiencies while expanding into highvalue growth areas. By focusing on the three strategic thrusts of Operational Excellence, Commercial Excellence and Growth Delivery Excellence, we will strengthen our business fundamentals and enhance our resilience.



### **Operational Excellence**



### Commercial Excellence



### **Growth Delivery Excellence**

Achieve sustainable world-class plant performance focusing on:

- · Plant reliability
- Turnaround management
- Supplier relationship management

Increase value by looking through our customers' lens focusing on:

- · Customer focus
- Sustain and enhance market position
- Commercial Excellence capabilities
- Innovative solutions
- Innovation culture

Diversify petrochemicals into higher value-adding products focusing on:

- Extend value chain
- · Build specialty platform
- · Create optionality for growth

Given increasing importance placed by investors and other stakeholders on environmental issues, we believe our investments into NPE and reduction of GHG emissions will not only strengthen our environmental stewardship but will also underline our business sustainability.

Most importantly, we continue to invest in building our talents and capabilities in delivering our business strategies.

# STRATEGIC PERFORMANCE REVIEW

To ensure we build on and make steady progress in our three strategic thrusts of Operational Excellence, Commercial Excellence and Growth Delivery Excellence, we have identified focus areas in each for the short, mid and long terms. We have also set some targets for key performance indicators (KPIs) to guide our actions, decisions and business direction. We closely monitor our performance against our targets, and make relevant adjustments in prioritising our actions to ensure we meet our goals.



### **Operational Excellence**

Material Matters





Capitals Affected







### Sustain world-class manufacturing performance across all plants

КРІ	Target	Result 2019
Occupational Safety Incident (LTIF)	0.23	0.08
Process Safety Incident (number)	0	1
Plant Utilisation (%)	90*	92

<sup>\*</sup> World-class henchmark

### **Focus Areas**

- 1. HSE excellence
- 2. Plant reliability and efficiency
- 3. Plant turnaround excellence

### **Key Activities in 2019**

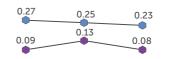
- 1. Developed and implemented safety projects to embed a Generative Culture
- 2. Sustained world-class plant utilisation rates above 90% on the back of reliable feedstock supply despite intense plant turnaround schedule
- 3. Executed plant turnaround at PC Olefins, PC Glycols and PC LDPE ahead of time
- 4. Executed the first plant turnaround at PC Fertiliser Sabah safely
- 5. Reduced GHG emissions through continuous implementation of ELMS
- 6. Enhanced digitalisation initiatives through the introduction of PETRONAS Integrated Vision for Operational Excellence Transformation (PIVOT) and automation of Asset Performance Management (APM)
- 7. Implemented Cyber Security Strategy Deployment Programme (CSSDP) and Enterprise Security Management System to protect our data against cyber threats
- 8. Developed talent through Project RESCISCO as well as enhanced staff empowerment through OE R2
- 9. Implemented NPE initiatives through 4 Clean-up activities, development of supplementary module on Plastic Sustainability & You for primary and secondary schools and signed 2 MOUs with Plastics Energy and Cypark.

### **Medium to Long-Term Focus**

- 1. Enhance competency in Process Safety through training and upskilling
- 2. Continue to focus on Operational Excellence
- 3. Continue collaboration with feedstock and utilities suppliers
- 4. Continue digitalisation initiatives through PIVOT and APM
- 5. Execute smooth start-up and ramp-up of PIC
- 6. Implement the final phases of OE R2 to operate our plants safely, reliably and efficiently

### **Safety Incident**

### Occupational Safety Incident (LTIF)



### **Process Safety Incident (number)**



### Plant Performance

### Plant Utilisation (%)



### Production Volume (Mil MT)



### **Commercial Excellence**

Material Matters



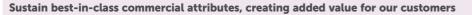




Capitals Affected (\$)







KPI	Target	Result 2019
OFR (%)	95 (peers benchmark @90%)	97
New products	2	5
Co-creation of products and technical solutions	15 product solutions 100 technical solutions	13 product solutions 183 technical solutions

### **Focus Areas**

- 1. Customer centricity
- 2. Focused regional presence
- 3. Co-creation of innovative products and solutions
- 4. Commercial Excellence capabilities including derivatives and specialty chemicals

### **Key Activities in 2019**

- 1. Effective investors management throughout the business value chain, leading to higher OFR despite heavy turnarounds
- 2. Equipped customers with knowledge to ensure safe handling and value maximisation from our products
- 3. Gathered feedback via Customer Satisfaction Survey, with actions for improvement
- 4. Implemented CRM application to enhance our customer service
- 5. Implemented Cyber Security Strategy Deployment Programme (CSSDP) and Enterprise Security Management System to protect our data against cyber threats
- 6. Extended product offerings into new markets including Cambodia and Myanmar
- 7. Developed new products and co-created innovative application and technical solutions
- 8. Enhanced transportation safety
- 9. Trained and equipped sales team with technical knowledge to better understand and serve customers

### **Medium to Long-Term Focus**

- 1. Expand customer base with excellent service delivery and new product portfolio from PIC
- 2. Develop and strengthen expertise to drive commercial excellence in derivatives and specialty chemicals
- 3. Complement existing business segment with new range of products from acquisition of DVG
- 4. Bring on board technologies with in-depth knowledge of new products and applications.





# **Growth Delivery Excellence**

Material Matters







**Capitals Affected** 









### Expansion into derivatives and specialty chemicals to future-proof our business

КРІ	Result 2019
PIC petrochemicals project	On track for commercialisation in 2020
FID for growth projects	2 FIDs for butadiene derivative and specialty chemicals plants
Build specialty platform	Acquisition of DVG, independent producer and formulator of silicones, lube oil additives and chemicals

### **Focus Areas**

- 1. Extend value chain from existing products
- 2. Build specialty platform
- 3. Create growth optionality through internal R&D and venture capital investments

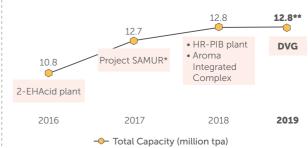
### **Key Activities in 2019**

- 1. Commissioning of chemical plants at PIC
- 2. Acquired DVG, independent producer and formulator of silicone fluids and silicone intermediate products
- 3. Approved FIDs for two Extend Value Chain projects
- 4. Continued the development of second-generation biomass process into chemicals
- 5. Continued assessing opportunities in derivatives, specialty and bio-based
- 6. Leveraged on broader experience and expertise of PETRONAS Group, comprising technical and commercial personnel to support delivery of growth projects

### **Medium to Long-Term Focus**

- 1. Commercialisation of PIC in 2020
- 2. Continuously evaluate investment opportunities in derivatives, specialty and bio-based chemicals
- 3. Intensify recruitment and talent development efforts for scarce or niche competencies to support PCG's business growth

### **Growth Milestones**



- Sabah Ammonia Urea, now known as PC Fertiliser Sabah
- additional capacity is not reflected due to rounding off to one decimal point







# BUSINESS REVIEW OPERATIONAL EXCELLENCE



**MAHADZIR RANI**Chief Manufacturing Officer



Our production volume of 10.4 million tpa came on the back of an overall PU rate of 92%, marking the fourth consecutive year that we have exceeded the world-class benchmark of 90%.



Via Operational Excellence, we seek to operate our plants efficiently in order to maximise production at the lowest cost hence, increase our market competitiveness and margins. Our goal is to keep pushing the envelope as we maintain world-class plant reliability, safety and efficiency. Recognising the crucial role our people play, we continue to empower them as we enhance their capabilities and competencies.

### **OVERVIEW**

The year 2019 reflected the high levels of Operational Excellence that PCG has attained. Despite a heavy schedule of statutory turnarounds, we repeated the record-breaking production volume achieved in 2018. More importantly, this was accomplished without any compromise on safety. Persistent emphasis on nurturing a safety mindset among our employees, with management walking the talk, led to zero fatalities and reduced injuries.

Our production volume of 10.4 million tpa came on the back of an overall PU rate of 92%, marking the fourth consecutive year that we have exceeded the world-class benchmark of 90%. We were able to sustain our PU through improved plant reliability as well as securing our feedstock and utilities via strong collaboration with suppliers.

### **DELIVERING OPERATIONAL EXCELLENCE**

### **Safe Operations**

Safety is given top priority at PCG and particularly in our operations, where there is an inherent risk of injury. We are driven towards the highest safety performance because we care for the well-being of our people and everyone who works with us

We constantly review our policies and practices, recognising that maintenance of the highest level of safety is necessarily an ongoing process. Our goal is to close any gaps as we keep enhancing our safety framework while also inculcating a safety mindset. Under our HSE Generative Culture, our leaders serve as role models for everyone to own safety within the organisation. The idea is for all our employees and contractors to accept responsibility and practise safe behaviours not only for their own selves but also for the safety of others.

Embedding a Generative Culture throughout PCG, several safety projects were developed and implemented by employees at our plants. The involvement of employees in creating a safer work culture has been empowering as they now have a sense of effecting positive change within the organisation.

During the turnarounds, we maintained a high level of vigilance through daily HSE Leadership engagements and walkabouts, health screenings, as well as utilisation of technology such as drones and CCTV to assist in plant surveillance.

As a result of continuous efforts to strengthen our safety platforms, PCG produced a better safety scorecard in 2019 compared to 2018. We recorded LTIF of 0.08, compared to 0.13 in 2018; and seven TRC versus 10 in 2018.

### **Turnaround Excellence**

The year saw the heaviest turnaround and shutdown at our plants in Kertih in six years, involving more than three million man-hours at PC Aromatics, PC Olefins, PC Glycols, PC Derivatives, PC LDPE and PC Ammonia, all of which were carried out safely and ahead of time. Meanwhile, PC Fertiliser Sabah, which is adding significant urea volume for PCG, underwent its first turnaround since starting commercial operations in 2017.

The high complexity of interrelations is managed by our Turnaround Centralised Services (TACS), a centre of excellence for integrated turnaround management which works closely with our suppliers, contractors, government authorities and other stakeholders. Long term master plan, 10-year Turnaround Master Integrated Schedule established since 2014, is periodically reviewed, taking into account maintenance schedules across the region to avoid resources' shortages and reap the best value for the value chains and businesses.

TACS also enhanced the Systematic Turnaround Execution Planning Solution (STEPS), a digital platform for turnaround management to capture the latest lesson learnt and best practices as part of continuous improvement through digitalisation. Additionally, TA2019 Intervention Strategies and Breakthrough Solutions programme, focusing on improving turnaround management through unconventional approach, was successfully implemented across the affected plants which resulted in remarkable turnaround performance this year.

66 We recorded LTIF of 0.08, compared to 0.13 in 2018; and seven TRC versus 10 in 2018.



### **KEY HIGHLIGHTS / ACHIEVEMENTS**

### **Plant Utilisation**

- Best-in-class PU at 92%
- · Comparable record-breaking production volume at 10.4 million

### **Strengthen HSE performance through Culture, Compliance and Competency**

- Sustaining the oil and gas industry benchmark of lower LTIF at 0.08
- Digital HSE surveillance initiative during turnarounds

### **Effective Turnaround Execution**

- · Heaviest turnaround in Kertih completed safely and ahead of
- First turnaround at PC Fertiliser Sabah

### **Digital-driven Asset Management to** strengthen Operational Excellence

- APM
- PIVOT

### **Drive Efficiency by Cost Optimisation**

- 13% energy intensity reduction
- Maintenance cost compression

### **Skilled Employees and Empowered Organisation**

- Project RESCISCO
- OE R2



# OPERATIONAL EXCELLENCE

...achieving an energy efficiency of 15.4 GJ/tonne, 13% lower than 17.6 GJ/tonne in 2014.

At year end, our plants producing polyethylene, polypropylene and ethylene glycols were 100% ready for start-up.

### **Reliable Assets**

The established Asset Management programmes which covers maintenance strategy development, Equipment Reliability Strategy Programme (ERS), maintenance strategy implementation (PETRONAS Maintenance Management System via SAP) and performance gap management (Bad Actor Management programme), play a pivotal role in sustaining the plants performance. This year, we enhanced the programmes' effectiveness through an integrated digital solution, Asset Performance Management (APM), which leverages on big data analytics of maintenance historical records and existing system integration to drive optimisation and efficiency.

PIVOT is another advanced analytic programme that we introduced this year to predict equipment abnormalities ahead of time by applying advanced algorithms, and then timely prescribe the possible course of actions for the frontline engineers to prevent further performance deterioration or major equipment failures. The results at the pilot site was encouraging and we are scaling up the implementation across the Group.

We will continue to venture into the latest advancement in the digital technology and analytics to strengthen our Asset Management programmes.

### **Driving Efficiency**

Integral to Operational Excellence is cost optimisation through every possible channel. Towards this end, we focus on cost compression efforts to reduce our maintenance cost while increasing our feedstock efficiency. We have in place ELMS which monitors our energy usage and enables us to better manage our energy efficiency. Our goal was to improve our energy efficiency by 10% by 2020 from a 2014 baseline. We met this target in 2019, a year early, achieving an energy efficiency of 15.4 gigajoule/tonne of production (GJ/tonne), 13% lower than 17.6 GJ/tonne in 2014.



### **PIC Project Delivery**

Meanwhile, we made significant progress in the PIC with the commissioning of a number of the plants. A major milestone during the commissioning stage was achieved in April when we saw our first shipment of heavy glycols and polypropylene. This was followed by the first delivery of polyethylene to the domestic market in June.

At year end, our plants producing polyethylene, polypropylene and ethylene glycols were 100% ready for start-up.

Construction of the INA plant is also on track, and commercial operations are expected to begin in the second half of 2020. Once fully operational, PIC will increase our nameplate capacity by 14.1% to 14.6 million tpa.



### **Empowering People**

Our operational successes are the direct result of the contributions of our people, whom we continuously upskill through training and development. Under Project RESCISCO, launched in 2016, we have been motivating our employees to take ownership of their own career progression via self-training to attain the required competencies.

Combined with Project RESCISCO, we are supporting the development of empowered employees through OE R2 by redesigning job specifications, standardising work processes across our plants, and restructuring our HR ecosystem. The revised ecosystem supports a flatter organisational hierarchy in which our employees will have greater authority and ability to make decisions. This will result in more agile decision-making, hastening the process of achieving our business goals.

### **PROSPECTS & OUTLOOK -**

reliability will be a key contributing factor.

**INTEGRATED REPORT 2019** -



# **BUSINESS REVIEW**

# COMMERCIAL EXCELLENCE



SHAMSAIRI MOHD IBRAHIM
Chief Commercial Officer



This year, despite heavy turnarounds, we recorded an OFR of 97%, up from 93% in 2018. This was the result of effective inventory management throughout the business value chain, from production, delivery planning and monitoring of orders, to stock replenishment, and feedstock & product storage.

Driven to sustain best-in-class commercial attributes, PCG has established a reputation for being a reliable and credible partner in providing innovative products and solutions. We are guided by the principle of looking through the customer's lens to understand our customers' needs and develop bespoke solutions to resolve their pain points as well as help grow their business. As we create added value for our customers, we safeguard our business sustainability and deliver superior shareholder returns.

### **OVERVIEW**

Focusing on Commercial Excellence, PCG experienced growth in volume in 2019 despite dampened demand amid a softer economy and product oversupply; the latter resulting from increased capacity as well as flooding of products into our markets from the US-China trade war.

We not only strengthened our position in Southeast Asia by reinforcing the strong relationships we have with customers, we also made inroads into new markets such as Cambodia and Myanmar. Investing time into understanding our customers' needs, we co-created a number of tailored solutions to provide the support they require. This, together with a high level of service delivery, resulted in an enhanced level of overall customer satisfaction.

During the year, prices were driven down significantly by the supply-demand imbalance exacerbated by volatile crude oil prices which trended lower overall. The only exception was urea for which the price reduction was not as severe since there was no significant change in its market fundamentals. While margins were compressed by the reduced prices, we were prudent in managing our costs, especially our cost to serve, validating our resilience and ability to realise value year on year.



### **DELIVERING COMMERCIAL EXCELLENCE**

### **Order Fulfilment Reliability**

We maintain a high level of customer trust and loyalty by delivering the right products in the right quantities at the right time. This year, despite heavy turnarounds, we recorded an OFR of 97%, up from 93% in 2018. This was the result of effective inventory management throughout the business value chain, from production, delivery planning and monitoring of orders, to stock replenishment, and feedstock & product storage.

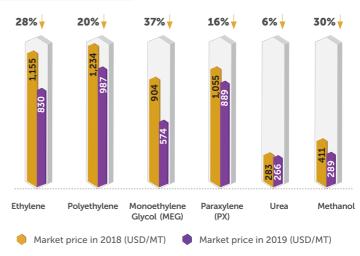
### **Product Development**

During the year, we launched five new innovative products to meet evolving market demand and trends.

In anticipation of increasingly stringent automotive emission regulations in Southeast Asia, we pushed the boundaries of our innovation to develop PETRONAS Aireblue™, an internationally certified product that is far superior in quality compared to similar solutions in the market. Designed primarily for Euro V and VI diesel engines, PETRONAS Aireblue™ ensures more environmentally-friendly vehicular emissions by converting harmful nitrogen oxides (NOx) into harmless nitrogen and water. With this product, we are positioning PCG ahead of the curve to capture the exhaust emissions segment in our key market, Southeast Asia.

We also developed a suite of three high-performance cleaning chemicals for upstream oil and gas drilling activities. These products - comprising PETRONAS PowerClean™ TS301, PETRONAS PowerClean™ RS301 and PETRONAS PowerClean™ WS601 - enable effective degreasing and rapid cleaning of synthetic based mud (SBM), oil or grease contaminated tanks, rig surfaces and well-bore surfaces respectively. Combined with PETRONAS Glyde™, a high performance shale inhibitor for water based mud drilling systems launched in 2018, PETRONAS PowerClean™ is a significant step forward in PCG's drive towards becoming a total solutions partner for the drilling sector.

Under our Urea Differentiation Strategy, meanwhile, we developed a type of specialty fertiliser called nitrogen stabilised urea. This product extends the availability of nitrogen (a nutrient) to plants, benefitting both farmers and the environment. Together with Polymer Coated Urea (PCU), a controlled release fertiliser launched in 2017, we are expanding our product portfolio for the agricultural



Source: ICIS, Platts and Fertecon

66 Designed primarily for

66 High performance cleaning PETRONAS PowerClean™ WS601 (99



# COMMERCIAL EXCELLENCE

Since the operationalisation of our surfactant laboratory in 2017, we have co-created 33 effective solutions that are enabling our customers to grow their business and penetrate new market segments.



### **KEY HIGHLIGHTS / ACHIEVEMENTS**

### Sales

- Sales volume at 8.4 million tpa
- Extended product offerings into new markets including Cambodia and Myanmar

### **Products**

- Five new products introduced
- Co-created 13 high-impact application solutions and 183 technical solutions

### **Customer Relationship**

- New CRM application creating greater salesforce efficiencies
- $\bullet~$  OFR increased from 93% to 97%
- Customer satisfaction survey score of 3.3 out of 4

### **Transportation Service**

 In-built cameras enhancing transportation safety

### **Co-creation with Customers**

We identify our customers' pain points through regular and effective engagement. Having identified their requirements, our highly skilled application technologists work closely with our customers to co-create application solutions that address their needs and push the boundaries of their product performance. Since the operationalisation of our surfactant laboratory in 2017, we have co-created 33 effective solutions that are enabling our customers to grow their business and penetrate new market segments. Through these efforts, we have established numerous proprietary chemical formulations and trade secrets that constitute our intellectual property.

In 2019 itself, we co-created 13 application solutions including:

- A formulation that enabled our customer to penetrate into the premium car care market
- A resin that resulted in a three-fold reduction in rejection rates during the automated bottle capping process
- A high-temperature stable silicone oil emulsion that enhances the glossy effect of paper
- A formulation that enhances surface smoothness of rubber products
- A low-foaming herbicide with greater efficacy against weeds

In our quest to become a solutions partner for our customers, we also conducted 218 technical engagements and seminars, and provided our customers 183 technical recommendations that allowed them to maximise their performance.



### **Product Stewardship**

Product stewardship is a cornerstone of how we conduct our business, enabling stakeholders to maximise value from our products with minimum impact on health or the environment. As a signatory to the Responsible Care® Global Charter, we integrate its guiding principles into our processes in order to develop products that are safe and sustainable throughout their lifecycles.

We ensure that our customers and other stakeholders are equipped with the knowledge to handle and use our products safely by assessing and communicating their risks via PETRONAS' Safety Data Sheets (SDS) and International Council of Chemical Associations (ICCA) portals. We also conduct product stewardship seminars for all stakeholders who handle our products. In 2019, eight such seminars were held in four countries reaching an audience of 378 people.





### **Technical Expertise**

We train our sales team and equip them with the relevant technical knowledge to better understand and serve our customers. They are further supported by our technologists, who attend discussions with customers to help identify their pain points and develop innovative solutions, strengthening our after-sales service.

As our portfolio of derivatives and specialty chemicals expands, we are also bringing on board technologists with in-depth knowledge of the new products and applications to effectively communicate the differentiated advantages to our customers.

93



# COMMERCIAL EXCELLENCE

Results from the survey conducted at end 2018 were very encouraging, with PCG scoring 3.3 out of 4 as compared to 3.0 previously.





### **Customer Satisfaction Survey**

To gauge the effectiveness of our customer service, we undertake a customer satisfaction survey every two years. Results from the survey conducted at end 2018 were very encouraging, with PCG scoring 3.3 out of 4 as compared to 3.0 previously. We highly value our customers' feedback, and take action on their suggestions for improvement. These are tracked as part of our overall performance management.

In the last survey, some customers had voiced concerns about the regular rotation of our sales personnel. The rotation is carried out to expose our sales representatives to different markets and products. We will continue with the practice, as it builds the capabilities of our people. At the same time, we maintain continuity of customer information via a Sales Force Automation (SFA) application. We also provide an avenue for our leadership to connect with customers during social events such as annual visits and customer appreciation dinners. This has boosted confidence and comfort levels among our customers while further strengthening our relationships with them.

Moreover, in response to feedback obtained from the Customer Satisfaction Survey on technical support and innovation, we continue to enhance the technical expertise provided by our sales team, who are supported by our technologists.

### **Land Transportation HSE**

We rely on third-party transport companies to deliver our products to customers. As our business partners, and to ensure the highest standards of safety, we provide their drivers with road safety training. In addition, our top management leads multiple safety engagements with the transport companies, underlining our commitment to zero incident.

In the past, we tracked the vehicles' movements using the Global Positioning System (GPS). Since October 2019, we have installed cameras in the vehicles allowing for real-time monitoring of the drivers' compliance to safe driving behaviour. Drivers are cautioned immediately for any unsafe driving behaviour followed by consequence management where necessary. Our goal is for our service providers' employees to go back to their families safely at the end of every working day.

### **Digital system**

To further enhance our customers' experience, a new CRM application is being implemented under our SFA. Upon its full implementation, our sales personnel will be able to deliver more reliable, efficient and effective service via:

- · Single 360° view of customer profiles including order and delivery status, payments and credit balance, background and engagement history
- · Visibility of historical prices and forecast, gap analysis on price performance against different market segments, customers' and competitors' current activities as well as product-related newsfeed
- · Knowledge management, including sales plan strategy, product information, on-the-go marketing collaterals and frequently asked questions (FAQ), to better manage customers' expectations



The built-in sales intelligence, meanwhile, provides our sales team with insights on market leads and opportunities. We safeguard the confidentiality of our customers' data by ensuring it is made available only to relevant personnel, with the consent of our customers.

### PROSPECTS & OUTLOOK



# BUSINESS REVIEW GROWTH DELIVERY EXCELLENCE



**AKBAR MD THAYOOB**Head of Strategic Planning & Ventures



Upon commercial operation of the Pengerang Integrated Complex (PIC), we will significantly grow our nameplate capacity from 12.8 million tpa currently to 14.6 million tpa.



Growth is integral to PCG's strategy and is necessary in order to stay relevant in a rapidly evolving market landscape. PCG has established leadership in basic chemicals that give us valuable volume play. To meet increasing demand for more specialised, niche chemicals – those that carry added value and therefore fetch more sustainable returns – we are futureproofing our business through Growth Delivery Excellence by diversifying our portfolio into derivatives, specialty chemicals and solutions.

### **OVERVIEW**

Growth of the chemicals industry is projected to be strong in the medium to long term, driven by increasing demand from food  $\vartheta$  nutraceuticals, healthcare, personal care, automotive, electrical  $\vartheta$  electronics, paints  $\vartheta$  coatings, construction and oil  $\vartheta$  gas. This is in tandem with a rapidly expanding global population and economic growth, the latter contributing to greater affluence of developing nations, particularly in the Asia Pacific region.

Increasing income of the middle classes leads to preference for quality and luxury products as well as differentiated needs including that for personal care items. Meanwhile, urban consumers are demanding greater convenience across their lifestyle choices, better mobility and light smart devices. These funnel into growing demand for specialty chemical products presenting us with exciting opportunities to drive sustainable growth.

### **DELIVERING GROWTH EXCELLENCE**

We remain committed to staying on course with our growth ambition by venturing into derivatives, specialty chemicals and solutions to further cement our position as a regional leader in the chemicals market. We first ventured into specialty chemicals in partnership with Dow Chemical Company, setting up the Optimal Group of Companies to produce performance and specialty chemicals including glycol ether and ethoxylates, among others. In line with the second prong of our growth strategy, we subsequently deepened our presence in the specialty chemicals market through the development of our Integrated Aroma Ingredients Complex under our joint venture company, BPC. This was followed by investments in 2-EHAcid and HR-PIB plants, all of which are the first of their kind in Southeast Asia, putting us ahead of the curve in the regional specialty chemicals market. These growth projects began commercial operations between 2016 and 2018.

Meanwhile, upon commercial operation of the PIC in 2020, we will significantly grow our nameplate capacity from 12.8 million tpa currently to 14.6 million tpa. Combined with our strong operational performance, this positions us well to pursue our next phase of growth via three identified levers, namely Extend Value Chain, Build Specialty Platform and Create Optionality for Growth. With the successful execution of Growth Delivery Excellence, we aim to double our earnings and expand our specialty chemicals segment to a sizeable portfolio within the medium term.

### **Extend Value Chain**

Extending the value chain entails adding value to our existing basic chemicals through downstream investments into derivatives, specialty chemicals and solutions. Our strategy allows us to leverage the economies of scale from an increased volume of basic chemicals to develop value-added products and solutions that offer greater margins and also serve as a hedge against market cyclicality and volatility.

Our investment in PIC will further grow our basic portfolio as well as provide us opportunities to expand our derivatives and specialty chemicals portfolios. Among the first specialty chemicals to be produced here is INA which is used in the production of plasticisers that are safe for a wide range of applications including toys and medical appliances. During the year, PIC underwent the final phases of commissioning in preparation for commercialisation in 2020.

Aside from PIC, we made commendable progress on evaluating various growth opportunities with two projects reaching FID stage i.e. a butadiene derivative plant in PIC and specialty chemicals plant in KIPC. Other evaluations are ongoing and we expect to achieve FIDs for more projects in the near to mid-term.



66 Our investment in PIC will



### **KEY HIGHLIGHTS / ACHIEVEMENTS**

### **Extend Value Chain**

• Achieved FID stage for two projects

### **Build Specialty Platform**

• Acquired Da Vinci Group, a leading independent silicone player

### **Create Optionality for Growth**

- Continued the development of conversion process of secondgeneration biomass into chemicals
- Initiated three new research projects on specialty surfactants for personal care applications



# GROWTH DELIVERY EXCELLENCE

Strategically, the acquisition places us on a strong footing for growth in specialty chemicals. From 2015 to 2018, demand for silicones grew faster than the overall economy – at approximately 5.4% per annum versus global GDP per capita growth of 3.9% per annum.



### **Build Specialty Platform**

PCG also aims to build our specialty platform and gain access to technology as well as new markets in attractive segments. One way of expediting the process is through mergers and acquisition of established specialty chemical players.

A key highlight of the year was the acquisition of Netherlands-incorporated DVG, a leading independent silicone player. In May 2019, PCG signed a Sales and Purchase Agreement for 100% equity in the private limited liability company with global operations in manufacturing, formulating and selling silicone products as well as lube oil additives and chemicals (LAC). The acquisition was completed in September. Through DVG, we are moving across the value chain to get closer to end users in markets such as personal care, construction, paints and coatings, electronics, automotive and healthcare. This, effectively, brings us closer towards becoming a solutions provider.

The acquisition benefits PCG on several fronts. In terms of technology and capability, it enables PCG to gain immediate skills, capacity and know-how in the formulation and synthesis of silicones. Commercially, it enables us to adopt DVG's customer-centric culture, especially in marketing and selling specialty chemical products, while leveraging its established brand name. Strategically, the acquisition places us on a strong footing for growth in specialty chemicals. From 2015 to 2018, demand for silicones grew faster than the overall economy - at approximately 5.4% per annum versus global GDP per capita growth of 3.9% per annum. This is because silicones have properties that make them ideal for a variety of consumer and industrial products. They have low thermal and electrical conductivity, low toxicity, the ability to repel water and form watertight seals, and are also resistant to chemicals, high temperatures and oxidation. Silicones are therefore used in adhesives, sealants, lubricants, cosmetics, medical products such as orthopaedics implants, cooking utensils, tools, thermal and electrical insulation, textiles and even as a dry-cleaning solvent.

We are currently undergoing post-merger integration (PMI) and identifying opportunities to maximise value from the investment. These include plans to build silicone plants in Malaysia to better serve our key markets in this region.

At the same time, we continue to assess several other potential acquisition targets to contribute towards developing our specialty platform.

### **Create Optionality for Growth**

We undertake research to develop applications and product solutions that address market trends and evolving customer needs to ensure a sustainable future for the business, society and the environment. A key research focus is to convert biomass into differentiated value added chemicals. In this domain, we continue to mature the development of the conversion process for second-generation palm biomass into chemicals that can provide a more sustainable and cost competitive production route. Along the way, in 2019, we embarked on three new research projects to develop specialty chemicals from palm oil based feedstock for personal care applications.

Additionally, we aim to take long-term bets in innovative and emerging technologies via corporate venture capital to futureposition our business.

### **Sustainable Growth**

To further underline our sustainability, we are actively pursuing a New Plastics Economy (NPE) agenda in collaboration with partners to create a circular plastic ecosystem. On 26 June, PCG signed a Memorandum of Understanding (MoU) with PLASTIC ENERGY Ltd to conduct a feasibility study on establishing a facility that would convert plastic waste into crude naphtha for use in the production of recycled virgin-quality plastics. If the project materialises, PCG would become the first petrochemical company in Southeast Asia to manage such a chemical recycling plant. This was followed by another MoU, announced in October, in which PCG is partnering Cypark Resources Berhad (Cypark) to develop a Solid Waste Modular Advanced Recovery and Treatment (SMART) system. At the same time, we are evaluating the potential of developing more Waste-to-Energy (WTE) plants in Malaysia. Cypark pioneered the country's first WTE plant, which is currently operating in Ladang Tanah Merah, Port Dickson.

### PROSPECTS & OUTLOOK



# **FINANCIAL REVIEW**

# GROUP FINANCIAL RESULTS AND POSITION

### Two-pronged strategy

In line with our strategy, PCG seeks to sustain our strength in basic chemicals while selectively diversifying into derivatives, specialty chemicals and solutions. Our basic chemicals portfolio comprises two main product segments, namely Olefins & Derivatives (O&D) and Fertilisers & Methanol (F&M). Adding to these, we are growing our specialty chemicals portfolio.

### How well we performed

In 2019, F&M and O&D contributed equally to our EBITDA. EBITDA from both segments dropped due to lower product spreads, with some cushioning by a favourable foreign exchange (forex) movement. The F&M segment was, further, boosted by higher sales volume. While maintaining our existing portfolios, we grew our business by acquiring DVG, a silicones player with high-growth end markets such as personal care, paints and coatings, and construction.

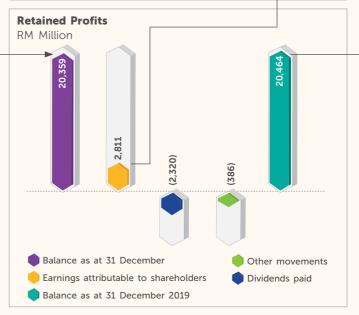
### Last year's Statement of Financial Position

In RM Million	31.12.2018*
Assets Property, plant and equipment Prepaid lease payments Investments in joint ventures and associates Long term receivables Deferred tax assets	19,080 28 1,232 29 237
Total Non-Current Assets	20,606
Trade and other inventories Trade and other receivables Tax recoverable Cash and cash equivalents	1,698 2,668 64 12,329
Total Current Assets	16,759
Total Assets	37,365
Equity Share capital Retained profits Other reserves Total equity attributable to shareholders of the Company Non-controlling interests	8,871 20,359 334 29,564
Total Equity	30,248
Liabilities  Deferred tax liabilities  Other long term liabilities and provisions  Total Non-Current Liabilities	1,320 583 1.903
Borrowings Trade and other payables Current tax payables	2,072 3,001 141
Total Current Liabilities	5.214
Total Liabilities	7,117
Total Equity And Liabilities	37,365
Net assets per share attributable to shareholders of the Company (RM)	3.70

<sup>\*</sup> Certain financial information and its corresponding financial ratios have been restated due to change in accounting policy in 2019 with respect to investment tax allowance

### **Consolidated Statement of Profit or Loss**

In RM Million (Year ended 31 December)	2018*	2019
Revenue Cost of revenue	19,576 (12,702)	16,370 (11,914)
Gross profit Selling and distribution expenses Administration expenses Other expenses Other income	6,874 (818) (694) (200) 503	4,456 (878) (754) (107) 523
Operating profit Net financing costs Share of profit/(loss) of equity- accounted joint ventures and associates, net of tax	5,665 (17) 108	3,240 (31) (54)
Profit before taxation Tax expense	5,756 (882)	3,155 (360)
Profit for the year	4,874	2,795
<b>Profit attributable to:</b> Shareholders of the Company Non-controlling interests	4,788 86	<b>→</b> 2,811 (16)
Profit for the year	4,874	2,795



### Sufficient resources generated - to achieve our strategy

The DVG acquisition was made possible by PCG maintaining solid cash flows and cash reserve, which also enabled us to satisfy our capital expenditure requirements and settle all our payment obligations timely and efficiently to sustain our existing business amid a weak market environment.

Free cash flow denotes the availability of cash in a company after considering its operational requirements. It is a strong indicator of the company's business sustainability, its financial capacity for business expansion, as well as availability of cash for distribution to debt holders, creditors and shareholders hence safeguarding their interests. We delivered a sustained level of free cash flow amounting to RM4.2 billion, as compared to RM5.6 billion in 2018.

### Where we stand

- Grew our business by acquiring DVG, our first foray into specialty chemicals via acquisition.
- Procured USD1.0 billion financing to fund our growth via
- Registered EBITDA of RM4.4 billion on the back of a challenging market environment resulting in lower spreads.
- Provided RM2.4 billion in total shareholder returns via dividend payments.
- Effective cost management resulting in lower unit cost.

### Consolidated Statement of Cash Flows

In RM Million	2018*	2019
Cash Flows From Operating Activities Profit before tax Adjustments for non-cash items Changes in working capital	5,756 1,274 (224)	3,155 1,343 1,010
Cash generated from operations Interest income received Taxation paid	6,806 304 (443)	5,508 377 (341)
Net cash generated from operating activities	6,667	5,544
Cash Flows from Investing Activities	(1,839)	(3,027)
Cash Flows from Financing Activities	832	(2,758)
Net cash flows from operating, investing and financing activities Effect of foreign currency translation differences	5,660 (17)	(241)
Net increase/(decrease) in cash and cash equivalents Net foreign exchange differences on	5,643	(246)
cash held Cash and cash equivalents at beginning of the year	6,674	12,329
Cash and cash equivalents at end of the year	12,329	12,045

# Movements in free cash flow RM Million 5,618 (14)(170) 2 102 4,240 2018 free cash flow Decrease in cash generated from operations ■ Increase in finance costs ■ Increase in operational capital expenditure ■ Increase in dividends received from joint ventures and associates Decrease in tax paid 2019 free cash flow

### This year's Statement of Financial Position

In RM Million	31.12.2019
ASSETS Property, plant and equipment Investments in joint ventures and associates Intangible assets Deferred tax assets	20,482 1,058 584 971
Total Non-Current Assets	23,095
Trade and other inventories Trade and other receivables Tax recoverable Cash and cash equivalents	1,658 1,994 71 12,045
Total Current Assets	15,768
Total Assets	38,863
Equity Share capital Retained profits Other reserves	8,871 20,464 598
Total equity attributable to shareholders of the Company Non-controlling interests	29,933 605
Total Equity	30,538
Liabilities Borrowings Lease liabilities Deferred tax liabilities Other long term liabilities and provisions	1,875 627 906 1,699
Total Non-Current Liabilities	5,107
Lease liabilities Trade and other payables Current tax payables	78 3,063 77
Total Current Liabilities	3,218
Total Liabilities	8,325
Total Equity And Liabilities	38,863
Net assets per share attributable to shareholders of the Company (RM)	3.74

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# ANALYSIS ON FINANCIAL RESULTS

# Revenue (2019: RM16,370 million; 2018: RM19,576 million; ↓ 16.4%)

In RM Million	2018	2019	Increase/(Decrease)	
Olefins & Derivatives	12,280	9,947	(2,333)	(19.0%)
Fertilisers & Methanol	7,241	6,165	(1,076)	(14.8%)
Others	55	258	203	>100%
Total	19,576	16,370	(3,206)	(16.4%)



# Sales Volume (thousand tpa) 2019 8,444 38% 2018 8,414

### Olefins and Derivatives (O&D)

Our O&D plant utilisation decreased by four percentage points year on year to 92.9% from 97.3% in 2018 due to a higher number of statutory turnarounds at several major facilities. In line with the decrease in production, there was a drop in sales volume.

At the same time, the average product prices within the segment declined due to lower crude oil prices and ample supply of products.

The decrease in sales volume and average product prices resulted in a RM2.3 billion drop in revenue to RM10.0 billion. This, however, was partly mitigated by a strengthening of the US Dollar against Ringgit Malaysia.

### Fertilisers and Methanol (F&M)

The F&M segment delivered a world-class plant utilisation rate of 91.0%, as against 88.9% in 2018, which contributed to higher production and sales volume. The increase in plant utilisation was achieved as a result of higher number of on-stream days compared to 2018, when major facilities within the segment underwent statutory turnarounds.

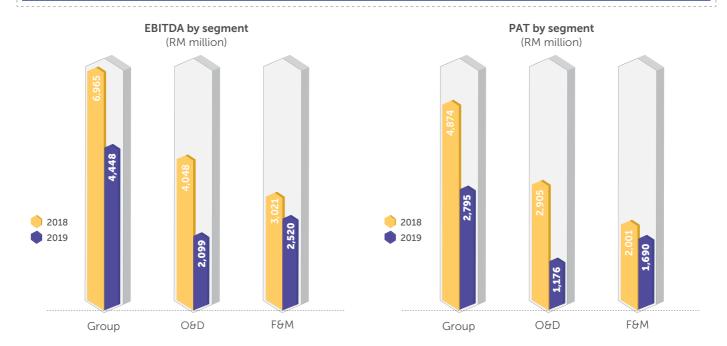
Despite the increase in sales volumes, revenue decreased by RM1.2 billion to RM6.2 billion following the contraction in average product prices.

### Others

The increase in revenue in the Others segment was mainly due to contribution from our newly acquired subsidiary, DVG.

### EBITDA (2019: RM4,448 million; 2018: RM6,965 million; ↓ 36.1%)

# PAT (2019: RM2,795 million; 2018\*: RM4,874 million; ↓ 42.7%)



### **Olefins and Derivatives**

O&D EBITDA decreased by RM1.9 billion to RM2.1 billion mainly due to compressed margin. PAT also decreased by RM1.7 billion to RM1.2 billion due to the lower EBITDA and net share of profits from joint ventures and associates. The latter was the result of lower product prices.

### **Fertilisers and Methanol**

Lower product spreads contributed to lower EBITDA and PAT in the F&M segment. Though cushioned by higher sales volume and favourable forex movement, EBITDA decreased by RM501 million to RM2.5 billion. Further squeezed by lower net share of profits from joint ventures and associates, resulting from reduced prices, PAT decreased by RM311 million year on year to RM1.7 billion.

### Depreciation and amortisation (2019: RM1,678 million; 2018\*: RM1,619 million; 1

### Higher mainly due to:

- Higher capitalisation of the turnaround cost for a subsidiary in 2018.
- · Recognition of depreciation subsequent to adoption of the new MFRS 16 Leases accounting standard.

### Finance costs (2019: RM31 million; 2018: RM17 million; ↑ 82.4%)

### Higher mainly due to:

- Financial guarantee fee paid to PETRONAS for project financing drawdown of USD1.0 billion by PPC with various banks.
- · Unwinding discount on lease liabilities recognised upon adoption of MFRS 16.

### Tax expense (2019: RM360 million; 2018\*: RM882 million; ↓ 59.2%)

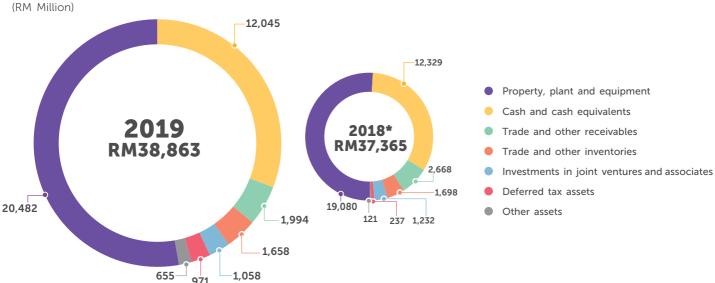
### Lower mainly due to:

- Tax expense was lower in line with decreased profit before tax.
- The Group's effective tax rate for the year ended 31 December 2019 is 11.4%, reflective of the tax legislations within which the Group operates, including Malaysia Income Tax Act 1967 and Global Incentives for Trading (GIFT) under Labuan Services Securities Act 2010.
- \* Certain financial information and its corresponding financial ratios have been restated due to change in accounting policy in 2019 with respect to investment tax allowance

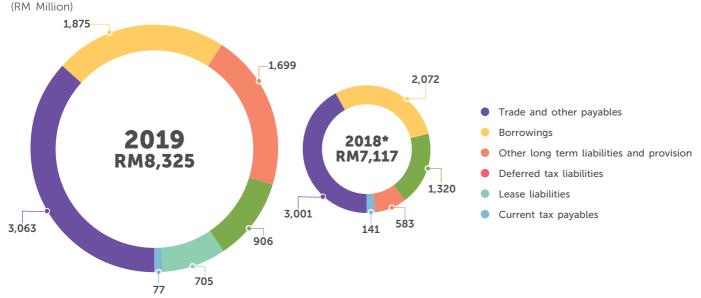
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# ANALYSIS ON FINANCIAL POSITION

### Total Assets as at 31.12.2019 and 31.12.2018



### Total Liabilities as at 31.12.2019 and 31.12.2018



## Property, Plant and Equipment (2019: RM20,482 million; 2018: RM19,080 million; 7.3%)

In RM Million	Property, Plant and Equipment
Balance as at 1 January 2019	19,080
Impact of adoption of new accounting policy – MFRS 16	748
Additions	2,355
Depreciation	*(1,678)
Net disposals/write-offs	*(3)
Impairment (loss)/write back	2
Acquisition of a subsidiary	59
Net translation exchange differences	*(81)
Balance as at 31 December 2019	20,482

<sup>\*</sup> Certain financial information and its corresponding financial ratios have been restated due to change in accounting policy in 2019 with respect to investment tax allowance

Major additions for Property, Plant & Equipment for the year include:



Trade and Other Receivables (2019: RM1,994 million; 2018: RM2,668 million; ↓ 25.3%)

### TRADE AND OTHER RECEIVABLES

### Ageing analysis of trade receivables

In RM Million	As at 31.12.2018*	As at 31.12.2019
Current	2,027	1,748
Past due 1 to 30 days	66	22
Past due 31 to 60 days	5	2
More than 60 days	570	222
Total	2,668	1,994

Our reduced trade receivables was in line with lower prices across all products and receipt of Goods and Services Tax refund at most subsidiaries.

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<sup>\*</sup> Certain financial information and its corresponding financial ratios have been restated due to change in accounting policy in 2019 with respect to investment tax allowance

# ANALYSIS ON FINANCIAL POSITION

### Trade and Other Payables (2019: RM3,063 million; 2018\*: RM3,001 million; ↑ 2.1%)

### Trade and other payables

### Higher mainly due to:



Partially offset by lower charges for PIC as the project nears completion.

# Borrowings (2019: RM1,875 million; 2018: RM2,072 million; \$\sqrt{9.5%}\$)

	In USD Million As at <u>31.12.2018</u>	As at <u>31.12.2019</u>	In RM Million As at <u>31.12.2018</u>	As at <u>31.12.2019</u>
Non-current Term loans – secured	_	457	_	1,875
Current Term loan – unsecured	500	_	2,072	_

- Our secured term loans relate to project financing facility for a joint operation company, PPC, amounting to USD914 million, net of transaction costs. The loans bear interest margins above the six-month LIBOR, ranging from 0.80% to 1.74% per annum, and are repayable from 2021 to 2034.
- The unsecured term loan in the previous year relates to a bridge loan facility for PPC amounting to USD1.0 billion. The bridge loan bore a LIBOR interest rate of 0.4% per annum and was fully repaid as of December 2019.
- Our debt to total equity ratio reduced from 6.5% in 2018 to 5.9% with strong operating cash flows and full repayment of the bridge loan for PPC.

We always strive to monitor and maintain a level of cash and cash equivalent deemed adequate by management to ensure that we have sufficient cash to meet our obligations. By doing this, we will mitigate any potential liquidity risk, thus ensuring our ability to pay our creditors & lenders timely and safeguard their interest.

<sup>\*</sup> Certain financial information and its corresponding financial ratios have been restated due to change in accounting policy in 2019 with respect to investment tax allowance

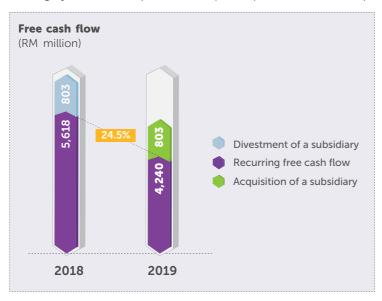
## **CASH FLOW ANALYSIS**

## Free cash flow (2019: RM4,240 million; 2018: RM5,618 million; ↓ 24.5%)

In RM Million	2018	2019
Cash generated from operations	6,806	5,508
Less: Tax paid	(443)	(341)
Less: Finance costs	(17)	(31)
Less: Operational capital expenditure	(852)	(1,022)
Add: Dividends received from joint ventures and associates	124	126
Free cash flow	5,618	4,240

Free cash flow of RM4,240 million as compared to RM5,618 million in 2018 mainly due to:

- Reduced funds from operations in line with decreased profits, partially offset by lower tax paid and higher interest income from fund investments
- Increase in operational capital expenditure as a result of higher turnaround activities at major facilities as well as higher reliability, integrity and value improvement capital expenditure at several plants.





# FIVE-YEAR GROUP FINANCIAL SUMMARY

In RM Million	2015*	2016*	2017*	2018*	2019
Key Result					
Revenue	13,536	13,860	17,407	19,576	16,370
By segment:					
Olefins and Derivatives	9,495	9,744	11,350	12,280	9,947
Fertilisers and Methanol	3,995	4,063	6,013	7,241	6,165
Others	46	53	44	55	258
Cost of revenue	(8,989)	(8,536)	(11,021)	(12,702)	(11,914)
Selling and distribution expenses	(615)	(704)	(764)	(818)	(878)
Administration expenses	(582)	(667)	(615)	(694)	(754)
Other expenses	(391)	(196)	(9)	(200)	(107)
Other income	904	395	348	503	523
Operating profit	3,863	4,152	5,346	5,665	3,240
Financing cost	(11)	47	(20)	(17)	(31)
Share of profit of equity accounted joint ventures and associates, net of tax	87	17	16	108	(54)
Profit before taxation	3,939	4,216	5,342	5,756	3,155
Tax expense	(742)	(888)	(933)	(882)	(360)
Profit for the year	3,197	3,328	4,409	4,874	2,795
Profit attributables to the shareholders of the company	2,881	3,031	4,165	4,788	2,811
Key statement of financial position					
Property, plant and equipment	16,597	18,543	20,792	19,080	20,482
Cash & cash equivalents	8,707	7,403	6,674	12,329	12,045
Total assets	30,833	31,948	33,262	37,365	38,863
Borrowings	30	23	-	2,072	1,875
Total liabilities	5,086	4,372	5,136	7,117	8,325
Share capital	800	800	8,871	8,871	8,871
Reserves	23,172	25,530	18,270	20,693	21,062
Total equity attributable to the shareholder of	07.070	06.770	07.4.44	00.564	
the company	23,972	26,330	27,141	29,564	29,933
Non-controlling interests	1,775	1,246	985	684	605
Total equity	25,747	27,576	28,126	30,248	30,538
Share information					
Earning per share (sen)	35	37	52	60	35
Dividend per share (sen)	18	19	27	32	18
Net assets per share (RM)	3.00	3.29	3.39	3.70	3.74
Closing share price (RM)	7.27	6.98	7.70	9.29	7.35
Number of ordinary shares ('000)	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000
Market capitalisation (RM million)	58,160	55,840	61,600	74,320	58,800

<sup>\*</sup> Certain financial information and its corresponding financial ratios have been restated due to change in accounting policy in 2019 with respect to investment tax allowance

# FIVE-YEAR GROUP FINANCIAL HIGHLIGHTS

### **REVENUE**

(RM MILLION)



### **PAT** (RM MILLION)



### **TOTAL ASSETS**

(RM MILLION)



### **SHARE PRICE**

(RM)



### **EARNINGS PER SHARE**

(SEN)



### **DIVIDEND**

(RM MILLION)



<sup>\*</sup> Certain financial information and its corresponding financial ratios have been restated due to change in accounting policy in 2019 with respect to investment tax allowance

# FIVE-YEAR GROUP FINANCIAL ANALYSIS

### STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

RM Million	2015*		2016*		2017*		2018*		2019	
Profit	3,197		3,328		4,409		4,874		2,795	
Total assets	30,833		31,948		33,262		37,365		38,863	
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### 2015

- Profit for the year improved compared to 2014 at RM3.2 billion attributable to higher sales volumes, lower operating cost and the impact of the weakening of Ringgit Malaysia against US Dollar, partially offset by lower product spreads.
- Total assets increased mainly attributed to Project SAMUR.
- On 3 November 2015, the Group acquired 100% equity in PC INA, PPC and PRPC Elastomers, as part of PIC in Pengerang, Johor.

### 2016

- Profit for the year was higher compared to 2015 at RM3.3 billion as a result of higher sales volumes, lower operating cost and the impact of the weakening of Ringgit Malaysia against US Dollar partially negated by lower product spreads.
- Total assets increased mainly attributed to progression of Project SAMUR and the development of PIC Petrochemical projects.

### 2018

- Profit for the year was higher compared to 2017 at RM4.9 billion on the back of higher product prices and sales volumes further supported by lower tax expense. This was partially offset by the strengthening of Ringgit Malaysia against US Dollar.
- Total assets grew mainly due to increase in cash and cash equivalents following profit generated during the year and divestment of 50% equity interest in PPC, partially offset by investment in PIC Petrochemical projects and dividends paid to shareholders.
- On 28 March 2018, the Group completed the abovementioned divestment and subsequently PPC ceased to be a subsidiary of the Company and has since been accounted for as a joint operation.
- On 29 March 2018, the Group completed the acquisition of a non-controlling interest held in PC Olefins and PC LDPE. Following this, PC Olefins and PC LDPE have become wholly-owned subsidiaries of the Company.

### 2017

- Profit for the year increased compared to 2016 at RM4.4 billion on the back of improved product prices and higher sales volumes, as well as the impact of the weakening of Ringgit Malaysia against US Dollar.
- Total assets increased mainly due to the development of PIC Petrochemical projects.
- On 1 May 2017, PC Fertiliser Sabah commenced its commercial operation contributing to the additional sales volumes during the year.

### 2019

- Profit for the year was lower compared to 2018 at RM2.8 billion following lower product spreads and net share of losses from joint ventures and associates as compared to net share of profits in the corresponding year.
- The Group's total assets grew to RM38.9 billion. This was primarily due to the increase in the capital investment in the petrochemicals projects within PIC, acquisition of a subsidiary represented by various asset components and increase in deferred tax asset following receipt of investment tax allowance at our ammonia and urea plant in Sipitang, Sabah.
- The Group via its joint operation company, PPC had procured the first phase of the project financing amounting to USD0.4 billion on 1 April 2019, followed by the execution of the remaining project financing for USD0.6 billion on 17 October 2019. The execution of the latter marks the completion of project financing for PPC totalling USD1.0 billion. The project financing was drawn in December 2019 and was utilised towards the repayment of the bridge loan.
- On 15 May 2019, PCG entered into a Sale and Purchase Agreement to acquire 100% of the shares in DVG for a purchase consideration of EUR163 million in cash. On 12 September 2019, PCG has fulfilled all the required conditions precedent and completed the acquisition accordingly. Following the completion, DVG has become a wholly-owned subsidiary of PCG.
- \* Certain financial information and its corresponding financial ratios have been restated due to change in accounting policy in 2019 with respect to investment tax allowance

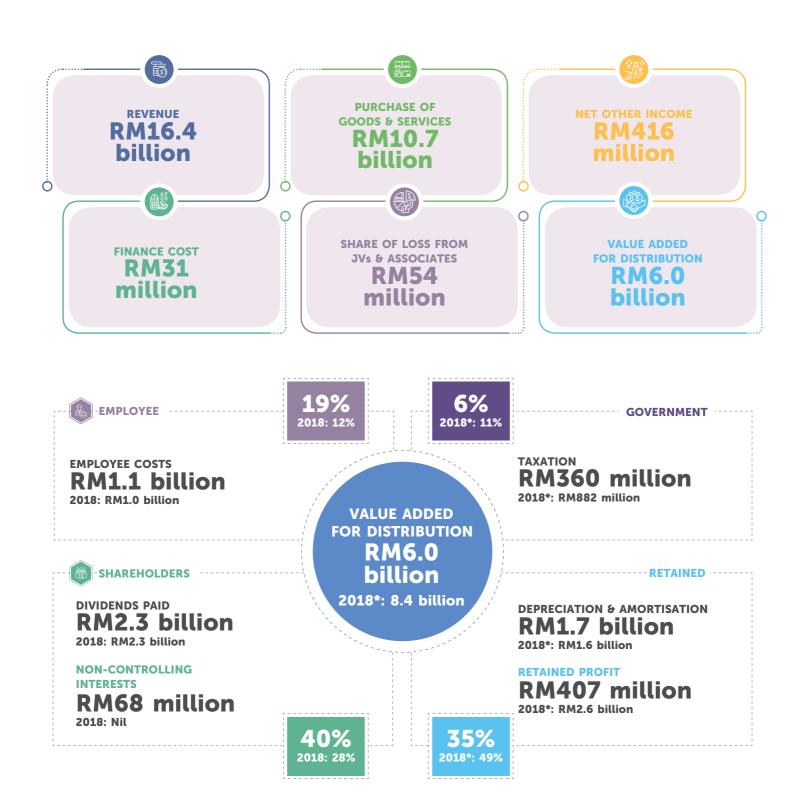
# **GROUP QUARTERLY PERFORMANCE**

In RM Million	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year 2019
Revenue	4,130	4,337	3,669	4,234	16,370
Operating profit	952	1,258	653	377	3,240
Profit before taxation	919	1,223	644	369	3,155
Profit for the period/year	813	1,112	558	312	2,795
Profit attributable to shareholders of the Company	800	1,118	553	340	2,811
Earnings per share (sen)	10	14	7	4	35
Dividends per share (sen)	_	11	_	7	18

In RM Million	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year 2018*
Revenue	4,951	4,733	4,830	5,062	19,576
Operating profit	1,349	1,518	1,332	1,466	5,665
Profit before taxation	1,362	1,522	1,368	1,504	5,756
Profit for the period/year	1,177	1,450	1,222	1,025	4,874
Profit attributable to shareholders of the Company	1,133	1,440	1,205	1,010	4,788
Earnings per share (sen)	13	19	15	13	60
Dividends per share (sen)	_	14	-	18	32

<sup>\*</sup> Certain financial information and its corresponding financial ratios have been restated due to change in accounting policy in 2019 with respect to investment tax allowance

# STATEMENT OF VALUE ADDED AND VALUE DISTRIBUTED

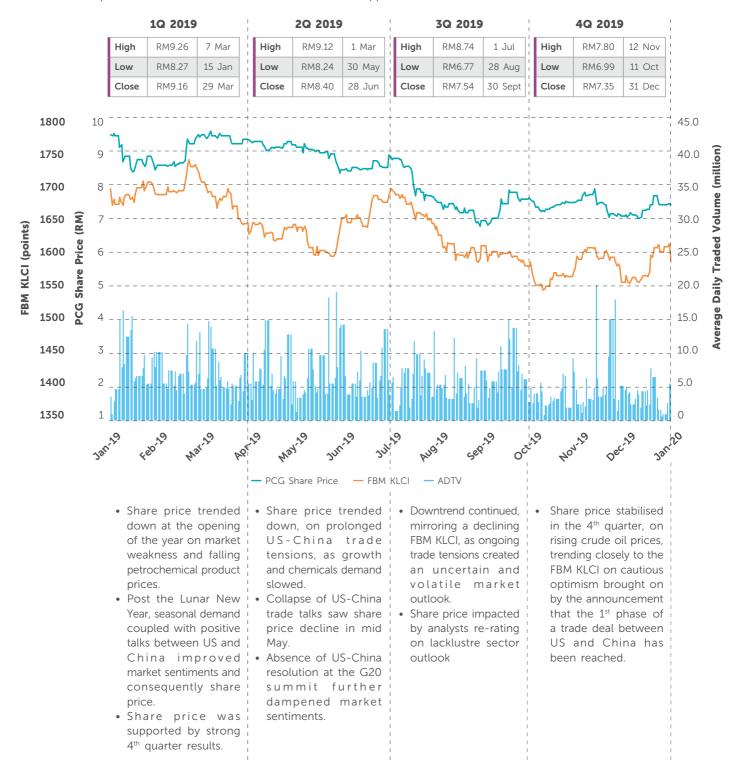


<sup>\*</sup> Certain financial information and its corresponding financial ratios have been restated due to change in accounting policy in 2019 with respect to investment tax allowance

## SHARE PRICE MOVEMENT

PCG share price opened on 2 January 2019 at RM9.29 per share. During the year, the share price fell 20.9% to close at RM7.35 on 31 December 2019. Factors that influenced the share price downtrend movement were mainly; slowing global economy; weak sector outlook on product oversupply due new capacities coming on-stream; as well as the standstill in the US-China trade talks.

The FBM KLCI was not spared the impact of an overall weaker global market, decreasing 6.1% from its opening of 1,691 points to close at 1,589 points on 31 December 2019, on lower investor appetites.



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### **INVESTOR RELATIONS**

At PCG, we recognise the importance of effective communication with all our stakeholders as well as the general public. We have tailored our Investor Relations programme to promote consistent, transparent and timely sharing of material information in accordance with Bursa Malaysia's MMLR and Disclosure Guidelines.

In our commitment to ensure relevant and accurate information is provided to our shareholders and stakeholders to enable them to arrive at a fair valuation for PCG shares and thus make informed investment decisions, we remain mindful of the legal and regulatory guidelines and best practices governing the release of material and price sensitive information. The Investor Relations team continuously strives to improve PCG's visibility in both the domestic and international capital markets, to address investor interests and concerns.

Being among the top 5 counters in the Bursa Malaysia Main Board, coupled with the nature of our business, PCG has a considerable following by 23 analysts from both local and international investment banks. As of 31 December 2019, PCG is covered by 23 analysts.

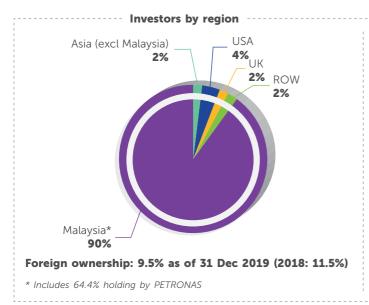
Analyst Coverage
1. Affin Hwang
2. Alliance DBS
3. AmInvestment
4. BIMB Securities
5. BoA Merill Lynch
6. CGS-CIMB
7. Citibank
8. CLSA
9. Credit Suisse
10. Goldman Sachs
11. Hong Leong
12. HSBC

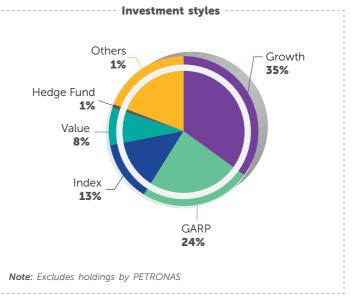
13. J.P. Morgan
14. Kaf Seagroatt & Campbell
15. Kenanga
16. Macquarie Securities
17. Maybank
18. MIDF
19. Morgan Stanley
20. Nomura Securities
21. RHB Research
22. TA Securities
23. UBS



### **SHAREHOLDER ANALYSIS:**

In order to better plan our engagement strategy, we regularly review the Group's shareholding. As of 31 December 2019, PCG's free float shares are mostly held by Malaysian institutional funds such as Kumpulan Wang Simpanan Pekerja (KWSP), Permodalan Nasional Berhad (PNB), Kumpulan Wang Persaraan (KWAP) and Public Mutual. During the year, foreign shareholding declined 2% reflecting the net foreign outflow seen in the Malaysian capital market.



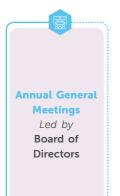


### Source of Analysis:

Bloomberg, Nasdaq IR INSIGHTS, Boardroom Share Registrars & Team Analysis

Investor engagements are managed by PCG's Investor Relations department with the aim to provide a 2-way communication platform between PCG management and our shareholders and stakeholders. Through our various channels of communication, shareholders have reasonable access to our senior management and members of the Board.

In 2019 we concluded 260 meetings, 100 of which were one-to-one meetings conducted at PCG headquarters. We also conducted a number of site visits to our facilities during the year.







Led by

CEO and CFO







# Head of Investor Relations, Head of Plant

### **Quarterly Analyst briefings:**

Ev	rent	Date
4Q	2018 Financial Results	25 February 2019
1Q	2019 Financial Results	24 May 2019
2Q	2019 Financial Results	13 August 2019
3Q	2019 Financial Results	14 November 2019

### Investor Engagement & Corporate events:

Event	Organiser	Date	Venue
1. CIMB Corporate Day	CGS-CIMB	3 January 2019	Kuala Lumpur
2. Invest Malaysia Kuala Lumpur 2019	Bursa Malaysia & Maybank	19 March 2019	Kuala Lumpur
3. Malaysia Macro and Policy Day	Macquarie	29 August 2019	Kuala Lumpur
4. Corporate Day	Jefferies, Kaf, Seagroatt & Campbell	8 May 2019	Singapore
5. Invest Asia Conference	Maybank Kim Eng & ICBC Bank	9 May 2019	Singapore
6. ASEAN Conference 2019	Macquarie	27 August 2019	Singapore

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## **INVESTOR RELATIONS**

### **Plant Visits:**

Event	Location/Plant	Date
Retail Shareholder Plant Visit	PETRONAS Chemicals Fertiliser Kedah Sdn Bhd, Gurun, Kedah	10 July 2019
Analyst/Fund Manager Plant Visit	Pengerang Integrated Complex	6 March 2019
	Pengerang Integrated Complex	11 April 2019
	Kertih Integrated Petrochemical Complex	18 April 2019
	Pengerang Integrated Complex	17 July 2019
	Pengerang Integrated Complex	27 September 2019
	Pengerang Integrated Complex	16 October 2019

During the year, PCG's engagement efforts were recognised by the local and international investment communities. We received the following:

- 1. Corporate Governance Asia's Asian Excellence Award for Best Investor Relations Company, Asia's Best CEO (IR) and Best CFO (IR)
- 2. Malaysian Investor Relations Association (MIRA) nomination for Best Company for IR (Large Cap) and 8 other categories
- 3. IR Magazine (UK) nomination for Best Company for IR (Malaysia)



### **25 February 2019**

Announcement of the unaudited consolidated results for the fourth guarter ended 31 December 2018

### 29 March 2019

Date of Notice of the 21st Annual General Meeting and date of issuance of FY2018 Integrated Report

### 13 August 2019

Announcement of the unaudited consolidated results for the second quarter ended 30 June 2019

### 13 November 2019

Announcement of the unaudited consolidated results for the third quarter ended 30 September 2019

### 12 March 2019

Date of entitlement of the second interim dividend for the financial year ended 31 December 2018

### 29 April 2019

21st Annual General Meeting

### 28 August 2019

Date of entitlement of the first interim dividend for the financial year ended 31 December 2019

### 27 March 2019

Date of payment of the second interim dividend for the financial year ended 31 December 2018

### 24 May 2019

Announcement of the unaudited consolidated results for the first quarter ended 31 March 2019

### 13 September 2019

Date of payment of the first interim dividend for the financial year ended 31 December 2019

# 2020

### **26 February 2020**

Announcement of the unaudited consolidated results for the fourth guarter ended 31 December 2019

### 13 March 2020

Date of entitlement of the second interim dividend for the financial year ended 31 December 2019

### 7 April 2020

Date of Notice of the 22<sup>nd</sup> Annual General Meeting and date of issuance of FY2019 Integrated Report

### 27 March 2020

Date of payment of the second interim dividend for the financial year ended 31 December 2019

### 16 June 2020

22<sup>nd</sup> Annual General Meeting

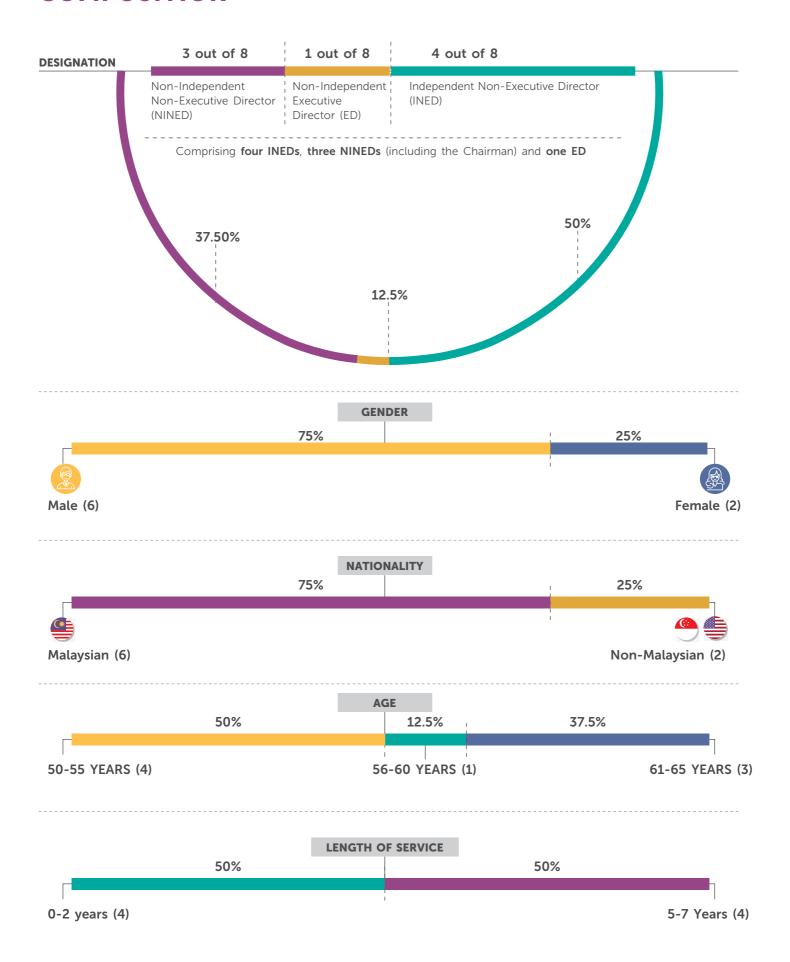




Plastic permeates just about every aspect of our lives. It is strong, durable, and much better for the environment than cutting trees — making it an ideal choice in the world of manufacturing. But the lackadaisical way we discard plastic has resulted in a crisis of waste and pollution. Because it doesn't decompose, plastic waste can stay with us forever. Which is why we are committed to nurturing a New Plastics Economy in which plastic is continuously recycled or repurposed instead of sitting in a landfill. Collaborating with industry experts, we are working to re-use and repurpose plastic waste via a circular, sustainable economy.

WELL POSITIONED.
SUSTAINABLE TOMORROW

# BOARD COMPOSITION



# **BOARD COMPOSITION, PROFILES AND STRUCTURE**

GFR

Further details about Datuk Md Arif Mahmood, can be found on page 4 of GFR, which is available online at www.petronaschemicals.com



### DATUK MD ARIF MAHMOOD

Chairman

Non-Independent Non-Executive Director

**Nationality:** Malaysian

Q Age: 57

Gender: Male

**Date of Appointment:** 1 May 2015

**Length of Service:** 4 years and 10 months



Datuk Arif assures a high level of governance in PCG with more than 35 years' experience in leadership positions during which he has guided the sustainable growth of various companies within the PETRONAS Group.

### **BOARD COMMITTEE:**

Nil

### **BOARD SKILLS AND EXPERIENCE MATRIX:**

- > Engineering
- > Corporate Planning and Development
- > Human Resource
- > Finance/Audit
- > Operations

- > Commercial and Marketing
- > Risk Management

### **INDUSTRY EXPERIENCE:**

- > Oil and Gas
- > Regional and International
- > Shipping and Logistic

### GFR

Further details about Datuk Sazali Hamzah, can be found on page 4 of GFR, which is available online at www.petronaschemicals.com



### **DATUK SAZALI HAMZAH**

Managing Director/Chief Executive Officer (MD/CEO) Non-Independent Executive Director

Nationality: Malaysian

**Age:** 53

Gender: Male

**Date of Appointment:** 8 May 2014 **Length of Service:** 5 years and 2 months



Datuk Sazali plays a key role in strategising PCG's growth, leveraging more than 25 years of experience across PETRONAS subsidiaries to drive core excellence and strong governance to deliver sustainable long-term value.

### **BOARD COMMITTEE:**

Nil

### **BOARD SKILLS AND EXPERIENCE MATRIX:**

- > Engineering
- > Operations
- > Commercial and Marketing
- > Risk Management

### **INDUSTRY EXPERIENCE:**

- > Oil and Gas
- > Regional and International
- > Shipping/Logistics

### **BOARD EXPERIENCE:**



Global Petrochemical Consultancy



Engineering



Information Technology

**Economics** 



Human Resource



Corporate Planning and Development



Operations



Commercial and Marketing

**EC** 

Finance/Audit

Risk Management



Industry Experience

# BOARD COMPOSITION, PROFILES AND STRUCTURE



## DATUK TOH AH WAH

Senior Independent Director

Mationality: Malaysian

Age: 62

**Gender:** Male

Date of Appointment: 13 June 2014

Length of Service: 5 years and 8 months









Further details about Datuk Toh Ah Wah, can be found on page 5 of GFR, which is available online at www.petronaschemicals.com

Datuk Toh's finely tuned commercial acumen, derived from more than 31 years' of exposure to local and regional marketing with British American Tobacco, contributes to a sharp understanding of market dynamics.

### **BOARD COMMITTEE:**

- > Chairman of Nomination and Remuneration Committee (NRC)
- > Member of Board Audit Committee (BAC)

### **BOARD SKILLS AND EXPERIENCE MATRIX:**

- > Commercial and Marketing
- > Corporate Planning and Development
- > Finance/Audit
- > Economics
- > Risk Management

### **INDUSTRY EXPERIENCE:**

> Regional and International



### **YEOH SIEW MING**

Independent Non-Executive Director

Mationality: Malaysian

Age: 52

Gender: Female

**Date of Appointment:** 15 May 2019

Length of Service: Less than 1 year

**Board Skills** and Experience Matrix







Further details about Yeoh Siew Ming, can be found on page 5 of GFR, which is available online at www.petronaschemicals.com

Siew Ming has close to 30 years of experience in providing assurance and business advisory services to corporations across a range of industries. She leads the Group in setting the highest standards of governance and corporate integrity.

### **BOARD COMMITTEE:**

- > Chairman of BAC
- > Member of NRC
- > Member of BRC

### **BOARD SKILLS AND EXPERIENCE MATRIX:**

- > Finance/Audit
- > Corporate Planning and Development
- > Commercial and Marketing
- > Risk Management

### **INDUSTRY EXPERIENCE:**

> Finance

### **BOARD EXPERIENCE:**





Information Technology

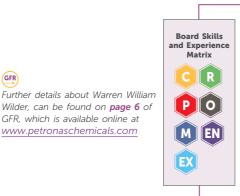


Human Resource



Corporate Planning and Development





### WARREN WILLIAM WILDER

Independent Non-Executive Director

Nationality: American

Age: 62 🔍

Gender: Male 💇

Date of Appointment: 1 July 2018

**Length of Service:** 1 year and 7 months



Warren has extensive experience in the global chemicals industry, and brings to the Board a combination of skills, knowledge and experience that lends a laser-focused perspective on how to operate safely as well as profitably.

### **BOARD COMMITTEE:**

> Chairman of BRC

### **BOARD SKILLS AND EXPERIENCE MATRIX:**

- > Global Petrochemical Consultancy
- > Corporate Planning and Development
- > Operations
- > Commercial and Marketing
- > Engineering
- > Risk Management

### **INDUSTRY EXPERIENCE:**

- > Oil and Gas
- > Banking and Finance
- > Regional and International

GFR

GFR

GFR, which is available online at

www.petronaschemicals.com

Further details about Dr Zafar Abdulmaiid Momin, can be found on page page 6 of GFR, which is available online at www.petronaschemicals.com



### DR ZAFAR ABDULMAJID MOMIN

Independent Non-Executive Director

Nationality: Singaporean

**Age:** 61

Gender: Male

Date of Appointment: 1 July 2018

**Length of Service:** 1 year and 7 months





Dr Zafar has over 27 years of global leadership experience in strategy consulting as a Senior Partner and Managing Director at L.E.K. Consulting, the Boston Consulting Group (BCG) and A.T. Kearney. He currently teaches MBA electives related to strategy and strategic decision making.

### **BOARD COMMITTEE:**

- > Member of NRC
- > Member of BAC
- > Member of BRC

### **BOARD SKILLS AND EXPERIENCE MATRIX:**

- > Information Technology
- > Human Resource
- > Corporate Planning and Development
- > Operations
- > Commercial and Marketing
- > Engineering
- > Economics
- > Finance/Audit
- > Risk Management

### **INDUSTRY EXPERIENCE:**

- > Shipping/Logistics
- > Regional and International



Commercial and Marketing

Engineering



**Economics** 



Finance/Audit



Risk Management



Industry

**INTEGRATED REPORT 2019** 

Experience

# BOARD COMPOSITION, PROFILES AND STRUCTURE



### **NOOR ILIAS MOHD IDRIS**

Non-Independent Non-Executive Director

Mationality: Malaysian

Age: 54

**Gender:** Male

**Date of Appointment:** 15 May 2019

Length of Service: Less than 1 year

**Board Skills** and Experience Matrix







Further details about Noor Ilias Mohd Idris, can be found on page 7 of GFR, which is available online at www.petronaschemicals.com

Noor Ilias brings with him 28 years of experience gained from leadership positions across the PETRONAS Group. His engineering and project management expertise are invaluable assets in guiding PCG's growth strategy.

### **BOARD COMMITTEE:**

> Member of BRC

### **BOARD SKILLS AND EXPERIENCE MATRIX:**

- > Engineering
- > Operations
- > Commercial and Marketing
- > Risk Management

### **INDUSTRY EXPERIENCE:**

- > Oil and Gas
- > Regional and International



### **FREIDA AMAT**

Non-Independent Non-Executive Director

- Mationality: Malaysian
- Age: 51
- Gender: Female
- Date of Appointment: 31 July 2015
- Length of Service: 4 years and 7 months

**Board Skills** and Experience Matrix







Further details about Freida Amat, can be found on page 7 of GFR, which is available online at www.petronaschemicals.com

Freida has more than 25 years of experience in a broad range of financial functions, from corporate finance to financial reporting and services as well as taxation. She steers the Group towards effective capital management and efficiency as we pursue our growth strategy.

### **BOARD COMMITTEE:**

> Member of BAC

### **BOARD SKILLS AND EXPERIENCE MATRIX:**

- > Finance/Audit
- > Commercial and Marketing
- > Economics
- > Risk Management

> Corporate Planning and Development

### **INDUSTRY EXPERIENCE:**

- > Oil and Gas
- > Regional and International

### **BOARD EXPERIENCE:**



Petrochemical Consultancy

Global

Engineering



Information Technology



**Economics** 



Resource



Human



Corporate Planning and Development



Risk Management



Operations



Commercial and Marketing





Finance/Audit





Industry Experience

# MANAGEMENT **COMMITTEE PROFILE**



DATUK SAZALI HAMZAH Managing Director/Chief Executive Officer

Mationality: Malaysian

**Age:** 53 Gender: Male

### **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

### **EXPERIENCE MATRIX:**

- > Joined PETRONAS as a process technologist and progressed through various roles in the refinery and petrochemical business
- > Held several senior management positions at PETRONAS Penapisan (Terengganu) Sdn Bhd, PETRONAS Penapisan (Melaka) Sdn Bhd, PETRONAS Group Technology Solutions, and Project Management of Technology & Engineering Division of PETRONAS
- > Involved in the implementation and commercial operations of several major PETRONAS projects such as Kertih Aromatics Project, Melaka Base Oil Plant, Melaka Refinery Revamp and the Co-Generation Power Plant

> Selected as a member of PETRONAS Corporate Strategic Study and Implementation, and led a change programme to enhance plant performance and operational excellence

> Led a highly specialised team providing technical services and support to all operating plants in PETRONAS, subsequently heading the Project Management Delivery Division and overseeing PETRONAS downstream projects of high capital value

> Appointed as MD/CEO of PETRONAS Penapisan (Melaka) Sdn Bhd

- > Appointed as President/CEO of PCG
- > A member of PETRONAS Downstream Executive Leadership Team

> Appointed as Result Manager for the Technology Workstream of PETRONAS' Project CACTUS

> Appointed as PETRONAS Vice President and remains as MD/CEO of PCG

### **QUALIFICATIONS:**

- > Bachelor of Chemicals Engineering, Lamar University, USA
- > Chartered Fellow of the Institution of Chemicals Engineers (ICheme), UK
- > Board Member of IChemE (Malaysian Branch)
- > Senior Management Programme, London Business School, London, UK
- > Advanced Management Program, The Wharton School, University of Pennsylvania, USA

Datuk Sazali has no family relationship with any director and/or major shareholder of PCG, nor any conflict of interest with the Group. He has 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.

### MANAGEMENT COMMITTEE PROFILE



RASHIDAH ALIAS
Chief Financial Officer

Nationality: Malaysian

**Age:** 47

Gender: Female

### **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

### **EXPERIENCE MATRIX:**

- > 1994 Joined Arthur Andersen in Audit & Advisory
- > 1998 Joined PETRONAS and held various positions in corporate planning, accounting and shared services; and managed specialised assignments involving initial public offerings, corporate bond issuance, corporate strategy implementation and groupwide process transformation
- > 2010 Appointed as Senior General Manager, Finance & Accounts Services
- > 2013 Appointed as Senior General Manager, Group Treasury
- > 2016 Appointed as Chief Financial Officer of PCG

### **QUALIFICATIONS:**

- > Bachelor of Commerce in Accounting, University of New South Wales, Australia
- > Fellow of the Chartered Accountants Australia and New Zealand
- > Advanced Management Program, Harvard Business School
- > Member of the Malaysian Institute of Accountants

Rashidah has no family relationship with any director and/ or major shareholder of PCG, nor any conflict of interest with the Group. She has 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.



**MAHADZIR RANI**Chief Manufacturing Officer

Mationality: Malaysian

**Age:** 52

**Gender:** Male

### **DESCRIPTION OF ROLES:**

- > Responsible for PCG's overall operational excellence
- > Sits on the Board of several PETRONAS companies

### **EXPERIENCE MATRIX:**

- > 1991 Joined PETRONAS Penapisan (Terengganu) Sdn Bhd and held various positions including Executive (Instrument) and Executive (System & Control)
- > 1997 Joined Aromatics Malaysia Sdn Bhd as a Senior Project Engineer
- > 2000 Returned to PETRONAS Penapisan (Terengganu) Sdn Bhd as Manager (Instrument Engineering), later assuming managerial roles in maintenance and HSF
- > 2009 Appointed as Senior Manager of MTBE Assets at MTBE/Polypropylene (M) Sdn Bhd
- > 2011 Appointed as Head of Plant at PETRONAS Chemicals Fertiliser Kedah Sdn Bhd
- > 2014 Appointed as Head of Plant at PETRONAS Chemicals Methanol Sdn Bhd
- > 2017 Appointed as Head of Manufacturing, PCG

### QUALIFICATION:

> Bachelor of Science in Electrical Engineering, Polytechnic University, New York, USA

Mahadzir has no family relationship with any director and/or major shareholder of PCG, nor any conflict of interest with the Group. He has 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.



SHAMSAIRI MOHD IBRAHIM Chief Commercial Officer

Mationality: Malaysian

**Age:** 53

Gender: Male

### **DESCRIPTION OF ROLES:**

- > Responsible for PCG's overall commercial excellence. He is the CEO of PETRONAS Chemicals Marketing Sdn Bhd and PETRONAS Chemicals Marketing (Labuan) Ltd
- > Sits on the Board of several PETRONAS companies
- > PETRONAS Skill Group Advisor for Marketing and Trading

### **EXPERIENCE MATRIX:**

- > 1991 Joined Malaysia LNG Sdn Bhd as a Marketing Executive
- > 1999 Joined Malaysian International Trading Corporation (Japan) Sdn Bhd and held various positions including Marketing Executive, Materials and Supply Executive, and Manager of Japan Operations Centre
- > 2004 Returned to Malaysia LNG Sdn Bhd and held various managerial roles including Manager of Japan Operations Sales & Marketing Department, and Senior Manager of Marketing & Trading Sector 2 (Korea and Taiwan)
- > 2008 Joined OPTIMAL Group of Companies as Head of Business – Olefins and Derivatives Department
- > 2011 Joined PCG as Head of Commercial Olefins & Derivatives, later becoming Head of Marketing & Sales Olefins & Derivatives
- > 2017 Appointed as Head of Commercial, PCG

### **QUALIFICATIONS:**

- > Associate Degree in Mechanical Engineering, Tokyo National College of Technology, Japan
- > Master of Business Administration (Exec), Royal Melbourne Institute of Technology, Melbourne, Australia

Shamsairi has no family relationship with any director and/or major shareholder of PCG, nor any conflict of interest with the Group. He has 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.



**AKBAR MD THAYOOB**Head of Strategic Planning & Ventures

Nationality: Malaysian

**Age:** 56

**Gender:** Male

### **DESCRIPTION OF ROLES:**

- > Responsible for PCG's overall strategic planning, business development and ventures management
- > Sits on the Board of several PETRONAS companies

### **EXPERIENCE MATRIX:**

> 1987 Joined PETRONAS where he assumed various project engineering and corporate planning roles > 1999 Seconded to Phu My Plastic & Chemicals Co Ltd, Vietnam as Deputy General Director; and appointed as the General Director/CEO in 2004 > 2008 Appointed as CEO of PETLIN (M) Sdn Bhd > 2010 Appointed as Head of Office of the Executive Vice President, PETRONAS Downstream Business > 2012 Appointed as Head of Retail Business, PETRONAS Dagangan Berhad > 2014 Appointed as Head of Commercial at PCG > 2017 Appointed as Head of Strategic Planning and Ventures, PCG

### **QUALIFICATIONS:**

- > Bachelor of Science in Civil Engineering, University of West Virginia, USA
- > Premier Business Management Program, Harvard Business School, USA

Akbar has no family relationship with any director and/or major shareholder of PCG, nor any conflict of interest with the Group. He has 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.

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### MANAGEMENT COMMITTEE PROFILE



**JAMILAH UJANG**Head of Human Resource Management

Mationality: Malaysian

**Age:** 46

Gender: Female

### **DESCRIPTION OF ROLES:**

> Responsible for PCG's talent strategies, development and management, as well as human resource services

### **EXPERIENCE MATRIX:**

> 1997 Joined PETRONAS Gas Berhad as a Chemist
 > 2001 Joined Gas District Cooling (M) Sdn Bhd as a
 Quality Assurance Executive, and held various roles
 in manpower planning and capability development

> 2005 Joined PETRONAS Carigali Sdn Bhd, and held managerial roles in talent development and talent sourcing

> 2012 Appointed as Senior Manager (Capability – Petroleum Engineering & Drilling) and held various managerial roles in people management, leadership and employee performance management in PETRONAS Upstream Business

> 2016 Returned to PETRONAS Carigali Sdn Bhd as HR Business Partner for Malaysia Asset Division

> 2017 Appointed as HR Business Partner for Development & Production Division, PETRONAS Carigali

> 2019 Appointed as HR Business Partner for Upstream Operation 1, PETRONAS Carigali

> 2020 Appointed as Head of Human Resource Management, PCG

### **QUALIFICATION:**

> Bachelor of Science (Hons) in Chemistry, Universiti Malaya

Jamilah has no family relationship with any director and/or major shareholder of PCG, nor any conflict of interest with the Group. She has 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.



**CH'NG GUAN HOW**Chief Innovation & Technology Officer

Mationality: Malaysian

**Age:** 50

**Gender:** Male

### **DESCRIPTION OF ROLES:**

> Responsible for PCG's innovation excellence, research & development, technology venture and product stewardship functions towards delivery of innovative customer application solutions

### **EXPERIENCE MATRIX:**

- > 1994 Joined Polyethylene Malaysia Sdn Bhd (PEMSB), and held various positions including Polymer Technologist, Technical Service Engineer, Compound Application Technologist and Export Sales Manager
- > 2002 Joined PETLIN (M) Sdn Bhd as Product Manager and Senior Commercial Manager
- > 2008 Appointed as Head of Strategy & Portfolio, Oil & Petrochemicals Business, Group Strategic Planning, PETRONAS
- > 2010 Appointed as Head of Strategic Planning & Brand, Office of VP Downstream Marketing, PETRONAS
- > 2013 Appointed as MD/CEO of PLI China and Head of Greater China Region (PLI Group Global Leadership Team) in PETRONAS Lubricants International Group
- > 2017 Appointed as Chief Innovation & Technology Officer of PCG

### **QUALIFICATIONS:**

- > Bachelor of Industrial Technology (Hons), majoring in Polymer Technology, Universiti Sains Malaysia
- > Senior Management Development Program, INSEAD

Ch'ng has no family relationship with any director and/or major shareholder of PCG, nor any conflict of interest with the Group. He has 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.



HASNIZAINI MOHD ZAIN Head of Legal and Corporate Secretariat

Mationality: Malaysian

**Age:** 45

Gender: Female

### **DESCRIPTION OF ROLES:**

- > Responsible for PCG's legal affairs and company secretarial services
- > Sits on the Board of several PETRONAS companies

### **EXPERIENCE MATRIX:**

- > 2000 Joined Messrs. Badri Kuhan Yeoh & Ghani as an Advocate & Solicitor; then moved to Bank Islam as Deputy Manager, Industrial Relations
- > 2006 Joined PETRONAS as a Legal Officer in Corporate Services & Technology
- > 2010 Appointed as Legal Counsel, Corporate Services & Technology
- > 2011 Appointed as Legal Counsel, Downstream Marketing & Special Project
- > 2013 Appointed as Senior Legal Counsel, Refining & Trading
- > 2014 Appointed as Head of Legal & Corporate Secretariat for PETRONAS Dagangan Berhad
- > 2018 Appointed as Head of Legal & Corporate Secretariat, PCG

### **QUALIFICATIONS:**

- > Bachelor of Laws, University of Leeds, UK
- > Certificate of Legal Practice, Malaysia
- > Masters in Comparative Laws, International Islamic University, Malaysia

Hasnizaini has no family relationship with any director and/or major shareholder of PCG, nor any conflict of interest with the Group. She has 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.



**NORFAILA HASSAN** Head of Corporate Affairs & Administration

Mationality: Malaysian

**Age:** 47

Gender: Female

### **DESCRIPTION OF ROLES:**

> Responsible for planning, development and implementation of all PCG's corporate and product branding, stakeholder and media management, communication and reputation management

### **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 Corporate Affairs & Administration, PCG

### QUALIFICATION:

> Bachelor of Mass Communication (Hons) majoring in Advertising, Institut Teknologi MARA

Norfaila has no family relationship with any director and/or major shareholder of PCG, nor any conflict of interest with the Group. She has 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.

### MANAGEMENT COMMITTEE PROFILE



**MOHD ZAKIR JAAFAR** Head of Project Directorate

Mationality: Malaysian

**Age:** 49

**Gender:** Male

### **DESCRIPTION OF ROLES:**

> Responsible for the delivery and execution of PCG's key projects

### **EXPERIENCE MATRIX:**

- > 1993 Joined PETRONAS Methanol (Labuan) Sdn Bhd as Shift Superintendent
- > 2000 Appointed as Project Engineer in the Second Ethylene Cracker Project
- > 2003 Joined the OPTIMAL Group of Companies and held various positions including EOG Utilities Specialist and Improvement Leader
- > 2006 Returned to PETRONAS Methanol (Labuan) Sdn Bhd and held various managerial roles including Head of Project Management and Senior Manager of Technical Services
- > 2009 Appointed as Head of SAMUR Project, PCG
- > 2012 Appointed as Head of Project Management, PETRONAS Chemicals Fertiliser Sabah Sdn Bhd
- > 2014 Appointed as Head of Project Services at the Project Directorate department and later assumed the position of Head of Front-End Engineering
- > 2019 Appointed as Head of Project Directorate, PCG

### **QUALIFICATION:**

> Bachelor of Chemical & Bio Process Engineering, University of Bath, UK

Mohd Zakir has no family relationship with any director and/or major shareholder of PCG, nor any conflict of interest with the Group. He has 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.



**FAUZAMSAARI GERAN**Head of Health, Safety & Environment

Mationality: Malaysian

Age: 47

**Gender:** Male

### **DESCRIPTION OF ROLES:**

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

### **EXPERIENCE MATRIX:**

- > 1995 Joined MTBE/Polypropylene (M) Sdn Bhd and held various positions including Executive (Mechanical) and Executive (Rotating)
- > 2005 Joined ASEAN Bintulu Fertilizer Sdn Bhd and held various managerial roles including Manager (Mechanical), Senior Manager (Engineering), and Senior Manager (Maintenance)
- > 2014 Appointed as Senior Manager (Technical Services) at PETRONAS Chemicals Ammonia Sdn Bhd
- > 2020 Appointed as Head of Health, Safety & Environment, PCG

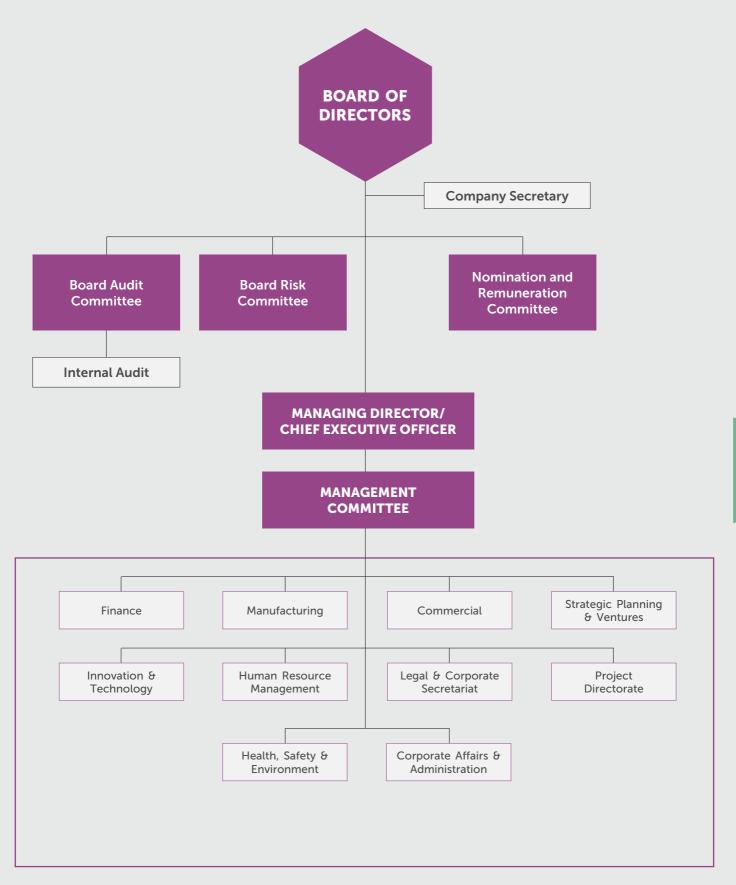
### QUALIFICATION:

> Bachelor of Science in Mechanical Engineering, University of Oklahoma. USA

Fauzamsaari has no family relationship with any director and/or major shareholder of PCG, nor any conflict of interest with the Group. He has 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.

# **ORGANISATION STRUCTURE**

as at 26 February 2020



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# LEADING THE WAY FOR VALUE CREATION THROUGH GOOD GOVERNANCE

The Board and Management endeavour to chart our business direction and create maximum shared value across all spheres, led by our Vision to be "The Preferred Chemical Company Providing Innovative Customer Solutions", as we drive strategic responses and heed market needs.

We anchor on our Shared Values of Cohesiveness, Loyalty, Integrity and Professionalism which are the backbone of our business conduct to deliver results premised on our purpose.

We respond to risks and opportunities, ensure relevance and sustainability of the business model, monitor the overall environment, the availability and quantity of capital inputs and acknowledge the needs of all stakeholders. This strategy is executed through our strategic focus areas and enables the Group to remain steadfast in managing our operations supported by good governance and simultaneously, meeting and delivering financial targets.



### **OUR GOVERNANCE POLICY**

Our Board is committed to ensuring the highest standards and levels of governance, ethics and integrity within the Group. The Board is also focused on strengthening the governance processes so that we are aligned with best practices based on the principles of Leadership and Effectiveness, Accountability and Communication with Stakeholders.

The concept of good governance is essentially a touchstone upon which the administrative structure of an organisation such as PCG can be measured. Consequently it provides ample evidence of the robustness of our institutional frameworks such as risk management policies and procedures. These policies and procedures are consistently reviewed, enhanced and improved for the benefit and interests of all stakeholders.

PCG as a leading integrated chemicals producer in Malaysia and one of the largest in South East Asia, embraces world-class governance practices and globally recognised standards for sustainable business practices to ensure sustained strength of our basic petrochemicals portfolio and diversified range of chemical products. In doing so, we are resilient and at the same time, flexible in adopting new regulatory changes, responding and adapting to the challenging and competitive regional and global business environment. In PCG, good governance is not a box-ticking exercise. It entails far more than legislative, regulatory compliance and principles of best practices.

We believe that good governance with value-driven objectives as its mainstay, contributes to raising values through enhanced accountability, strong risk and performance management, transparency and effective leadership.

Good corporate governance creates and sustains shareholder value; ensures that our behaviour is ethical and promotes positive outcomes for all stakeholders.





### VALUES-DRIVEN OBJECTIVE OF OUR BOARD: PILLAR OF SUSTAINABLE VALUE-CREATION

Values-driven objectives of our Board are rooted in corporate governance principles and best practices espoused in the Malaysian Code on Corporate Governance 2017 (MCCG 2017), reporting disclosures and increased compliance requirements Main Market Listing Requirement (MMLR) of Bursa Malaysia Securities Berhad (Bursa Malaysia), Companies Act 2016 (CA 2016) and other applicable regulations.

The Board's governance oversight is guided by its commitment to its responsibilities and governance objectives. It is a conscious commitment by the Board and management at every level of the organisation to lead with their values, connect them to good organisational practices and create an organisational culture that optimises performance, accountability and contribution.

### A. Effective ethical leadership

Strong leadership is critical to value creation. The Board sets the tone, provides leadership and vision and leads the Group ethically, effectively and responsibly.

The values-driven leadership requires a high degree of stewardship and accountability. In PCG, it is demonstrated in the way we do things - the right way. The Board is committed to strengthen our governance processes to ensure we are aligned with best practices and that our approach to disclosure is open, timely and transparent.

The Board is guided by its Board Charter in discharging its duties and responsibilities. The Board Charter sets out the principles and guidelines that are to be applied by the Board and Board Committees. The Board Charter is reviewed from time to time to reflect the relevant changes to the policies, procedures and processes as well as amendments to rules and regulations to ensure the document remains relevant and consistent with the applicable rules and regulations and recommended best practices.

The Board has the power to shape the Group's direction and culture through its corporate governance philosophy and ethical practices. In this way, the Board ensures that the Group plays a significant role in society as an employer, tax payer and contributor of the country's economic growth.

### **B. Strategy and performance**

The Board takes accountability for the Group's performance. The Board sets the Group's strategic aims and ensures that the necessary resources are in place to meet its objectives.

PCG's strategy to achieve its Vision is key to drive sustainable value creation for all stakeholders. Performance of focus areas that have been identified is closely monitored.

The Board supports the Group in its implementation of the Group's value-driven strategic objectives and achieving them. The required disclosures are contained in this IR and other reports available at the Company's corporate website at www.petronaschemicals.com

### C. Governance and Delegation

The Board is collectively responsible for delivering sustainable value through oversight of the management of the Group's business. In addition, through its Board Committees, the Board provides guidance and oversight to the Group on the management of risk and internal control as well as governance matters.

### D. Sustainable Growth and Stakeholders

In providing leadership and vision to the Group, the Board ensures sustainable growth and delivery of the Group's purpose and objectives for the benefit of all stakeholders. Stakeholder inclusivity is therefore key in maintaining a strong stakeholder relationship.



# LEADING THE WAY FOR VALUE CREATION THROUGH GOOD GOVERNANCE

### **COLLECTIVE RESPONSIBILITIES OF THE BOARD**

### Collective responsibilities of the Board

A director, when exercising his/her power, owes a fiduciary duty to the company and collectively should act honestly and in good faith in the best interest of the Company.

Our Board is collectively responsible for the long term success of PCG and delivering sustainable value through oversight of the management of the Group's business.

When Board members merge their skills towards achieving the Vision of the organisation, it creates a synergy that makes the whole Board greater than the sum of each individual's contribution.

The Board strives to ensure that good governance is practised throughout PCG as a fundamental part of discharging its primary governing roles and responsibilities to protect and enhance stakeholders' value and increase the performance of the Company.

### The Board works to fulfil the following main roles and responsibilities:

Formulates, sets and steers strategic direction Ensures
appropriate
policies are in
place, adopted
and executed
effectively and
regularly
reviewed in light
of changing
circumstances

Reviews and approves financial statements

Reviews and manages principal risks and adequacy of PCG's internal control system Ensures there is an appropriate succession plan for members of the Board and key Senior Management Ensures and provides accountability to shareholders and to some extent, towards a wider range of stakeholders affected by PCG's decision, such as employees, suppliers, customers, the local community and the state where PCG is operating

### **Our Board and Board Committees**

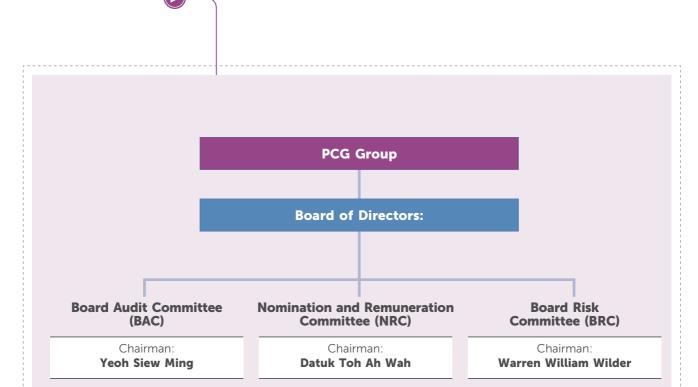
The Board provides leadership and strategic guidance to safeguard stakeholder value creation within a framework of prudent and effective controls. This makes it possible for the Group to assess and manage risk to ensure long-term sustainable development and growth.

The Board is ultimately accountable and responsible for the performance and affairs of PCG and ensures that the Group adheres to high standards of ethical behaviour.

The Board Committees assist the Board in the discharge of its duties and responsibilities.

Each Board Committee has a formal written Terms of Reference that are effectively delegated in respect of some of the Board's responsibilities.





- Assists the Board in its evaluation and integrity of the Group's financial statements through evaluation of the adequacy and efficiency of its internal control systems, accounting practices and internal auditing.
- Manages the relationship with external auditors and assesses their independence and effectiveness.
- Recommends the appointment of the external auditors to the Board and shareholders.
- Assists the Board with the identification, nomination, appointment, election/re-election of Directors and appointment of key management personnel.
- Regularly reviews and makes recommendations to the Board on the structure, size and composition of the Board.
- Ensures that an appropriate balance exists between Executive, Non-Executive and Independent Directors.
  - Responsible in ensuring appropriate succession planning of Directors.
- Review, deliberate, report and provide recommendation to PCG Board and management on Corporate Risk Profile and Risk Appetite
- Assist Board to deliberate risk assessment for high impact business matters such as mergers and acquisitions, divestment, joint venture proposal and key capital projects
- Oversee the effectiveness of Crisis Management, Business Continuity Management and Assurance

# LEADING THE WAY FOR VALUE CREATION THROUGH GOOD GOVERNANCE

### **ENGAGING WITH THE BUSINESS ON STRATEGIC MATTERS**



In addition, the Board conducts onsite visits to plants and business units.

Quarterly report by the Management provides the Board with comprehensive feedback on the performance of the business across the Group.

### **RISK MANAGEMENT**

Risks arising from a constantly shifting global industrial and geopolitical landscape are among the major challenges our business faces in progressing with our goal of growing shareholders' value in a sustainable manner.

Risk management oversight is carried out by the Board and the Board Risk Committee (BRC). Additionally, oversight is also embedded within various management levels to ensure seamless integration of risk management into our business processes.

The governing of risks by the Board through the BRC includes, amongst others, deliberation on Group's risk profile, risk appetite and high impact business decisions such as mergers and acquisitions, divestment and key capital projects.

We identify, manage, monitor and report our top key risks to Board on a quarterly basis. For this year our top three key risks are:



Other identified risks that we monitor include market, operational, feedstock, regulatory and talent.

The unpredictable external environment within which PCG operates, requires us to be vigilant in our risk management and to continuously identify new emerging risks. This year, two new emerging risks were identified, namely, plastics waste and cybersecurity risks.



### INDEPENDENCE

The Board is diverse in demographics, skills and experience. All Board members are persons of high integrity and calibre with diverse professional backgrounds with sound knowledge and understanding of the Company's business.

The Board comprises eight Directors, four of whom are Independent Directors who promote independent judgement and diverse mind-sets and opinions. All Directors must exercise their judgement independently, irrespective of status. The Board strives to adopt Practice 4.1 of the MCCG 2017 in ensuring that majority of its composition comprises Independent Directors.

The performance of Directors are assessed annually via the Board Effectiveness Evaluation exercise.

The Independent Directors assessed in 2019 satisfied the independence criterias and therefore maintained their independent status.

In line with the recommendation by the MCCG 2017, the Company has adopted a tenure policy whereby the total tenure of the Independent Directors is capped at nine



### **BOARD OF DIRECTORS**

**Non-Independent Non-Executive Directors** 

### **DATUK MD ARIF MAHMOOD**

Chairman

### **NOOR ILIAS MOHD IDRIS**

**FREIDA AMAT** 

**Independent Non-Executive Directors** 

### **DATUK TOH AH WAH**

Senior Independent Director

### **YEOH SIEW MING**

**WARREN WILLIAM WILDER** 

### DR ZAFAR ABDULMAJID MOMIN

**Non-Independent Executive Director** 

### **DATUK SAZALI HAMZAH**

Managing Director/ Chief Executive Officer (MD/CEO)

**BOARD DIVERSITY** 

The Directors bring with them years of experience in managing sustainable business growth and collectively represent a formidable leadership with diversity of perspectives that support effective decision-making.

In the rapidly transforming and evolving business environment, diversity is important to remain relevant and sustainable.

Diversity that embraces gender, knowledge, skill, regional and industry experience at Board level is a key consideration in our Board selection process.

The Board supports the government's aspirational target of 30% representation of women directors. To-date, there are 13 women serving as nominee directors on the Boards of the PCG Group of companies. Several suitably qualified women have also been identified and included in the directors' pool for possible nomination as Directors.





# LEADING THE WAY FOR VALUE CREATION THROUGH GOOD GOVERNANCE

### **BOARD SKILLS AND EXPERIENCE MATRIX** The Board has members with a broad range of skills that bring with them a wealth of experience that helps to create value in the interests of the Company and its shareholders. With the appropriate mix of skills and experience the Board is assured that it is well equipped to guide and steer PCG's strategy into the future and thereby create value. Skills & Experience 12.5% 12.5% 25% 75% 100% 62.5% 37.5% 62.5% 62.5% 37.5% 100% 12.5% Information Human Corporate Commercial/ Engineering Economics Finance/ Oil & Gas Shipping/ Regional/ Finance Petrochemical Technology Resource Planning and Audit Logistic International Development Consultancy **BOARD TENURE AND EXPERIENCE** A blend of experience, expertise, insight and perspectives. **Directors: Age Directors: Length of Services** 60 years & above: 5-7 years: **3 Directors 4 Directors** 37.5% 50% 0-2 years: 50-59 years: **4 Directors 5 Directors** 50%



### **ENSURING AND PROTECTING VALUE**

PCG uses risk management to scrutinise missed opportunities and recognise the need to take risks.

We are not risk averse nor do we necessarily have to take greater risks. But we have a good understanding of what risks are and how best to manage them. This means fewer control failures and an increased likelihood of achieving objectives and improved stakeholder value.

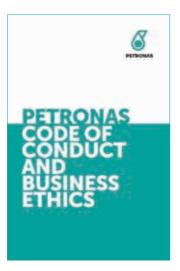
### We have the following in place:

- 1 Practices that encompass the entire organisational structure with clear connections between 'silos'.
- 2 Strategies that address the full spectrum of risks, including industry specific, compliance, competition, environmental, security, business continuity, strategic and operational.
- A culture where risk management practices are infused throughout so that strategy and decision-making evolve out of risk-informed process.
- A philosophy that focuses not solely on risk avoidance, but also on risk taking as a means to value creation.

- 5 An independent internal audit function.
- An effective Enterprise Risk Management (ERM) Framework.
- A Group Corporate Governance Framework that monitors the application of the principles and practices of the MCCG 2017 and other regulatory requirements.

### Top 3 key risks

- (1) Health, Safety and Environment Risk
- (2) Strategic Investment Risk
- (3) Project Risk



### **ANTI-CORRUPTION**

We have zero tolerance for any form of bribery or corruption and ingrain all our employees with PETRONAS' Code of Conduct and Business Ethics (CoBE) to ensure everyone upholds a high level of professionalism and integrity.

### **OUR APPROACH TO COMPLIANCE**

We comply with and subscribe to various legislations and regulatory requirements, such as MMLR of Bursa Malaysia, MCCG 2017, CA 2016, Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Appropriate procedures and mechanisms are in place to ensure full and continuous adherence to these laws and regulations.

Our business compliance covers a wide range of laws and regulatory areas, including anti-competition, strategic trade, anti-bribery and corruption, international sanctions and data protection.

The principles governing our ethical standards and compliance can be found within CoBe, Whistleblowing Policy, and the Anti-Bribery and Corruption Manual.





# LEADING THE WAY FOR VALUE CREATION THROUGH GOOD GOVERNANCE

### **VALUES AND CULTURE**

The Board is committed to a corporate culture that encompasses and embraces ethical conduct within the Group.

The Board sets the tone for governance within the Group.

The Board believes that without the right culture to reflect the Group's moral and ethical beliefs and standards, employees will have difficulty embracing the core values and behaviours which are the embodiment of this organisation.

We are cognisant that our culture journey will continuously evolve in the context of our overall strategy. As we move forward in an agile, digital, fast-paced client-centred and highly competitive environment, new mind-sets and capabilities will be required to manage and thrive in this changed corporate landscape.

### **CONFLICT OF INTEREST**

A Director is prohibited from using his/her position or confidential or price-sensitive information to benefit herself or himself or any related third party, financially or otherwise.

Directors are also required to inform the Board of conflicts or potential conflicts of interest that they may have in relation to particular items of business or other directorships. They must declare any actual or potential conflict of interest at the Board meeting where the matter is being transacted and discussed. They are required to recuse themselves and abstain from deliberations and decision-making process.

A Director may accept other Board appointments provided the appointments do not conflict with the Group and/or adversely affect the Director's duties.

A Non-Executive Director should not hold more than five directorships in public listed companies.

### FAIR AND RESPONSIBLE REMUNERATION

The Board strives to ensure that remuneration is fair and transparent, promoting positive outcomes aligned with legitimate expectations of all stakeholders.

Remuneration of employees is linked to sustainable value creation objectives in line with the Group's strategy. It is based on distinct performance targets and market benchmarking.

### **DRIVING INNOVATION**

Our Intellectual Capital is borne through the adoption of an innovation led culture which encourages innovative thought processes and approaches in meeting our customers' requirements.

Within our plant facilities, the innovations we adopt in work processes and management systems lead to higher production outputs, while reducing our impact on the environment.

To remain relevant and competitive in this digital age the Board is proactive and places innovation as one of its governance responsibilities. The Board acknowledges the strategic importance of innovation to create sustainable value.

### ENGAGING WITH INVESTORS ON ENVIRONMENT, SOCIAL AND GOVERNANCE (ESG) MATTERS

We believe in maintaining the highest standards of responsible business practices and this is evident in the strong relationships we have with our stakeholders.

We continually engage with stakeholders on ESG and strategic matters. The engagement enables the Board to exercise constructive influence as and when appropriate and to protect the interests of our minority shareholders.

By continuously engaging with our stakeholders, we are able to keep abreast of evolving social and environmental expectations.

We use our stakeholders' insights to fortify our business strategy with the ultimate aim of delivering value to society at large.

### **INTEGRITY AND ETHICS**

An organisation must fundamentally add value for stakeholders by adopting a responsible business philosophy.

At PCG, we believe in doing business responsibly and ethically. Responsible or ethical business is based on a trust relationship with stakeholders.

The test of character and good corporate citizenship lies in whether an organisation behaves ethically during good as well as trying times.

The Board assumes ultimate responsibility for PCG's business ethics performance and adherence to human rights principles. This responsibility is delegated to Management which uses various tools to fulfil its mandate, including:

Whistleblowing Trading on Insider CoBE\* Policy **Selection of Vendors** (PETRONAS Tenders and Contracts Administrative Anti-Bribery and Corruption Manual Manual)

(GFR) Comprehensive disclosures and detailed reporting of our Corporate Governance Overview Statement, Nomination and Remuneration Committee Report, Board Audit Committee Report, Board Risk Committee Report and Statement on Risk Management and Internal Control, can be found in our Governance and Financial Report (GFR) 2019, published as part of PCG's Integrated Reporting Suite for 2019. GFR 2019 is also available online at <a href="www.petronaschemicals.com">www.petronaschemicals.com</a>

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# ENHANCING LIVES

Every day, our products make a difference to the lives of millions of people around the world. We constantly push the envelope to do better, and create better customer experiences. Our recent investments in specialty chemicals provides us with opportunities to create further value in end markets such as personal care, paints & amp; coatings, construction, automotive and healthcare. With our innovative and environment friendly products and solutions, we aim to meet the growing demands of sophisticated customers. We're building our future on continuous innovation and we will continue with our proactive approach to remain the best in our field for a sustainable tomorrow.

WELL POSITIONED.
SUSTAINABLE TOMORROW

## **LIST OF PROPERTIES**

	Name of registered owner/ Beneficial owner:			Land area:	Age of Plant & building:	NBV as at 31 December 2019
No.	Lot. no./Leasehold period	Acquisition date	Existing use	(sq metre unless otherwise stated)	(Years)	(RM'000)
1	PETRONAS Chemicals Derivatives Sdn Bhd, PETRONAS Chemicals Olefins Sdn Bhd, PETRONAS Chemicals Glycols Sdn Bhd (each a 1/3 part owner)	30.08.2000	Industrial land – TNB sub-station	3,886	19	239,230
	H.S.(D) 3385, PT No. 10535, Mukim Kertih, Kemaman, Terengganu					
	Leasehold for 60 years, expiring on 29 August 2060					
	H.S.(D) 3316, PT No. 9015, Mukim Kertih, Kemaman, Terengganu	30.08.2000	Industrial land – Waste water and treatment	260,469	19	
	Leasehold for 60 years, expiring on 29 August 2060	substation				
	Pajakan Negeri, No. Hakmilik 7594, No. Lot 8068, Mukim Kertih, Kemaman, Terengganu	30.08.2000	Industrial land  — Plant for production of	611,075	19	
	Leasehold for 60 years, expiring on 29 August 2060		ethylene derivatives			
2	PETRONAS Chemicals Methanol Sdn Bhd	31.08.2004	Industrial land –	14	15	1,502,944
	No. 205350607, Kg. Rancha-Rancha, Wilayah Persekutuan Labuan		Plant for production of methanol	hectares		
	Leasehold for 99 years, expiring on 31 December 2082					
3	PETRONAS Chemicals Methanol Sdn Bhd	02.08.2007	Industrial land – Land for Plant 2	19,679	12	
	Pajakan Negeri, No. Hakmilik 11911, Lot 31770, Kg. Rancha-Rancha, Wilayah Persekutuan Labuan		jetty			
	Leasehold for 99 years, expiring 01 August 2106					
4	PETRONAS Chemicals Methanol Sdn Bhd	15.04.2008	Industrial land –	483	11	
	Pajakan Negeri, No. Hakmilik 11903, Lot 31772, Kg. Rancha-Rancha, Wilayah Persekutuan Labuan		Land for Plant 2 sea water outtake			
	Leasehold for 99 years, expiring 14 April 2107					
	Pajakan Negeri, No. Hakmilik 11904, Lot 31771, Kg. Rancha-Rancha, Wilayah Persekutuan Labuan	15.04.2008	Industrial land – Land for Plant 2 sea water intake	1,195	11	
	Leasehold for 99 years, expiring 14 April 2107					

	Name of registered owner/ Beneficial owner:			Land area:	Age of Plant & building:	NBV as at 31 December 2019
No.	Lot. no./Leasehold period	Acquisition date	Existing use	(sq metre unless otherwise stated)	(Years)	(RM'000)
5	PETRONAS Chemicals Methanol Sdn Bhd Pajakan Negeri, No. Hakmilik 10336, Lot 12275, Kg. Rancha-Rancha, 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	10	
6	PETRONAS Chemicals Methanol Sdn Bhd  No. 206291590, Kg. Rancha-Rancha, 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	34 acres	28	
7	PETRONAS Chemicals Methanol Sdn Bhd  Pajakan Negeri, No. Hakmilik 1192, Lot 205351793, Kg. Rancha-Rancha, Wilayah Persekutuan Labuan  Leasehold for 99 years, expiring 31 December 2092	01.01.1994	Industrial land – Land for Plant 1 jetty	3,031	25	
8	PETRONAS Chemicals Methanol Sdn Bhd Pajakan Negeri, No. Hakmilik 2971, Lot 10859, Kg. Rancha-Rancha, Wilayah Persekutuan Labuan Leasehold for 99 years, expiring 15 September 2103	06.09.2004	Industrial land – Additional land for Plant 1 jetty	467	15	
9	PETRONAS Chemicals MTBE Sdn Bhd H.S.(D) 9688 P.T. No. 4538, Mukim Sungai Karang, Kuantan, Pahang Leasehold for 66 years, expiring on 14 July 2058	17.11.1992	Industrial land – Plant for production of MTBE	36 hectares	27	190,661
10	PETRONAS Chemicals MTBE Sdn Bhd H.S.(D) 34911, No. P.T. 15128, Mukim Sungai Karang, Kuantan, Pahang Leasehold for 99 years, expiring on 08 January 2100	09.01.2001	Industrial land – Propane dehydrogenation plant	34 acres	19	368,305
11	PETRONAS Chemicals MTBE Sdn Bhd H.S.(D) 34912, No. P.T. 15129, Mukim Sungai Karang, Kuantan, Pahang Leasehold for 99 years, expiring on 08 January 2100	09.01.2001	Emergency response building	15 acres	19	6,132

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## LIST OF PROPERTIES

	Name of registered owner/ Beneficial owner:			Land area:	Age of Plant & building:	NBV as at 31 December 2019
No.	Lot. no./Leasehold period	Acquisition date	Existing use	(sq metre unless otherwise stated)	(Years)	(RM'000)
12	Polypropylene Malaysia Sdn Bhd	15.07.1992	Industrial land – Plant for	20 hectares	27	15,614
	H.S. (D) 9686, No. Lot P.T. 4536, Mukim Sungai Karang, Kuantan, Pahang		production of polypropylene	riectares		
	Leasehold for 66 years, expiring on 14 July 2058					
13	PETRONAS Chemicals Fertiliser Kedah Sdn Bhd	01.11.1999	Commercial/ industrial land	699,100	20	164,942
	Pajakan Negeri, No. Hakmilik 1010, No. Lot 10750 Gurun, Kuala Muda, Kedah		Plant for production of urea and ammonia			
	Leasehold for 99 years, expiring on 22 April 2102					
14	PETRONAS Chemicals Fertiliser Kedah Sdn Bhd	01.11.1999	Commercial/ industrial land	201,233	20	47,478
	Pajakan Negeri, No. Hakmilik 3396 - 3399, No. Lot 174 - 177, Seksyen 6, Gurun, Kuala Muda, Kedah		Plant for production of urea and ammonia			
	Leasehold for 99 years, expiring on 12 February 2105					
15	ASEAN Bintulu Fertilizer Sdn Bhd	01.04.1983	Mixed zone/town	38	37	277,785
	No. 323, Lot 35, Block 20, Kemena land District, Bintulu, Sarawak		land – Plant for production of urea and ammonia	hectares		
	Leasehold for 99 years, expiring on 19 February 2083					
16	ASEAN Bintulu Fertilizer Sdn Bhd	08.02.2005	Mixed zone/town	8,298	15	1,282
	No. 321, Lot 2233-2239, Block 26, Kemena Land District, Bintulu, Sarawak		land – Dwelling house			
	Leasehold for 60 years, expiring on 08 May 2046					
17	PETRONAS Chemicals Ethylene Sdn Bhd, PETRONAS Chemicals Polyethylene Sdn Bhd	02.04.1993	Industrial land  — Plant for production of	567,800	27	365,890
	Pajakan Negeri, No. Hakmilik 6282, No. Lot 8075, Mukim Kertih, Kemaman, Terengganu		ethylene/ polyethylene			
	Leasehold for 51 years, expiring on 16 June 2052					
18	PETRONAS Chemicals Ethylene Sdn Bhd	31.05.1995	Industrial land –	191,200	25	3,582
	Pajakan Negeri, No. Hakmilik 3939, No. Lot 5217, Mukim Kertih, Kemaman, Terengganu		Storage facility for water			
	Leasehold for 60 years, expiring on 23 October 2054					

	Name of registered owner/ Beneficial owner:			Land area:	Age of Plant & building:	NBV as at 31 December 2019
No.	Lot. no./Leasehold period	Acquisition date	Existing use	(sq metre unless otherwise stated)	(Years)	(RM'000)
19	PETRONAS Chemicals Ammonia Sdn Bhd Pajakan Negeri, No. Hakmilik 7588, No. Lot 8066, Mukim Kertih, Kemaman, Terengganu Leasehold for 60 years, expiring on 19 August 2060	01.08.2000	Industrial land  — Plant for production of ammonia and any other related gas	98,490	19	135,082
20	PETRONAS Chemicals Ammonia Sdn Bhd PT 15786, Lot 5276, Mukim Kertih, Kemaman, Terengganu Leasehold for 44 years, expiring on 08 January 2055	30.12.2011	Industrial land  – KIPC Shared Facilities which includes the administrative, laboratory and workshop buildings	96,208	8	30,244
21	PETRONAS Chemicals LDPE Sdn Bhd Pajakan Negeri, No. Hakmilik 7593, No. Lot 8073, Mukim Kertih, Kemaman, Terengganu Leasehold for 60 years, expiring on 19 August 2060	20.08.2000	Industrial land  — Plant for production of LDPE	184,677	19	66,252
22	Kertih Port Sdn Bhd  Pajakan Negeri, No. Hakmilik 4695, No. Lot 7120, Mukim Kertih, Kemaman, Terengganu  Leasehold for 60 years, expiring on 05 March 2060	02.08.2000	Industrial land – Operations of Kertih Port (Jetty and marine related facilities)	43,100	19	324,801
23	Kertih Port Sdn Bhd  Pajakan Negeri, No. Hakmilik 4696, No. Lot 7121, Mukim Kertih, Kemaman, Terengganu  Leasehold for 60 years, expiring on 05 March 2060	02.08.2000	Industrial land — Gas and oil pipelines (Reclaimation area land & Coastal Strip Land)	41,400	19	374
24	Kertih Port Sdn Bhd  Pajakan Negeri, No. Hakmilik 6280, No. Lot 8077 Mukim Kertih, Kemaman, Terengganu  Leasehold for 51 years, expiring on 16 June 2052	31.03.1993	Industrial land – Administration complex and other related facilities	58,570	27	958

## LIST OF PROPERTIES

	Name of registered owner/ Beneficial owner:			Land area:	Age of Plant & building:	NBV as at 31 December 2019
No.	Lot. no./Leasehold period	Acquisition date	Existing use	(sq metre unless otherwise stated)	(Years)	(RM'000)
25	Vinyl Chloride (Malaysia) Sdn Bhd Pajakan Negeri, No. Hakmilik 3331, No. Lot 51062, Mukim Kertih, Kemaman, Terengganu Leasehold for 44 years, expiring on 08 January 2055	07.09.1998	Industrial land – Integrated PVC manufacturing plant	187,958	21	2,185
	Pajakan Negeri, No. Hakmilik 7394, No. Lot 6058, Mukim Kertih, Kemaman, Terengganu Leasehold for 60 years, expiring on 18 December 2056	07.09.1998	Industrial land – Integrated PVC manufacturing plant	121,400	21	1,423
26	PETRONAS Chemicals Fertiliser Sabah Sdn Bhd  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	2	351,216
27	<b>Karan B.V.</b> Branskamp 10/12, 6014 CB, Ittervoort, The Netherlands	10.03.2003	Industrial land – Plant for production of silicones	4,694	29	6,311
28	BRB LAC Invest B.V.  Europastraat 5, 6014 CD  Ittervoort, The Netherlands	03.02.2009	Industrial land — Plant for production of lube oil additives & chemicals (LAC)	3,390	29	5,343
29	BRB Central Eastern Europe Sp. z.o.o.  Niepolomice, Podleze, Land Estate 1446, Poland	11.08.2015	Land	13,870	4	1,656
30	BRB Real Estate Canada Inc  144 Woodlawn Road West, City of Guelph, County of Wellington, Ontario, Canada	23.10.2018	Industrial land – Plant for production of silicones	6,975	32	21,253

## **ANALYSIS OF SHAREHOLDINGS**

as at 26 February 2020

: RM800,000,000 comprising 8,000,000,000 ordinary shares Share Capital

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	741	3.96	3,824	0.00
100 - 1,000	6,669	35.67	5,300,651	0.07
1,001 - 10,000	8,818	47.16	35,948,837	0.45
10,001 - 100,000	1,637	8.75	50,799,640	0.63
100,001 to less than 5% of issued shares	830	4.44	1,775,135,148	22.19
5% and above of issued shares	3	0.02	6,132,811,900	76.66
Total	18,698	100.00	8,000,000,000	100.00

#### **CLASSIFICATION OF SHAREHOLDERS**

	No. of Shareho	olders	% of Sha	reholders	No. of Shares		% of Shareholdings	
Malaysian	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
1. Individuals	14,450	126	77.28	0.67	57,916,855	1,117,768	0.72	0.01
2. Body Corporate								
a. Banks/Finance Companies	85	0	0.46	0.00	970,136,210	0	12.13	0.00
b. Investment Trusts/Foundation/Charities	2	0	0.01	0.00	151,000	0	0.00	0.00
c. Other types of companies	293	7	1.57	0.04	25,735,101	2,715,287	0.32	0.04
3. Government Agencies/Institutions	3	0	0.02	0.00	2,630,400	0	0.03	0.00
4. Nominees	2,884	846	15.42	4.53	6,219,660,143	719,929,236	77.75	9.00
5. Others	0	0	0.00	0.00	8,000	0	0.00	0.00
Total	17,717	979	94.76	5.24	7,276,237,709	723,762,291	90.95	9.05

#### LIST OF SUBSTANTIAL SHAREHOLDERS

		No. of Shares		No. of Shares			eholdings
No.	Name	Direct	Indirect	Direct	Indirect		
1	CIMB Group Nominees (Tempatan) Sdn Bhd Exempt an for Petroliam Nasional Berhad (PETRONAS)	5,148,000,000	_	64.35	_		
2	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Including Portfolio Managers)	625,781,300	-	7.82	_		
3	Amanah Raya Trustees Berhad Amanah Saham Bumiputera	454,764,200	_	5.68	_		

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## ANALYSIS OF SHAREHOLDINGS

as at 26 February 2020

#### LIST OF DIRECTORS' SHAREHOLDINGS

		No. of	Shares	% of Shareholdings		
No.	Name	Direct	Deemed Interest	Direct	Deemed Interest	
1	Datuk Md Arif Mahmood	20,000	_	0.00	_	
2	Datuk Sazali Hamzah	_	_	-	-	
3	Datuk Toh Ah Wah	_	_	_	_	
4	Yeoh Siew Ming	_	_	-	-	
5	Warren William Wilder	_	_	_	_	
6	Dr Zafar Abdulmajid Momin	_	_	-	_	
7	Noor Ilias Mohd Idris	6,000	_	0.00	_	
8	Freida Amat	6,000	_	0.00	-	

#### LIST OF MANAGEMENT'S SHAREHOLDINGS

		No. of Sh			eholdings
No.	Name	Direct	Deemed Interest	Direct	Deemed Interest
1	Datuk Sazali Hamzah	_	_	_	_
2	Rashidah Alias	6,000	_	0.00	_
3	Mahadzir Rani	_	_	_	_
4	Shamsairi Mohd Ibrahim	6,000	_	0.00	_
5	Akbar Md Thayoob	6,000	_	0.00	_
6	Ch'ng Guan How	2,000	_	0.00	_
7	Hasnizaini Mohd Zain	1,000	_	0.00	_
8	Fauzamsaari Geran	6,000	_	0.00	_
9	Mohd Zakir Jaafar	_	_	_	_
10	Jamilah Ujang	_	_	_	_
11	Norfaila Hassan	_	_	_	_

#### **LIST OF 30 LARGEST SHAREHOLDERS**

No.	Name	Holdings	%
1	CIMB Group Nominees (Tempatan) Sdn Bhd Exempt an for Petroliam Nasional Berhad (PETRONAS)	5,148,000,000	64.35
2	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	530,047,700	6.63
3	Amanahraya Trustees Berhad Amanah Saham Bumiputera	454,764,200	5.68
4	Kumpulan Wang Persaraan (Diperbadankan)	145,545,400	1.82
5	Amanahraya Trustees Berhad Amanah Saham Malaysia 2 – Wawasan	64,916,100	0.81
6	Cartaban Nominees (Asing) Sdn Bhd Exempt an for State Street Bank & Trust Company (West CLT OD67)	54,150,900	0.68
7	Citigroup Nominees (Tempatan) Sdn Bhd Great Eastern Life Assurance (Malaysia) Berhad (PAR 1)	53,631,200	0.67
8	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Public Ittikal Fund (N14011970240)	49,000,000	0.61

No.	Name	Holdings	%
9	HSBC Nominees (Asing) Sdn Bhd JPMCB NA for Vanguard Total International Stock Index Fund	47,033,703	0.59
10	Lembaga Tabung Haji	42,549,900	0.53
11	HSBC Nominees (Asing) Sdn Bhd JPMCB NA for Vanguard Emerging Markets Stock Index Fund	41,962,132	0.52
12	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Nomura)	41,449,300	0.52
13	Cartaban Nominees (Tempatan) Sdn Bhd PAMB for Prulink Equity Fund	39,917,800	0.50
14	Permodalan Nasional Berhad	37,599,700	0.47
15	Amanahraya Trustees Berhad Amanah Saham Bumiputera 3 – Didik	27,789,100	0.35
16	Amanahraya Trustees Berhad Public Islamic Dividend Fund	23,988,700	0.30
17	Maybank Nominees (Tempatan) Sdn Bhd MTRUSTEE Berhad for Principal Dali Equity Growth Fund (UT-CIMB-DALI) (419455)	22,755,000	0.28
18	Citigroup Nominees (Tempatan) Sdn Bhd Exempt an for AIA Bhd.	21,998,600	0.27
19	Cartaban Nominees (Asing) Sdn Bhd GIC Private Limited for Government of Singapore (C)	21,135,400	0.26
20	Amanahraya Trustees Berhad Amanah Saham Bumiputera 2	20,623,200	0.26
21	HSBC Nominees (Asing) Sdn Bhd JPMBL SA for Robeco Capital Growth Funds	17,732,500	0.22
22	Amanahraya Trustees Berhad Public Islamic Equity Fund	17,297,800	0.22
23	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (CIMB PRIN)	16,764,400	0.21
24	Citigroup Nominees (Tempatan) Sdn Bhd Great Eastern Life Assurance (Malaysia) Berhad (PAR 3)	16,314,800	0.20
25	Amanahraya Trustees Berhad Public Islamic Select Enterprises Fund	16,002,400	0.20
26	DB (Malaysia) Nominee (Asing) Sdn Bhd BNYM SA/NV for People's Bank of China (SICL ASIA EM)	15,933,700	0.20
27	Amanahraya Trustees Berhad Amanah Saham Malaysia	14,122,600	0.18
28	Pertubuhan Keselamatan Sosial	12,769,110	0.16
29	Amanahraya Trustees Berhad Amanah Saham Malaysia 3	12,375,600	0.15
30	Citigroup Nominees (Asing) Sdn Bhd CBNY for Norges Bank (Fl 17)	12,268,623	0.15
Tot	al	7,040,439,568	87.99

## CORPORATE

#### WHOLLY-OWNED SUBSIDIARIES

#### 1. Kertih Port Sdn Bhd

Lot 3633, Kawasan Bukit Tengah KM 105, Jln Kuantan-Kuala Terengganu 24300 Kertih, Kemaman Terengganu Darul Iman

Tel: +609 830 5648/5796 Fax: +609 830 5618/5623/5639

#### 2. PCM (China) Co., Ltd.

Unit 10-011, 10<sup>th</sup> Floor Hang Seng Bank Tower No. 1000 Lujiazui Ring Road Shanghai 200120 China

Tel: +8621 6887 1017 Fax: +8621 6887 1445 ext 205

#### 3. PCM (Thailand) Company Limited

5<sup>th</sup> Floor, Bangkok City Tower 179 South Sathorn Road Kwaeng Tungmahamek Khet Sathorn Bangkok 10120 Thailand

Tel: +66 2679 5600 Fax: +66 2679 5511

## 4. PETRONAS Chemicals Ammonia Sdn Bhd

Kompleks Pentadbiran Petrokimia PETRONAS KM 105, Jln Kuantan-Kuala Terengganu 24300 Kertih, Kemaman Terengganu Darul Iman

Tel: +609 830 5000 Fax: +609 830 5222

## 5. PETRONAS Chemicals Derivatives Sdn Bhd

Administration Building PETRONAS Petroleum Industry Complex KM 106, Jln Kuala Terengganu-Kuantan 24300 Kertih

Terengganu Darul Iman Tel: +609 830 7700 Fax: +609 830 7797

#### 6. PETRONAS Chemicals Fertiliser Kedah Sdn Bhd

KM 3, Jalan Jeniang P.O. Box 22 08300 Gurun Kedah Darul Aman

Tel : +604 466 6666 Fax : +604 468 5200

## 7. PETRONAS Chemicals Fertiliser Sabah Sdn Bhd

Jalan SOGIP 4, Sipitang Oil & Gas Industrial Park, 89850, Sipitang, Sabah

Tel: +608 781 3872 Fax: +608 781 3852

## 8. PETRONAS Chemicals Glycols Sdn Bhd

Administration Building, PETRONAS Petroleum Industry Complex KM 106, Jln Kuala Terengganu-Kuantan 24300 Kertih

Terengganu Darul Iman Tel: +609 830 7700 Fax: +609 830 7797

## 9. PETRONAS Chemicals Isononanol Sdn Bhd

Tower 1, PETRONAS Twin Towers Kuala Lumpur City Centre 50088 Kuala Lumpur Tel: +603 2051 5000

## 10. PETRONAS Chemicals Marketing Sdn Bhd

Level 34, Tower 1, PETRONAS Twin Towers Kuala Lumpur City Centre 50088 Kuala Lumpur Tel: +603 2331 5000

Fax: +603 2331 1747

## 11. PETRONAS Chemicals Marketing (Labuan) Ltd

Level 34, Tower 1,
PETRONAS Twin Towers
Kuala Lumpur City Centre
50088 Kuala Lumpur
Tel: +603 2331 5000
Fax: +603 2331 1747

## 12. PETRONAS Chemicals Methanol Sdn Bhd

Kawasan Perindustrian Rancha-Rancha P.O. Box 80079

87010 Federal Territory Labuan

Tel: +6087 594 000 Fax: +6087 594 979

#### 13. PETRONAS Chemicals MTBE Sdn Bhd

Lot 111/112

Kawasan Perindustrian Gebeng, Balok 26080 Kuantan

Pahang Darul Makmur Tel: +609 585 6700 Fax: +609 583 4090/4743

## 14. PETRONAS Chemicals Polyethylene Sdn Bhd

Lot 3834, Kawasan Bukit Tengah KM 105, Jln Kuantan-Kuala Terengganu 24300 Kertih, Kemaman

Terengganu Darul Iman Tel: +609 830 2000 Fax: +609 827 3940

#### 15. Polypropylene Malaysia Sdn Bhd

Lot 111/112, Kawasan Perindustrian Gebeng, Balok 26080 Kuantan Pahang Darul Makmur

Pahang Darul Makmur Tel: +609 585 6700 Fax: +609 583 4090/4743

#### 16. PRPC Elastomers Sdn Bhd

Tower 1, PETRONAS Twin Towers Kuala Lumpur City Centre 50088 Kuala Lumpur Tel: +603 2051 5000

#### 17. PT PCM Kimia Indonesia

Talavera Office Suite Lantai 17, J1. Simatupang Kav 22-26 Cilandak Barat Jakarta Selatan

12430 Indonesia Tel: +6221 2276 8393 Fax: +6221 2297 6658

#### 18. Vinyl Chloride (Malaysia) Sdn Bhd

Kompleks Pentadbiran Petrokimia PETRONAS KM 105 Jln Kuantan-Kuala Terengganu 24300. Kertih Kemaman

Terengganu Darul Iman Tel: +609 830 5000 Fax: +609 830 5150

#### 19. PETRONAS Chemicals LDPE Sdn Bhd

Lot 9717, PETRONAS Petroleum Industry Complex

KM 105, Jln Kuantan-Kuala Terengganu 24300 Kertih, Kemaman

Terengganu Darul Iman Tel: +609 830 5068 Fax: +609 830 5858/5990

#### 20. PETRONAS Chemicals Olefins Sdn Bhd

Administration Building

PETRONAS Petroleum Industry Complex KM 106, Jln Kuala Terengganu-Kuantan 24300 Kertih

Terengganu Darul Iman

Tel: +609 830 7700 Fax: +609 830 7797

#### 21. PETRONAS Chemicals International B.V.

Rivium 1e Straat 42, 2909 LE Capelle aan den Ijssel, Rotterdam, the Netherlands

Tel: +311 03164131

#### 22. PETRONAS Da Vinci Group B.V.\*

Europastraat 5 - 6014 CD Ittervoort

The Netherlands

Tel: +31 475 560 300 Fax: + 31 475 560 144

#### **PARTLY-OWNED SUBSIDIARIES**

#### 23. ASEAN Bintulu Fertilizer Sdn Bhd

KM 18, Jalan Tanjung Kidurong P.O. Box 482, 97008 Bintulu, Sarawak

Tel: +6086 231 000/232 000

Fax: +6086 251 043

#### 24. PCM Chemical India Private Limited

9<sup>th</sup> floor, Hindustan Times House 18-20 Kasturba Gandhi Marq

New Delhi 110001 Tel: +9111 2373 8715 Fax: +9111 2373 8712

#### 25. PETRONAS Chemicals Aromatics Sdn Bhd

c/o PETRONAS Penapisan (T) Sdn Bhd KM 105, Jln Kuantan-Kuala Terengganu 24300 Kertih, Kemaman

Terengganu Darul Iman Tel: +609 830 3007 Fax: +609 830 3188

#### 26. PETRONAS Chemicals Ethylene Sdn Bhd

Lot 3834, Kawasan Bukit Tengah KM 105, Jln Kuantan-Kuala Terengganu 24300 Kertih, Kemaman

Terengganu Darul Iman Tel: +609 830 2000 Fax: +609 827 3940

#### **JOINT OPERATION**

#### 27. Pengerang Petrochemical Company Sdn Bhd

Level 38, Vista Tower, The Intermark. 348. Jalan Tun Razak 50400, Kuala Lumpur Fax: +603 2858 3148

#### 28. BP PETRONAS Acetyls Sdn Bhd

Kompleks Pentadbiran Petrokimia PETRONAS 24300 Kertih, Kemaman Terengganu Darul Iman Tel: +609 830 5300

Fax: +609 830 5321

#### 29. Kertih Terminals Sdn Bhd

Tingkat 1, Kompleks Pentadbiran KPSB Lot 3633, Kawasan Bukit Tengah KM 105, Jln Kuantan-Kuala Terengganu 24300 Kertih, Kemaman

Terengganu Darul Iman Tel: +609 830 5788 Fax: +609 830 5665

#### **ASSOCIATES**

#### 30. BASF PETRONAS Chemicals Sdn Bhd

Jalan Gebeng 2/1 Kawasan Perindustrian Gebeng 26080 Kuantan Pahang Darul Makmur

Tel: +609 585 5000 Fax: +609 583 4623

#### 31. Idemitsu SM (Malaysia) Sdn Bhd

PLO 408, Off Jalan Pekeliling Pasir Gudang Industrial Estate 81700 Pasir Gudang Johor Darul Takzim

Tel: +607 252 5350 Fax: +607 252 8281

#### 32. Malaysian NPK Fertilizer Sdn Bhd

Batu 2, Jalan Jeniang P.O. Box 24 08300 Gurun Kedah Darul Aman

Tel: +604 468 4075 Fax: +604 468 4619

**INTEGRATED REPORT 2019** -

<sup>\*</sup> Corporate Directory for Da Vinci Group B.V.'s subsidaires and joint ventures is available at the Company's corporate website at www.petronaschemicals.com

## INDEPENDENT LIMITED ASSURANCE REPORT

#### To the Directors of PETRONAS Chemicals Group Berhad

In accordance with the terms of our engagement, we, KPMG PLT, have been engaged by the Board of Directors of PETRONAS Chemicals Group Berhad (PCG) to provide limited assurance on the selected Integrated Reporting <IR> material matters reported in the Integrated Report 2019 prepared by PCG, in accordance with the International <IR> Framework by the International Integrated Reporting Council (IIRC).

#### Management's Responsibilities

The Management of PCG (Management) is responsible for preparation and the presentation of the Integrated Report 2019 in accordance with The International <IR> Framework by the IIRC. This responsibility includes: (i) the identification of stakeholders and stakeholder's requirements; (ii) the identification of selected material matters and associated information in accordance with Management's calculation methodologies and the information and assertions contained within it and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived; and (iii) the design, implementation and maintenance of internal control relevant to the preparation of the Integrated Report 2019 such that it is free from material misstatement, where due to fraud or error.

Management is responsible for preventing and detecting fraud and for identifying and ensuring that PCG complies with the laws and regulations applicable to its activities.

Management is also responsible for ensuring that staff involved with the preparation and presentation of the Integrated Report 2019 are properly trained, information systems are properly updated and that any changes in the reporting process and systems is reported by all significant operating units.

#### **Our Responsibility**

Our responsibility is to plan and perform our limited assurance engagement so that we are able to express our limited assurance conclusion based on the evidence obtained, on whether anything has come to our attention that causes us to believe that the Integrated Report 2019 in relation to the selected material matters is not prepared, in all material respects, in accordance with the International <IR> Framework by the IIRC.

Our evidence gathering procedures on the selected material matters as reported in the Integrated Report 2019 were designed to obtain a 'limited level' of assurance in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements other than the Audits or Review of Historical Financial Information and the ISAE 3401, Assurance Engagements on Greenhouse Gas Statements issued by the International Auditing and Assurance Standards Board (IAASB).

#### Selected Material Matters

The Limited Assurance on the selected Integrated Reporting material matters was undertaken on the premise of its application of the International <IR> Framework by the IIRC in relation to the selected material matters as below:

- Water Environmental Footprint's Performance Target in water discharge (by quality) e.g. reduction of Chemical Oxygen Demand (COD) per kilotonne of production for wastewater intensity;
- Greenhouse Gas (GHG) Emissions Environmental Footprint's Performance Target in the reduction of GHG Emissions Intensity;
- Health, Safety & Environment (HSE) Performance Lost Time Injury Frequency (LTIF) Performance including type of injury & injury rates and number of work-related fatalities; and
- Talent Average training (in man-days) per employee.

The boundary of the selected material matters as reported in the Integrated Report 2019 was limited to PCG activities at the Group level (located at PCG headquarters at PETRONAS Twin Tower 1, Kuala Lumpur City Centre) and two of its wholly-owned subsidiaries being, PETRONAS Chemicals Glycols Sdn Bhd and PETRONAS Chemicals Olefins Sdn Bhd in Kertih, Terengganu Darul Iman (collectively known as the "operating units or in-scope OPUs") for the site level data testing, and the remaining PCG's wholly-owned subsidiaries or OPUs for the group level consolidated data testing.

#### **Procedures Performed over the Limited Assurance Engagement**

The limited assurance engagement on the selected material matters consists of making inquiries, primarily of persons responsible for the preparation of information presented in the Integrated Report 2019, and applying analytical and other evidence gathering procedures, as appropriate. These procedures included:

- Interviews with relevant committees and managers to understand the progress made by PCG in the year in pursuit of its objectives;
- Enquiries about the design and implementation of the systems and methods used to collect and process the information reported, including the aggregation of source data into the selected material matters;
- Comparing the information presented in the selected material matters as reported in Integrated Report 2019 and its corresponding information in the relevant underlying sources to determine whether the relevant information has been prepared in accordance with Management's calculations and methodologies;
- Inquire the coverage of material issues and enterprise risk within the Integrated Report 2019, which sets out PCG's strategic objectives, and other relevant information;
- Reading the Integrated Report 2019 to assess the application of the International <IR> Framework by the IIRC based on the data and statements pertaining to the selected Material Matters;
- Conducted site visits to the two (2) in-scope OPUs which were selected on the basis of risk portfolio, including the consideration of both quantitative and qualitative criteria; and
- · Confirmation that data pertaining to the selected material matters, statements and assertions within the Integrated Report 2019 regarding PCG's activities which, based on our professional judgement and considered most significant, have been extracted appropriately from underlying documentation.

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 and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

#### **Our Independence and Quality Control**

The ISAE 3000 requires us to comply with the requirements of Parts A and B of the Code of Ethics for Professional Accountants, issued by the International Ethics Standards Board for Accountants (the IESBA Code). This Code requires, among other things, that the members of the assurance team as well as the assurance firm being independent of the assurance client, including not being involved in writing the Integrated Report, and that they plan and perform the engagements to obtain limited assurance about whether data are free from material misstatement.

The Code also includes detailed requirements regarding integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

KPMG PLT has systems and processes in place to monitor compliance with the Code and to prevent conflicts regarding independence. Our independence from the client is reviewed on an annual basis.

KPMG PLT also applies the Malaysian Approved Standard on Quality Control, ISQC 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## INDEPENDENT LIMITED ASSURANCE REPORT

#### **Inherent Limitations**

Due to the inherent limitations of any internal control structure and prospective information, the actual future results are uncertain. We do not provide any assurance on the assumptions and achievability of prospective information in the Integrated Report 2019, and our engagement is not designed to detect all weaknesses in the internal controls over the preparation and presentation of the Integrated Report 2019, as the engagement has not been performed continuously throughout the period and the procedures performed were undertaken on a test basis.

#### **Our Conclusion**

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this Independent Limited Assurance Report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Materiality has been considered in the context of quantitative and qualitative factors (such as size), the nature and extent of the effect of these factors and the needs of the intended users of the limited assurance report on the evaluation or measurement of the International <IR> Framework by the IIRC in relation to the selected material matters.

Based on the procedures we have performed and the evidence we have obtained, nothing (both quantitative and qualitative) has come to our attention that causes us to believe that the selected material matters as reported in the Integrated Report for the year ended 31 December 2019 is not prepared, in all material respects, in accordance with the International <IR> Framework by the IIRC.

#### Restriction of use of our Independent Limited Assurance Report

Our Independent Limited Assurance Report should also not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than PCG, for any purpose or in any other context. Any party other than PCG who obtains access to our Independent Limited Assurance Report or a copy thereof and chooses to rely on our Independent Limited Assurance Report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we do not accept nor assume responsibility and deny any liability to any party other than PCG for our work, for this Independent Limited Assurance Report, or for the conclusions we have reached.

Our Independent Limited Assurance Report is released to PCG on the basis that it shall not be copied, referred to or disclosed, in whole (save for PCG's own internal purposes) or in part, without our prior written consent.

KPMG

KPMG PLT (LLP0010081-LCA) Petaling Jaya 26 February 2020

### **NOTICE OF** 22<sup>ND</sup> ANNUAL GENERAL MEETING

#### PETRONAS CHEMICALS GROUP BERHAD

REGISTRATION NO: 199801003704 (459830-K) (INCORPORATED IN MALAYSIA)

NOTICE IS HEREBY GIVEN THAT the 22<sup>nd</sup> Annual General Meeting (AGM) of the Company will be held at the Exhibition Hall 7, Level 3, Kuala Lumpur Convention Centre, Jalan Pinang, 50088 Kuala Lumpur, Malaysia, on Tuesday, 16 June 2020 at 10.00 a.m. to transact the following businesses:-

#### **ORDINARY BUSINESS**

To receive the Audited Financial Statements for the financial year ended 31 December 2019 together with the Reports of the Directors and Auditors thereon.

Please refer to Explanatory Note A

To re-elect the following Directors who retire by rotation pursuant to Article 107 of the Company's Constitution:

(a) Datuk Md Arif Mahmood

(Resolution 1)

(b) Datuk Toh Ah Wah

(Resolution 2)

Please refer to Explanatory Note B

- To re-elect the following Directors, who were appointed during the year pursuant to Article 100 of the Company's Constitution:
  - (a) Yeoh Siew Ming

(Resolution 3)

(b) Noor Ilias Mohd Idris

(Resolution 4)

Please refer to Explanatory Note B

To approve the Directors' Fees and Allowances payable to the Non-Executive Directors of up to an amount of RM2.5 million with effect from 17 June 2020 until the next Annual General Meeting of the Company.

(Resolution 5)

Please refer to Explanatory Note C

To approve the re-appointment of KPMG PLT, as Auditors of the Company for the financial year ending 31 December 2020 and to authorise the Directors to fix their remuneration.

(Resolution 6)

Please refer to Explanatory Note D

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 22<sup>nd</sup> AGM, the Company will be requesting the Record of Depositors as at 8 June 2020. Only a depositor whose name appears on the Record of Depositors as at 8 June 2020 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

Hasnizaini Mohd Zain (LS0009780) Kang Shew Meng (MAICSA 0778565) Company Secretaries

Kuala Lumpur 7 April 2020

**INTEGRATED REPORT 2019** 

### NOTICE OF 22ND ANNUAL GENERAL MEETING

#### **Notes:**

#### **Proxy and/or Authorised Representatives**

- 1. A member of the Company entitled to attend, participate, speak and vote at the meeting may appoint not more than two proxies to attend, participate, speak and vote on his 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.
- 2. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 (SICDA), 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.
- 3. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for the 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. An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
- 4. 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.
- 5. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if the appointer is a corporation either under seal or under the hand of an officer or attorney duly authorised. The appointment of a proxy may be made in hard copy form or by electronic form. If the appointment is made in hard copy form, the Proxy Form must be deposited with Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively to submit the electronic Proxy Form via TIIH Online at https://tiih.online not less than 48 hours before the time fixed for holding the meeting. Please refer to the Annexure of the Proxy Form in the Administrative Details for submission of electronic Proxy Form.
- 6. If the Proxy Form is signed under the hand of an officer duly authorised, it should be accompanied by a statement reading "signed as authorised officer under Authorisation Document which is still in force, no notice of revocation having been received". If the Proxy Form is signed by an attorney duly appointed under a power of attorney, it should be accompanied by a statement reading "signed under Power of Attorney which is still in force, no notice of revocation having been received". A copy of the Authorisation Document or the Power of Attorney, which should be valid in accordance with the laws of the jurisdiction in which it was created and is exercised, should be enclosed with this Proxy Form.
- 7. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Malaysia) as set out in the Notice of the 22<sup>nd</sup> AGM will be put to vote on a poll.

Following the Malaysia Government's announcements on 16 March 2020 and 25 March 2020 related to the Movement Control Order effective 18 March 2020 to 14 April 2020 (or any extension thereof), there may be some delay in the delivery of the hardcopies of the Integrated Report 2019, Governance and Financial Report 2019 and Sustainability Report 2019, as requested by the shareholders. The hardcopies will be delivered once they are made available to the Company.

#### **Explanatory Notes**

#### Note A

The audited financial statements are laid before the shareholders pursuant to the provisions of Section 244(2)(a) of the Companies Act 2016. The same is for discussion and not put forward for voting.

#### Note E

(i) 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 once at least 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 whether adjourned or not.

At the forthcoming 22<sup>nd</sup> AGM, two directors will be retiring in accordance with Article 107 of the Company's Constitution. They are Datuk Md Arif Mahmood and Datuk Toh Ah Wah, whom being eligible for re-election have given their consent for re-election at the AGM.

The Board endorsed the NRC's recommendation that the Directors who retire in accordance with Article 107 of the Company's Constitution are eligible to stand for re-election.

The profiles of the retiring Directors are set out in the Profile of the Board of Directors on pages 4 to 7 (inclusive) of the Governance and Financial Report.

#### (ii) Re-election of Directors who retire in accordance with Article 100 of the Company's Constitution

In view that Yeoh Siew Ming and Noor Ilias Mohd Idris were appointed during the financial year under review, they will be retiring under Article 100 of the Company's Constitution. They, being eligible for re-election have also given their consent for re-election.

The profiles of the retiring Directors are set out in the Profile of the Board of Directors on pages 4 to 7 (inclusive) of the Governance and Financial Report.

Pursuant to Section 230(1) of the Companies Act 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 Petroliam Nasional Berhad (PETRONAS) are paid directly to PETRONAS. The shareholders at the last AGM held on 29 April 2019 approved the Directors' Fees of up to RM2.7 million for the period from 30 April 2019 until the next AGM of the Company. The Directors' Fees and other benefits paid to the NEDs for the said period was RM2,092,951.73.

The Directors' fees and allowances for the NEDs for the period from 17 June 2020 until the conclusion of the next AGM of the Company (Mandate Period) are estimated not to exceed RM2.5 million. The calculation is based on the estimated number of scheduled Board and Board Committees' meetings and on assumption that all the NEDs will remain in office until the next AGM. This resolution is to facilitate payment of the Directors' Fees 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 2019 are published in the Corporate Governance Report on the Company's corporate website at www.petronaschemicals.com

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 22<sup>nd</sup> AGM.

#### **Note D**

On 24 February 2019, the Board Audit Committee (BAC) has endorsed and subsequently approved by the MD/CEO the adoption of PETRONAS Framework on External Auditors (the Framework) for PCG and its subsidiaries (PCG Group) effective from 25 February 2019. One of the requirement under the Framework is for the BAC to carry out annual assessment on the suitability, objectivity, independence and performance of the external auditors based on the following 4 key areas:

- (a) quality of engagement team and services;
- (b) adequacy of resources;
- quality of communication and interaction; and (C)
- 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 nonaudit services by KPMG PLT to the PCG Group for the financial year ended 2019 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 Main Market Listing Requirements of Bursa Malaysia.

The Board at its meeting held on 26 February 2020 recommended the re-appointment of KPMG PLT as External Auditors of the Company for the financial year ending 31 December 2020 for approval of the shareholders under Resolution 6.

#### **Other Information**

The Company has engaged independent scrutineers to count, audit and validate the votes for each proposal presented to shareholder.

# ADMINISTRATIVE DETAILS FOR 22<sup>ND</sup> ANNUAL GENERAL MEETING

Day, Date and Time : Tuesday, 16 June 2020 at 10.00 a.m.

Venue for the Meeting : Exhibition Hall 7, Level 3, Kuala Lumpur Convention Centre, Jalan Pinang, 50088 Kuala Lumpur, Malaysia.

. Exhibition Hatti, Level 3, Ruala Euripui Convention Centre, Jatan Finang, 30000 Ruala Euripui, Malaysia.

#### 1. REGISTRATION

- Registration will start at 8.00 a.m. at the Exhibition Hall 6, Level 1, Kuala Lumpur Convention Centre (KL Convex).
- Please produce your original MyKad/passport (for foreigner) at the registration counters for verification and ensure that you collect your MyKad/passport upon completion of verification.
- Subsequent to verification of your MyKad/passport and signing of the attendance list, you will also be given an identification wristband with personalised passcode for the voting purpose. No person will be allowed to enter the meeting hall without the identification wristband. There will be no replacement in the event that you lose or misplace the identification wristband.
- If you are attending the meeting as a shareholder as well as a proxy, you will be registered once and will only be given one identification wristband to enter the meeting hall.
- No person will be allowed to enter the meeting hall without wearing the identification wristband. There will be no replacement in the event if you lose or misplace your identification wristband. Upon completion of registration, please proceed to the meeting venue located at the Exhibition Hall 7, Level 3, KL Convex.
- Please note that you will not be allowed to register on behalf of another member even with the original MyKad/ passport of that other member.
- The registration counters will only handle verification of identities and registrations. If you have other queries or need clarifications, please proceed to the Help Desk.
- After registration, please vacate the registration area immediately.

#### 2. CAR PARKING

- Parking is available at KL Convex or Suria KLCC ONLY.
   Please bring your parking ticket for validation at the counter located at Exhibition Hall 6, Level 1, KL Convex.
- By validating the parking ticket, you will not be charged for parking when you leave. Please be advised that the parking ticket will expire by 3.00 p.m. on 16 June 2020.
   Any additional costs incurred for parking after 3.00 p.m. will not be borne by PCG.
- Please be advised that PCG will not reimburse any parking costs incurred at any other location. As such, please observe the abovementioned parking areas.
- Please note that PCG shall not bear any responsibilities for lost parking token(s).
- Shareholders are encouraged to use the KELANA JAYA LINE (Light Rail Transit) and disembark at the KLCC Station or to use the SUNGAI BULOH-KAJANG LINE (Mass Rapid Transit) and disembark at the Bukit Bintang Station, which is about 10-15 minutes walking distance to the venue of the meeting.

#### 3. PROXY

- A member entitled to attend and vote is entitled to appoint proxy/proxies, to attend and vote instead of him.
   If you are unable to attend the meeting and wish to appoint a proxy to vote on your behalf, please submit your Proxy Form in accordance with the notes and instructions printed therein.
- · The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if the appointer is a corporation either under seal or under the hand of an officer or attorney duly authorised. The appointment of a proxy may be made in hard copy form or by electronic form. If the appointment is made in hard copy form, the Proxy Form must be deposited with Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively to submit your electronic Proxy Form via TIIH Online at https://tiih.online not less than 48 hours before the time fixed for holding this meeting. Please refer to the Annexure of the Proxy Form in this Administrative Details for submission of electronic Proxy Form.
- If you wish to attend the meeting yourself, please do not submit any Proxy Form. You will not be allowed to attend the meeting together with a proxy appointed by you.
- If you have submitted your Proxy Form prior to the meeting and subsequently decided to attend the meeting yourself, please proceed to the Help Desk to revoke the appointment of your proxy.

#### 4. POLL VOTING

- The voting at the 22<sup>nd</sup> AGM will be conducted by poll in accordance with Paragraph 8.29A of MMLR of Bursa Malaysia. The Company has appointed Tricor Investor & Issuing House Services Sdn Bhd (Tricor) as Poll Administrator to conduct the poll by way of electronic voting (e-voting) and Boardroom Share Registrars Sdn Bhd as Scrutineers to verify the poll results.
- During the 22<sup>nd</sup> AGM, the Chairman will invite the Poll Administrator to brief you on the e-voting procedures using smartphone or tablet (voting device).
- Members and proxies who wish to use their own voting device to vote are required to take note of the following e-voting requirements and procedures:
  - (a) Download Tricor e-Vote App (Version 1.3.7) onto your voting device before attending the meeting. Tricor e-Vote App download is available at no cost from Google Play Store or Apple App Store. If you require assistance on how to download the Tricor e-Vote App, please contact Tricor officers listed in Item 9 below.

(b) When you arrive at the meeting venue, connect to the Wi-Fi network provided by Tricor for use and access to Tricor e-Vote App:

> Wi-Fi Name: Tricor\_eVote Password: pchem1606

- (c) Use the camera function of your voting device to capture the passcode on your wristband to access Tricor e-Vote App.
- (d) Once login, you can proceed to vote on the resolutions and submit your votes at any time from 10.00 a.m. but before the completion of the voting session which will be announced by the Chairman during the meeting.
- · Members and proxies who do not have voting device to submit their votes, they can do so at the voting kiosks. The Chairman will announce the commencement of voting at the kiosks upon conclusion of the deliberations of all the businesses transacted at the 22<sup>nd</sup> AGM. Members and proxies will be directed to the kiosks which are equipped with voting devices and polling officers are stationed to assist. The duration of voting at the kiosks is estimated to be 10 minutes.
- Upon completion of the voting session for the 22<sup>nd</sup> AGM, the Scrutineers will verify and announce the poll results followed by the Chairman's declaration whether the resolutions are duly passed.

#### 5. REMOTE PARTICIPATION AND VOTING (RPV)

- (1) Members (individuals only) who are unable or do not wish to be physically present at KL Convex will have the option to participate and vote remotely at the 22<sup>nd</sup> AGM via the RPV facilities which are available on Tricor's TIIH Online website at https://tiih.online
- (2) If you wish to engage in remote participation through live streaming and online remote voting at the 22<sup>nd</sup> AGM using the RPV facilities, please read and follow the procedures below:

Procedure	Action
	BEFORE THE AGM DAY
(a) Register as a user with TIIH Online	<ul> <li>Using your computer, access the website at https://tiih.online. Register as a user under the "e-Services". Refer to the tutorial guide posted on the homepage for assistance.</li> <li>If you are already a user with TIIH Online, you are not required to register again. You will receive an e-mail to notify you that the remote participation is available for registration a TIIH Online.</li> </ul>
(b) Register as Remote Participant for Petronas Chemicals 22 <sup>nd</sup> AGM	<ul> <li>Registration is open from 10.00 a.m. Tuesday, 7 April 2020 up to 10.00 a.m. Sunday 14 June 2020.</li> <li>Login in with your user ID and password and select the corporate event: "(REGISTRATION PETRONAS CHEMICALS 22ND AGM REMOTE PARTICIPATION".</li> <li>Read and agree to the Terms &amp; Conditions and confirm the Declaration.</li> <li>Insert the CDS account number and indicate the number of shares.</li> <li>Submit to register your remote participation.</li> <li>System will send an e-mail to notify that your registration for remote participation is received and will be verified.</li> <li>After verification of your registration against the General Meeting ROD as at 8 June 2020 the system will send you an e-mail to approve or reject your registration for remote participation.</li> </ul>
	ON THE AGM DAY
(c) Login to TIIH Online	• Login with your user ID (i.e. e-mail address) and password for remote participation at the 22 <sup>nd</sup> AGM at any time from 9.40 a.m. i.e. 20 minutes before the commencement of meeting at 10.00 a.m. on Tuesday, 16 June 2020.
(d) Participate through Live Streaming  Minimum requirement for Live Streaming  Browser: Chrome or Firefox	<ul> <li>Select the corporate event: "(LIVE STREAMING MEETING) PETRONAS CHEMICALS 22<sup>ND</sup> AGM" to engage in the proceedings of the 22<sup>nd</sup> AGM remotely.</li> <li>If you have any question for the Chairman/Board, you may use the query box to transmi your question. The Chairman/Board will try to respond to relevant questions submitted by remote participants during the 22<sup>nd</sup> AGM. If there is time constraint, the responses will be e-mailed to you at the earliest possible, after the meeting.</li> <li>Take note that the quality of the live streaming is dependent on the bandwidth and stability of the internet connection at the location of the remote participants.</li> </ul>
(e) Online Remote Voting	<ul> <li>Select the corporate event: "(REMOTE VOTING) PETRONAS CHEMICALS 22<sup>ND</sup> AGM".</li> <li>Read and agree to the Terms &amp; Conditions and confirm the Declaration.</li> <li>Voting session commences from 10.30 a.m. Tuesday, 16 June 2020 until a time when the Chairman announces the completion of the voting session at the 22<sup>nd</sup> AGM venue.</li> <li>Select the CDS account that represents your shareholdings.</li> <li>Indicate your votes for the resolutions that are tabled for voting.</li> <li>Confirm and submit your votes.</li> </ul>
(f) End of remote participation	Upon the announcement by the Chairman on the closure of the 22 <sup>nd</sup> AGM, the Live Streaming will end.

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## ADMINISTRATIVE DETAILS FOR 22ND ANNUAL GENERAL MEETING

#### 6. CORONAVIRUS DISEASE (COVID-19) OUTBREAK

- As you may be aware, the COVID-19 has infected more than 500,000 people globally and there are already 2,470 cases (as at 30 March 2020) in Malaysia. In view of the COVID-19 outbreak, we advise members to take advantage of the RPV facilities to attend the 22<sup>nd</sup> AGM remotely as a precautionary measure. You may also consider appointing Chairman of the meeting as your proxy to attend and vote on your behalf at the forthcoming 22<sup>nd</sup> AGM.
- If you have travelled overseas to China, South Korea, Japan, Italy, Iran and other affected countries (as and when announced by the World Health Organisation (WHO) or Malaysia's Ministry of Health) in the past 14 days prior to the date of the AGM or if you are unwell with sore throat/fever/flu/cough/shortness of breath, please quarantine yourself at home. Under such circumstances, you are advised to attend the 22<sup>nd</sup> AGM remotely using the RPV facilities.
- Your safety is the Company's priority. As a precautionary measure, KL Convex will be conducting temperature checks on all persons upon arrival at Exhibition Hall 6, Level 1. If a member has high temperature or shows symptoms of respiratory illness such as coughing and sneezing, we would strongly advise him/her not to attend the AGM.

#### 7. 2019 INTEGRATED REPORT

• PCG's Integrated Report for the Financial Year 2019 is available on:

#### http://www.petronaschemicals.com

#### https://www.bursamalaysia.com

- You may request for a printed copy of the IR 2019 at **https://tiih.online** by selecting "Request for Annual Report" under the "Investor Services". Limited copies of the IR 2019 will be available for collection on a first come first serve basis, on the date of the 22<sup>nd</sup> AGM.
- Following the Malaysia Government's announcements on 16 March 2020 and 25 March 2020 related to the Movement Control Order effective 18 March 2020 to 14 April 2020 (or any extension thereof), there may be some delay in the delivery of the hardcopies of the Integrated Report 2019 (IR 2019), Governance and Financial Report 2019 (GFR 2019) and Sustainability Report 2019 (SR 2019), as requested by the shareholders. The hardcopies will be delivered once they are made available to the Company.
- Nevertheless, we hope you would consider the environment before you decide to print the above reports or request for the printed copy of the IR 2019, GFR 2019 and SR 2019. The environmental concerns like global warming, deforestation, climate change and many more affect every human, animal and nation on this planet.

#### 8. HELP DESK

- Please proceed to the PCG's Help Desk for any clarification or enquiry.
- Poll Administrator's Help Desk will handle the revocation of a proxy's appointment.

#### 9. ENQUIRY

If you have any enquiry in relation to printed copy, Proxy Form and RPV facilities prior to the meeting, please contact the following officers during office hours:

#### Tricor Investor & Issuing House Services Sdn Bhd

Registration No. 197101000970 (11324-H) Unit 32-01, Level 32, Tower A Vertical Business Suite, Avenue 3, Bangsar South No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia

#### **Telephone Number**

**General Line**: 603-2783 9299

: 603-2783 9277 (Ros Sakila Bahari)

: 603-2783 9276 (Muhammad Ashraff Mohd Khaizan)

Fax Number : 603-2783 9222

## **GLOSSARY OF TERMS,** ABBREVIATIONS AND ACRONYMS

Reduce, reuse, recycle
ASEAN Bintulu Fertilizer Sdn Bhd
Annual General Meeting
Aramco Overseas Company B.V.
Asset Performance Management
Application
Australasian Reporting Awards
Association of Southeast Asian Nations
Board Audit Committee
Business Continuity Plan
Butyl Glycol Ether
Board of Directors
BASF PETRONAS Chemicals Sdn Bhd
BP PETRONAS Acetyls Sdn Bhd
Board Risk Committee
Business Recovery Plan
Companies Act 2016
Compounded annual growth rate
Capability Development Framework
Commercial Excellence
Corporate governance Carbon dioxide
PETRONAS' Code of Conduct and Business
Ethics
Chemical Oxygen Demand
Customer Relationship Management
Credit Risk Management Committee
Corporate Risk Profile
Corporate Social Responsibility
Customer Satisfaction Survey
Cybersecurity Strategy Deployment Programme
Dow Jones Sustainability Index
Da Vinci Group
Earnings before interest, tax, depreciation and amortisation
Enhanced Behavioural Safety
Non-Independent Executive Director
Ethylene glycols
Energy and Loss Management System
Ethanol Amines
Earnings per share
Equipment Reliability Strategy Programme
Environmental, Social and Governance
Fertilisers and Methanol
FTSE4Good Bursa Malaysia
Frequently asked questions
Final Investment Decisions
Foreign exchange

Abbreviation	Full Terms/Definitions
FTSE4Good	Index Series designed to measure the performance of companies demonstrating strong ESG practices
GDP	Gross Domestic Production
GE	Growth Delivery Excellence
GFR	Governance and Financial Reports
GHG	Greenhouse gas
GIFT	Global Incentives for Trading
GJ	Gigajoule
GPS	Global Positioning System
GRI	Global Reporting Initiative
HDPE	High Density Polyethylene
HR-PIB	Highly Reactive Polyisobutylene
HSE	Health, Safety and Environment
HSEMS	HSE Management System
ICCA	International Council of Chemical Associations
ICP	Internal Compliance Programme
IFRS	International Financial Reporting Standards
IFSSC	PETRONAS Integrated Financial Shared Service Centre
IIRC	International Integrated Reporting Council
IIRF	International Integrated Reporting Framework
INA	Isononanol
INED	Independent Non-Executive Director
IPIECA	International Petroleum Industry Environmental Conservation Association
IR	This integrated report (PCG Integrated Report 2019)
ISM	Idemitsu SM Malaysia Sdn Bhd
JVs	Joint ventures
KIPC	Kertih Integrated Petrochemical Complex
KPIs	Key performance indicators
KPSB	Kertih Port Sdn Bhd
KTSB	Kertih Terminals Sdn Bhd
LAC	Lube oil additives and chemicals
LDAR	Leak Detection and Repair
LDPE	Low Density Polyethylene
LLDPE	Linear Low Density Polyethylene
LTI	Lost Time Injury
LTIF	Loss Time Injury Frequency
MACC	Malaysian Anti-Corruption Commission
MATRADE	Malaysia External Trade Development Corporation
MCCG	Malaysian Code on Corporate Governance
MCF	Mandatory Control Framework
MEG	Mono ethylene glycols
MESTECC	Ministry of Energy, Science, Technology, Environment and Climate Change
MFRS	Malaysian Financial Reporting Standards

## GLOSSARY OF TERMS, ABBREVIATIONS AND ACRONYMS

Abbreviation	Full Terms/Definitions
MIDA	Malaysian Investment Development Authority
million tpa	Million tonnes per annum
MMLR	Main Market Listing Requirements
MNFSB	Malaysian NPK Fertilizer Sdn Bhd
MNS	Malaysian Nature Society
MOE	Ministry of Education
MoUs	Memorandums of Understanding
MPMA	Malaysian Plastics Manufacturers Association
MSWG	Minority Shareholders Watch Group
MTBE	Methyl Tertiary Butyl Ether
NACRA	National Annual Corporate Report Awards.
NGOs	Non-governmental organisations
NINED	Non-Independent Non-Executive Director
NOx	Nitrogen oxides
NPD	New product development
NPE	New Plastics Economy
NRC	Nomination and Remuneration Committee
O&D	Olefins and Derivatives
OE	Operational Excellence
OFR	Order fulfilment reliability
OPEC+	Organisation of the Petroleum Exporting Countries Plus
OSH	Occupational Safety & Health
PAT	Profit after tax
PATANCI	Profit after tax and noncontrolling interests
PBT	Profit before tax
PC Ammonia	PETRONAS Chemicals Ammonia Sdn Bhd
PC Aromatics	PETRONAS Chemicals Aromatics Sdn Bhd
PC Derivatives	PETRONAS Chemicals Derivatives Sdn Bhd
PC Ethylene	PETRONAS Chemicals Ethylene Sdn Bhd
PC Fertiliser Kedah	PETRONAS Chemicals Fertiliser Kedah Sdn Bhd
PC Fertiliser Sabah	PETRONAS Chemicals Fertiliser Sabah Sdn Bhd
PC Glycols	PETRONAS Chemicals Glycols Sdn Bhd
PC INA	PETRONAS Chemicals Isononanol Sdn Bhd
PC LDPE	PETRONAS Chemicals LDPE Sdn Bhd
PC Marketing	PETRONAS Chemicals Marketing Sdn Bhd
PC Marketing China	PCM (China) Co., Ltd.
PC Marketing Indonesia	PT PCM Kimia Indonesia
PC Marketing Labuan	PETRONAS Chemicals Marketing (Labuan) Ltd
PC Marketing Thailand	PCM (Thailand) Company Limited
PC Methanol	PETRONAS Chemicals Methanol Sdn Bhd
РС МТВЕ	PETRONAS Chemicals MTBE Sdn Bhd
PC Olefins	PETRONAS Chemicals Olefins Sdn Bhd
PC Polyethylene	PETRONAS Chemicals Polyethylene Sdn Bhd

Abbussistiss	Full Tames/Definitions
Abbreviation	Full Terms/Definitions
PCG or the Group	PETRONAS Chemicals Group Berhad
PCU	Polymer Coated Urea
PE	Polyethylene
PEMSB	Polyethylene Malaysia Sdn Bhd
PIC	Pengerang Integrated Complex
PIVOT	PETRONAS Integrated Vision for Operational Excellence Transformation
PMI	Post-merger integration
PP	Polypropylene
PPC	Pengerang Petrochemical Company Sdn Bhd
PPMS	PETRONAS Project Management System
PPMSB	Polypropylene Malaysia Sdn Bhd
PRPC Elastomers	PRPC Elastomers Sdn Bhd
PSM	Process Safety Management
PTMS	PETRONAS Technology Management System
PU	Plant utilisation
PX	Paraxylene
R&D	Research and Development
RESCISCO	Project to change the paradigm and the approach of developing competencies in PETRONAS through enhancement of capability development philosophy and framework
RM	Ringgit Malaysia
ROE	Return on Equity
RTOG	Road Transport Operations Guidelines
Saudi Aramco	Saudi Arabian Oil Company
SBM	Synthetic based mud
SDS	Safety Data Sheets
SDWC	Sustainable Development Working Committee
SFA	Sales Force Automation
SORMIC	Statement on Risk Management and Internal Control
SR	Sustainability Report
STEPS	Systematic Turnaround Execution Planning Solution
SWCorp	Solid Waste Corporation
TACS	Turnaround Centralised Services
TCFD	Taskforce for Climate-related Financial Disclosures
tpa	Tonnes per annum
TRCF	Total recordable case frequencies
UN	United Nations
UN SDGs	United Nations' Sustainability Development Goals
USD/MT	US dollars per metric tonne
VCMSB	Vinyl Chloride Malaysia Sdn Bhd
ZeTo	Zero Tolerance

### **PROXY FORM**

### PETRONAS CHEMICALS GROUP BERHAD

REGISTRATION NO: 199801003704 (459830-K) (INCORPORATED IN MALAYSIA)



	Ordinary Shares Held					
CDS Accou	nt No.					
We	(Full Name In Capital Lette	NRIC/Passport No	o/Company No: _			
f			Telephone	No:		
	(Full	Address)				
eing a men	nber of PETRONAS Chemicals	Group Berhad (the Company) hereby appo	int:			
Full Name (in Block)		NRIC/Passport No.	Propo	Proportion of Shareholdings		
			No. o	f Shares	%	
Address						
nd/or (delet	e as appropriate)					
Full Name	(in Block)	NRIC/Passport No.	Propo	rtion of Sha	reholdings	
			No. o	No. of Shares		
r failing him		eeting as my/our proxy to vote for me/us o				
r failing him eeting of th umpur, Mala	ne Company to be held at the aysia on Tuesday, 16 June 20	eeting as my/our proxy to vote for me/us o Exhibition Hall 7, Level 3, Kuala Lumpur Co 20 at 10.00 a.m. and at any adjournment th	onvention Centre	, Jalan Pinar	ng, 50088 Ki below:	
r failing him eeting of th umpur, Mala	ne Company to be held at the aysia on Tuesday, 16 June 20	Exhibition Hall 7, Level 3, Kuala Lumpur Co	onvention Centre	, Jalan Pinar	ng, 50088 Ki below:	
failing him eeting of th umpur, Mala	ne Company to be held at the aysia on Tuesday, 16 June 20  Ordinary Business	Exhibition Hall 7, Level 3, Kuala Lumpur Co	onvention Centre	, Jalan Pinar as indicated	ng, 50088 K below:	
failing him eeting of th umpur, Mala Resolution	ne Company to be held at the aysia on Tuesday, 16 June 20  Ordinary Business	Exhibition Hall 7, Level 3, Kuala Lumpur Co 20 at 10.00 a.m. and at any adjournment th rif Mahmood as a Director	onvention Centre	, Jalan Pinar as indicated	ng, 50088 K below:	
r failing him eeting of th umpur, Mala <b>Resolution</b> :	ne Company to be held at the aysia on Tuesday, 16 June 20  S Ordinary Business  Re-election of Datuk Md A	Exhibition Hall 7, Level 3, Kuala Lumpur Co 20 at 10.00 a.m. and at any adjournment th rif Mahmood as a Director Ah Wah as a Director	onvention Centre	, Jalan Pinar as indicated	ng, 50088 Ki below:	
r failing him leeting of th umpur, Mala <b>Resolution</b> : 1	ne Company to be held at the aysia on Tuesday, 16 June 20  S Ordinary Business  Re-election of Datuk Md A  Re-election of Datuk Toh	Exhibition Hall 7, Level 3, Kuala Lumpur Co 20 at 10.00 a.m. and at any adjournment th rif Mahmood as a Director Ah Wah as a Director	onvention Centre	, Jalan Pinar as indicated	ng, 50088 Ki below:	
r failing him leeting of th umpur, Mala <b>Resolution</b> : 1 2	ne Company to be held at the aysia on Tuesday, 16 June 20  S Ordinary Business  Re-election of Datuk Md A  Re-election of Datuk Toh  Re-election of Yeoh Siew  Re-election of Noor Ilias N  Directors' Fees and Allowal	Exhibition Hall 7, Level 3, Kuala Lumpur Co 20 at 10.00 a.m. and at any adjournment th rif Mahmood as a Director Ah Wah as a Director	onvention Centre nereof and vote a	, Jalan Pinar as indicated	ng, 50088 K below:	
r failing him leeting of th umpur, Mala Resolutions 1 2 3 4	ne Company to be held at the aysia on Tuesday, 16 June 20  S Ordinary Business  Re-election of Datuk Md A  Re-election of Patuk Toh  Re-election of Yeoh Siew  Re-election of Noor Ilias N  Directors' Fees and Allowar until the next Annual Ger Directors	Exhibition Hall 7, Level 3, Kuala Lumpur Co 20 at 10.00 a.m. and at any adjournment the arif Mahmood as a Director Ah Wah as a Director Ming as a Director Mohd Idris as a Director Inces of up to RM2.5 million with effect from	onvention Centre nereof and vote a	, Jalan Pinar as indicated	ng, 50088 Ki below:	
r failing him leeting of thumpur, Mala Resolutions  1 2 3 4 5	Process of Tuesday, 16 June 20  Solution of Datuk Md A  Re-election of Datuk Toh  Re-election of Yeoh Siew  Re-election of Noor Ilias N  Directors' Fees and Allowal until the next Annual Ger Directors  Re-Appointment of KPMG	Exhibition Hall 7, Level 3, Kuala Lumpur Co 20 at 10.00 a.m. and at any adjournment the rif Mahmood as a Director  Ah Wah as a Director  Ming as a Director  Mohd Idris as a Director  Inces of up to RM2.5 million with effect from the level of the Company payable to	n 17 June 2020 Non-Executive	, Jalan Pinar as indicated	ng, 50088 Ki below:	
Resolution:  1 2 3 4 5	Process of the Notice of Annual Generate with an "X" in the spaces	Exhibition Hall 7, Level 3, Kuala Lumpur Co 20 at 10.00 a.m. and at any adjournment the arif Mahmood as a Director  Ah Wah as a Director  Ming as a Director  Mohd Idris as a Director  Inces of up to RM2.5 million with effect from leveral Meeting of the Company payable to  PLT as Auditors of the Company	n 17 June 2020 Non-Executive	, Jalan Pinar as indicated For	Agains	

#### Notes

Proxy and/or Authorised Representative

- A member of the Company entitled to attend, participate, speak and vote at the meeting may appoint not more than two proxies to attend, participate, speak and vote on his 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.
- 2. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 (SICDA), 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.
- 3. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for the 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. An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
- 4. 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.
- 5. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if the appointer is a corporation either under seal or under the hand of an officer or attorney duly authorised. The appointment of a proxy may be made in hard copy form or by electronic form. If the appointment is made in hard copy form, the Proxy Form must be deposited with Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively to submit the electronic Proxy Form via TIIH Online at https://tiih.online not less than 48 hours before the time fixed for holding the meeting. Please refer to the Annexure of the Proxy Form in the Administrative Details for submission of electronic Proxy Form.
- 6. If the Proxy Form is signed under the hand of an officer duly authorised, it should be accompanied by a statement reading "signed as authorised officer under Authorisation Document which is still in force, no notice of revocation having been received". If the Proxy Form is signed by an attorney duly appointed under a power of attorney, it should be accompanied by a statement reading "signed under Power of Attorney which is still in force, no notice of revocation having been received". A copy of the Authorisation Document or the Power of Attorney, which should be valid in accordance with the laws of the jurisdiction in which it was created and is exercised, should be enclosed with this Proxy Form.

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**STAMP** 

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