



Our Reference: GCGS/PCGB/ADMIN/COMM/CORR/2026/074

21 April 2026

Minority Shareholders Watch Group
23-2, Menara AIA Sentral
No. 30, Jalan Sultan Ismail
50250 Kuala Lumpur

Attention: Dr. Ismet Yusoff
Chief Executive Officer

Dear Dr. Ismet Yusoff,

**28TH ANNUAL GENERAL MEETING (AGM) OF PETRONAS CHEMICALS GROUP BERHAD
("PCG" OR "THE COMPANY") TO BE HELD ON WEDNESDAY, 22 APRIL 2026**

We refer to your letter dated 15 April 2026.

We appreciate the time you have taken to provide your questions following your review of our Integrated Report 2025. The responses are provided below and will be made available on our corporate website (www.petronas.com/pcg).

OPERATIONAL AND FINANCIAL MATTERS

- 1. The ongoing conflict in the Middle East has throttled global oil and gas flow, triggering an immediate impact on the oil and derivatives prices. As of 13 April 2026, Brent crude oil futures are trading around US\$102–\$107 per barrel, driven by high volatility due to geopolitical tensions in the Middle East.**

How has the industry outlook narrative changed since the escalation of Iran War in February 2026? Please elaborate in detail on:

- The state of market supply and demand by product segments (e.g., Commodities, Special Chemicals) before and after the conflict;
- Cost of production, such as cost of feedstock, energy prices;
- Supply and security of feedstock;
- Average selling prices trend and the potential upside of adjustment vis-à-vis inflation concern and future demand; and
- Forward-looking profit margins

The geopolitical tensions in West Asia have caused global supply disruptions which has led to increase in feedstock and product prices. In the short term, we expect the increase in product prices will improve PCG's revenue. However, we are mindful about the impact of increased feedstock and logistics costs on our earnings.

In managing feedstock security, PCG focuses on close coordination with upstream partners, feedstock and utilities providers to mitigate potential supply risks throughout our operations. For our gas-based assets in Malaysia, feedstock is sourced domestically via integrated pipeline system and supply contracts with PETRONAS, which provide resilience against global supply disruptions.

On the market front, our primary objective is to fulfill our commitment to customers to ensure long lasting relationship. At the same time, we are realising emerging opportunities to capture potential margin upside, where possible.

PCG maintains a cautious market outlook and is sustaining disciplined execution and focusing on long-term value creation.

2. In October 2022, PCG completed the acquisition of Perstorp Holding AB for RM7.31 billion. Later in 2023, Perstorp and BRB combined to form PCG's Specialty Chemicals (SC) division. Since FY2023 onwards, the SC division has posted results as follows:

	FY2025	FY2024	FY2023
Revenue (RM million)	5,693	6,542	6,385
EBITDA (RM million)	223	332	179
Net Profit/ (Loss) (RM million)	(707)	46	(198)
Sales Volume (KMT)	844	897	841

(Source: PCG's AR2023 – 2025)

- (a) In FY2025, an impairment of RM439 million was made on property, plant and equipment (page 66, Financial Report 2025). Was the impairment related to Perstorp, as suggested in the Financial Review by CFO Encik Mohd Azli Ishak (page 38, IR2025)? If so, which assets of Perstorp were impaired? What events resulted in the impairment being made?

The impairment relates to Perstorp's assets in North America. The assets impairment was recognised due to a challenging market environment, driven by weaker demand, margin pressure, and continued pricing competition across the global chemicals market.

- (b) While the SC portfolio currently contributes about 20.71% of PCG's revenue, the bottomline contribution has been tepid since the full consolidation of Perstorp and BRB results.

Since the acquisition of Perstorp in late 2022, what has been the value addition and return on investment in monetary terms from the acquisition?

Has the acquisition achieved the internal rate of return (IRR) that PCG aspired to when acquiring the company? Additionally, does the targeted IRR remain intact given the challenging operating environment over the near and medium term? When does the Group expect the investment to achieve break-even?

The acquisition of Perstorp was a strategic move to strengthen the Group's market position by broadening our portfolio while selectively diversifying into higher-value specialty chemicals. This is underpinned by Perstorp's strong technology, formulation capabilities, deep application know-how and a talented workforce. Perstorp's positioning as a customer-centric solutions provider, together with its advancement in sustainability, further strengthens its value proposition and formed a key part of the acquisition rationale.

Since the acquisition, PCG has focused on integration, innovation and portfolio expansion. The Group continues to strengthen the specialty chemicals offerings through new product launches. To date, we have launched 30 new products, under the Specialty Chemicals portfolio. The Group has also expanded its innovation footprint, through the establishment of PETRONAS Application Technology Centre in Shanghai to support growth in Asia.

While Perstorp's earnings contribution has been impacted by challenging market conditions, the strategic rationale and value proposition of the acquisition continue to underpin PCG's growth strategy. The segment currently contributes, on average, around 20% of the Group's revenue. Specialty chemicals is a medium to long-term value creation business and inherently requires a period of nurturing. As market conditions normalise and innovation-led products scale up, returns are expected to improve progressively, supported by disciplined capital allocation and a focus on sustainable shareholder value.

3. In Q3FY2025, PCG paused the Creditor's Reliability Test (CRT) at the Pengerang Integrated Complex that was initiated in June 2025, given the continued weak market conditions.

- (a) As the name denotes, CRT is to demonstrate to lenders that a petrochemical complex can operate safely and continuously at a high production level.

Has the pause of CRT impacted the fulfilment of lenders' conditions? Is the Group bound by a certain timeline to restart CRT? Please illustrate the potential repercussions of failing to complete CRT in accordance with the timeline.

The pause of the Creditors' Reliability Test (CRT) has not impacted the fulfilment of lenders' conditions, as the Project Completion Date (PCD) has been extended from 31 December 2025 to 31 December 2027. As such, the Pengerang Integrated Complex has up to 31 December 2027 to meet the CRT, and the Group is fully committed to fulfilling the requirement.

Additionally, the decision to pause the CRT was made to address plant challenges and mitigate operating losses due to weak product margins.

- (b) The O&D segment posted a negative EBITDA of RM1 billion in FY2025.

What was the loss contributed by PCG's investment in Pengerang Petrochemical Company Sdn Bhd (PPC) to the segment in FY2025? In addition, please provide the operational guidance for PPC in FY2026.

The loss recorded by the O&D segment in FY2025 was mainly attributable to the losses at PPC, arising from unavailability of feedstock and unrealised foreign exchange loss, as well as utilities supply disruption at Kertih Integrated Petrochemical Complex in January 2025.

PPC is currently in shutdown mode due to the unavailability of feedstock. Following the planned resumption of feedstock supply from the refinery in June 2026, PPC intends to restart the facilities. The plant utilisation rate will be optimised based on market dynamics and economic viability.

SUSTAINABILITY MATTERS

1. In 2025, PCG established a Sustainability Fund (SF) with an annual allocation of RM50 million to support sustainability-related initiatives.

- (a) What are the sources of funding for the SF, and how is the RM50 million annual allocation determined?
- (b) What specific types of initiatives, projects, or investments qualify for funding under the SF?
- (c) How does PCG ensure a clear distinction between expenditures funded through the SF and those already accounted for under its regular capex and opex?
- (d) Meanwhile, what governance framework, approval processes, and accountability mechanisms are in place to oversee the utilisation of the SF?

The Sustainability Fund was established to encourage ideation and engineering optimisation opportunities to support PCG Net-Zero Carbon Emission ambition. This yearly allocation is funded from PCG Group cash balance. The fund will be utilised for value-accretive projects towards GHG emission reduction. In 2025, the projects include multi-unit boiler optimisation at PETRONAS Chemicals Ethylene Sdn Bhd and ammonia abatement system at PETRONAS Chemicals Fertiliser Kedah Sdn Bhd, both aimed towards improving energy efficiency. Deliberation, prioritisation and endorsement of fund utilisation are guided by PCG's Sustainable Development Steering Committee and its Terms of Reference. The utilisation of the fund will be reported to the PCG Board annually.

2. The Malaysian government is mulling the implementation of a carbon tax this year, initially targeting sectors such as iron, steel, and energy.

- (a) In anticipation of this policy shift, what are the potential risks and opportunities to PCG arising from the introduction of carbon pricing?
- (b) How exposed is PCG to carbon pricing risks across its value chain, including direct and indirect emissions, if a similar quantum is to be imposed upon PCG?
- (c) What strategic measures is PCG putting in place to mitigate these risks, including decarbonisation initiatives, portfolio adjustments, or cost pass-through mechanisms?
- (d) Given the increasing likelihood of carbon pricing in Malaysia covering more industries in the future, what concrete, time-bound plans did PCG outline to ensure resilience and competitiveness under such a regulatory environment?

Our preliminary assessment indicates that mandatory carbon pricing in Malaysia could materially affect profitability once in effect, particularly for emissions-intensive assets, with increasing impact as carbon prices rise.

PCG's exposure relates primarily to:

- (i) Higher operating and compliance costs; and
- (ii) Value chain impacts, including cost pass-through and competitiveness risks for products exported into carbon-regulated markets such as the EU under Carbon Border Adjustment Mechanism (CBAM), as well as increased reliance on accurate, verifiable emissions data across suppliers and logistics partners.

To mitigate these risks, PCG is strengthening its climate governance framework to ensure carbon pricing is systematically integrated into strategic, financial and operational decision-making. This includes the application of Internal Carbon Pricing (ICP) in capital allocation and asset-level investment decisions.

In parallel, PCG is accelerating decarbonisation initiatives, focusing on energy efficiency, optimisation and emissions-reduction projects across its operations.

CORPORATE GOVERNANCE MATTERS

- 1. Following the resignation of Mr Warren William Wilder effective 1 January 2026, PCG's Board now comprises three independent directors (IDs) out of a total of seven members, representing 42.86% of the Board. This marks a decline from the previous composition of four IDs out of eight members (50%) in the last corresponding period.**

As a result, PCG has once again departed from Practice 5.2 of the Malaysian Code on Corporate Governance (MCCG) that at least half of the board should comprise IDs, and for Large Companies, a majority of the Board should be independent (pages 34 – 35 of Corporate Governance Report 2025).

Notably, over the past five financial years, PCG has only applied the Practice once - in FY2022 when the number of IDs constituted 56% of the total Board composition.

In light of this recurring departure, does the Board remain committed to applying Practice 5.2? If so, why has the Board departed from the Practice most of the time?

The Board, through the Nomination and Remuneration Committee (NRC), remains committed to applying Practice 5.2 of the MCCG.

The Board continues to ensure robust independent oversight through the following measures:

- (i) All Board Committees are chaired by Independent Non-Executive Directors and comprise a majority of independent members;
- (ii) The Board Audit Committee reviews all recurrent and non-recurrent related party transactions (RRPT/RPT) and other related party matters;
- (iii) Non-Independent Non-Executive Directors with conflicts of interest are required to abstain from deliberation and voting on related party matters; and
- (iv) The Company Secretary advises the Board on conflict-of-interest and governance matters to support informed and compliant decision-making.

The Board will continue to review its composition and strengthen its independent representation, in line with good governance practices and the Company's long-term interests.

Should you require further clarification, please do not hesitate to contact us at petronaschemicals_ir@petronas.com.

We look forward to your presence at our upcoming AGM on 22 April 2026.

Thank you.

Yours faithfully
for **PETRONAS CHEMICALS GROUP BERHAD**


Cik Azizahwati Ishak
Company Secretary

- c.c.
- 1. YBhg Datuk Sazali Hamzah
Chairman
 - 2. En. Mazuin Ismail
Managing Director/Chief Executive Officer
 - 3. Pn. Hazleena Hamzah
Company Secretary