



Our Reference: GCGS/PCGB/ADMIN/COMM/CORR/2026/075

Date: 21 April 2026

Permodalan Nasional Berhad
Menara Merdeka 118
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50118 Kuala Lumpur Malaysia

Attention: **Muazzam Mohamad**
Head, Investment Stewardship

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 you taking the time to share your questions. We recognise PNB’s ongoing efforts to strengthen institutional engagement, in line with your commitment to advancing corporate governance, transparency, and long-term value creation across Corporate Malaysia. The responses are provided below and will be made available on our corporate website (www.petronaschemicals.com).

STRATEGIC QUESTIONS

1. To disclose the Total Shareholders’ Returns (“TSR”) of PCG for the past 1, 3, and 5 years up to the end of the financial year ended 2025. What would the Board attribute the performance to?

PCG’s Total Shareholder Return (TSR) for the last 1, 3 and 5 years are as follows:

Item	1 year	3 years	5 years
TSR (%)	-23.9	-54.0	- 31.6

The decline in TSR reflects the decline in profitability and movement in PCG’s share price, which was influenced by the following factors:

- i. Market dynamics which include prolonged weakness in the global chemicals cycle, marked by oversupply and margin pressure, compounded by feedstock and energy price volatility and intensified competition, particularly in Asia; and
- ii. Operational challenges including operational disruption and plant maintenance activities.

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2. In the previous year, the Board highlighted Return on Average Capital Employed ("ROACE") and Return on Equity ("ROE") as key critical drivers of TSR. Could the Board disclose PCG's ROACE and ROE for the past 1, 3 and 5 years up to the end of the financial year ended 2025, and elaborate on the performance and trends observed over the past year, including how these metrics have influenced TSR?

The ROACE and ROE for PCG for the last 1, 3 and 5 years are as follows:

Items (%)	1 year	3 years	5 years
ROACE	-4.2	1.2	8.1
ROE	-5.7	0.4	7.6

The decline in ROACE and ROE reflects weaker earnings in a challenging market environment, characterised by margin compression from products oversupply, weaker demand, heightened competition and cost pressures. In FY2025, the metrics turned negative, reflecting the Group's loss position for the year, which was further impacted by exceptional non-cash items, such as asset impairments and unrealised foreign exchange losses.

3. The Board had included the following as the primary focus in improving TSR:
- i. Improving efficiency across production facilities to enhance productivity and products yield
 - ii. Leveraging on proximity to key markets and long-standing relationship with customers to grow sales volume
 - iii. Strong financial discipline through cost optimization and prudent capital expenditures

Could the Board share its observations on how these key initiatives have progressed since the previous year? In addition, what impact has the current Middle East turmoil had on these key initiatives?

The Board has observed progress on the above focus areas.

In FY2025, PCG registered commendable plant utilisation rate despite undertaking several plants turnarounds and maintenance activities. This was achieved through implementation of programmes which focus on improving efficiency across production facilities.

PCG leveraged on our proximity to key markets, collaboration with regional producers and long-standing relationship with customers, which helped us to sustain and grow our sales volume by 4% to 10.8 million tonnes in 2025.

PCG also realised RM574 million in value creation and cost optimisation through various initiatives, which include logistics optimisation, review of sales against best netback, contract renegotiations, as well as reduction of controllable costs.

The geopolitical tensions in West Asia have caused global supply demand disruptions which has led to increase in feedstock and product prices. Responding to the situation, we are balancing our sales volume commitment to customers to ensure long-term competitiveness and supply availability within the region. In addition, we are actively mitigating market risks while positioning ourselves to capture potential margin upside, where possible.

OTHER QUESTION

4. We have continuously highlighted that PCG has a strong balance sheet position with its high cash position coupled with low leverage, and also a steady cash generation capacity despite fluctuations in profitability, all of which had led to our proposal of a change in cash distribution that would lead to a more optimised capital structure. In response, the Board has repeatedly explained that it continues to be guided by the Dividend Policy of around 50% of Group PATANCI. In relation to the Board's responsibility to maximise shareholder value, could the Board please explain its decisions amidst the background of a continuously worsening TSR? For the immediate term, given PCG's continuously strong balance sheet position with manageable gearing levels that would allow for a more progressive capital structure, we believe the distribution of Special Dividends would enhance shareholder returns similar to that seen in FY2021. Could the Board explain its views on this?

The consideration for dividend payment (including special distribution) is guided by PCG's established dividend policy, which seeks to balance the commitment for sustainable shareholder returns with the need to preserve financial strength and flexibility.

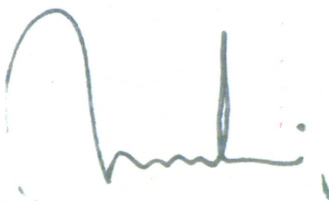
The Company will continue to allocate sufficient cash reserves to support any fluctuation in working capital, invest in potential value-accretive acquisitions as well as to fund essential maintenance capital expenditure, which includes plant rejuvenation activities in view of the ageing profile of certain production facilities across the Group. The Board continues to adopt a prudent and cautious approach on dividends, taking into account the prevailing operating environment and the ongoing uncertainties in the global chemicals industry.

The Board will consider PNB's proposals and continue to assess opportunities to enhance shareholder returns.

Should you require further clarification, please 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**



Datuk Sazett Hamzah

Chairman
PETRONAS Chemicals Group Berhad

c.c. **Mazuin Ismail**
Managing Director/Chief Executive Officer
PETRONAS Chemicals Group Berhad