

SUSTAINABILITY AT THE CORE

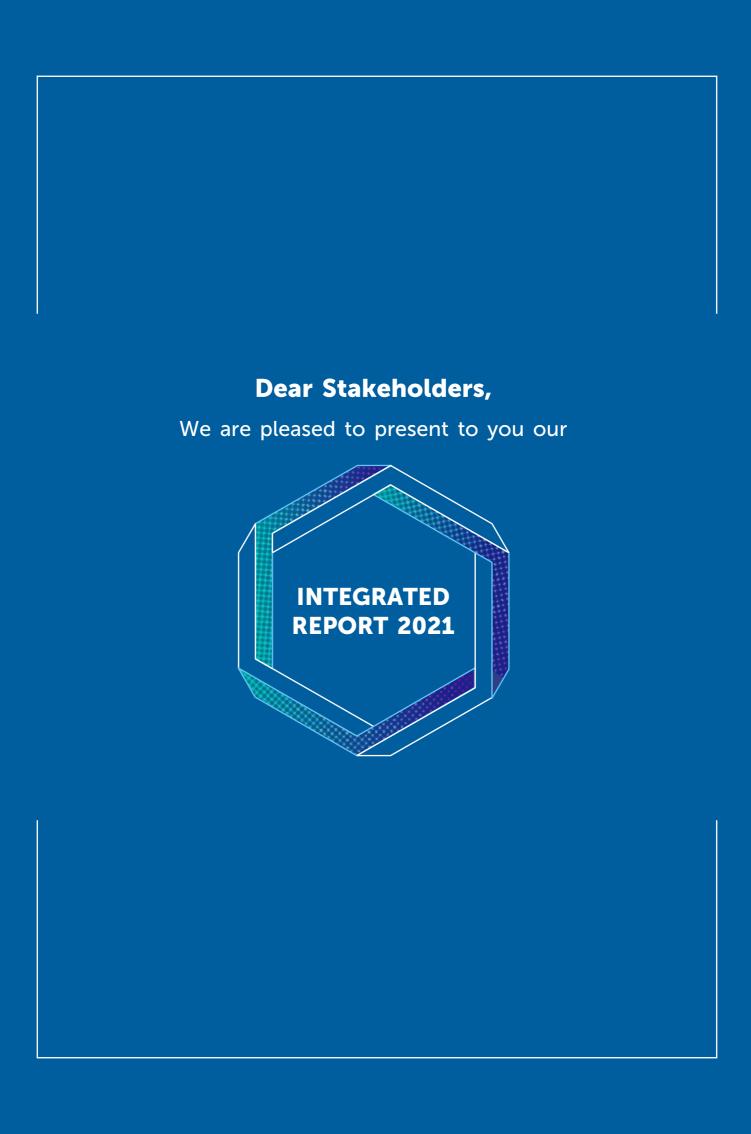


At PETRONAS Chemicals Group Berhad, sustainability is at the core of our business. A sustainability-based approach ensures we create value for all stakeholders, while operating in an environmentally and socially responsible manner.



Embedding sustainability in our business strategies ensures our long-term growth and resilience in a challenging market environment. By prioritising all stakeholders' needs and minimising our environmental footprint, we remain competitive today and far into the future.

We understand that sustainability is an ongoing journey. As we progress on our sustainability agenda, we are well-positioned to deliver stakeholder value and achieve our vision as The Preferred Chemical Company Providing Innovative Customers Solutions.





INTEGRATED REPORTING APPROACH

As one of the largest companies on Bursa Malaysia Securities Berhad (Bursa Malaysia) by market capitalisation, our operations impact a network of diverse stakeholders. We strive to continuously deliver to these stakeholders a coherent, transparent and credible assessment of our performance. This is presented in the PETRONAS Chemicals Group Berhad (PCG or the Group) Integrated Report 2021, which demonstrates our ability to create sustainable value for all stakeholders.

SCOPE AND BOUNDARY

This Integrated Report (IR) covers the reporting period of 1 January 2021 to 31 December 2021, unless otherwise stated. Information presented relates to the activities of the Group comprising our subsidiaries, joint operation, joint ventures and associates. The subsidiaries included are based on the Malaysian Financial Reporting Standards (MFRS) 10 Consolidated Financial Statements.

INDEPENDENT COMBINED ASSURANCE STATEMENT

Assurance for this report is provided by our Board of Directors (Board), supported by external verification by KPMG PLT.

Read more on pages 226 to 227 for the Independent Limited Assurance Report

🖪 Read more on pages 86 to 89 for the Independent Auditors' Report

MATERIALITY

The information presented in this report addresses matters that are most material to our business and stakeholder value. We identify, prioritise and validate our material matters via a four-step materiality assessment.

FEEDBACK

PCG is committed to continuously improving our reporting quality, and we value input from our stakeholders in making these enhancements. Should you have any queries or feedback on this report, please contact us through the following channels:

Name : Zaida Alia Shaari

Head, Investor Relations

Email: petronaschemicals_ir@petronas.com

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 involve uncertainty. Various factors could cause actual results to differ materially from those expressed or implied by these forward-looking statements.

BOARD RESPONSIBILITY STATEMENT

The Board acknowledges its responsibility in ensuring the integrity of this Integrated Report. It is in the Board's opinion that this report 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 International Integrated Reporting Council (IIRC) <IR> Framework. This report was approved by the Board on 24 February 2022.

Datuk Ir. (Dr.) Abdul Rahim Hashim

Chairman

Ir. Mohd Yusri Mohamed Yusof

Managing Director/
Chief Executive Officer

OUR REPORTING BOUNDARIES



OUR REPORTING SUITE



■ INTEGRATED REPORT (IR) 2021

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 seeks to strengthen the confidence of our stakeholders.

The governance section 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.



(E) FINANCIAL REPORT (FR) 2021

Our FR consists of the Directors' Report, Audited Financial Statements and Independent Auditors' Report. The FR provides detailed financial disclosures to our shareholders, investors, analysts and other interested parties.



SUSTAINABILITY REPORT (SR) 2021

PCG's SR provides a clear assessment of the Environmental, Social and Governance (ESG) matters. The report demonstrates our commitment to create sustainable and responsible value that contributes towards positive Economic, Environmental and Social (EES) impact.

PCG is a global integrated chemicals company with a strong network of stakeholders. These stakeholders are important to our long-term growth. To strengthen the trust they have in PCG, we seek to provide clarity on our business direction, strategies and performance while articulating our business and key risks. This IR aims to satisfy that purpose. It provides a holistic and material assessment of our ability to create value in the short, medium and long-term.



Futher details of PETRONAS Chemicals Group

Berhad can be found on www.petronaschemicals.com

KEY FRAMEWORKS APPLIED	(IR)	FR	SR
Integrated Reporting Framework (IRF) by Value Reporting Foundation (VRF)(previously known as International Integrated Reporting Council)	8		
Malaysian Code on Corporate Governance (MCCG)	\otimes		
Main Market Listing Requirements (MMLR) issued by Bursa Malaysia	8	8	
Companies Act 2016 (CA 2016)	\otimes	\otimes	
Malaysian Financial Reporting Standards (MFRS)	⊗	8	
International Financial Reporting Standards (IFRS)	\otimes	⊗	
Corporate Governance Guide – 4 th Edition issued by Bursa Malaysia	8		
Global Reporting Initiative (GRI) Standards (Core)			8
MMLR on Sustainability Reporting			8
FTSE4Good Bursa Malaysia Index's Environmental, Social and Governance (ESG) indicators			8
International Petroleum Industry Environmental Conservation Associations' (IPIECA) Oil and Gas Industry Guidance on Voluntary Sustainability Reporting			8
Dow Jones Sustainability Index (DJSI)			8
The United Nations Sustainable Development Goals (UN SDGs)			8



NAVIGATION ICONS

Our Capitals

§ Financial

Manufactured

Intellectual

ள்ளி Human

Social & Relationship

Natural

Our Strategic Thrusts

OE Operational Excellence

CE Commercial Excellence

GE Growth Delivery Excellence

Key Stakeholder Groups

Employees

Customers

Suppliers & Vendors

Business Partners

Shareholders & Investment Community

Government & Regulators

Communities

Media Media

Material Matters

Climate Change

Environmental Stewardship

Innovation & Product Stewardship

New Plastics Economy (NPE)

Workplace and Occupational Safety & Health (OSH)

Supply Chain Management

Community Engagement

Talent Development

Corporate Governance

Strategy Purpose & Financial Resilience

Plant Operations

Human Rights

Cybersecurity & Digitalisation

Customer Relationship Management

KEY RISKS

Health, Safety and Environment Risk

S Strategic Investment Risk

Project Execution Risk

CY Cybersecurity Risk

SS Sustainability Risk

COVID-19 Risk

_

M Market Risk

Operational Risk

TA Plant Turnaround Risk

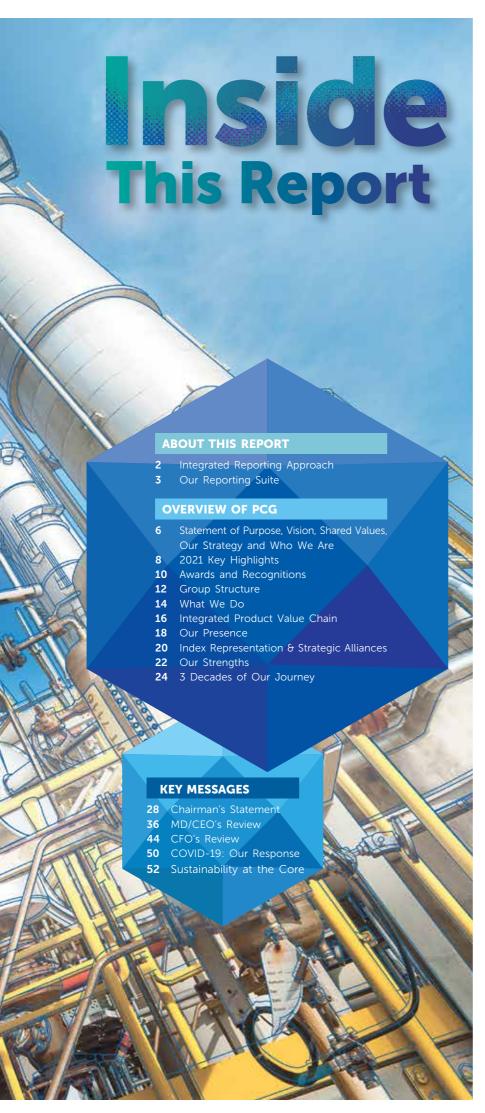
F Feedstock and Utilities Risk

R Regulatory Risk



The coloured goals represent PCG's priority SDGs.





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Proxy Form

OVERVIEW OF PCG

STATEMENT OF PURPOSE

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



To be The Preferred Chemical Company Providing Innovative **Customer Solutions**



SHARED VALUES

Our shared values are deeply embedded in our culture to ensure we operate with integrity at all times while contributing to the well-being of people in every nation where we have presence

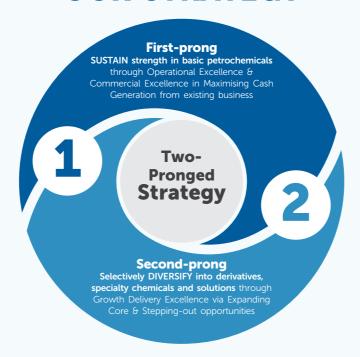
LOYALTY

INTEGRITY Loyal to corporation Honest and upright PROFESSIONALISM

Strive for excellence

COHESIVENESS ✓ United, trust and respect for each other

OUR STRATEGY



OVERVIEW OF PCG

OVERVIEW OF PCG

MARKET CAPITALISATION: AS AT 31 DECEMBER 2021

RM71.4 BILLION

TOTAL ASSETS BASE:

RM46.6 BILLION

ONE OF THE

LARGEST

INTEGRATED CHEMICALS PRODUCERS IN SOUTHEAST ASIA

PRODUCTION CAPACITY:

12.8 MILLION TPA

DOW JONES SUSTAINABILITY INDICES (DJSI) 2021:

TOP 10 COMPANIES

DJSI WORLD (CHEMICALS INDUSTRY)

TOP QUARTILE

FTSE4GOOD

BURSA MALAYSIA INDEX



WHO WE ARE

PCG is the chemical arm of PETRONAS and Malaysia's leading integrated chemicals producer. We operate in the manufacturing, marketing and selling of a diversified range of petrochemicals. We were established more than 30 years ago, and publicly listed on 26 November 2010.

Our Operational Excellence and Commercial Excellence has propelled us to become one of the largest integrated chemicals producers in Southeast Asia. We currently operate from 11 manufacturing sites in Malaysia, the Netherlands, Singapore, Germany and Canada. The Group's Growth Delivery Excellence has been a driving force in expanding into segments with opportunities to future-proof the business. Our investments in specialty chemicals continue to strengthen with the commencement of the silicone blending facility in Gebeng, Pahang.

As we realise our vision of becoming 'The Preferred Chemical Company Providing Innovative Customer Solutions', we remain focused on creating positive Economic, Environmental and Social (EES) impacts. With sustainability at the centre of all our decisions, we are on track to achieving net-zero carbon emissions by 2050.



2021 KEY HIGHLIGHTS

BUSINESS HIGHLIGHTS

2021

World-Class Safety Performance (LTIF)*

* Lost Time Injury Frequency

2021

Sales Volume (million tpa)

2021

Production Volume (million tpa)

New Products including

- AGRENAS Stabilized Nitrogen Fertilizer (Blue Urea)
- **✓** BRB Siloen BW5-LV
- ✓ Si-COAT 461RC High Solids Silicone Roof Coating
- ✓ Si-COAT 462RC Silicone Walkpad

CSL 465 Silicone Flashing Sealant

R For more details on business performance, refer to Strategic Review on pages 100 to 102

FINANCIAL HIGHLIGHTS

TOTAL ASSETS (RM billion)

2020: **39.8**

REVENUE (RM billion)

2020: **14.4**

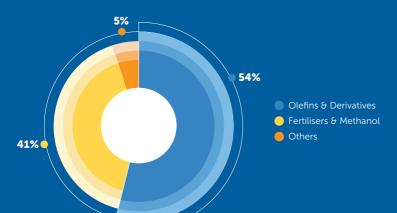
EBITDA (RM billion)

2020: **3.5**

EBITDA MARGIN

36.0

REVENUE BY SEGMENT



PROFIT AFTER TAX (RM billion)

2020: **1.6**

TOTAL DIVIDEND PAYOUT (RM billion)

2020: **1.0**

2021 KEY HIGHLIGHTS

SUSTAINABILITY HIGHLIGHTS

GHG Emissions Intensity*

0.6/tonne CO₂e/tonne

2020: **0.66 tonne CO,e/tonne**

Energy Intensity

15.76 GJ/tonne

2020: 15.73 GJ/tonne

* The intensity calculation is now based on an improved calculation approach, i.e. to reflect the efficiency of each production unit in relation to the indicator. The denominator applied has been changed to Production Volume, replacing the previously applied Sales Volume.

Freshwater Withdrawal Intensity*

3.69 m³/tonne

2020: 3.53 m³/tonne

Women Representation in Senior Management**

18%

2020: 24%

** Senior Manager and above

Hazardous Waste 3R

75%

2020: 85%

Number of Technical Professionals Developed

14

2020: **20**

Corporate Social Responsibility Initiatives Reach

~295,000_{peop}

2020: ~70,000 people

ecoCare

A collaborative programme with the Malaysian Nature Society which supports conservation and rehabilitation of the mangrove habitat

Number of Trees Planted

1,200

2020: 2,000

Be Green

An environmental conservation and waste management programme in line with New Plastics Economy (NPE) initiative

Number of Waste Collected

1,477_{kg}

2020: 2,000 kg



For more details on our sustainability efforts, refer to our Sustainability Statement pages 134 to 139 in this report and our independent Sustainability Report.

AWARDS AND RECOGNITIONS

• 39th Malaysian Society for Occupational Safety & Health • Annual Report Competition (ARC) Awards International 2021 (MSOSH) OSH Award

- Gold Merit Award - PC ESB, PC PSB, PC MTBESB

Prime Minister's Hibiscus Award 2019/2020

- Exceptional Award in Environmental Performance PC PSB
- Excellence Achievement in Environmental Performance -PC ASB
- Silver Award for Special Project PC ASB

• Royal Society for the Prevention of Accidents (RoSPA) Health & Safety Awards

- Gold Award PC FKSB
- Silver Award PC ESB, PC PSB

• IKM Laboratory Excellence Award 2021

- Silver Award PC ESB, PC MTBESB, PC PSB
- Excellence Award PC OSB, PC GSB, PC DSB, PC ASB, PC LDPESB, PC FKSB, PC MSB, ABFSB

International Convention on Quality Control Circle (ICQCC) 2021, Hyderabad

- Par Excellence Award - PC OSB, PC GSB, PC DSB, PC ESB, PC PSB, PC ASB, PC LDPESB

MSWG-ASEAN Corporate Governance Awards 2020

- Winner, Industry Excellence Award (Industrial Products and Services Category)
- Runner-up, Excellence Award for Corporate Governance Disclosure

• Australasian Reporting Award (ARA) 2021

- Gold Award for General Award
- Bronze Award for Sustainability Reporting

- Silver for Specialized Annual Reports: Integrated AR & CSR: Non-Traditional Format
- Bronze for Financial Data
- Best of Malaysia

• The Edge Billion Ringgit Club 2021

- Super Big Cap Companies: Companies with more than RM40 billion Market Capitalisation
- Highest Returns to Shareholders over Three Years

• Sustainable Business Awards Malaysia 2020/21 by Global **Initiatives**

- Winner, Energy Management
- Winner, Water Management
- Significant Achievement, Sustainability Strategy
- Significant Achievement, Workforce
- Significant Achievement, Stakeholder Management

Malaysian Top Sustainable Employer by the Sustainable **Employer Research Centre**

• Dow Jones Sustainability Indices (DJSI) 2021

- Member of DJSI World Index
- Member of DJSI Emerging Markets Index

• FTSE4Good Bursa Malaysia

- Full 4-Star ESG Rating of Public Listed Companies Assessed in line with the FTSE4Good Bursa Malaysia Review Cycle



For full names of the operating units, please refer to page 237 (Glossary of Terms, Abbreviations and Acronyms)

OVERVIEW OF PCG

AWARDS AND RECOGNITIONS









Certifications

- ISO 14001:2015 Environmental Management System
- ISO 9001:2015 Quality Management System
- ISO 45001:2018 Occupational Health & Safety Management System
- ISO/IEC 17025:2017 Testing and Callibration Laboratories
- MS 1500:2009 Halal Food-Production, Preparation, Handling and Storage

• Export Excellence Awards 2021

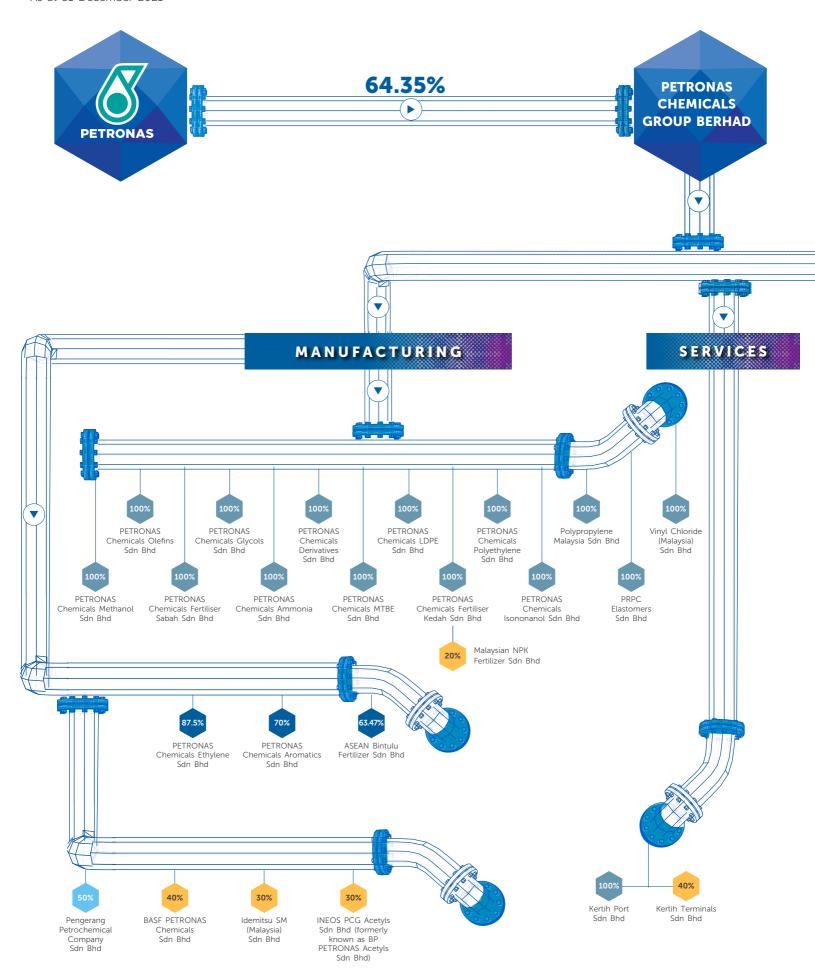
- Silver Award for Industrial Product (Mid-tier & Large Company)
- Malaysia's Most Attractive Graduate **Employers to Work for in the Chemical Sector by Talentbank**
 - The Graduates' Choice Award
- Strategic Trade Act (STA) 2010 **Compliance Award by Ministry of International Trade and Industry**





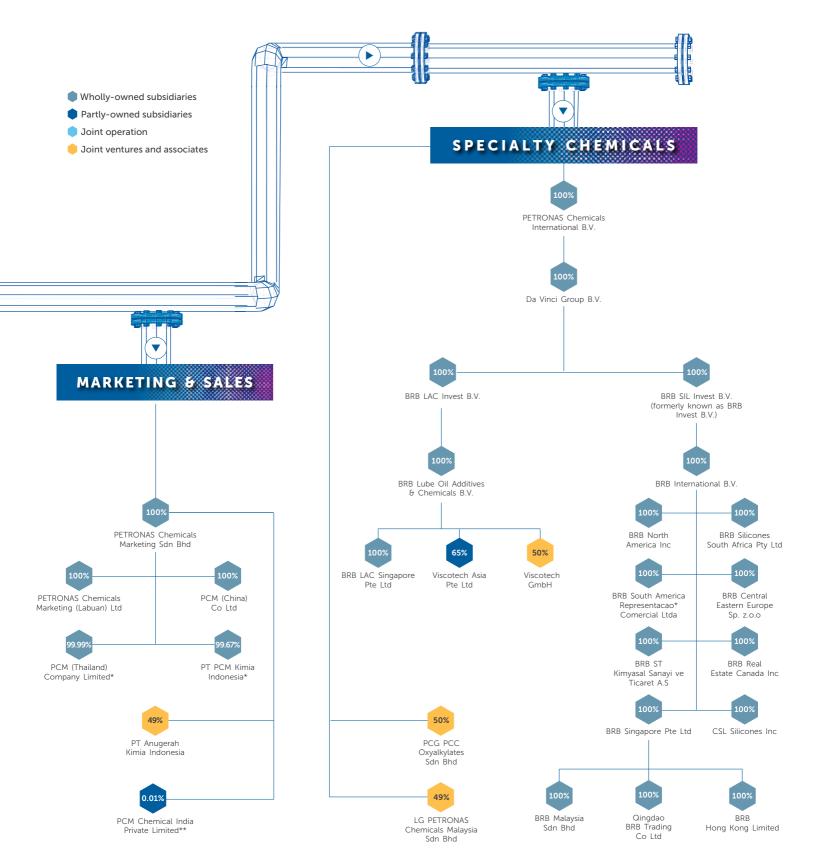
GROUP STRUCTURE

As at 31 December 2021





GROUP STRUCTURE



^{*} Wholly-owned subsidiary as remaining shareholding is held through other subsidiaries within PCG

^{**} Subsidiary pursuant to Malaysian Financial Reporting Standard 10 (MFRS 10)

WHAT WE DO

MANUFACTURING

Our **11 world-class chemical manufacturing sites** worldwide produce a range of commodities and specialty chemicals that are used by customers in various sectors – from agriculture to automotive, and packaging to personal care – to manufacture items that enhance our daily lives.

PRODUCT PORTFOLIO







PRODUCT APPLICATION











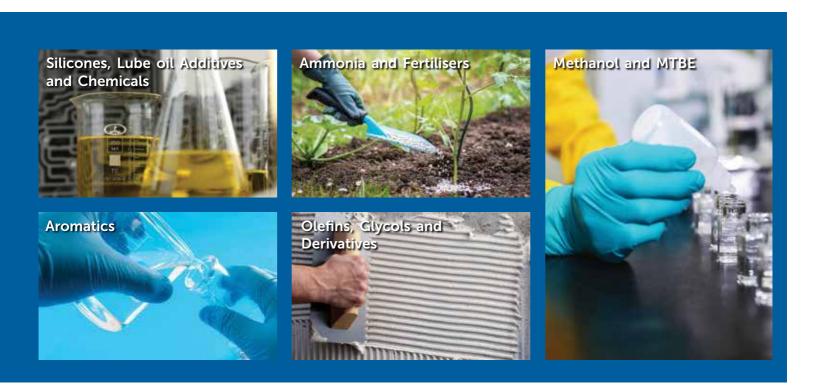






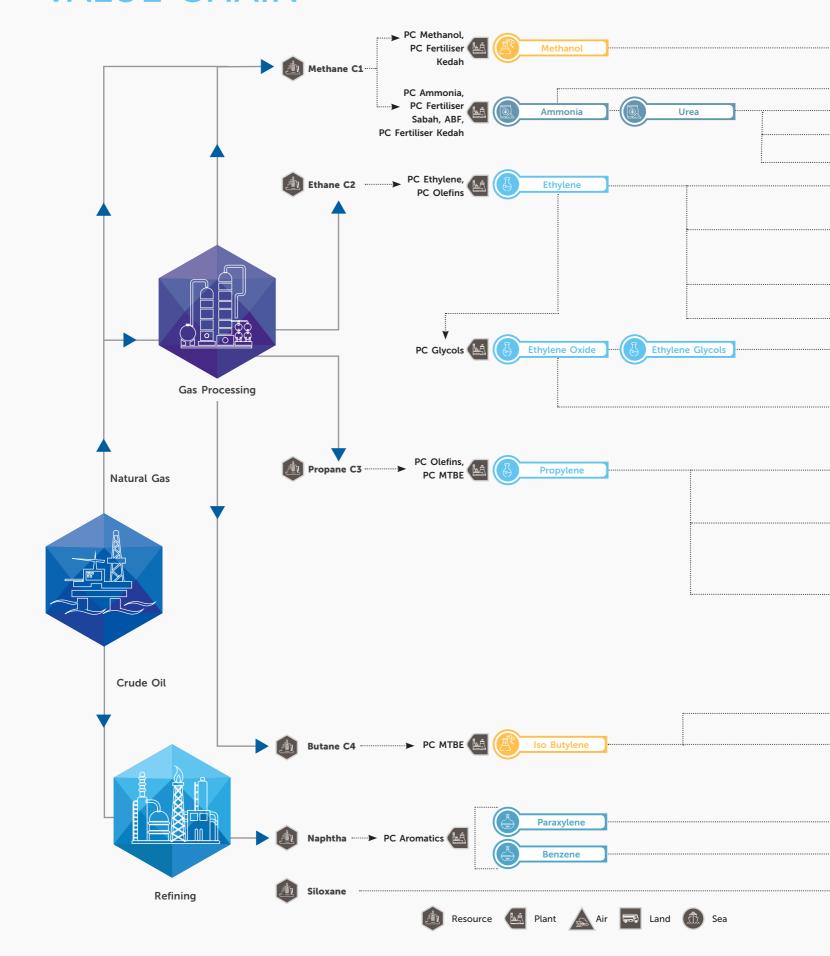


WHAT WE DO

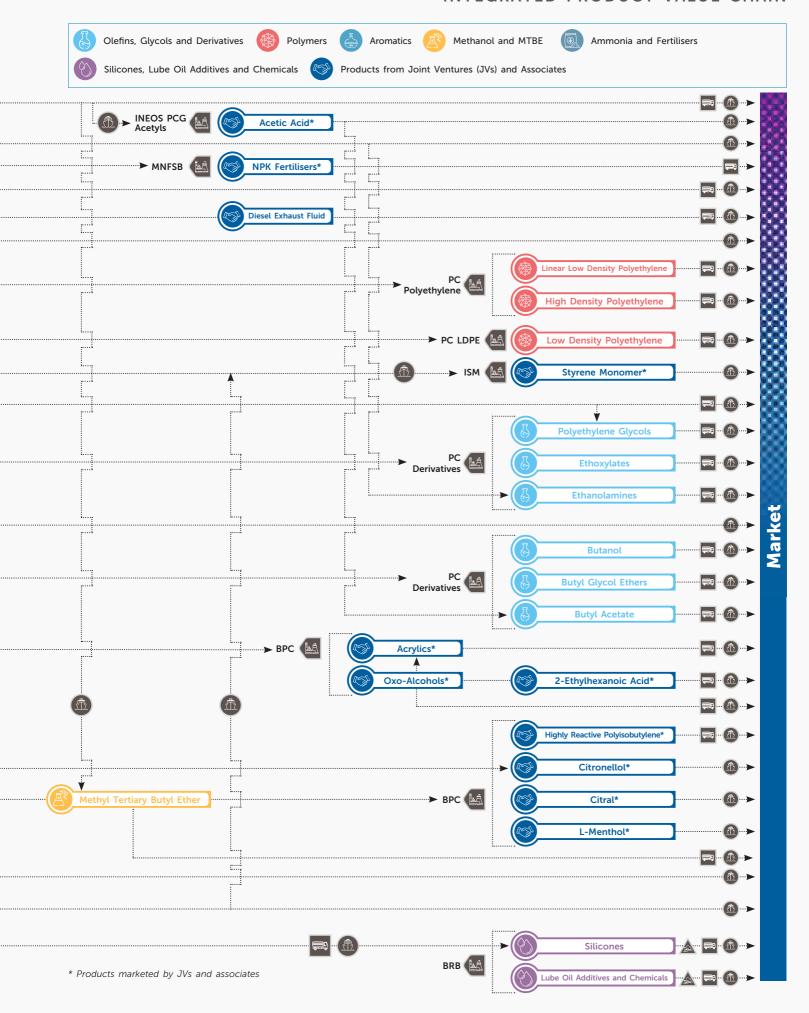




INTEGRATED PRODUCT

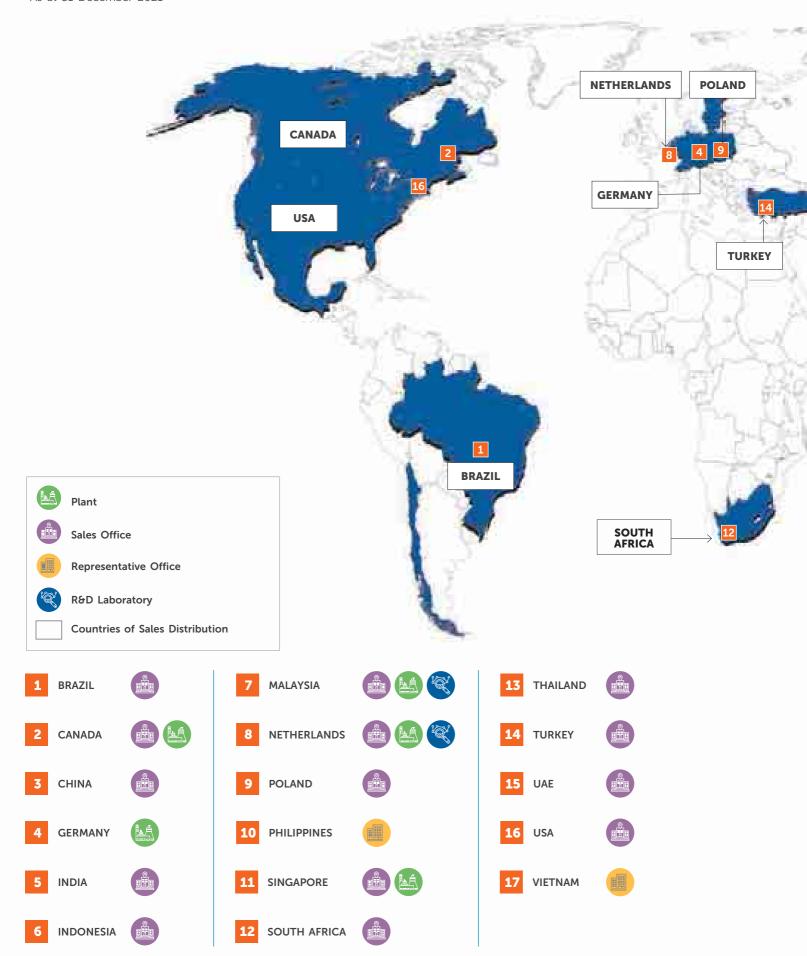


INTEGRATED PRODUCT VALUE CHAIN



OUR PRESENCE

As at 31 December 2021



OUR PRESENCE

SALES BY MARKETS

31%

Malaysia

26%

Southeast Asia (excluding Malaysia)

24%

Northeast Asia

19%

Rest of the World



SALES BY COUNTRY

MALAYSIA	30.6%
CHINA	14.0%
THAILAND	12.6%
INDONESIA	9.9%
AUSTRALIA	5.4%
PHILIPPINES	4.8%
SINGAPORE	4.0%
VIETNAM	3.5%
JAPAN	3.4%
NEW ZEALAND	2.1%
INDIA	1.9%
SOUTH KOREA	1.5%
OTHERS*	6.3%

* Others include but is not limited to Austria, Bangladesh, Chile, Germany, Hong Kong, Mexico, Pakistan, Sweden, Switzerland and United States

MALAYSIAN OPERATIONS

FEDERAL TERRITORY OF KUALA LUMPUR

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

FEDERAL TERRITORY OF LABUAN

Methanol

SABAH

Sipitang

- Ammonia
- Urea

TERENGGANU

Kertih Integrated Petrochemical Complex (KIPC)

- Ammonia
- Benzene
- Butanol
- Butyl Acetate
- Butyl Glycol Ethers Paraxylene
- Ethanolamines

- Ethylene
- Ethylene Glycols
- Ethoxylates
- Polyethylene Glycols
- Polyethylene
- Propylene
- · Acetic Acid*

SARAWAK

Bintulu

- Ammonia
- Urea

PAHANG

Gebeng Integrated Petrochemical Complex

- Butyl Ether
- Propylene
- Highly Reactive Polyisobutylene* • Silicone
- Acrylics*
- Citral*
- Citronellol*
- L-Menthol*

• Methyl Tertiary • 2-Ethylhexanoic

- Acid*
- Silicone Gum
- Blend
- Antifoam
- Silicone Emulsion

JOHOR

Stvrene

Pasir Gudang

Monomer*

KEDAH

Gurun

- Ammonia
- Methanol
- Urea
- NPK Fertilisers*
- Diesel Exhaust Fluid
- * Produced by joint ventures and associates

INDEX REPRESENTATION



- MSCI Asia Ex-Japan
- MSCI Asia Ex-Japan Chemicals



- FBM Emas Shariah Index
- FBM KLCI

STRATEGIC ALLIANCES

As at 31 December 2021

PARTNERS





BASF SE









INEOS



PT AKR Corporindo Tbk



LG Chem Ltd.



National Farmers' Organisation



SWD Lubricants GmbH & Co.







Mitsubishi Corporation





PCC SE



PARTLY-OWNED SUBSIDIARIES, JOINT OPERATION, JVs AND ASSOCIATE COMPANIES





Kertih Terminals Sdn Bhd



ASEAN Bintulu Fertiliser Sdn Bhd



Malaysian NPK Fertilizer Sdn Bhd



Viscotech GmbH and Viscotech Asia Pte Ltd



PETRONAS Chemicals Aromatics Sdn Bhd



BASF PETRONAS Chemicals Sdn Bhd



PT Anugerah Kimia Indonesia



Idemitsu SM (Malaysia) Sdn Bhd



LG PETRONAS Chemicals Malaysia Sdn Bhd



PCM Chemical India Pte. Ltd.



Pengerang Petrochemical Company Sdn Bhd

> INEOS PCG Acetyls Sdn Bhd

PCG PCC Oxyalkylates Sdn Bhd

OUR STRENGTHS



SUSTAINABILITY

- Established Net Zero Carbon Emissions (NZCE) 2050 roadmap
- International recognition for sustainable business practices



OPERATIONAL EXCELLENCE

- Integrated manufacturing facilities and infrastructure
- World-class Health, Safety and Environment (HSE) standards and plant performance
- Secure, reliable and competitive feedstock supply



COMMERCIAL EXCELLENCE

- Diversified product portfolio to meet current and future needs
- Strong customer relationships
- Close proximity to key growth markets
- Reputable industry and market leader

OUR COMPETITIVE ADVANTAGE



GROWTH DELIVERY EXCELLENCE

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



FINANCIAL STRENGTH

- Strong returns and capacity to fund future growth
- Attractive dividend policy with a payout ratio of around 50% of Group Profit After Tax and Non-Controlling Interests



CORPORATE GOVERNANCE

 Recognition for high standards of good corporate governance



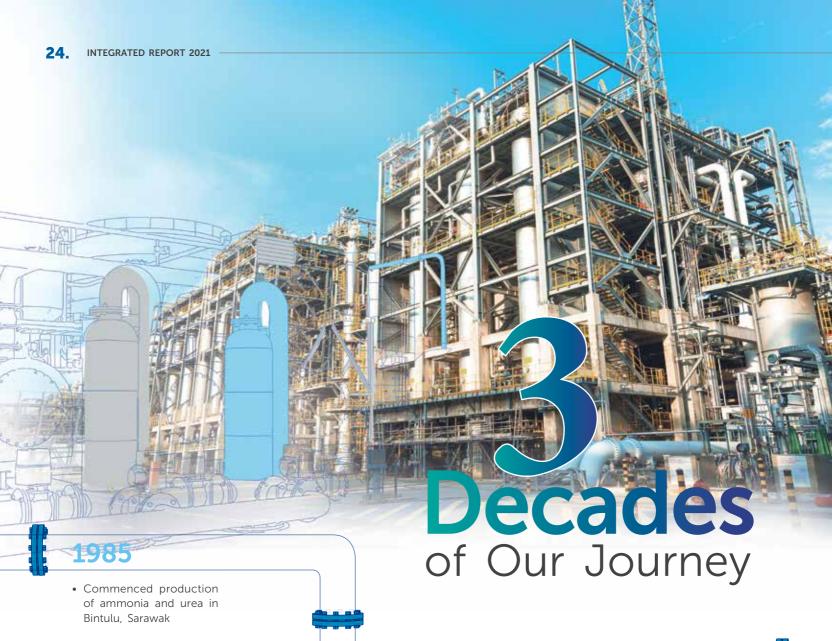
STRONG TALENT

- Committed employees with future-ready skills for growth and portfolio expansion
- Inclusive and highperformance work environment
- Structured leadership training and career opportunities

OUR STRENGTHS

We have proven our resilience, agility and adaptability during challenging times, especially in response to the pandemic. As we join the world in navigating the pandemic, our Two-Pronged Strategy enables us to meet the changing market needs with our efficient operations, timely delivery to customers and achieving growth to future-proof the business. With that, our long-term growth is driven by our sustainability agenda and innovative solutions, which is based on three pillars of creating positive impact: Economic, Environmental and Social. Lastly, we strive to continuously create meaningful value for our shareholders and other stakeholders as well as strengthen good corporate governance.





1992-1999

- Commenced production of propylene and MTBE at Gebeng Integrated Petrochemical Complex in Pahang
- Acquired methanol plant in Labuan
- Commenced production of ethylene and polyethylene at Kertih Integrated Petrochemical Complex (KIPC) in Kertih, Terengganu
- Commenced production of styrene monomer in Pasir Gudang, Johor
- Commenced production of ammonia, urea and methanol in Gurun, Kedah

2000-2002

- Commenced production of acrylic acid at BASF PETRONAS Chemicals (BPC) in Gebeng, Pahang
- Commenced production of benzene, paraxylene, ammonia, vinyl chloride monomer, polyvinyl chloride, acetic acid, LDPE, olefins, glycols and derivatives at KIPC in Kertih, Terengganu
- Commenced production of PVC 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 PETRONAS Chemicals Olefins Sdn Bhd (PC Olefins), PETRONAS Chemicals Glycols Sdn Bhd and PETRONAS Chemicals Derivatives Sdn Bhd from Dow Chemicals

2010-2014

- Incorporation of PCG and listing on Main Market of Bursa Malaysia
- Acquired additional interest in PETRONAS Chemicals Ethylene Sdn Bhd and PETRONAS Chemicals Polyethylene Sdn Bhd from British Petroleum
- Divested Phu My Plastics & Chemicals Co Ltd pursuant to the decision to discontinue vinyl business
- Secured license for PETRONAS Chemicals Marketing (Labuan) Ltd as Labuan International Commodity Trading Company
- Incorporated overseas marketing subsidiaries, PCM (Thailand)
 Company Limited and PCM (China)
 Co., Ltd

• Acquired 100% equity in Pengerang

Petrochemicals Company Sdn Bhd (PPC) and PRPC Elastomers Sdn Bhd

to undertake petrochemical projects

as part of Pengerang Integrated

Complex (PIC) in Pengerang, Johor

• Commenced production of 2-EHAcid

• Sanctioned development and

construction of HDPE project at PPC

at BPC in Gebeng, Pahang

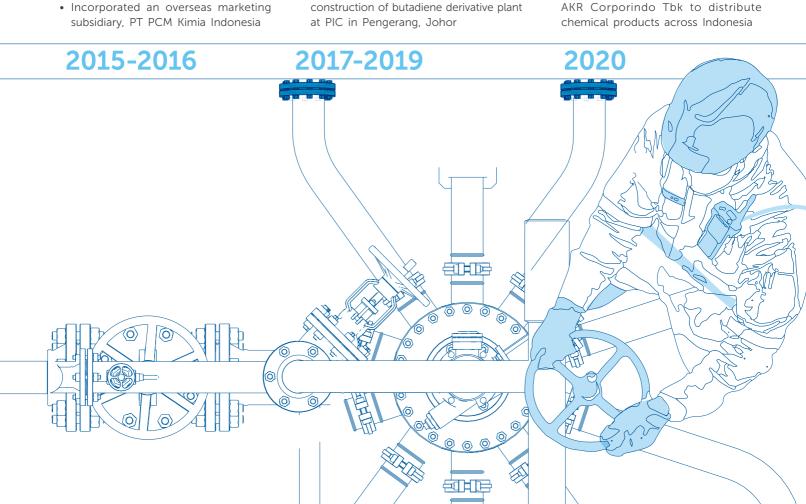
in Pengerang, Johor

3 DECADES OF OUR JOURNEY

- Sanctioned development and construction of isononanol project at PIC in Pengerang, Johor
- Commenced production of ammonia and urea at PETRONAS Chemicals Fertiliser Sabah Sdn Bhd in Sipitang, Sabah
- Commenced production of citral, citronellol, L-menthol and HR-PIB at BPC in Gebeng, Pahang
- Divested 50% equity in PPC to Aramco Overseas Holding Coöperatief U.A., a wholly-owned subsidiary of Saudi Arabian Oil Company
- Acquired non-controlling interest in PC Olefins and PETRONAS Chemicals LDPE Sdn Bhd from Sasol, with both becoming wholly-owned subsidiaries of the company
- Launched state-of-the-art Surfactant Laboratory in Bangi, Selangor
- First production of polymers and ethylene glycols at PIC in Pengerang, Johor
- · Acquired BRB, the world's leading independent producer and formulator of silicones, lube oil additives and chemicals
- Sanctioned the development and construction of specialty chemicals plant at KIPC in Kertih, Terengganu
- Sanctioned the development and construction of butadiene derivative plant at PIC in Pengerang, Johor

2021

- Incorporated LG PETRONAS Chemicals Malaysia Sdn Bhd for nitrile butadiene latex plant in Pengerang, Johor
- Achieved first drop of Bio-Monoethylene Glycols (Bio-MEG) product from pilot plant
- Commenced production of silicone blended products in Gebeng, Pahang
- Sanctioned the development and construction of a silicone blending facility in Gebeng, Pahang
- · Sanctioned the expansion of BRB facility in the Netherlands
- Entered into a joint venture with PT AKR Corporindo Tbk to distribute





The changing expectations of our customers are what keep us on our toes. Whether it involves searching for solutions to meet their specific needs or looking through their lens to fulfil their goals in growing their business, we deliver innovative products and customised solutions to help them thrive and grow. This drives a big part of PCG's success, as meeting their needs also engages in opportunities for us to innovate and expand.



WHAT WE DID:

The Ultra-High Purity Methanol (UHPM) is a superior choice for Direct Methanol Fuel Cell (DMFC) that meets customers' needs but also aligns with PCG's active role in supporting PETRONAS' Sustainability Agenda. This low-carbon solution is suitable for stationary and mobile energy solutions for Fuel Cell applications, intending to fulfil the demand for clean energy in the Asia Pacific.



- Contributed efforts in reducing greenhouse gas emissions, as every litre of UHPM utilised in DMFC emits 24% lower CO₂ than diesel portable power generators of similar capacity
- Surpassed the required specifications by the International Method Producers and Consumers Association (IMPCA), highlighting the superior quality of our UHPM
- Shipped the first UHPM order to SFC Energy AG in Germany, a leading provider of fuel technology for stationary and mobile hybrid power solutions



Dear Stakeholders,

First and foremost, I would like to thank Datuk Md Arif Mahmood for his commitment to steering the Board and management towards excellence. As I take on the role of Chairman, I hope to humbly continue my predecessors' exceptional work in building PCG's strength and resilience. This has been particularly critical over the past two years with the ongoing pandemic. Nevertheless, PCG continues to innovate, adapt and grow amidst the rapidly changing market dynamics and stakeholder expectations.

As we navigated this uncharted landscape in 2021, we have become more focused on our Sustainability Agenda. In today's increasingly dynamic world, putting sustainability at the heart of our business is key to our long-term growth. It allows us to balance the needs of all our stakeholders, better manage long-term risks, operate in a responsible and ethical manner, and leave behind a better world for future generations.

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Futher details of PETRONAS Chemicals Group

Berhad can be found on www.petronaschemicals.com





Although the COVID-19 pandemic continues to impact business, our resilience enabled us to achieve stellar results this year, with a record-breaking Profit after Tax (PAT) of RM7.3 billion.

OVERVIEW OF THE YEAR

Southeast Asian economies remained in the grip of the COVID-19 pandemic as multiple supply chain disruptions shaped economic activities in 2021. The nascent recovery of Southeast Asia's economies in late 2021 was interrupted by a resurgence of the pandemic caused by the Omicron variant that led to the reinstatement of containment measures in several countries. These measures adversely impacted consumption and investment. However, the impact was less severe than in 2020, as recent efforts focused more on local restrictions and targeted containment measures.

According to the IMF World Economic Outlook Update in January 2022, the average GDP growth across ASEAN-5 economies is estimated at 3.1%, a marked improvement from -3.4% recorded in 2020. Southeast Asia recovered quickly, benefitting from the end of lockdowns and increasing foreign demand. A key factor in supporting Southeast Asia's recovery is the fast and continuous deployment of the vaccine, which enabled a closer-to-normal economic situation. The adoption of the ASEAN Comprehensive Recovery Framework at the 37th ASEAN Summit will continue to drive a comprehensive and sustainable post-pandemic recovery.

In addition to high market growth, key advantages for the region's chemical industry include access to natural oil and gas feedstock and strong government support in the form of infrastructure and investment incentives. These factors point to the growth of Asian countries and their chemical capacities within the next three to four years.

Chemical producers, particularly in the Southeast Asian region, have a competitive advantage in accessing end customers due to a fragmented market structure and logistical advantage. ASEAN producers need to create synergy by fully integrating upstream and downstream complex and implementing operational excellence. In dealing with the geo-economic shifts, ASEAN economies' commitment to becoming a highly integrated and cohesive economic region is a step forward.

Furthermore, global climate change intensified sustainability requirements across nations and industries. International chemical producers are responding with ambitious sustainability plans to transition towards a sustainable carbon-free industry. With that, PCG has also stepped up to embrace the pledge for carbon neutrality and greater sustainability practices.

Although the COVID-19 pandemic continues to impact business, our resilience enabled us to achieve stellar results this year, with a record-breaking Profit after Tax (PAT) of RM7.3 billion. In addition to favourable product prices, our ability to continuously run the plants while maintaining high safety standards contributed to this commendable performance. We strictly adhered to standard operating procedures (SOPs), transitioned to remote working where necessary, and implemented new safety guidelines to ensure business continuity.

Our resilience is also due to strong supply chain management, critical for our operational efficiency. Strategic collaboration across the value chain resulted in a reliable and sustainable feedstock supply. These innovative programmes contribute towards higher plant utilisation and delivery commitment to our customers.

Despite the challenging operating and market environment, we were able to rely on our cash flows from operations to fund our growth projects without tapping into our cash reserves. This is a testament to our robust financial position, as we continue our focus on various growth opportunities while optimising costs. We also prioritise our funds for investment, focusing on market-backed projects with robust demand and supported by megatrends that are sustainable and economically attractive to the business.



STRONG GOVERNANCE

As we chart a path towards the new normal, the role of the Board is more critical than ever. We are strengthening our governance and risk management to effectively respond to new challenges that arise. With strict adherence to the Malaysian Code on Corporate Governance (MCCG) principles, the Board and its established committees (Board Audit Committee, Board Risk Committee, Nomination and Remuneration Committee) deliberate in detail on business strategies, opportunities to capture, and risk mitigation measures.



We are strengthening our governance and risk management to effectively respond to new challenges that arise.



MSWG-ASEAN Corporate Governance Award 2020

- Excellence Award for Corporate Governance Disclosure (2nd)
- Industry Excellence Award (for Industrial Products and Services) (1st)

2021 Australasian Reporting Award (ARA)

- General Award (Gold)
- Sustainability Reporting Award (Bronze)





Additionally, we ensure that the Board is well-equipped to meet our stakeholders' current and future needs. This includes providing training opportunities for Board members related to emerging trends, such as climate change, digitalisation and sustainability. The Board also engages with project teams that lead PCG's future-proof and growth strategic projects to ensure robust discussions on future strategic direction.

We also strongly emphasise Board diversity and inclusivity. Diversity brings together new ideas from different backgrounds and experiences. A diverse Board enables our leadership to better understand diverse stakeholder needs. PCG's Board Diversity Policy aims to create an inclusive Board with differences in thought, knowledge, skills, experience, culture and gender. This enables the Board to expand on more complex deliberations with a range of perspectives. As of 2021, 22% of Board members are women. The Board endeavours to have 30% women directors while ensuring that any Board appointment shall be based on merit.



With the ongoing pandemic challenges, we had to ensure that our hardest-hit stakeholder groups were well-supported during the year.



SUPPORTING OUR STAKEHOLDERS

Our commitment to value creation extends beyond business and financial growth. We have a responsibility to act in the best interest of all our stakeholders.

Firstly, we continuously met our customers' needs despite movement control orders. Our plants maintained optimum operations throughout the year, allowing us to deliver timely and high-quality products to our customers. We also focused on addressing common customer pain points for greater customer experience. This was achieved through effective customer feedback management, which we received through virtual engagements.

Furthermore, PCG's operations rely on our dedicated employees and network of suppliers. The pandemic threatened their ability to carry out their roles and put their health and safety at risk. Our swift plan to adhere to stringent SOPs while embodying Health, Safety and Environment (HSE) excellence enabled our capacity to ensure business as usual. During plant turnarounds, we implemented measures such as screening tests for plant workers, increasing disinfection, and optimising our frontline workers to reduce their risk of exposure.

As a key component of our business ecosystem, we strive to always empower and support local communities, particularly during hard times. In supporting national COVID-19 efforts, we activated the PCG COVID-19 Relief Programme. This included the Community Relief Package (CRP), which provided essential items to aid communities affected by the lockdown. Additionally, we supported emerging requests from stakeholders for logistic support in distributing vaccines through the Vaccine Distribution Relief Centre. PCG employees also personally volunteered to help impacted communities, such as donating to foodbanks at PETRONAS service stations or personally contributing to the National Disaster Management Agency (NADMA) through salary deductions. Overall, our COVID-19 efforts helped more than 18,000 community members within our areas of operations during these trying times.

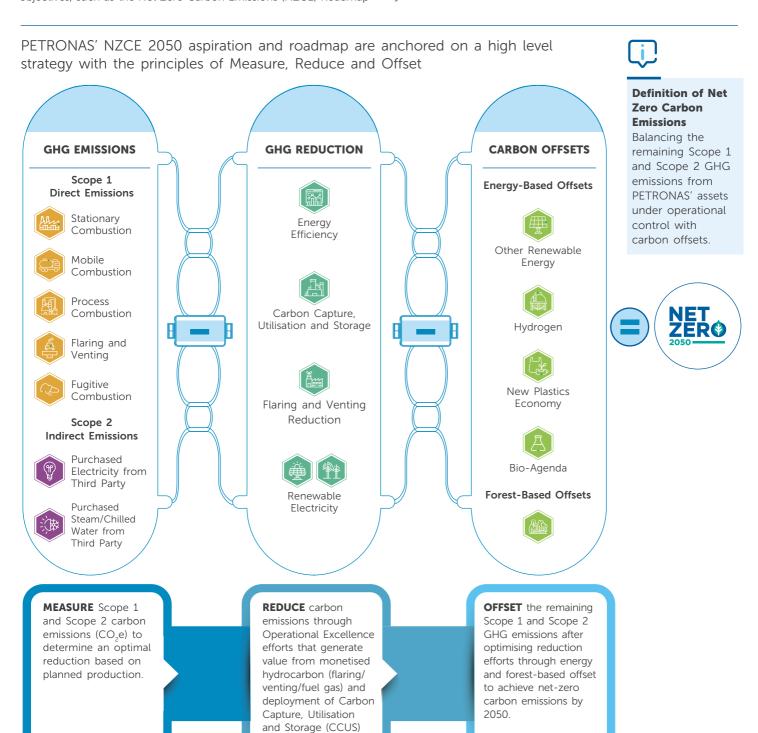
OUR SUSTAINABILITY FOCUS

Sustainability has always been an integral part of our business. Before it became a well-established concept in the market, PCG was already focused on creating long-term socio-economic growth while minimising our environmental footprint. It is the reason we have been able to thrive over the years and position ourselves as a major chemical player in the region.

Today, we have reached a pivotal moment in our sustainability journey. To keep up with emerging risks and disruption, the Board has endorsed PCG's Sustainability Agenda. This includes a sustainability roadmap to achieve our Economic, Environmental and Social (EES) objectives, such as the Net Zero Carbon Emissions (NZCE) Roadmap

supporting PETRONAS' aspiration for net-zero carbon emissions by 2050. The roadmap includes actively deliberating on climate change and other sustainability risks when reviewing projects and prospective plans.

We also view sustainability as an opportunity to create a positive impact and address global sustainability challenges. This is evident in our support of the United Nation's Sustainable Design Goals (UN SDGs), with 13 prioritised SDGs out of the 17 goals. This year, our most significant contribution was to SDG 13 (Climate Action), as we laid out a clear plan to reach net-zero carbon emissions by 2050.



technologies.



CHAIRMAN'S STATEMENT



Our sustainability efforts have been recognised by local and international bodies. We are particularly proud of achieving the top 10% of the largest 2,500 companies in the Dow Jones Sustainability Indices (DJSI) 2021, marking us as the top ten chemical companies for the World Index and top three for Emerging Markets. Similarly, we received a full 4-star rating from FTSE4Good Bursa Malaysia on Environmental, Sustainability and Governance (ESG) disclosure in 2021.

LOOKING AHEAD

Although we are optimistic for 2022 with the opening of economic activities, the promise of a full recovery remains uncertain as the world adapts to a 'new normal'. Furthermore, inflationary pressure, uncertain geopolitical situations, and the global supply chain dynamics have posed new vulnerabilities to the global economy, which would cause an imbalance in the market.

While the past two years have not been easy, our solid fundamentals and focus on stakeholders have only strengthened our resilience and resolve. This resulted in PCG's Operational Excellence, Commercial Excellence and Growth Delivery Excellence pushing the boundaries of thinking and innovative solutions. As the demand for petrochemicals continues to grow, we will be there to leverage the opportunities and create sustainable value.

On behalf of the Board, I thank all the stakeholders for your continued support. I would like to thank our former Managing Director/Chief Executive Officer (MD/CEO), Datuk Sazali Hamzah, for successfully leading PCG in its transformative journey amidst unprecedented challenges. On that note, I am pleased to welcome Ir. Mohd Yusri Mohamed Yusof as the new MD/CEO. The Board and I will support him and the management team towards our growth plans and sustainability strategies.



- Dow Jones Sustainability Indices (DJSI) 2021
 - Member of DJSI World Index
 - Member of DJSI Emerging Markets Index
- FTSE4Good Bursa Malaysia
 - Full 4-Star Rating for ESG Disclosure
- Sustainable Business Awards Malaysia 2020/21 by Global Initiatives
 - Winner, Energy Management
 - Winner, Water Management
 - Significant Achievement, Sustainability Strategy
 - Significant Achievement Workforce
 - Significant Achievement, Stakeholder Management

A special thanks to our employees, the pillars of PCG, for your continuous dedication and commitment in achieving our business objectives while enduring unpredictable events. Lastly, my heartfelt appreciation to all stakeholders, namely our shareholders, customers and suppliers, for your confidence and continued co-operation in furthering our business growth. With **Sustainability at the Core** of everything we do, we will always put you first.

Dear Stakeholders,

For my first report as the Managing Director/Chief Executive Officer of PCG, I would like to express my appreciation to the Board and management for the opportunity to assume this important role. Steering the company in an uncertain landscape will be a monumental task, one I am prepared to take on. With that, I would like to convey my heartfelt gratitude to Datuk Sazali Hamzah for his efforts in establishing an exceptional team for me to take over.

The events of recent years have reinforced the importance of balancing the interests of all stakeholders, especially during times of crisis. We have a central role in helping society navigate pressing sustainability challenges, such as the lingering effect of COVID-19 and the rising climate threat. At PCG, we view this as an opportunity to accelerate our sustainability agenda. Our long-term performance is contingent on our ability to adapt according to the needs of current and future stakeholders.

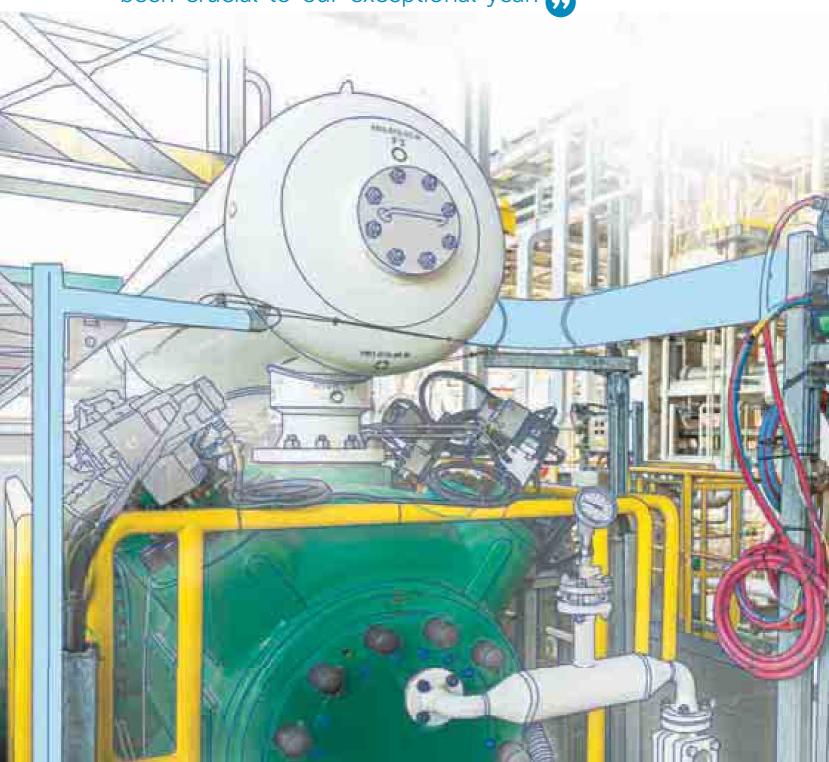








The nature of these extraordinary events contributed to PCG's record performance in 2021, with Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) of RM8.3 billion. The resilience of our operations and the dedication of our people have also been crucial to our exceptional year.





A RECORD PERFORMING YEAR

In 2021, we witnessed an unprecedented sharp rise in crude oil and petrochemical prices. This began with Hurricane Ida impacting the supply outlook, which was then exacerbated by the Organization of the Petroleum Exporting Countries (OPEC) agreement to increase production. With the reopening of economic activities worldwide, there has been a remarkable rally of chemical prices, fuelled by robust demand supported further by bullish energy prices. The nature of these extraordinary events contributed to PCG's record-breaking performance in 2021, with Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) of RM8.3 billion. The resilience of our operations and the dedication of our people have also been crucial to our exceptional year.

The economic ripple effects of the pandemic emphasised a need to collectively address global challenges. COVID-19 recovery efforts came with rising pressure on the sustainability agenda. More countries are set to implement carbon legislation, such as the European Union (EU) Carbon Border Adjustment Mechanism and carbon tax. Similarly, customers are also becoming more environmentally conscious. They increasingly prioritise green and natural products, creating an opportunity for PCG to develop innovative sustainable solutions. With a change in regulatory and market needs, sustainability has become a critical influencing factor in PCG's decision making.





OUR TWO-PRONGED STRATEGY

PCG's Two-Pronged Strategy paved the way to a strong performance in 2021. We continue to make significant headway in our strategy throughout the year, catalysing us towards becoming The Preferred Chemical Company Providing Innovative Customer Solutions.

The driving force behind our strategy is three strategic thrusts, namely Operational Excellence, Commercial Excellence and Growth Delivery Excellence. The Two-Pronged Strategy enables us to safely and efficiently run our plants, deliver value to our customers, and achieve growth in unchartered territories.

Through our strategy, we aim to achieve 50% improvement in cash flow by 2025, 30% additional revenue from nontraditional business by 2030, and net-zero carbon emissions by 2050. In addition to delivering these goals, the Two-Pronged Strategy is designed to build resilience against market volatility and emerging risks.



📭 For more details on Our Strategy, refer to page 99



Lost Time Injury Frequency (LTIF) of 0.07, significantly better than the industry benchmark of 0.26.

Our progress on each strategic thrust is summarised below.

OPERATIONAL EXCELLENCE

Every year, we continue to strengthen the foundations of our Operational Excellence. This starts with ensuring the health and safety of our workers, which contributes to improved plant productivity and performance. Our efforts in safety excellence resulted in a Lost Time Injury Frequency (LTIF) of 0.07, significantly better than the industry benchmark of 0.26.

We continue to enhance plant efficiency and reliability through digital tools. This includes PETRONAS' Integrated Vision for Operational Excellence Transformation (PIVOT), Advanced Analytics (AA) solutions and an Asset Performance Management (APM) system that enables real-time predictive analysis to improve plant reliability. All of this translates to best-in-class plant performance, with a more efficient execution of our plants' turnaround and shutdown.

Operating during COVID-19 restrictions presented challenges such as running plants at full capacity with minimal manpower. We had to ensure that necessary safety measures were in place to protect our people, while continuously improving our plant efficiency. We navigated these challenges through effective guidelines, digital tools, and closely collaborating with feedstock and utility suppliers. With that, we successfully and safely completed four statutory turnarounds in 2021.

By prioritising HSE excellence and leveraging digital tools, we optimised our turnaround plans and shutdown alignments thus successfully improving our production volume. This year's most notable achievement for Operational Excellence includes registering plant utilisation (PU) of 93%.

COMMERCIAL EXCELLENCE

Commercial Excellence anchors on close collaboration and customer intimacy, which ultimately creates value for our customers. We deliver innovative solutions, products and applications that bring added value to their business, resulting in a sales volume of 8.2 million tonnes per annum (tpa) in 2021. Despite volatile commodity prices impacting our costs and margins, we leveraged Enterprise Optimisation to maximise value creation and build resilience against price shocks. Furthermore, to navigate shipping and supply chain disruptions, we leveraged our strong network of value chain partners to ensure timely product delivery to customers.

A big win this year was executing the first shipment of Ultra-High Purity Methanol (UHPM) for Fuel Cell Application – a chemical of higher quality than specifications by the International Methanol Producers and Consumers Association (IMPCA). This low-carbon solution contributes to our efforts to reduce greenhouse gas emissions, as every litre of UHPM utilised in Direct Methanol Fuel Cell (DMFC) emits 24% lower CO₂ than portable diesel power generators of similar capacity.







Our Commercial Excellence efforts also deploys solutions that empower local communities. In 2021, we introduced smart farming solutions in Kampung Nam Dam, Kedah, which increased the quantity and quality of the crops while minimising labour and costs. Our first solution is supplying our new Agrenas DTU fertiliser (Blue Urea), which has a more efficient absorption rate. We then implemented drone technology to reduce exposure to pesticides and herbicides. We also provided a paddy expert to improve paddy planting procedures for better yield, resulting in a 58% increase in average yield per hectare. With smart farming in place, PCG has enabled farmers to double their income.

With the solid network of our value chain partners and customers, as well as our collaborative efforts in creating solutions, we achieved our sales targets despite market uncertainty and price shocks.



With smart farming in place, PCG has enabled farmers to double their income.



GROWTH DELIVERY EXCELLENCE

COVID-19 restrictions posed a challenge to our Growth Delivery Excellence as managing project deliverables in this uncertain climate meant a lot of unprecedented changes, thus affecting the prioritisation of growth projects. Nonetheless, we maintained our fundamental assessments of future supply-demand shifts, pricing trends and market opportunities; reassessed priorities based on the risks of execution at the project level and identified a supplementary pool of projects; developed comprehensive marketing plans and progress on Final Investment Decisions (FID); continued looking at growth opportunities independently as well as with our joint venture (JV) partners; and simplified project development processes while prioritising projects with high earnings accretive returns.

Our main priority in 2021 was to continue extending the value chain. Our JV company, PT Anugerah Kimia Indonesia (PT AKI) started its operation in April 2021, with shipments of methanol distributed in Indonesia. Additionally, we executed sanctioned projects through our JV companies namely specialty ethoxylates and polyols with PCG PCC Oxyalkylates Sdn Bhd in Kertih, Terengganu and nitrile butadiene latex with LG PETRONAS Chemicals Malaysia Sdn Bhd in Pengerang, Johor.

Our first foray into specialty chemicals, BRB, which we acquired in 2019, has further expanded its silicone business. Our new silicone blending facility in Kuantan, Pahang achieved commercial operation in December 2021, and is expected to bring additional silicone product offerings across industries. We are also making headway to build our specialty platform, gaining access to new markets in attractive segments and pursuing mergers and acquisitions (M&A) of established specialty chemical players.

Our growth strategy also involves creating optionality for growth through Research and Technology (R&T). A key research focus is to convert biomass into differentiated value-added chemicals. In this domain, we continue to mature the conversion process for second-generation palm biomass into sustainable and cost-competitive chemicals. Our first drop of Bio-Monoethylene Glycols (Bio-MEG) product from the pilot plant was achieved in December 2021, and we are currently evaluating the technology for commercial scale production.

We are also assessing emerging technologies from start-up companies. For example, we are looking into technology that turns organic waste into sustainable, high-efficiency bio-waste chemical fertiliser. Another example is technology that produces bio-material from fungi. In the space of non-organic technology, we are exploring the conversion of waste plastic into road construction material. We will continue to assess, screen and collaborate on new technology according to sustainability requirements, thus creating more value from our molecules to propel our growth.



Contribution to socio-economic progress:

- Good governance in supply chain
- Implementation of PCG's Sustainability Agenda
- Accelerate transition to New Plastics Economy (NPE)
- Educate through 'Plastic,
 Sustainability & You' Module
- ecoCare for mangrove

 ✓ conservation and
 rehabilitation awareness

CATALYSING SUSTAINABLE IMPACT

Energy transition and the decarbonisation agenda are becoming more pervasive and pre-emptive than ever. At PCG, we see sustainability as a way to remain competitive, now and into the future. By prioritising the well-being of people and the planet, only then can our business truly thrive. Our sustainability approach is based on three pillars of positive impact – Economic, Environmental and Social.

One area in which we contribute to socio-economic progress is through our supply chain. Our procurement process supports local businesses, contributing RM2.37 billion to 1,243 local suppliers in 2021. Additionally, we enabled 13 local vendors towards becoming well-established companies through PETRONAS' Vendor Development Programme (VDP). This year, four VDP vendors received training in Cash Flow Management by ACCA, NIOSH competency courses and a webinar in the Implementation of Monthly Tax Deduction and Payroll Audit.

As an environmental steward, we implement low-carbon technology to minimise our emissions and contribute to PETRONAS' net-zero carbon target by 2050. Our GHG emissions intensity has reduced by 18% since 2013, with absolute emissions improving by 1.4% in 2021 compared to 2020. A major milestone for this year is the establishment of our own Net Zero Carbon Emissions (NZCE) 2050 Roadmap suited to the chemical industry, aligning with PETRONAS' net-zero aspirations. The roadmap will guide longer-term strategic decision-making to reduce climate impact, improve the resilience of the business and capitalise on opportunities from climate change and circular economy. We have also set new carbon-reduction targets – a 20% reduction by 2030, another 60% by 2040 and finally, net-zero by 2050.

As the biggest producer of polymer resin in Southeast Asia, we are committed to accelerating the region's transition to a New Plastics Economy (NPE). This includes converting end-of-life plastic waste into pyrolysis oil, with a targeted end product of certified circular polymer resins. We have completed the process trial of converting plastic waste into circular naphtha at PETRONAS' refinery in Melaka. We are currently conducting a feasibility study on converting end-of-life Polyethylene Terephthalate (PET) to recycled food-grade PET.

Our community programmes have been implemented to raise the environmental awareness of the public, extending our reach beyond PCG. This includes the 'Plastic, Sustainability & You' Module education series to the masses on NPE. Through a series of webinar sessions, we reached over 130,000 teachers, students, government officials and other viewers; realigning societal perceptions on plastic and effective waste management. Furthermore, we helped improve the biodiversity along the Kertih River via ecoCare, a mangrove conservation and rehabilitation awareness programme. The programme covers more than 14,000 sq. metres, with 20,263 mangrove trees planted to date.

TAKING CARE OF EMPLOYEES

This year, PCG employees continued to face COVID-19 challenges, with extended lockdowns resulting in remote working arrangements. To protect our employees, we set up the Pandemic Preparedness and Response Team (PPRT) to ensure all worksites comply with Standard Operating Procedures (SOPs) requirements by the government. We also established a COVID-19 handbook for reference as an all-inclusive information portal in getting the most up-to-date information and assistance.



The challenges of COVID-19 restrictions also include improving and maintaining employee morale. This was established at the beginning of the pandemic, as one-off assistance was given to ease employees' transition to working from home. Subsequently, monthly allowances were also given to facilitate smooth and reliable connectivity during remote working. We also increased employee engagement, which included setting up a virtual platform where we held talks on how to improve their mental health and well-being.

With the rapidly changing industry, it is crucial to keep our employees relevantly skilled and knowledgeable. This year, we continued to encourage our employees to leverage training done through virtual platforms, and we have recorded 3.0 training man-days per employee compared to 3.3 last year. Our overall strategy in future-proofing leaders and talents is our Capability Accelerator. It is a Fit-for-Purpose Capability Development Programme for Executives and Non-Executives to accelerate learning. This is also applicable to Technical Professionals and Technical Trade Specialists to build their future-ready capabilities. Top talents and potential leaders are chosen for cross-functional assignments, corporate initiatives and growth projects, including the 42 PCG leaders who attended the Innovation Engine Masterclass training to develop innovative business ideas and inculcate innovative culture.



PCG employees continued to face COVID-19 challenges, with extended lockdowns resulting in remote working arrangements.

OUTLOOK

A strong recovery has been observed since the end of 2020, although the situation remains uncertain. Despite the opening up of economic activities, the pandemic is still far from over. Another factor that heightens uncertainty of the pace of recovery moving forward is the significant increase of prices and inflationary pressure. We have seen a rally of commodity prices, including chemical prices.



Malaysia's Most Attractive Graduate Employers to Work for in the Chemical Sector – The Graduates Choice Award by Talentbank

Barriers to entry in the specialty chemical industry are typically high. The industry requires substantial research and development (R&D), technical know-how, capital intensiveness, service capabilities, customer relationships, and engineered or regulated specifications. Because of their differentiated and value-added nature, many specialty product lines enjoy higher sustained profitability levels than commodity products. As more global players break the barrier into specialty chemicals, competition will be more intense, and high-profit margins will not sustain. By taking a position in specialty chemicals now, PCG has an early mover advantage to protect and enhance margins in specialty chemicals.

The cyclical upswing of commodities will support the energy transition and decarbonisation agenda in the upcoming year. The preference for green and sustainable products, and support for companies with a strong commitment to sustainability will continue to rise. This brings new opportunities to refine and restructure our production processes to improve our product offering and explore new investments in circular economy and sustainability.

The projections for 2022 sets us on a path to drive our Two-Pronged Strategy in achieving our big picture goals. The growing demands for specialty chemicals will enable us to achieve our goal of 30% additional revenue from non-traditional business by 2030, while the shift towards sustainable processes and product offerings puts us on track to becoming net-zero by 2050.

In closing, I would like to express my deepest gratitude to all our stakeholders for their steadfast and tireless support, including our Board of Directors, for their continued guidance. Most importantly, a heartfelt appreciation to the employees and people of PCG – we are indebted to each and every one of you. Your dedication, unwavering sense of duty and diligent work ethic have been the key to our company's success. We will strive to navigate this time of recovery together, with **Sustainability at the Core** of everything we do.

Dear Stakeholders,

Building on our momentum from the previous year, we delivered outstanding financial results for 2021, with record-breaking earnings and cash flows. Despite undertaking heavy statutory plant turnaround activities, we achieved the highest Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) at RM8.3 billion since our listing in 2010.

Our ability to achieve a commendable performance against the backdrop of prolonged COVID-19 challenges is a testament to the dedication of an agile workforce at PCG. The past two years would not have been possible without their commitment and perseverance. I also attribute PCG's excellent performance to our customers, shareholders, suppliers and other stakeholders. Their continued trust in our ability to create sustainable value has been a driving force for our outstanding results this year.



Futher details of PETRONAS Chemicals Group
Berhad can be found on www.petronaschemicals.com





- Annual Report Competition (ARC) Awards International 2021
 - AR & CSR for non traditional format Bronze for Financial Data
- The Edge Billion Ringgit Club 2021
 - Super Big Cap Companies: Companies with more than RM40 billion Market Capitalisation Highest Returns to Shareholders over Three Years



Our ability to achieve a commendable performance against the backdrop of prolonged COVID-19 challenges is a testament to the dedication of an



STELLAR PERFORMANCE FOR THE YEAR IN REVIEW

The price of crude oil rose significantly to an average of USD71 per barrel for 2021. The increase in oil price, coupled with a healthy demand for petrochemicals and limited supply in certain markets, resulted in record-high product prices.

Riding on the favourable market conditions, we capitalised on our Operational Excellence and Commercial Excellence to achieve exceptional results. Our team sustained strong plant performance at a plant utilisation (PU) rate of 93%, with production volume surpassing 10.4 million tpa. We also ensured the timely delivery of products to achieve 8.2 million tpa in sales volume. Due to better prices and stable operations, our joint ventures (JVs) and associates also contributed to solid financial outcomes, about 10% of PCG's Profit Before Tax (PBT). The 2019 acquisition of the BRB Group provided an additional EBITDA of RM189 million to PCG Group, more than double its annual internal target and the highest revenue since its inception more than 30 years ago.

We achieved the highest revenue of above RM20.0 billion, increased by 60%, from RM14.4 billion to RM23.0 billion in 2021. The cost of revenue also increased by 33%, from RM10.8 billion to RM14.4 billion, mainly due to higher feedstock costs in line with higher crude oil prices. Feedstock costs remained the most significant component of the Group's cost of revenue, comprising approximately 51% of the total costs for the year.

Our EBITDA rose by over 100%, from RM3.5 billion to RM8.3 billion, due to improved margins. EBITDA margin stood at 36%, while PBT and Profit After Tax (PAT) more than doubled compared to 2020, at RM7.7 billion and RM7.3 billion, respectively. This is in line with higher EBITDA and share of profits from JVs and associates.

Record-breaking PAT

2020: RM1.6 billion

Solid liquidity with CFFO of

RM8.2 billion

2020: RM3.0 billion

Dividend Payout Ratio

2020: 59.0%





Focused Cost Discipline and Optimisation

To become the industry leader and remain competitive, we continue taking decisive measures that optimise production and preserve the value of our integrated value chains.

What We Did

- Exercised tighter financial discipline and continuously optimised costs
- Leveraged digital tools on operations, such as Advanced Analytics (AA), to avoid plant interruptions and related expenses, as well as conducted over 90% of customer meetings virtually (thus saving on travel expenses while increasing the number of engagements)

What We Achieved

• Exceeded OPEX reduction targets



Effective Working Capital and Liquidity Management

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

What We Did

- Ensured efficient inventory management through planning and proactive monitoring and implemented the Bottom-Up Stock Target (BUST) initiative to operate plants with an optimal stock level and ensure supply continuity for our customers
- Tracked and monitored any potential overdue receivables
- Enhanced scrutiny of payables deadlines and improved efficiency of the payment process to ensure timely payments within the agreed terms, thus safeguarding our creditors
- Prepared daily cash flow forecasts



Heightened Risk Management and Governance

The prolonged Movement Control Order (MCO) posed risks to our business operations and, in turn, would impact operating costs, profitability and stakeholder returns.

TOP ACHIEVEMENTS

What We Achieved

- Maintained a timely monetisation of products, balanced with its availability, to meet customers' requirements
 - Ensured timely receipt of payments and maintained a record with no outstanding receivables written off
 - Maintained sufficient cash for dayto-day business operations and potential growth requirements

What We Did

- Effectively managed risks with guidance from the Board Risk Committee (BRC)
- Assessed high-impact business matters by the Board and BRC, including proposals for acquisitions, portfolio rationalisation and JVs, cross-jurisdiction commercial transactions, alliance for strategic ventures, key capital projects, and new business ventures

What We Achieved

- Protect and add value to PCG through effective risk management practices embedded in the business and operational processes
- Exploit growth and business opportunities via evaluation and prudent decision-making processes supported by risk assessment
- Adoption of Risk Management Policy at BRB Group and implemented risk assessment for decision making
- Collaborated with JVs and associates in risk management implementation



External Financing

Our ability to secure financing amidst uncertainties is a testament to financial institutions' confidence in PCG (and its Group of Companies), our financial strength, and attractive growth projects.

What We Did

 Obtained external financing to ensure sufficient cash availability to fund growth projects

What We Achieved

 Secured external financing with competitive rates, particularly for the specialty ethoxylates/polyols project in Kertih, Terengganu and nitrile butadiene latex project in Pengerang, Johor

ROBUST SEGMENTAL PERFORMANCE RESULT

Our basic petrochemicals portfolio comprises two main product segments, namely Olefins & Derivatives (O&D) and Fertilisers & Methanol (F&M). F&M remained to be the major contributor to the Group's performances. The increase in O&D product prices on the back of tight global supply and improved demand has certainly improved O&D's contribution to the Group.

O&D

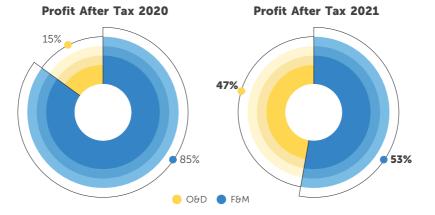
The PU for O&D improved on better plant performance, sustaining production and sales volume.

F&M

Despite lower PU due to turnaround activities, the F&M segment's production and sales volume were maintained.



^{*} Includes Others: 2020: RM857 million, 2021: RM1,220 million



F&M

2020 2021

O&D

The average product prices for the O&D segment were higher, driven by a balanced supply and stable demand from global economic recovery leading to a 52% increase in revenue. EBITDA and PAT more than doubled due to improved margin and higher share of profits from JVs and associates.

F&M

The average product prices for the F&M segment were at a record high, especially for urea and ammonia, contributing to a 76% growth in revenue. EBITDA increased by RM2.4 billion from 2020 due to improved margins. In line with the higher EBITDA and share of profits from JVs and associates, PAT also increased by more than double.



EFFECTIVE BALANCE SHEET MANAGEMENT

Overall, our total assets were higher by RM6.8 billion or 17% at RM46.6 billion. This is primarily due to an increase in cash and cash equivalents, capital investment in our Pengerang Integrated Complex (PIC) projects and increase in investment in JVs and associates arising from the higher share of profits contribution. Our cash balance for 2021 increased by RM3.7 billion at RM16.4 billion from RM12.7 billion, mainly contributed by cash flows from operations generated during the year. The gearing ratio remained stable at 7%.



R For more details, refer to Financial Review on pages 118 to 119

HIGHEST RETURNS TO SHAREHOLDERS

As per PCG's dividend policy, we maintained our commitment to a dividend payout ratio of around 50% of Group Profit After Tax and Non-Controlling Interests (PATANCI). The policy ensures attractive returns that meet shareholders' expectations while preserving cash to fund growth investments.

The Group declared two interim dividends of 23 sen respectively per ordinary share and a special dividend of 10 sen per share, representing a dividend payout of 61% of PATANCI amounting to RM4.5 billion – the highest dividends per share and payout ratio since 2010. The special dividend was announced in conjunction with PCG's 10th anniversary.



For more details, refer to Financial Review on pages 123 to 124

PROACTIVE COVID-19 RESPONSE

Despite better market conditions, we remained proactive in mitigating the financial risks of COVID-19. For instance, the MCO presented a risk of non-timely receipt of payments from our customers. To mitigate this, we engaged with our customers to understand their challenges in meeting payments and closely monitored our trade account receivables. This contributed to the timely payments from customers throughout the year, and our outstanding trade receivables reduced from 1.3% in 2020 to 0.7% as at 31 December 2021.

SUSTAINABILITY

As PCG strives towards sustainable business, the focus is not only on the long-term plans, but also emphasis on Economic, Environmental and Social areas.

The finance team plays a crucial role in driving PCG's sustainability agenda to support Net Zero Carbon Emissions (NZCE) 2050 Roadmap. We allocate the necessary Financial Capital to ensure our strategic initiatives align with our sustainability objectives.

OUTLOOK

Moving into 2022, we remain focused on achieving PCG's strategic thrusts to accelerate growth and create stakeholder value. Although 2021 was a financially exceptional year, we remain prudent in our outlook and efforts. We are looking forward to commercialising our PIC and silicone blending plant in Gebeng, which will contribute additional EBITDA, expand our global market presence, and improve our products portfolio.

With heavy statutory plant turnarounds planned, we will continue to drive cost optimisation and discipline, thus remaining competitive and resilient. We are also ready to take on a potentially bigger specialty chemicals platform, executing the necessary due diligence to ensure a smooth post-acquisition integration. This endeavour requires a strong cash position and prudent CAPEX management.

As past years have shown, PCG as a team can rise to any challenge and emerge stronger than ever. I have confidence in our ability as a Group to continue moving towards new levels of excellence, whatever the future may hold. With Sustainability at the Core, PCG will navigate the changing landscape and strengthen our position as a sustainable integrated chemicals player.



COVID-19: OUR RESPONSE



Charting into the second year of the pandemic has reiterated our resilience. Our response to maintaining our operations has been a collective effort. We regularly engaged with PETRONAS Group and other stakeholders across the value chain to synergise our response. As part of the Downstream COVID Taskforce (DCT) and the Pandemic Preparedness and Response Team (PPRT), we incorporated directions from PETRONAS Group through localised efforts that minimised disruptions to our plants. Our resilience to COVID-19 is reflected in the successful execution of four turnarounds, undeterred by the challenges of running our plants with minimal manpower and restrictive Standard Operating Procedures (SOPs).



Employees

Impact on Stakeholder Value

- Exposure to COVID-19 virus directly impacting employee health
- Disruptions to office work due to enforced Work-from-Home (WFH) mandates
- Plants forced to operate at minimum manpower due to SOPs

Measures Deployed

- Provided medical/non-medical assistance for affected employees
- Compensated employees who had to quarantine due to business travels
- Implemented COVID-19 prevention measures at the workplace, including the creation of a "green bubble" for critical plant employees
- Established a Pusat Pemberian Vaksin (PPV) for employees at Gebeng, Pahang and Kertih, Terengganu
- Provided financial assistance for the New Ways of Working (NWOW) to smoothen the transition to remote working
- Introduced flexible working arrangements and mental health programmes

Achievements

- Minimised the spread of COVID-19 cases at the workplace ensuring business continuity
- Channelled RM4.85 million into COVID-19-related expenses to protect employee health and wellness
- Invested RM16 million for NWOW allowances to assist staff in setting up a remote working environment
- Delivered successful and reliable plant operations with minimal manpower at respective plants
- Published over 85 technical guidance directives, FAQs and awareness materials on COVID-19



Customers

Impact on Stakeholder Value

- Deliveries impacted due to supply chain disruptions following strict SOPs
- Unable to operate during the Movement Control Order (MCO), thus limiting their output and revenue

Measures Deployed

- Assisted customers in getting approvals to operate from local authorities
- Worked closely with authorities to ensure the continuity of port shipments
- Deployed optimisation of logistics costs, such as product co-loading, contract environment for inland distribution and haulage service, time charter, and overseas subsidiaries tank, to minimise supply and delivery disruptions

Achievements

- Enabled 99% of customers to receive approvals from government agencies to continue their operations
- Ensured production and business continuity with our supplied material for PCG's customers
- Continuity of deliveries and supply chain operations to meet contractual requirements



Suppliers & Vendors

Impact on Stakeholder Value

- Supply and delivery disruptions due to manpower and fleet shortage
- High COVID-19 counter-measures costs affected supplier/vendor's bottom lines
- Lower power/gas demand due to MCO directly affected the feedstock to our plants

Measures Deployed

- Shared PETRONAS' SOPs for better deployment of resources
- Set up documentation of contactless delivery and shipping
- Implemented a contactless workplan for loading teams and drivers to avoid direct interactions
- Helped service providers receive approvals from authorities to continue their operations
- Regularly engaged with upstream suppliers to ensure PCG's business sustenance without jeopardising PETRONAS' integrated value

Achievements

- Minimised the spread of COVID-19
- Minimised supply/delivery disruptions and maintained continuity of shipments, inland deliveries and supplier businesses
- No disruption to our gas feedstock supply



COVID-19: OUR RESPONSE



Business Partners

Impact on Stakeholder Value

- Reduced manpower at operations due to the MCO
- Delayed maintenance activities
- Shortage of materials and chemicals
- Unable to operate during the MCO for non-essential businesses

Measures Deployed

- Guided our joint venture (JV) companies on best practices in obtaining regulatory approvals
- Engaged with JV companies to share best practices in performing turnarounds during a pandemic

Achievements

 100% of JVs partners obtained approvals to continue operations and minimise disruption to the overall value chain



Shareholders and Investment Community

Impact on Stakeholder Value

- Higher investment risks due to high market volatility
- Unable to physically engage with PCG
- Limited interactions when hosting in large groups via virtual platforms

Measures Deployed

- Regularly communicated with investors/ shareholders on COVID-19 challenges and actions taken
- Increased the number of meetings with investors through virtual platforms

Achievements

- Addressed investors' concerns through constant communication on PCG's business sustainability
- Captured foreign net investment flows into Malaysia, with foreign holding growing by 2% from 7.39% in 2020 to 9.39% in 2021



Government & Regulators

Impact on Stakeholder Value

 Restrictions across industries and sectors impacted economic activities and business operations

Measures Deployed

 Established good communication with relevant authorities to acknowledge PCG as an essential business

Achievements

 100% of operating units, JVs and contractors were recognised as essential businesses and therefore received approvals to continue operations



Communities

Impact on Stakeholder Value

- Loss of job or income for communities surrounding PCG's operations
- Limited resources to deal with the surging medical requirements during the pandemic, such as Personal Protective Equipment (PPE), gloves, masks, etc

Measures Deployed

- Community Relief Package (CRP) to provide essential items and aid to underprivileged/B40 communities affected by the MCO
- Frontliner Relief Package (FRP) to support emerging requests from frontliners affected by COVID-19 and the MCO
- Pusat Pemberian Vaksin (PPV) Relief Package (PPVRP) – to support emerging requests from stakeholders in assisting logistical supply for local PPVs

Achievements

- Eased the burden of the B40 community by providing food packages to families within our operation areas
- Over 18,000 people nationwide within our areas of operation were reached through PCG's COVID-19 Relief Programme
- Supported local frontliners and PPV centres through essential aid and equipment



Media

Impact on Stakeholder Value

 Unable to physically engage with PCG due to health concerns

Measures Deployed

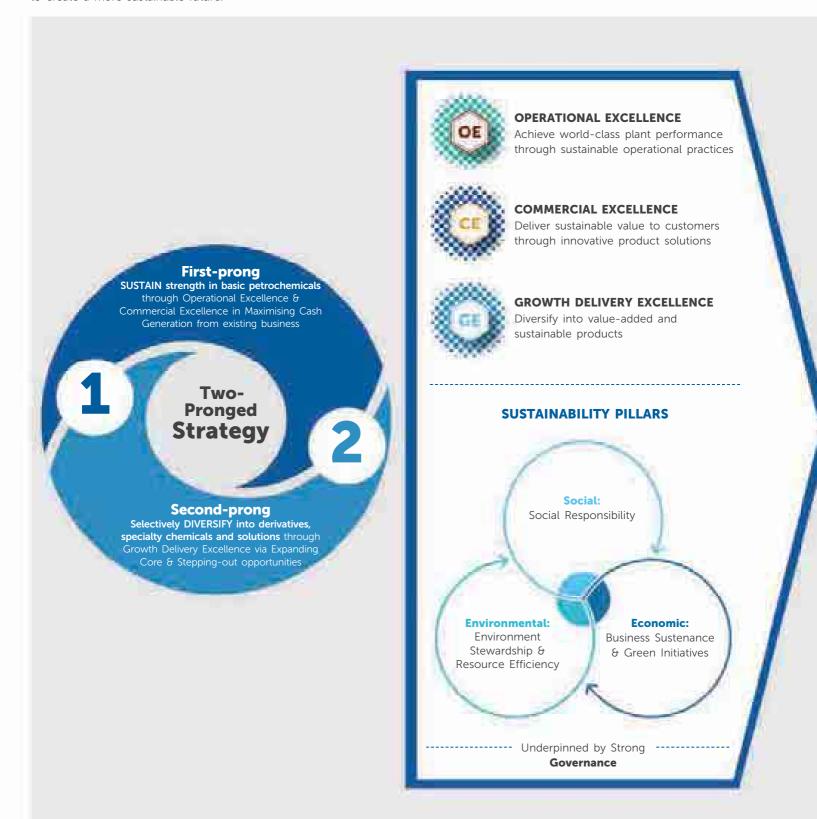
 Increased the number of media discussions and interviews through virtual platforms

Achievements

 Conducted our first virtual press conference for the Annual General Meeting

SUSTAINABILITY AT THE CORE

We have always recognised our responsibility to create positive impacts. Our rich history of success is due to a determination to deliver sustainable value that benefits our business and stakeholders. This year, we reached a pivotal moment in our sustainability journey. As part of our integrated approach, our strategic decisions are fully aligned with both PCG and PETRONAS Group's sustainability agenda. This enables us to remain resilient and competitive while addressing Economic, Environmental, Social (EES) and Governance challenges to create a more sustainable future.





SUSTAINABILITY AT THE CORE

For more details on our sustainability performance, please refer to our independent Sustainability Report.



CREATING VALUE FOR COMMUNITIES

Beyond the confines of our operations, there are communities that are also the benefactors of PCG's innovative products and solutions. Paddy farmers are a prime example of these communities, and we deployed our smart solutions to improve their income earnings. PCG initiated a project in Kampung Nam Dam, Kedah, to enhance their yield through a green farming approach that is less harmful to the environment. We hope to expand this initiative so that more farmers can benefit from our innovative farming solutions.

WHAT WE DID:

The Paddy Integrated Smart Farming project was introduced to improve the earnings of 68 paddy field farmers from Kampung Nam Dam. The remote and low-performing paddy community in Pendang, Kedah, was an ideal first trial for the project, covering 70 hectares of paddy fields.

This project was at the collective hands of many:

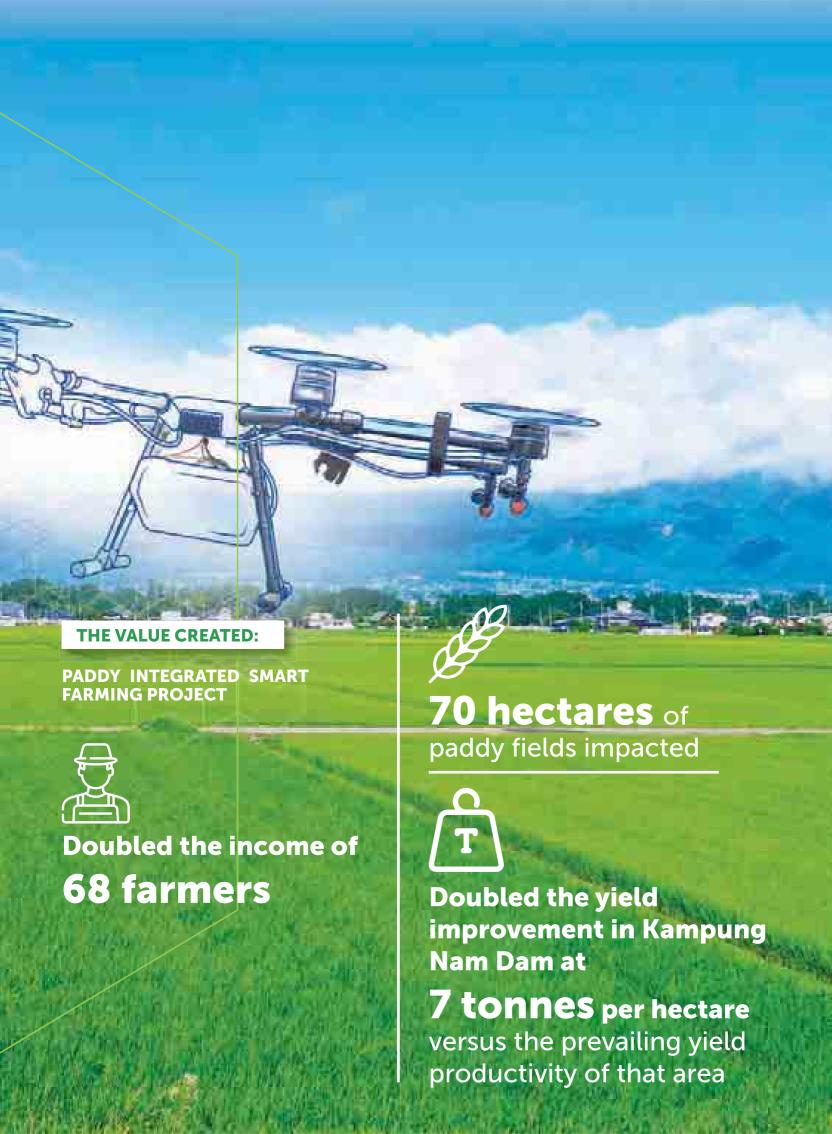
- NAFAS (National Farmers Organisation), a urea fertiliser customer of PCG's
- Baintree Technologies Sdn Bhd, a service provider in remote sensing services and analytics for Precision Farming in the plantation sector
- SEEd.Lab (Social Enterprise Education Lab)

SEEd.Lab is a sustainability initiative powered by PETRONAS and Tata Consultancy Services (TCS). The 12- to 18-month incubation programme targets to address social pain points in Malaysia by promoting youth-led self-sustaining social enterprises that forge solutions for the communities, leveraging the power of technology and innovation.

Since 2019, beyond monetary donations, PCG has continued to provide valuable knowledge sharing, specifically with top senior management serving as mentors and advisors to the programme. PCG worked closely with the SEEd.Lab team for the Smart Farming project to improve the yield and livelihoods of local farmers.



- Introduced the new Enhanced Efficiency Fertiliser (EEF), also known as 'Blue Urea'.
 Compared to Granular Urea, the EEF minimises nutrient losses and offers better plant updates for a superior yield performance, creating a more efficient absorption rate in terms of nitrogent uptake
- Implemented drone services for herbicides and pesticides application to tackle the problem of unscalable manual labour
- Deployed a Paddy Expert who introduced paddy planting standard operating procedures (SOPs) for farmers to improve their crop management for a greater yield



HOW WE CREATE VALUE

As a stakeholder-centric organisation, we adopt an integrated approach to the way we do business. Every decision made is shaped by a range of factors, from our operating context to different stakeholder needs. By using these points of reference to guide our business strategy, we are able to create sustainable value and achieve meaningful growth.



CONTEXT SETTING

OPERATING ENVIRONMENT

See pages 78 to 81

The petrochemical industry's broad landscape impacts our value creation abilities. Consequences that affect our business and operations may present themselves in the form of favourable trends and/or unprecedented circumstances.

STAKEHOLDER ENGAGEMENT

See pages 66 to 70

Our stakeholders' needs are continually evolving. We regularly engage with key stakeholders to align and balance their expectations with our business priorities.



Employees



Shareholders & **Investment Community**













RISKS & OPPORTUNITIES

See pages 90 to 98

Our business intent and growth objectives remain susceptible to external and internal risks and opportunities. To ensure business continuity and growth, we effectively navigate the challenges, including managing risks and optimising opportunities.

MATERIAL MATTERS

See pages 82 to 89

Economic, environmental, social, and governance factors will impact our business performance as well as stakeholder value. We seek to identify and understand these material matters to develop and execute our strategies effectively.

Our Material Matters are categorised into:

- Economic
- Environmental
- Social
- Governance

STRATEGY

See page 99

We are guided by our Two-Pronged Strategy and built upon three Strategic Thrusts towards positioning PCG as The Preferred **Chemical Company Providing Innovative Customer Solutions.**

First-prong

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

Pronged

Second-prong

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



HOW WE CREATE VALUE

GOVERNANCE

Our approach to governance extends beyond compliance. For us, it is the foundation upon which all our value creation elements are built upon. It is integrated into every aspect of our business and is a key component of our sustainability agenda, as it enables us to deliver long-term value. Through good governance, we are able to uphold the highest standards of integrity and accountability to benefit every stakeholder group.





THE SIX CAPITALS

Our performance and growth rely on the disciplined allocation of the following capitals:

Capitals	Definition
§ Financial	The funds obtained through financing or generated by means of business activities.
Manufactured	The physical assets and infrastructure needed to run our business.
Intellectual	The intellectual properties and other intangibles associated with our branding and experience.
Human	The skills and knowledge of our people, as well as their motivation and ability to fulfil their roles.
Social & Relationship	The network of relationships between our business and stakeholders.
Natural	The natural resources, such as water, fuel and materials, used by our operations.

See pages 58-59 for the full disclosure on how the capitals are fully utilised in Our Business Model



GENERATING SUSTAINABLE VALUE



The ultimate purpose of our business is to create long-term value for all our stakeholders. We track our results and outcomes through various Key Performance Indicators (KPIs), measured against our strategies and strategic thrusts.



Our Business Model

Our value creation journey is driven by a business model that draws on our six capitals and converts them into value for stakeholders. Guided by our Two-Pronged Strategy, the capitals are used by our manufacturing and commercial operations to create positive outcomes for both business and stakeholders. The process is underpinned by a strong governance system with oversight from our leadership team.

CAPITAL INPUTS

OUR CAPITALS



FINANCIAL

As at 1 January 2021

- RM30.4 billion in shareholders'
- RM12.7 billion in cash and cash
- RM1.9 billion in free cash flow



MANUFACTURED



INTELLECTUAL



HUMAN

- 4,585 total number of employees
- RM6.9 million invested in employee training &



SOCIAL & RELATIONSHIP



NATURAL

STATEMENT OF **PURPOSE**

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

VISION

The Preferred Chemical Company Providing Innovative **Customer Solutions**

SHARED

PROFESSIONALISM | COHESIVENESS

BUSINESS ACTIVITIES

MANUFACTURING

Our 11 world-class chemical manufacturing sites worldwide 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.

Read more on pages 108 to 111

COMMERCIAL

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

Read more on pages 112 to 115

GOVERNANCE

KEY RISKS

OPERATING ENVIRONMENT

Economic Recovery

Energy & Feedstock Prices

Sustainability Agenda

Read more on pages 78 to 81

GROUP STRATEGY

TWO-PRONGED STRATEGY

STRATEGIC THRUSTS



Health, Safety and Environment Risk

Strategic Investment Risk

Project Execution Risk

Cybersecurity Risk

Sustainability Risk

COVID-19 Risk

M Market Risk

Plant Turnaround Risk

Operational Risk

Feedstock and Utilities Risk

Regulatory Risk

Supported by strong governance and effective Board leadership - Robust Corporate Governance Ecosystem

FINANCIAL OUTCOMES

REVENUE RM23.0 billion

(2020: RM14.4 billion)

PAT RM7.3 billion (2020: RM1.6 billion)

EBITDA RM8.3 billion (2020: RM3.5 billion)

TOTAL ASSETS RM46.6 billion (2020: RM39.8 billion)

ECONOMIC Business Sustenance & Green Initiatives Sustain plant reliability and continuous production Strengthen customer relationships and expand market presence Diversify portfolio into

Venture into New Plastics

SUSTAINABILITY AGENDA

ENVIRONMENTAL

Environmental Stewardship &

Resource Efficiency

Implement resource-efficient

technology and solutions at

plants

Develop low-carbon

solutions for customers

Economy (NPE) and

low-carbon chemicals

Provide employment and business opportunities

Safety & Health

Workplace and Occupational

Community Engagement

Talent Development

Human Rights

SOCIAL

Social Impact

Maintain high Health, Safety,

and Environment (HSE)

standards at all areas we

operate

Introduce innovative

solutions that improve

livelihoods

Climate Change **Environmental Stewardship** New Plastics Economy (NPE)

OUTPUTS

PRODUCTION & SALES

- 10.4 million tpa production volume
- 8.2 million tpa sales volume
- 93% plant utilisation

INNOVATION & TECHNOLOGY

- 16 new products
- 16 co-created solutions
- 301 technical solutions

ENVIRONMENTAL FOOTPRINT

- 0.67 tonne CO_ae/tonne GHG emissions intensity
- 26.2 kilotonne hazardous waste generation

OUTCOMES

(\$)

FINANCIAL

- RM8.3 billion in EBITDA
- RM4.5 billion dividend payout



MANUFACTURED



STAKEHOLDERS



INTELLECTUAL





HUMAN

- Zero fatalities or major safety
- 95.5% Employee Engagement
- 3.0 average training man-days per employee



SOCIAL & RELATIONSHIP









NATURAL



PERFORMANCE BY CAPITALS

Our integrated approach to value creation requires a complex interplay between the various capitals. Therefore, our strategic decisions involve making short-term trade-offs between capitals for long-term growth. We track different capital inputs and outcomes to closely monitor these capital trade-offs and maximise the value we create for the years to come.













All six capitals play an essential role in our long-term success; creating a healthy balance between our environmental, social, and governance scorecards. We focus on managing the interplay between the capitals to maximise positive outcomes that are strategic to our sustainable growth.

By demonstrating our use of the capitals, we provide stakeholders with greater clarity on what we do as an organisation and the various factors that impact our performance. More importantly, our stakeholders will appreciate how we seek to protect and, where possible, build on our key capitals to create added value for them.

ROE 20.7% (2020: 5.3%)

specialty chemicals

Innovation & Product

Supply Chain Management

Strategy Purpose & Financial

Cybersecurity & Digitalisation

Customer Relationship

Stewardship

Resilience

Plant Operations

Management

MATTERS

DIVIDEND PAYOUT RATIO 61.0% (2020: 59.0%)

Corporate Governance

SHAREHOLDERS' EQUITY RM35.0 billion (2020: RM30.4 billion)

MARKET CAPITALISATION RM71.4 billion (2020: RM59.4 billion)



Our operational earnings, revenue, investments and equity make up our pool of funds which is then channelled towards relevant stakeholders and funding business growth.

INPUTS

As of 1 January 2021:

- RM30.4 billion shareholders' equity
- RM12.7 billion cash and cash equivalents
- RM1.9 billion free cash flow

ACTIONS TO ENHANCE OUTCOMES

- Implement rigorous and thorough cost discipline and optimisation
- · Actively review and assess funding alternatives.
- Conduct efficient management of working capital
- Evaluate the risks of high-impact business matters to achieve business objectives with an appropriate level of risks
- Strengthen our overall financial management system
- Secure project financing for our joint ventures (JVs) and associates for our projects in Kertih, Terengganu and Pengerang, Johor with attractive rates

TRADE-OFFS

Our capital trade-offs require an essential balance of short-term financial interests of the business together with longer-term growth objectives. As our Financial Capital is used to optimise other capitals of value, we also implement stringent cost optimisation practices and discipline to ensure efficient working capital management.

OUTLOOK

Given the heavy statutory plant turnarounds planned for 2022, we will continue driving cost optimisation and cost discipline to remain resilient, while making the most of all opportunities that head our way. In ensuring sustainable value creation, the progress of our growth projects is expected to contribute to more revenue in the future, with the commercialisation of Pengerang Petrochemical Complex slated to bring in close to 2 million tonnes of additional volume per annum. We must also ensure a strong cash position and prudent CAPEX management to continue our next growth phase within specialty chemicals and sustainability.

OUTPUTS/OUTCOMES



REVENUE RM23.0 BILLION

2020: RM14.4 BILLION



EBITDA RM8.3 BILLION

2020: RM3.5 BILLION



MARKET CAPITALISATION

2020: RM59.4 BILLION



DIVIDEND PAYOUT

RM4.5 BILLION

2020: RM1.0 BILLION



EARNINGS PER SHARE

2020: 20 SEN





Our physical assets are integral in creating highvalue products for our customers. These include processing plants and equipment, port and office buildings.

INPUTS

- 22 plants and one port owned
- Subsidiaries and representative offices in 17 countries
- As of 1 January 2021:
 RM21.0 billion carrying value for property, plants and equipment which include RM8.4 billion worth of assets under construction

ACTIONS TO ENHANCE OUTCOMES

- Continuously improve asset reliability and integrity in supporting our ability to deliver business targets and achieve world-class operational performance
- Evaluate various growth opportunities and achieve Final Investment Decisions
- Actively connect with customers to maintain product sales

TRADE-OFFS

The development of Pengerang Integrated Complex lowered our near-term Financial Capital in 2021. Nevertheless, the 10% increase in production capacity will replenish our Financial Capital and return long-term value. It will strengthen our customer relationships and support other investments that contribute to Intellectual, Human and Social & Relationship Capitals.

OUTLOOK

In 2022, we aim to achieve the safe and timely execution of four upcoming statutory turnarounds, while sustaining a plant utilisation (PU) rate of above 90% to improve our operational and financial performance. As some of our plants are approaching close to 30 years in operation, we have begun investing in plant improvement and upgrading activities to ensure our assets are still safe to operate and reliably deliver quality products. Critical equipment has been identified to be refurbished or replaced through the Asset Life Study (ALS) programme. Plant rejuvenation and debottlenecking is also being conducted to sustain plant operations beyond design life and capacity through modifications and upgrades. For example, PCG invested in the installation of a new boiler at PC Methanol and ASEAN Bintulu Fertiliser (ABF) as part of the reliability improvement programme.

OUTPUTS/OUTCOMES



PRODUCTION VOLUME

10.4 MILLION TPA

2020: 10.7 MILLION TPA



PLANT UTILISATION

93%

2020: 94%



SALES VOLUME

8.2 MILLION TPA

2020: 8.2 MILLION TPA



RM1.5 BILLION

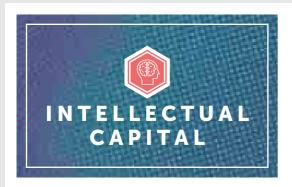
2020: RM1.5 BILLION



PROPERTY, PLANT AND EQUIPMENT

RM22.2 BILLION

2020: RM21.0 BILLION



Our expertise in product and application technology, together with our strong partnership with customers, enables us to innovatively co-create solutions for business growth.

INPUTS

- Four R&D laboratories
- 631 proprietary chemical formulations owned
- 36 years of industry experience

ACTIONS TO ENHANCE OUTCOMES

- Collaborate with customers to effectively address future trends and needs through innovation and product R&D
- Intensify Research and Technology (R&T) focus on the development of sustainable solutions in support of a circular
- Elevate the value proposition of developed solutions and technology to a broader network via publications, conferences, and webinars

TRADE-OFFS

We continued to deliver new innovative products and solutions to our customers amidst COVID-19 challenges. This led to increased customer satisfaction, hence contributing to a rise in Social & Relationship Capital and Financial Capital. We also invested in the R&D of sustainable products and adopted new technology to enhance our operations. While this impacted our Financial Capital, it will strengthen our competitive position in the long run when the technology potential is realised.

OUTLOOK

In the years ahead, we will remain resilient in our pursuit to strengthen PCG's competitive position by charting a path in specialty chemicals beyond conventional applications. This includes expanding our portfolio in packaging, in response to the e-commerce boom. We will continue to support PCG's growth agenda via R&D in the development of eco-friendly and specialty surfactants for Home, Industrial and Institutional (HI&I), and personal care applications. With more solutions needed in the future, we are committed to meeting the highest standards of quality and safety throughout the lifecycle. We aim to broaden our sustainable product offerings. In line with that, we are also looking at the circularity of plastics by converting plastic waste to a sustainable feedstock.

OUTPUTS/OUTCOMES



NO. OF NEW **PRODUCTS**

2020: 11



NO. OF CO-CREATED **SOLUTIONS**

2020: 21



NO. OF TECHNICAL **SOLUTIONS PROVIDED**

2020: 545



NO. OF PRODUCT STEWARDSHIP AND **TECHNICAL SEMINARS**

2020: 14





Our skilled and committed employees facilitate an innovative and high-performing work culture to achieve our business objectives. This includes developing and retaining the industry's top talent.

INPUTS

- 4,585 total number of employees
- 89 technical experts
- RM6.9 million invested in employees training and development including health & safety training
- 48 Full-Time Equivalent (FTE) employees in R&D

ACTIONS TO ENHANCE OUTCOMES

- Enhance HSE generative culture to further improve safety standards
- Increase focus on staff mental health and well-being initiatives
- Promote self-learning programmes on leadership and functional competency through virtual platforms
- Provide physical training focusing on technical competency acquisition

TRADE-OFFS

We channelled funds to help employees cope with COVID-19 challenges. This includes investing in health & safety measures and remote working arrangements. We also invested in training programmes to develop future-ready employees. Although these efforts impacted our near-term Financial Capital, it creates more productive and high-performing employees in the long run.

OUTLOOK

With the rapidly evolving landscape, we need to intensify our focus on building future-ready talent that would be able to meet the demands of tomorrow within an empowered organisation. We will continue investing in our Human Capital through the relevant leadership and capability development programmes, backed by an effective succession planning in place. We also acknowledge that our employees' well-being is critical to business success hence more initiatives will be implemented to promote mental well-being at the workplace and in creating a conducive working environment.

As the safety of our employees and contractors are our utmost priority, we have planned and executed comprehensive COVID-19 management programmes covering all angles during turnaround activities. This includes additional facilities to enforce social distancing as well as the implementation of digital tools such as drones to ensure full compliance to standard operating procedures (SOPs) in preventing new clusters from developing during turnaround and shutdown executions.

OUTPUTS/OUTCOMES



LOST TIME INJURY FREQUENCY (LTIF)

0.07

2020: 0.14



EMPLOYEE ENGAGEMENT SCORE

95.5%

2020: 95.5%



WOMEN REPRESENTATION IN SENIOR MANAGEMENT

18%

2020: 24%



EMPLOYEE RETENTION RATE

96.6%

2020: 99.3%



AVERAGE TRAINING PER EMPLOYEE (MAN-DAYS)

3.0

2020: 3.3



Our strong network of stakeholder relationships integrates value-based growth into our business decisions. This enables us to perform in everyone's best interest.

INPUTS

- >1,600 suppliers
- 25 customer engagement programmes
- 732 employee volunteer hours
- >100 publications coverage

ACTIONS TO ENHANCE OUTCOMES

- Regularly engage with stakeholders to understand their evolving expectations and needs
- Maintain interactive and open communication with stakeholders to increase their confidence in the company

TRADE-OFFS

The disruptions from the pandemic caused multiple supply chain issues. This was mitigated by assisting customers and vendors in getting the necessary approvals to operate. The timely delivery of products to customers contributed to our Financial Capital. We also continued our engagements in community development programmes, which strengthened our branding as a responsible corporate citizen and improved our Intellectual Capital.

OUTLOOK

In 2022, we plan to accelerate our journey from a productcentric to a customer-centric business with our digital Customer Relationship Management (CRM) portal, PETRONAS360. With PETRONAS360, we aim to deliver personalised experiences to customers, starting with the ease of online transactions, inquiry assistance and automated answers without delay, thus improving our Social & Relationship Capital with our customers. We will also continue to invest in community development programmes such as Plastic, Sustainability & You, ecoCare, Be Green and COVID-19 relief programmes to support our sustainability agenda and to ease the burden of affected communities during the COVID-19 pandemic, and flood crisis in Malaysia.

OUTPUTS/OUTCOMES



CONTRIBUTION TO LOCAL **SUPPLIERS**

 $RM2.4_{BILLION}$

2020: RM1.9 BILLION



TOTAL PROCUREMENT SPENDING ON LOCAL SUPPLIERS

2020: 60%



TOTAL PROCUREMENT SPENDING ON INTERNATIONAL SUPPLIERS

5/%

2020: 40%



NO. OF COMMUNITY **MEMBERS REACHED**

2020: ~70,000



MEDIA MILEAGE

2020: RM4.9 MILLION





Our operations primarily work with natural resources, such as hydrocarbons, electricity and water – all of which create value-added products. In acknowledging the environmental impact of our work, we are determined to minimise its ramifications as much as possible.

INPUTS

• Natural gas processed:

Methane	110 million mmbtu
Ethane	1,200 ktpa
Propane	738 ktpa
Butane	299 ktpa

- 102.27 million GJ energy consumed
- 38.52 million m³ water used

ACTIONS TO ENHANCE OUTCOMES

- Established the Net Zero Carbon Emissions (NZCE) 2050 Roadmap
- Adopted environmental best practices throughout our activities
- Improve and enhance our waste recycling programme
- Continued operational improvement to optimise energy consumption
- Monitored our water intake reduction practices in our plants

TRADE-OFFS

We developed the Net Zero Carbon Emissions (NZCE) 2050 Roadmap to strengthen our commitment to climate action. Although this requires additional Financial Capital to reduce our emissions, we will minimise future carbon costs.

OUTLOOK

Going forward, we will continue to create value-added products while adopting environmental best practices throughout all our activities. By expanding our portfolio into sustainable products, we will further strengthen our business resilience against market volatility while meeting stakeholders' rising sustainability expectations.

OUTPUTS/OUTCOMES



GHG EMISSIONS INTENSITY*

0.67TONNE CO₂e/TONNE **2020**: 0.66 TONNE CO₃e/TONNE



ENERGY INTENSITY

15.76 GJ/TONNE

2020: 15.73 GJ/TONNE



FRESHWATER WITHDRAWAL INTENSITY*

3.69 M³/TONNE 2020: 3.53 M³/TONNE

2020. 3.33 147 101414



HAZARDOUS WASTE GENERATION

26.2 KILOTONNE 2020: 27.0 KILOTONNE



AIR EMISSIONS INTENSITY*

2.42 (TONNE/KILOTONNE)

2020: 2.21 (TONNE/KILOTONNE)

* The intensity calculation is now based on an improved calculation approach, i.e: to reflect the efficiency of each production unit in relation to the indicator. The denominator applied has been changed to Production Volume, replacing the previously applied Sales Volume.



EMPLOYEES

Employees are the backbone of the Group. Their skills, dedication and commitment is central to achieving our strategic priorities.



Number of Employees: **4.585**



CUSTOMERS

The trust and support of customers is the reason we exist. Our ability to deliver innovative products and solutions that meet their evolving needs is key to our sustainable growth.



Number of product stewardship and technical seminars:



SUPPLIERS & VENDORS

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



Percentage of local suppliers and vendors:

77%



BUSINESS PARTNERS

We form strategic partnerships and joint ventures (JVs) with other industry players to exchange ideas and expertise, as well as further expand our business



Number of JVs: **13**



SHAREHOLDERS & INVESTMENT COMMUNITY

As essential providers of financial capital, we regularly engage with our shareholders and investors so that they can make fair and informed decisions.



Number of Shareholders: **17,000** (as at 31 December 2021)



GOVERNMENT & REGULATORS

With a wide international presence, we work closely with relevant authorities to navigate regulatory chances, ensure consistent compliance and attract Foreign Direct Investments.



Number of Engagement Sessions: **34**



COMMUNITIES

The long-term health of our business is linked to the health of the communities we serve. We strive to create meaningful and inclusive contributions for everyone impacted by our operations.



Number of volunteer hours: **732**



MEDIA

Our media partners help share essential and transparent information with our other stakeholders, thus protecting our business from misinformation and unfair perceptions.



Media mileage: RM4.8 million



Our long history in the chemicals industry is built on the trust and support of our stakeholders. Therefore, an essential aspect of our sustainability efforts involves maintaining open communication with our key stakeholders to keep them informed and updated, while understanding how to create value for them in the many years to come. Our strategy and decisions are based on their feedback and expectations.

Frequency of Engagement

D Daily

Q Quarterly A Annually

W Weekly M Monthly

Bi-Annually

AM Alternate Month

Bi-Monthly

AR As Required

Quality of Engagement



No existing relationship



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



Relationship established, value-generating



with some room for improvement



WHY WE ENGAGE

We have 4,585 skilled and dedicated employees to drive our business objectives and execute our worldclass manufacturing operations.

ENGAGEMENT PLATFORM

- Virtual townhalls
- Digital communication
- Staff engagement and appreciation sessions
- HSE campaigns

KEY CONCERNS

- · Health, safety and environment
- Cybersecurity
- · Well-being and mental health
- · Work-life balance
- · Human rights



EMPLOYEES



RESPONSE

Α

М

Q

- Implement more initiatives on employee's well-being and mental health
- arrangements

WHY WE ENGAGE

Our customers play an integral part in our business growth. In order to deliver quality value-added products, we need to understand their expectations which will, in turn, build customer loyalty.

ENGAGEMENT PLATFORM

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

KEY CONCERNS

- · Product quality and delivery
- Plastic and waste management
- · Product pricing and credit terms



CUSTOMERS



RESPONSE

BA

М

- sustainable products



WHY WE ENGAGE

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

ENGAGEMENT PLATFORM

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

KEY CONCERNS

- · Health, safety and environment
- Human rights
- Ethical business practices
- · Sustainability in supply chain



М D

M BA

SUPPLIERS & VENDORS



RESPONSE

- social standards in our procurement

WHY WE ENGAGE

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

ENGAGEMENT PLATFORM

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

D

AR

- **KEY CONCERNS**
- · Company performance • Ethical business practices
- Good governance
- Continuous value creation



BUSINESS PARTNERS



RESPONSE

- Closely monitor and build upon
- leveraging on each shareholders'
- feedstock to partner ventures



WHY WE ENGAGE

With the financial capital from our shareholders and investors enabling our sustainable growth, we are required to maintain their confidence in our ability to generate sustainable financial returns in a responsible manner.

ENGAGEMENT PLATFORM

- Investors' and Analysts' Briefings
- Meetings and conferences
- Annual reports
- Annual general meetings
- Announcements via Bursa Malaysia
- Company website

A

KEY CONCERNS

- Sustainable value creation
- · Company's operational, commercial and financial performance
- Growth project progress and deliverables
- · Environmental management
- Corporate Governance

SHAREHOLDERS & INVESTMENT COMMUNITY



RESPONSE

- Access to board members and senior management
- Increase communication frequency utilising available communication platforms such as conference calls, virtual conferences and one-onone meetings
- Improve communication materials including easy website navigation
- Ensure compliance of disclosure guidelines
- Timely disclosure on key topics

WHY WE ENGAGE

Our strong relationship with the Government and regulators ensure that we operate within legal requirements and stay on top of any of the changing regulations.

ENGAGEMENT PLATFORM

- Regular reporting to relevant agencies
- Joint working committee with State Governments
- Regular meetings and briefings with agencies/regulators

GG &

GOVERNMENT & REGULATORS



KEY CONCERNS

- Regulatory compliance
- Environmental management

RESPONSE

- Establish transparent communication with relevant bodies
- Collaborate with relevant agencies with common objectives

WHY WE ENGAGE

Our operations may directly or indirectly impact communities, so community engagement is important to understand their concerns. This will also highlight our social citizenship and instil public trust.

ENGAGEMENT PLATFORM

- Corporate Social Responsibility (CSR) programmes
- Briefings and engagement with local communities

Q

KEY CONCERNS

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



COMMUNITIES



RESPONSE

- Adopt stringent HSE best practices at PCG plants
- Regularly monitor air and water quality surrounding operations
- Invest in community development programmes

WHY WE ENGAGE

The media is an integral communication link between our business and our stakeholders. They are a key player when it comes to distributing significant information about our business and brand reputation.

ENGAGEMENT PLATFORM

- Virtual interviews with PCG Management
- Virtual press conferences
- Press releases



Q

Α

MEDIA



RESPONSE

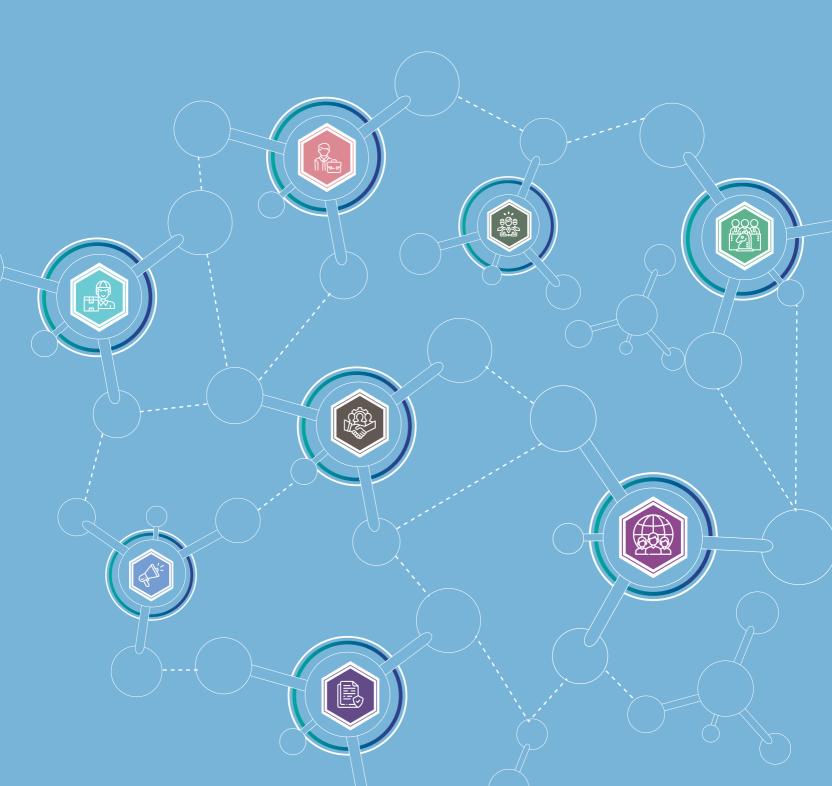
- Foster open and transparent communication with the media
- Provide a speedy response to the media's enquiries on business developments
- Organise rapport-building activities

KEY CONCEDNO

- Business performance
- Environmental management and sustainability efforts
- New innovation and technology



Our stakeholder relationships are mutually beneficial for all parties involved, driven by integrity and trust. Therefore, through our integrated approach, we are able to deliver sustainable value to all stakeholders, while generating value for our business at the same time.





EMPLOYEES

- Strict safety programmes and operating procedures to ensure the well-being of our employees
- Industry-competitive salary and attractive benefits for a sustainable employment package
- Robust and strong prospects for career growth
- Flexible working arrangements for improved work-life balance
- Inclusive and fair employment opportunities
- Financial assistance for New Ways of Working (NWOW), such as the one-off assistance to set up an employee's home office and monthly connectivity assistance

Capitals:





VALUE CREATED FOR PCG

- Energised and engaged employees ensure valuable contributions to our business strategy and growth
- An innovative, up-to-date, competent workforce provides long-term relevancy in the industry
- · A high-performance and customer-focused work culture

RISKS

- Disengaging work environment could lead to poor employee retention and attraction
- · Weak leadership results in the disjointed adoption of company strategies and objectives by employees
- A poor work culture impacts talent attraction and retention

OPPORTUNITIES

- · Intensive employee engagement would attract top industry
- Robust development programmes and clear career progression to retain quality employees
- Adopting the digitisation of human resources processes to facilitate productivity and efficiency

BUSINESS INITIATIVES

- Leadership programme called Leadership Development in Action (LDA) that focuses on developing young leaders for future growth
- Flexible Working Arrangement Policy to promote worklife balance
- Health and Safety training initiatives
- Mental Health webinars/programmes

VALUE CREATION HIGHLIGHTS

- 96.6% Employee Retention Rate
- 95.5% Employee Satisfaction Score
- RM16 million spent for WFH financial assistance
- 50% drop in Lost Time Injury Frequency (LTIF), with 0.07 in 2021 from 0.14 in 2020
- Awarded the Graduates' Choice Award by Talentbank, Malaysia's Most Attractive Graduate Employers to Work For in 2021 for the chemical sector
- Awarded Top Sustainable Employer in Malaysia for 2021 by the Sustainable Employer Research Centre

SDGs:







Material Matters:





CUSTOMERS

- New innovative product solutions which would meet customers' needs
- Quickly address customer pain points through feedback and engagement platforms
- · High-quality products are delivered efficiently
- Extensive knowledge-building and comprehensive information for customers to maximise the value of our products

Capitals:





VALUE CREATED FOR PCG

- An increase in revenue and sustainable growth from repeated sales
- Retention of satisfied and loyal customer base
- Solid brand reputation from positive endorsements

RISKS

- Poor customer relationship management could result in decline of customer loyalty
- · Lack of customer understanding on the value of products could impact sales performance

OPPORTUNITIES

- Timely and efficient delivery of products to customers would promote good customer service, leading to repeated purchases
- · A strong relationship and engagement with customers will lead to a better understanding of their needs, leading to strong customer loyalty
- Collaborations with customers will provide us with better insights on current market needs

BUSINESS INITIATIVES

- Customer Delivery Excellence (CDEx), a digital platform that provides visibility to customers on delivery updates
- Product co-creation opportunities with selected customers
- Customer-centric value propositions

VALUE CREATION HIGHLIGHTS

90% Customer Retention Rate

SDGs:

















SUPPLIERS & VENDORS

- Strict high-levels of safety measures for suppliers in line with stringent health and safety guidelines
- Prioritisation to empower local suppliers
- · Ensured protection of suppliers' employment rights following secure policies and frameworks

VALUE CREATED FOR PCG

- An engaged and reliable supply chain results in minimal operational disruptions
- · Competitive prices and efficient delivery of suppliers' products and services
- High-quality products and services that align with our brand promise

RISKS

- · Lags in delivery or receipt of low-quality products and services from poorly managed suppliers could cause a lot of operational disruptions
- Supply chain challenges would cause significant operational and business disruptions

OPPORTUNITIES

- · Cost savings from efficiency and diligently sourcing of products and services
- Overall increase in quality work performance from suppliers due to fair and safe working conditions

BUSINESS INITIATIVES

- Supplier Engagement Programmes
- Vendor Development Programme (VDP)
- · Coordinated shutdowns with feedstock and utility suppliers
- Road Transport Operational Guidelines (RTOG)
- PETRONAS Contractors Code of Conduct on Human Rights (CoCHR) assessment

VALUE CREATION HIGHLIGHTS

- RM2.4 billion contributions to local suppliers
- 13 participants in the Vendor Development Programme (VDP)
- 0.20 Total Vehicle Accident Rate (TVAR)
- 100% of identified contractors attended PETRONAS Contractors Code of Conduct on Human Rights (CoCHR) training

Capitals:























BUSINESS PARTNERS

- Reliable and comprehensive knowledge-sharing of up-to-date expertise and best practices
- Ensured feedstock supply to various business ventures
- Minimised operational and business disruption for all parties

VALUE CREATED FOR PCG

- · Solutions that prioritise collaboration and innovation to meet market needs
- Mutually beneficial sharing of knowledge and expertise
- Robust business development opportunities

RISKS

- Rifts in communication processes and a lack of clarity in shared objectives can lead to business conflicts
- Poor decision-making by business partners can create liabilities for PCG

OPPORTUNITIES

- Creating partnerships with complementary skills and synergetic working culture will generate greater financial results and business development
- The creation of strong bonds between partners will enable mutual support and motivation

BUSINESS INITIATIVES

- · Continuous engagement with business partners on best practices and for issue resolutions (i.e. HSE Forum with joint venture (JV) companies hosted by PCG)
- · Coordinated shutdowns of operations

VALUE CREATION HIGHLIGHTS

• 10% of PCG's profits before tax contribution from JVs and associates

Capitals:



SDGs:

















SHAREHOLDERS & INVESTMENT COMMUNITY

- · Adequate disclosure of information to achieve fair valuation of shares
- Sustainable shareholder returns through dividend payments
- Valuable and effective application and dissemination of financial resources
- The execution of Operational Excellence, Commercial Excellence and Growth Delivery Excellence

Capitals:

VALUE CREATED FOR PCG

- Secure and dependable access to equity and debt funding
- A robust long-term relationship with financing partners
- Employing financial resources effectively in pursuing our investment and growth plans

RISKS

- The possibility of poor financial performance caused by unforeseen circumstances (or otherwise) could result in weakening of PCG's financial resilience
- Decline in market capitalisation
- Inefficient financial management could result in a loss of investor confidence

OPPORTUNITIES

- · Consistent and reliable financial returns to build investor confidence and thus generate further investment interest
- Good financial and business performance would increase access to capital and improve competitive rates
- Strengthen ability to achieve expansion plans and growth taraets
- Facilitates realisation of prioritised Sustainable Development Goals

BUSINESS INITIATIVES

- Continuous engagement with shareholders/investors
- Timely and transparent corporate, financial and non-financial disclosures

VALUE CREATION HIGHLIGHTS

- 61.0% Dividend Payout Ratio
- 20.7% Return-on-Equity
- 92 sen Earnings Per Share
- RM71.4 billion Market Capitalisation

















GOVERNMENT & REGULATORS

- Consistent and timely compliance with all relevant regulations
- Consistent and timely tax payments in all jurisdictions of our operations
- A supportive player in the local chemical ecosystem
- The injection of foreign investments into Malaysia's chemical industry

VALUE CREATED FOR PCG

- Capacity to legally operate in various locations
- Good governance over Malaysia's chemical industry
- Strong regulatory compliance and collaborations for better market growth

RISKS

- · Non-compliance and irregularities may lead to financial and non-financial implications, such as monetary penalties, reputational damage and loss of stakeholder trust
- Lack of preparation against changing regulations/restrictions can increase operational costs

OPPORTUNITIES

- Consistent engagement with relevant government bodies and regulators keeps us ahead of an evolving regulatory landscape
- Strategic collaborations with government bodies can accelerate business objectives

BUSINESS INITIATIVES

- Continuous engagement with government bodies
- Malaysia Sustainability Plastic Roadmap 2021-2030 (in collaboration with KASA)
- Malaysia Chemical Industry Roadmap (in collaboration with MITI)

VALUE CREATION HIGHLIGHTS

- RM197 million tax paid
- 100% regulatory compliance

Capitals:













Material Matters:















COMMUNITIES

- · Various business prospects created due to PCG's socio-economic contributions
- An abundance of training and job opportunities within the chemical industry
- Empowerment of marginalised communities via outreach programmes
- Environmentally safe operations throughout the value chain

VALUE CREATED FOR PCG

- Positive brand and reputation as a responsible corporate
- The support of engaged communities who understand our business objectives

RISKS

- Any detrimental activities on surrounding communities and the environment could lead to a loss of public confidence
- Communities that are underdeveloped, or not quite ready could slow down inclusive economic progress

OPPORTUNITIES

- Improved credibility as a responsible business via community outreach programmes
- Regular and consistent community engagements to effectively address concerns

BUSINESS INITIATIVES

- Community engagement programmes
- Corporate Responsibility Strategy
- Be Green Awareness Programme
- Webinar series on "Plastic, Sustainability & You" module
- Safe Handling of Chemicals for School

VALUE CREATION HIGHLIGHTS

- 1 NGO supported
- ~295,000 community members reached



















VALUE CREATED FOR PCG

MEDIA

Proactive and accurate sharing of information with media regarding company performance, growth agenda and sustainability initiatives as well as issues on public interests and concerns

BUSINESS INITIATIVES

- · Continuous engagement with media
- · Crisis communication training with plants
- Transparent sharing of information through media interviews, press releases, press conferences and website

VALUE CREATION HIGHLIGHTS

• RM4.8 million media mileage gained

Capitals:















RISKS

• Negative media exposure may tarnish our brand reputation

• A good platform for PCG's brand positioning and reputation

• A strong network to circulate and share business information

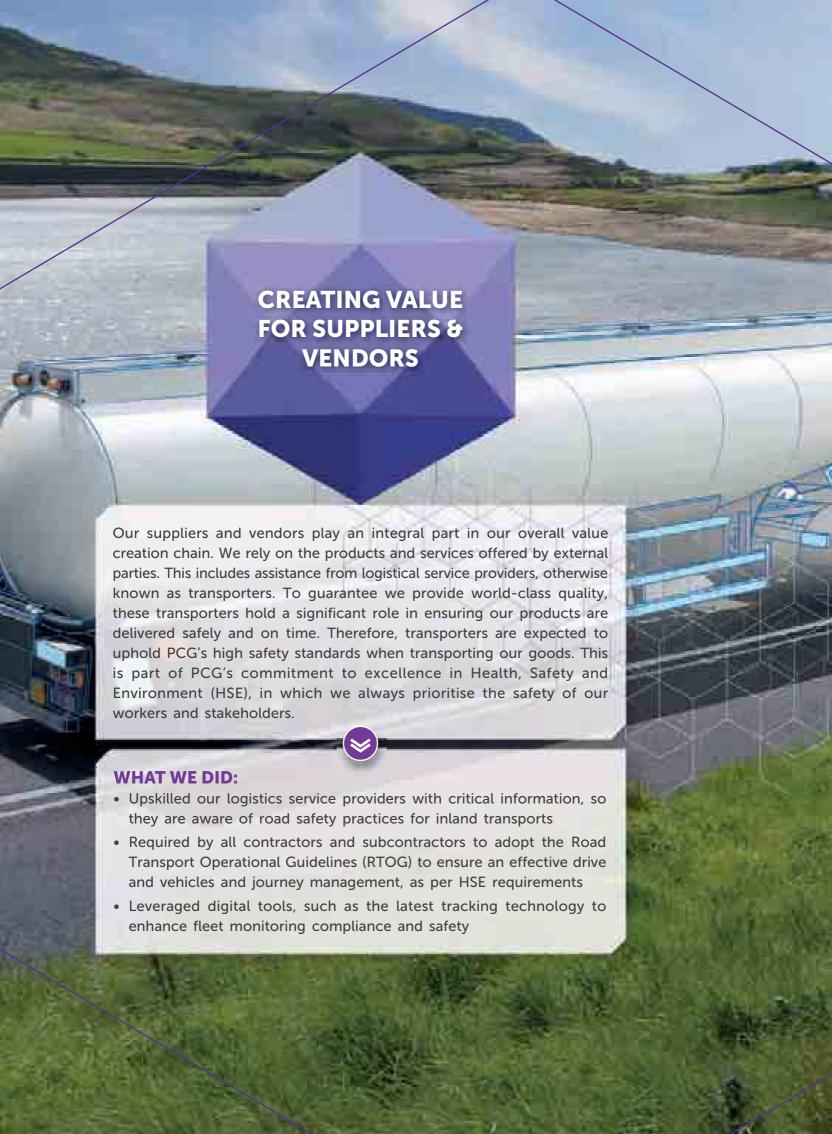
• Increased public confidence and trust due to transparent

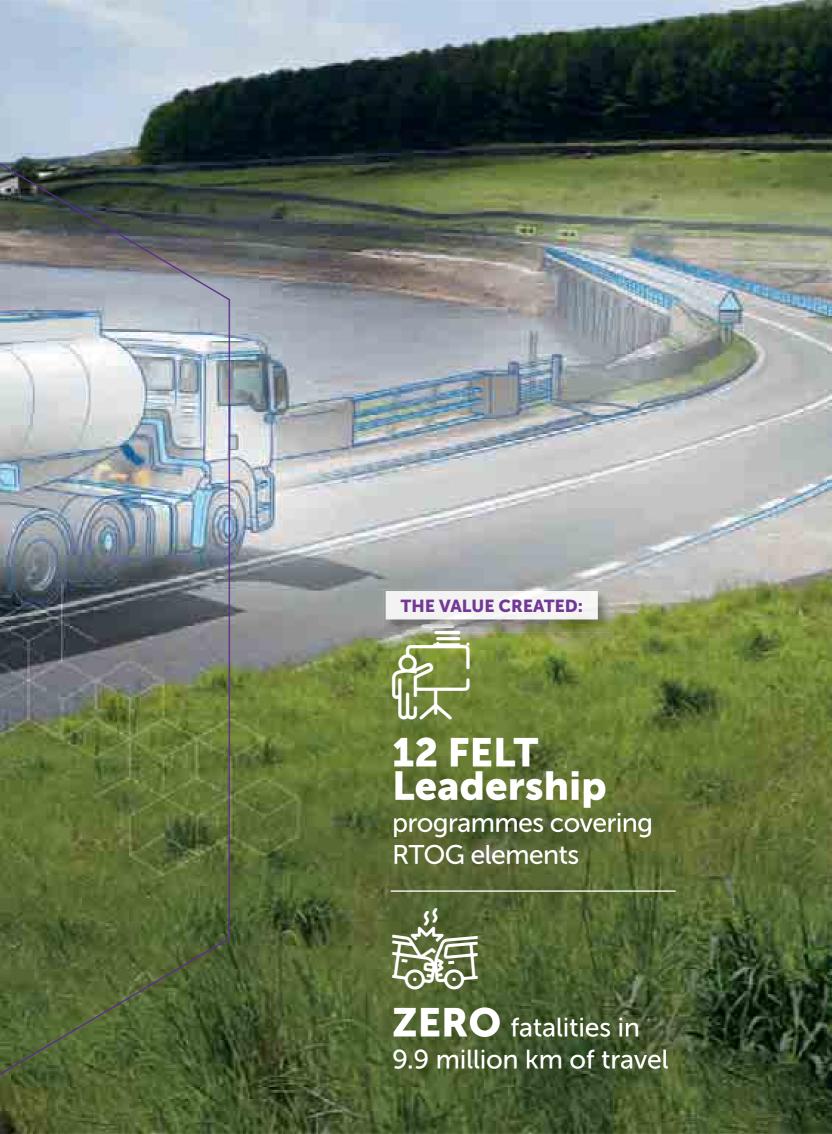
• Any discrepancies picked up by media outlets may influence investor sentiment and our reputation

OPPORTUNITIES

communication

• Good rapport with media increases our visibility and positioning to the public





STRATEGIC REVIEW

OPERATING ENVIRONMENT AND OUTLOOK

ECONOMIC RECOVERY

The global economy surged to **5.9%** in 2021 as the vaccine drive and relaxation of mobility restrictions boosted demand

ENERGY AND FEEDSTOCK PRICES

70% on improved market sentiment

SUSTAINABILITY AGENDA

A record
USD649 billion
poured into ESG-focused
funds worldwide

Our business is affected by external factors and the macro environment. These include supply-demand cycles, environmental stewardship and unprecedented changes to the industry and economy. As an integrated chemicals company, these factors impact our capital movements and long-term growth. To stay ahead of potential business implications, we closely monitor our operating context and our ability to create value in response to these factors.





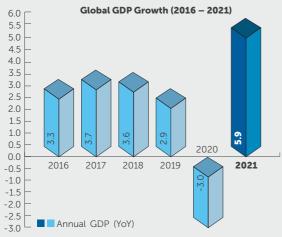


OPERATING ENVIRONMENT AND OUTLOOK

ECONOMIC RECOVERY

WHAT HAPPENED IN 2021

The global economy recovered at varying speeds throughout the year due to the uneven pace of vaccine rollouts, recordhigh debt levels, elevated unemployment rates and rising inflationary pressure.



Source: International Monetary Fund (IMF)

The opening up of borders and economies drove GDP growth, which was supported by restored consumer demand, boosted by consumer confidence, and accumulated savings from 2020.

Supply chains experienced unprecedented disruptions. Goods were stockpiled at ports and terminals, unable to be shipped. Manufacturers produced fewer goods, and some facilities could not operate efficiently due to COVID-19. As a result, commodity prices had been gradually increasing post-2020.

HOW IT IMPACTED OUR STRATEGY

Learning from the previous year, we deployed creative solutions to cushion the impact of the pandemic. Through our operational and financial resilience, we faced minimal disruptions and continued to progress with our Two-Pronged Strategy.

HOW IT IMPACTED OUR STAKEHOLDERS



Employees

- Full vaccination certifications required to enter PCG's premises in Malaysia
- Gradual adaptation to the 'new normal', back to physical work conditions



Customers

• Higher product prices due to logistical constraints



Suppliers & Vendors

 Uncertainty on changes of regulatory requirements impacted the logistic supply chain, which resulted in higher costs



Government & Regulators

- National lockdowns and restrictions negatively impacted the economy
- Determination of essential and non-essential businesses during lockdown

ACTIONS & OUTCOMES

- Ensured plant reliability and plant utilisation at an optimum level through Operational Excellence
- Implemented digital tools such as Enterprise Optimisation, PETRONAS' Integrated Vision for Operational Excellence Transformation (PIVOT), and Advanced Analytics solutions to improve efficiency



Employees

- Implemented stringent Standard Operating Procedures (SOPs) and measures to ensure business continuity and facilitated a vaccine rollout for employees
- Established an employee assistance programme which included facilitating a flexible work arrangement



Customers

 Maintained competitive prices by offering product co-loading, alternative packaging, and local distribution for overseas subsidiaries



Suppliers & Vendors

- Provided additional support and guidance, especially during the COVID-19 pandemic
- Contactless delivery/shipping documentation.
- Contactless workplan for loading teams and drivers to avoid direct interaction
- Direct cost reimbursement assistance due to COVID-19 counter-measures



Government & Regulators

 Worked closely with authorities to adhere to SOPs and continue operations during Movement Control Order (MCO)



WHERE WE ARE HEADED

We have seen a rally of commodity prices, including chemical prices. The demand for plastic raw materials to produce essential Personal Protective Equipment (PPE) and packaging for e-commerce will remain strong in 2022. In the longer term, petrochemical demand will continue to rise with growing populations, increasing median income, improving living standards, urbanisation and other socioeconomic factors. However, the over-expansion of product capacities may lead to squeezed margins that may impact our competitive advantage.

Additionally, commodity chemicals will continue to be impacted by global economic activities. This differs from specialty chemicals, which are less volatile as pricing is based on the value the product brings to the end product, thus warranting a more stable premium above unit cost. By taking a position in specialty chemicals now, PCG has an early mover advantage which gives us competitive opportunities in the specialty chemical industry.

Capitals:





Strategic Thrust:







Material Matters:









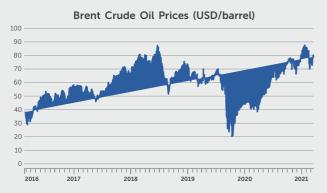
OPERATING ENVIRONMENT AND OUTLOOK

ENERGY AND FEEDSTOCK PRICES

WHAT HAPPENED IN 2021

In 2021, oil prices surged further from USD55/barrel in January 2021 to their highest in October 2021 at USD84/barrel. However, crude oil declined towards the end of November 2021 due to the onset of the Omicron COVID-19 variant, with prices reaching USD74/barrel in December 2021.

Global oil production increased slowly compared to demand, driving the higher prices. This was mostly attributed to the OPEC+ production cut, which started in early 2021.



Source: Bloomberg 2021

Overall, petrochemical prices in 2021 fared better than 2020, with some products reaching a new multi-year high.

As for our key products, ethylene, the price increased 41% from 2020 price level on recovering global economy and manufacturing sectors supported by vaccination drive worldwide. Methanol price soared 66% compared to 2020 on higher crude oil and gasoline prices, further supported by improved demand in tandem with market recovery amidst shortage of supply.

Urea has the most significant price surge, a massive 208% increase from 2020 on strong demand recovery, tight supply from major exporter and high feedstock costs.

HOW IT IMPACTED OUR STRATEGY

Petrochemicals prices soared in tandem with the oil price increase and supply demand imbalance which pushed our profitability to an all-time high. We are also taking the opportunity through turnaround optimisation as well as shifting our product to premium market.

HOW IT IMPACTED OUR STAKEHOLDERS



Customers

 Higher cost of production arising from higher raw material prices and logistics costs



Suppliers & Vendors

 Higher revenue to suppliers and vendors due to higher feedstock prices and logistics costs



Shareholders & Investment Community

Higher returns on investment and share price appreciation

ACTIONS & OUTCOMES

- Upheld our ability to maintain competitive costs and maximise value and production, resulting in record-breaking profits
- Continuously monitored and reviewed our contract management to ensure a fully optimised feedstock value for better margins



Customers

 Deployed optimisation of logistics costs, such as product co-loading, contract optimisation for inland distribution & haulage service, time-charter, and overseas subsidiaries tank distribution



Suppliers & Vendors

- Close collaboration through regular coordination meetings to secure stable feedstock supply and maintain a high utilisation rate in our plants
- Coordinated shutdowns with feedstock suppliers to maximise end-to-end value chain from upstream to downstream
- Clear PETRONAS SOPs shared with vendors for better deployment of resources
- Contactless delivery/shipping documentation
- Contactless workplan for loading teams and drivers to avoid direct interaction
- Direct cost reimbursement assistance due to COVID-19 counter measures



Shareholders & Investment Community

 The Group declared two interim dividends of 23 sen respectively per ordinary share and a special dividend of 10 sen per share, representing a dividend payout of 61% of Profit After Tax and Non-Controlling Interests (PATANCI) amounting to RM4.5 billion



R See page 49 (CFO's Review)

WHERE WE ARE HEADED

Crude oil prices are expected to be moderate in 2022. While OPEC+ is expected to actively control its production, other major oil exporters will continue to increase output. This will also include the revival of US tight oil activities leading to a cap in oil prices.

Looking ahead, petrochemical production volume is set to increase 4.4% next year as post-COVID-19 recovery continues and the impact of supply constraints and severe storm impacts ease. While risks for the global economy remain, the global chemical industry is in a strong position going into 2022. E-commerce and rising global GDP will boost global chemical and petrochemical despite ongoing supply chain disruptions. Petrochemical markets are also expected to continue to remain robust supported by stable feedstock and energy prices.

To stay resilient against the volatility, we will diversify by extending further in the downstream value chain by venturing into derivatives and specialty chemicals. With more specialty chemicals in our portfolio, we will continue to move into segments with higher growth potential and less volatility in relation to crude oil prices.

Capitals:







Strategic Thrust:





Material Matters:







OPERATING ENVIRONMENT AND OUTLOOK

SUSTAINABILITY AGENDA

WHAT HAPPENED IN 2021

Continuing from 2020, this year brought intensifying scrutiny and call for action by policymakers, regulators, financiers, investors, consumers and pressure groups on sustainable business practices. This came in the form of policy shifts and growing investments in low-carbon pathways, which will accelerate peak oil demand, pose risks to industry players dependent on oil revenue and those on a higher cost curve.

The emergence of much cleaner feedstock alternatives continues to rise. This is in response to key economies beginning to translate their net-zero commitments into policy and legislation, resulting in the deployment of carbon prices.

Similarly, the energy transition plan continues to rally the strongest amidst rising decarbonisation commitments.

HOW IT IMPACTED OUR STRATEGY

The increasing importance of sustainability practices brings additional considerations to our strategies and plans, especially with our Sustainability Agenda. This includes more scrutiny from regulators, investors, customers and the general public. At the same time, by broadening our portfolio into sustainability, we become more resilient to market volatilities. With this in mind, we continue to take a proactive approach in embedding Sustainability at the Core of PCG.

HOW IT IMPACTED OUR STAKEHOLDERS



Customers

• Higher demand for sustainable products



Shareholders & Investment Community

• Increased scrutiny on company sustainability-related initiatives, disclosures and targets



Government & Regulators

International pressure for policies and commitments to sustainability



Communities

- Environmental, societal and economic impact resulting from our operations
- Increased requirement for sustainable Corporate Social Responsibility (CSR) initiatives

ACTIONS & OUTCOMES

- Developed PCG's Net Zero Carbon Emissions (NZCE) roadmap to set us on a path towards becoming net-zero carbon by 2050
- Continued to channel financial capital into sustainability initiatives, such as carbon management, New Plastic Economy (NPE) and community well-being



Customers

 Collaborated with technology partners in producing circular and sustainable products



Shareholders & Investment Community

 Enhanced disclosure and communication on company's sustainability initiatives and progress



Government & Regulators

• Established a sustainability roadmap that aligns with PETRONAS net-zero carbon emissions by 2050



Communities

 Raised public awareness on environmental sustainability through educational programmes and modules

WHERE WE ARE HEADED

Our continued dedication to sustainable development will be driven by our expansion of Economic, Environment and Social (EES) practices.

New regulations, investor expectations, fiscal policies, consumer behaviour and sustainability reporting requirements will remain at the forefront of our sustainability agenda.

With that, we continue to channel our capitals to operate in an environmentally and socially responsible manner. This includes assessing opportunities in bio-based chemicals, NPE, community well-being, and climate change mitigation and adaptation.

Capitals:













Strategic Thrust:







Material Matters:













STRATEGIC REVIEW

MATERIAL MATTERS

A solid understanding of industry trends, operating challenges and stakeholder expectations is essential to delivering long-term value. With that, we devise our strategies according to the material aspects of business growth and stakeholders' needs. These material matters guide our Board and leadership team in building the company towards sustainable growth.

MATERIALITY METHODOLOGY

We conduct a materiality assessment every two years to ensure that the material matters remain timely and relevant, while also allowing time to incorporate them into our strategies. This report's material matters are based on our most recent assessment initiated in 2021 We applied the Global Reporting Initiative (GRI) Principles of Stakeholder Inclusiveness, Sustainability Context, Materiality and Completeness during our materiality process.

The materiality process comprises four key steps:

STEP 1.

IDENTIFICATION

We review the trends, risks and opportunities that affect our strategic direction, which enables us to **identify** our most pertinent business issues

PRIORITISATION

We plot the identified topics onto a matrix to **prioritise** the top material matters that impact business growth and stakeholder decisions

STEP 3.

STAKEHOLDER ENGAGEMENT We analyse feedback received from internal and external stakeholder engagement

stakeholder engagement channels to determine the top stakeholder concerns

STEP 4. .

We submit the identified material matters to our Sustainable Development Working Committee (SDWC) and Management Committee to deliberate and validate

MATERIALITY MATRIX

According to our latest assessment, the majority of the material topics have increased in significance and influence. There has also been greater emphasis on Climate Change and Environmental Stewardship for both internal and external stakeholders. Additionally, we have identified two new material matters:

- Strategy Purpose & Financial Resilience
- Plant Operations

HIGH A Climate Change Environmental Stewardship Community Engagement • Innovation & Product Stewardship Supply Chain Management New Plastics Economy Corporate Governance Human Rights Workplace and Occupational Safety & Health Cybersecurity & Digitalisation Strategy Purpose & Talent Development Financial Resilience Plant Operations Customer Relationship Management **PCG Perspective (Points of Differentiation)** HIGH

Material Matters

- Climate Change
- Environmental Stewardship
- Innovation & Product Stewardship
- New Plastics Economy (NPE)
- Workplace and Occupational Safety & Health (OSH)
- Supply Chain Management
- Community Engagement
- Talent Development
- Corporate Governance
- Strategy Purpose & Financial Resilience
- Plant Operations
- Human Rights
- Cybersecurity & Digitalisation
- Customer Relationship Management

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

Points of Differentiation:

Topics where PCG can lead

Value Enhancement:

Topics that can add operational value to PCG

Value Protection:

Foundation topics for PCG



PCG had conducted a reassessment of the material matters for Integrated Report 2021. Based on the reassessment, there are revisions on the priority of the material topics as follows:

- Greater emphasis on the topics on Climate Change and Environmental Stewardship. Tougher regulations and increasing expectations from both internal and external stakeholders
- Community Engagement, Supply Chain Management, and Corporate Governance increased as compared to last year's. There is a rising expectation from external stakeholders in the leadership role PCG plays in sustainability. This is supported by the level of involvement with communities, suppliers & vendors, and business partners. It is also further determined by the revised Malaysian Code of Corporate Governance which was published in April 2021 stating the need to strengthen these topics
- Customer Relationship Management and Talent Development shown decreased significance and influence as compared to last year's. These are foundation topics to PCG and considered as business as usual and may not be considered as critical as the top 5

According to our latest assessment, the majority of the material topics have increased in significance and influence. There has also been greater emphasis on Climate Change and Environmental Stewardship for both internal and external stakeholders.

For clarity and context of the changes to the material matter topics, the following material matters have been renamed or introduced:

Material Matter Topic	Rationale
Cybersecurity & Digitalisation	Previously Cybersecurity; Digitalisation was added for a broader scope and context
Human Rights	Previously Human Rights & Fair Employment; removed 'Fair Employment' as it is included in 'Human Rights'
Climate Change	• Previously GHG Emissions & Climate Adaptation; the renaming covers broader climate issues
Strategy Purpose & Financial Resilience	New material matter; highlights the importance of having the right strategy for future resilience and sustainability amidst challenging markets
Plant Operations	New material matter; describes the importance of asset reliability and uninterrupted production

Additionally we have re-aligned four material matters: Cost Management, Price Volatility and Market Volatility are covered under Strategy Purpose and Financial Resilience; Asset Reliability is covered under Plant Operations.

Based on our materiality assessment, we identified 14 material matters that can either support or impede our growth. As shown in the materiality matrix, five of our material matters are of high priority to PCG:

- Climate Change
- Environmental Stewardship
- Innovation & Product Stewardship
- New Plastics Economy (NPE)
- Workplace and Occupational Safety & Health (OSH)

We implement mitigation measures and monitor performance indicators for all 14 of our material matters. Additionally, our material matters are categorised into Economic, Environmental, Social and Governance:

ECONOMIC ENVIRONMENTAL SOCIAL Workplace and Occupational Innovation & Product Climate Change Safety & Health Stewardship **Environmental Stewardship** Community Engagement Supply Chain Management Strategy Purpose & Financial New Plastics Economy (NPE) Talent Development Resilience **Human Rights Plant Operations** Cybersecurity & Digitalisation **Customer Relationship** Management

MANAGEMENT APPROACH TO MATERIAL MATTERS

CLIMATE CHANGE





SDGs:





Capitals:





Strategic Thrusts:



Stakeholders:







BUSINESS CONTEXT

Climate change, directly and indirectly, affects our profitability and sustainable growth. It is crucial to protect these by mitigating and adapting to climaterelated risks.

RISKS

- · Inability to meet new climate-related regulations causes non-compliance and financial costs
- Reallocation of capital to green investments by financial institutions impacts business funding
- · Poor climate change adaptation exposes our physical assets to severe damage and high financial losses.

OPPORTUNITIES

- Effective emissions management improves stakeholder trust and public perception
- Lower resource consumption contributes to cost savings and better performance
- Secure positioning in low carbon solutions market in order to meet increasing demand

OUR APPROACH

- · Identify, assess and prioritise climate-related risks and opportunities pertinent to our operations, as guided by the PETRONAS Climate Change Framework and Task Force on Climate-Related Financial Disclosures (TCFD) recommendations
- Implement the Net Zero Carbon Emissions (NZCE) 2050 Roadmap



Read more on pages 50 to 53, with performance indicators on page 54.

ENVIRONMENTAL STEWARDSHIP



Associated Risks:



SDGs:















Strategic Thrusts:



Stakeholders:





BUSINESS CONTEXT

Responsible environmental practices protect our business from regulatory, reputational and operational costs. It also protects society and the planet from pollution and degradation.

RISKS

- Environmental non-compliances lead to regulatory penalties and fines
- Unsustainable environmental practices negatively impact public trust and confidence

OPPORTUNITIES

- Waste reduction and resource efficiency reduces operational costs
- Environmentally responsible activities attract investors and funding opportunities

OUR APPROACH

- · Actively monitor and manage our air emissions through programmes such as Leak Detection and Repair (LDAR) and continuous emissions monitoring system
- · Invest in technology minimising material consumption, waste production, and wastewater discharge control



INNOVATION & PRODUCT STEWARDSHIP



Associated Risks:











Capitals:





Strategic Thrusts:



Stakeholders:





BUSINESS CONTEXT

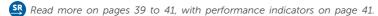
Meeting the demands of customer and societal needs with innovative product solutions adds a competitive edge. Delivering high-performance products safely and responsibly while ensuring proper product usage helps customers maximise value from our products.

- · Slow expansion into specialty chemicals and new products impedes our growth ambitions
- · Poor adoption of emerging technology and innovation impacts our competitive edge

OPPORTUNITIES

- New and innovative products enable customers to penetrate new markets and grow their businesses
- Rising demand for sustainable products helps expand our product portfolio and encourages innovative creations

- Co-create application solutions with customers and systematically execute product Research and Development (R&D) programmes
- Expand into the derivatives and specialty chemicals business through growth initiatives and Research & Technology (R&T) programmes in accordance with the rapid changes in market demand
- Integrate product stewardship into the product R&D process to ensure safe product handling and sustainable development of differentiated and specialty chemicals















SDGs:



Capitals:









Stakeholders:







BUSINESS CONTEXT

NEW PLASTICS ECONOMY (NPE)

The current linear economy is unsustainable for environmental and social health. We need to transition to NPE and circular economy to ensure the sustainable consumption and production of plastic.

RISKS

Risks:

Associated

- · Lack of action to address plastic waste damages the company's reputation
- Slow transition to a circular economy lowers our competitive advantages in the long-term

OPPORTUNITIES

- Rapid advancements in NPE reinforces our role as a leader in Malaysia's NPE
- · Conversion of plastic waste into circular feedstock has the potential to improve resource efficiency and create new business opportunities

OUR APPROACH

- · Develop viable collaborations for innovative technology solutions that address plastic pollution
- Establish strategic partnerships to develop an effective, sustainable waste recovery system
- · Conduct awareness campaigns to address misconceptions and promote change in behaviour and culture
- Enhance awareness of caring for the environment through 3R education, CSR activities and green campaigns
- Read more on page 55, with performance indicators on page 56.

WORKPLACE AND OCCUPATIONAL

















SAFETY & HEALTH (OSH)





Strategic Thrusts:



Stakeholders:





BUSINESS CONTEXT

It is our responsibility to always prioritise the health and safety of our people. In conducting business in our organisation, OSH protects the company against financial, operational and legal ramifications

RISKS

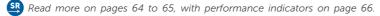
- Accidents and injuries result in regulatory penalties and reputational damage
- Damaged assets impact operational continuity and financial performance

OPPORTUNITIES

- · Emphasis on health and safety culture attracts and retains top industry talent
- · Reputation as a safe and reputable manufacturer attracts investors

OUR APPROACH

- · Focus towards achieving HSE generative culture through strengthening the FELT Leadership Programme, rejuvenating Focused Learning (Learning from Incidents) and implementation of Health, Safety & Environment (HSE) Balance of
- Establish a stringent HSE framework to inculcate a culture of HSE excellence
- Implement Mandatory Control Framework focusing on the best OSH and environmental practices



SUPPLY CHAIN MANAGEMENT



Associated Risks:















Capitals:









Stakeholders:





BUSINESS CONTEXT

Issues faced by suppliers can create a ripple effect across the value chain, thus strong supply chain management is key to operational efficiency. This is to maintain reliable feedstock and service from our suppliers.

RISKS

- · Disruptions in feedstock supply directly impact operational continuity and production volume
- Unavailability of goods and services affecting business operations
- · Non-compliance to procurement governance exposes the business to value leakage

OPPORTUNITIES

- Strong partnerships with suppliers enhance downstream supply and productivity
- Relevantly skilled suppliers help maintain our standard of HSE performance
- Sound procurement governance enables in securing credible and commercially attractive vendors

- Adhere to PETRONAS Tenders & Contracts Administrative Manual for procurement Above Tender Threshold Limit
- · Adherence to established procurement governance to secure credible and commercially attractive vendors
- Enforce PCG's policies and standards to suppliers to ensure they operate responsibly
- Read more on pages 44 to 45, with performance indicators on page 45.

COMMUNITY ENGAGEMENT



Associated Risks:

















Capitals:









Stakeholders:



Capitals:





RISKS

- · Business activities that negatively impact communities lead to loss of financing from investors and reputational damage to our public
- · Community-related disagreement or tensions may result in protest and bovcotts

OPPORTUNITIES

- Social responsibility programmes increase visibility and safeguard reputation as a caring and environmentally-responsible organisation
- Community engagement provides insight into the efficient execution of key projects, e.g., NPE

OUR APPROACH

BUSINESS CONTEXT

Empowering the communities where

we operate reinforces our commitment

to social development and corporate

responsibility. The community

engagement programmes create an

ecosystem of trust and growth.

- · Empower communities through educational programmes and other activities that promote NPE education and chemical safety
- · Protect biodiversity through the conservation and rehabilitation of the environment via education and awareness programmes
- Provide relief and community aid during disasters, such as the COVID-19 crisis and floods



TALENT DEVELOPMENT



Associated Risks:













Our employees drive our plans forward and execute our strategies. Attracting and retaining the industry's top talent is instrumental, as well as futureproofing them with the skills to thrive in the long-term.

RISKS

- · Disengaged and underdeveloped employees contribute to low productivity and performance
- Lack of relevant skills and competencies hinders growth in derivatives and specialty chemicals

OPPORTUNITIES

- Inclusive and empowering work culture improves agility and efficiency
- Effective talent development programmes retain and attract topquality industry talent

OUR APPROACH

- · Prioritise recruitment efforts for scarce or niche competencies needed to support business operations and growth
- · Develop comprehensive and efficient succession plans to fill critical positions within the company
- · Implement integrated development programmes to equip employees with the right technical functional and leadership competencies
- Conduct staff engagement programmes with domestic and overseas subsidiaries, including unions



Strategic Thrusts:

OE CE GE

Stakeholders:



CORPORATE GOVERNANCE



Associated Risks:

















Capitals:



Strategic Thrusts:



Stakeholders:







BUSINESS CONTEXT

Good corporate governance is central to sustainable growth, long-term planning and strategic decision-making. A robust governance system protects the best interest of both business and stakeholders

RISKS

- · Corruption and misconduct cases result in reputational damage
- · Severe breaches in corporate governance result in forced stopwork orders or business closure

OPPORTUNITIES

- High transparency leads to the efficient execution of business plans and strategy
- · Good governance creates a highperformance work environment and culture

- · Adhere to the Malaysian Code on Corporate Governance (MCCG) and all relevant guidelines in other markets where
- · Actively work towards increasing the diversity and representation of Independent Directors of the Board
- Ensure consistent compliance to PETRONAS' Code of Conduct and Business Ethics (CoBE) and enhance CoBE awareness through regular training



87.



MATERIAL MATTERS

STRATEGY PURPOSE & **FINANCIAL RESILIENCE**



Associated Risks:

















Capitals:











Stakeholders:





BUSINESS CONTEXT

Having the right robust strategy is critical in meeting our financial and sustainability goals. It helps us balance stakeholders' needs for future growth. This includes ensuring financial returns to shareholders by optimising cost management.

RISKS

- · Loss of confidence from stakeholders and investment opportunity due to unsustainable positioning
- · Inability to secure project growth funding

OPPORTUNITIES

- · Improved stakeholders' trust
- Strong business fundamentals to attract investment and funding for growth projects

OUR APPROACH

- · Implement our Two-Pronged Strategy according to our three Strategic Thrusts, while integrating Economic, Environmental and Social (EES) elements into our growth levers
- Prioritise projects with strategic advantages while ensuring a strong pipeline of potential projects with mid-term prospects
- Continue to search and assess other sustainability-related technology and products to complement our current and growing portfolio



PLANT OPERATIONS























Capitals:





Strategic Thrusts:



Stakeholders:





BUSINESS CONTEXT

Safe, reliable and efficient plant operations are key to consistently delivering high plant performance. For the business to expand and grow, the business relies on the performance of plant operations which translates to cash generation.

RISKS

- · Unsafe working environments expose our employees and contractors to physical and chemical hazards, leading to potential injuries or fatalities
- Unreliable and inconsistent production impacts sales volume and revenue arowth
- Unreliable feedstock, utilities and chemicals supply may disrupt plant operations
- Unreliable plant assets due to poor asset management impact plant operation continuity

OPPORTUNITIES

- Drive the implementation of HSE excellence programmes at all levels to ensure a safe working environment
- Deliver Operational Excellence through digital implementation, effective collaboration with feedstock. utilities and chemicals suppliers, and focusing on managing plant reliability

- Internalise Generative Culture to instil effective compliance to HSE requirements and excellence
- Implement digital solutions including Asset Performance Monitoring (APM) and Advance Analytics (AA) to improve plant reliability
- · Collaborate with suppliers via Additional Ethane Taskforce (AET) and Additional Methanol Taskforce (AMT) to drive reliable feedstock supply

HUMAN RIGHTS



Associated | Risks:













Capitals:





Strategic Thrusts:



Stakeholders:











RISKS

- · Breaches in human rights lead to regulatory penalties and costs
- Reputational damage from breaches results in loss of customers and public trust

OPPORTUNITIES

- Reputation as a fair employer attracts high-quality talents
- Strong human rights practices reinforce reputation as a responsible corporate citizen

OUR APPROACH

culture.

BUSINESS CONTEXT

Upholding basic human rights is a

fundamental aspect of any responsible

business. Protecting these rights create

a stable and inclusive operating

environment for all stakeholders to

thrive and contribute to a healthy work

- · Apply PETRONAS' Human Rights Commitment, in line with the UN's Guiding Principles on Business and Human Rights, to all employees, contractors and relevant stakeholders
- · Comply with all relevant labour laws that protect the rights of employees, as well as provide competitive salaries and benefits
- Provide e-learning module on Human Rights Management to enhance knowledge and significance of human rights management across PETRONAS



CYBERSECURITY & **DIGITALISATION**



Associated | Risks:









SDGs:



BUSINESS CONTEXT

Enhanced digitalisation of systems and technologies brings the opportunity of convenience and efficiency to promote new business models, revenue streams and value creation opportunities. However, it also exposes us to cyberattacks and breaches. It is our corporate responsibility to protect the business and stakeholders from any malicious cybercrime.

- · Network intrusion impacting operations, delays delivery of customer products
- Cybersecurity breaches and data loss leading to financial loss and reputational damage
- · Low utilisation of digital application tools causing slower realisation of benefits and return on investment
- Unreliable infrastructure leads to disruptions in digital systems

OPPORTUNITIES

- · Robust cybersecurity measures build stakeholder trust
- Safe use of technology protects critical data and business continuity
- Digitalisation promotes an efficient and safer way of working through automation and built-in governance and control
- Enhanced data management enables better services to internal and external customers

Capitals:





Strategic Thrusts:



Stakeholders:









OUR APPROACH

- Establish Cybersecurity Strategy Deployment Programme and Enterprise Security Management System to protect our systems and critical data
- Establish governance framework to support established work processes in operation
- Identification of top priority digital tools through Business Impact Assessment (BIA) and decommission legacy systems to promote full utilisation



Read more on pages 46 to 47, with performance indicators on page 47.

Cultivating meaningful customer

relationships come with our

collaborative efforts and staying ahead

of their expectations. With that, we

build long-term customer trust and



MATERIAL MATTERS

CUSTOMER RELATIONSHIP MANAGEMENT



Associated S Risks:





SDGs:



















Stakeholders:





RISKS

- · Inability to effectively meet customers' expectations will impact our brand reputation
- Reduced customers' confidence and loyalty leads to lower revenue

OPPORTUNITIES

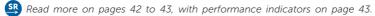
- Collaborations and partnerships with customers maximise regional and global market growth
- Regular dialogues with customers allow for continuous improvements to meet customers' expectations and cultivate close relationships

OUR APPROACH

loyalty.

BUSINESS CONTEXT

- Enhance networking and Customer Relationship Management programmes to enable communication and strengthen customer loyalty
- Work closely with customers to better understand their expectations and goals
- · Offer distinct value propositions for different customer segments according to their specific pain points and business needs
- Maximise the use of digital platforms that deliver reliable, efficient and effective services to customers



STRATEGIC REVIEW

RISK OVERVIEW

The challenges to our strategy, performance and growth are dynamic and complex. We continue to build our strength and resilience as an integrated chemicals player in the market. We have since experienced a substantial growth momentum and recorded significant improvements compared to previous years, in line with higher prices of crude oil and petrochemical products. Despite the COVID-19 pandemic entering its second year, the increased vaccination rates in Malaysia and around the world have eased pandemic-related lockdowns, contributing to market shifts and demand.

We navigated our year at PCG with our well-established risk management framework, comprising of Enterprise Risk Management (ERM), Crisis Management (CM) and Business Continuity Management (BCM). These management frameworks in various work processes have proven to ensure the organisation remains resilient throughout the COVID-19 pandemic uncertainties and changes.

RISK OVERSIGHT

Our risk oversight deliberations are conducted regularly at the Board and Management levels, to ensure we integrate risk management into key business activities. We have a dedicated Board Risk Committee, comprising a majority of Independent Directors who deliberate on risk and opportunities for high impact business decision proposals, such as mergers and acquisitions, portfolio rationalisation and key capital projects.

The Risk Management Department (RMD), led by the head of Risk Management, is accountable and responsible to institutionalise risk management practices and culture through the development and implementation of risk policy, frameworks and guidelines in line with good corporate governance. This is to safeguard stakeholders' interest against the effect of uncertainties and volatility of the chemical business.

RISK APPETITE AND TOLERANCE

We proactively manage our risks to ensure they remain within the defined risk appetite and tolerance limits. Our comprehensive risk appetite covers risk-focused areas such as 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. Additionally, we report our risk appetites to the management quarterly, escalating any breaches to the BRC and the Board for further deliberation.

RISK IN STRATEGIC PLANNING AND DECISION-MAKING

Our risk management is integrated into our business planning exercise. We deliberated all associated risks on business assumptions during our 2021 business plan and budget session to ensure our key activities remain robust.

The Board and Management also require a discussion of the risks and mitigations before making any decisions. This ensures that decision-makers are fully informed of the risks associated, and all the necessary controls to achieve the desired business objectives are put in place.

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

RISK CULTURE AND CONTINUOUS IMPROVEMENT

We develop a strong risk culture through risk management communication programmes and encourage ownership by engaging with employees. This has further enabled us to continue to undertake risk assurance to ensure compliance of risk management, which includes crisis management and business continuity management.

MATERIALITY AND RISK MANAGEMENT PROCESS

We have embedded effective risk management processes across the entire value creation in all our lines of business. We identify, assess, treat, and monitor all risks that could potentially impact our business, including inherent risks as early as possible.

In keeping abreast with the ever-changing environment, we continuously review our risk profile to navigate these uncertainties with input from internal and external sources. This includes business key focus areas, materiality assessment, previous risk profiles, risk monitoring and scanning reports, industry risk reports, audit findings, stakeholders and the management's feedback.

When reviewing the risks, we have considered matters that materiality affect the company's strategic objective.

Key risks are identified and prioritised 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
- iv. Material topics identified by stakeholders
- v. Other external events that pose a significant impact on our business sustainability

The identified risks are then evaluated and rated based on their probability of occurrence and impact. We deliberate on specific mitigation plans to ensure that the identified risks are addressed and assigned to risk owners for implementation.

Details of our risk management framework and governance oversight structure can be found on pages 201 to 215, under the Statement on Risk Management and Internal Control (SORMIC) available online: www.petronaschemicals.com.



Key Risks 2021

During the year under review, sustainability risk was added to include climate change as well as circular economy, previously known as 'War on Plastic'. We also combined Corruption Risk, previously a standalone risk, into Regulatory Risk which encompasses the five critical legal areas namely Ethics and Integrity, Sanction, Competition, Export Control and Data Privacy. Corruption risk which falls under the Ethics and Integrity legal area was assessed with the result rated as 'medium' arising from the effective implementation of Adequate Procedures as guided by TRUST principles for Corporate Liability.

The key risks identified during the year are aligned with our business strategies in ensuring all aspects of economic, environmental and social are delivered in a sustainable manner underpinned by our strong governance practices. Legends:



Risk Impact: Critical Non-Critical Risk Movement: ST Stable R Reduce N New

Risk No. 1

RISK EVALUATED

Exposure to HSE incidents is an intrinsic expectation in chemical manufacturing. Major HSE breaches in our plants may impact our people and business, with the highest impact arising from process safety incidents such as chemical spills and fire.

CAUSES

- · Non-compliance with HSE framework and guidelines, including Process Safety Management
- Ineffective implementation of HSE-related programmes
- Ineffective asset reliability programmes causing integrity failure
- Inadequate closure of assurance/investigation findings

IMPACT ON VALUE

- Physical harm to employees, contractors and/or nearby communities
- Pollution and environmental degradation surrounding operations
- Asset damage that leads to plant slowdown or shutdown
- Legal litigation and stop-work orders by regulatory bodies
- High recovery costs from injuries and accidents
- Impact on PCG's reputation as a publicly listed company

MITIGATION MEASURES

- Tracked the compliance of the FELT Leadership Programme
- Institutionalised Rakan HSE programme throughout the Group
- Enforced the 'Process Safety 8 Golden Rules' at PCG Operating Units (OPUs)
- Executed the balance of consequences (BoC) for HSE non-compliance
- Strengthened the competency in Road Transport Operational Guidelines (RTOG) applications for the roles of PCG employees and transporters
- Implemented the Focused Learning guidelines at PCG OPUs
- Monitored plant operations within operating limits as set by the Department of Environment (DoE), Malaysia

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

Capitals:









Material Matters:



Strategic Thrusts:



Stakeholders:







RISK MOVEMENTS



HSE remains a top priority at PCG, especially in our operations. We will continue to record improvements in some HSE performance indicators.

ST Stable Risk Impact: Critical Non-Critical Risk Movement: R Reduce New

Risk No. 2

RISK EVALUATED

Growth projects and new business ventures carry risks such as low returns and loss of business opportunities. As we extend our value chain into specialty chemicals, these risks become more prominent.

CAUSES

- Lack of agility in responding to changes
- Ineffective project management
- Unavailability of timely and adequate funding
- · Unavailability of capable talents with niche competencies required to drive our business growth

IMPACT ON VALUE

- Diminishing financial capital and shareholder returns
- Unable to obtain margins as planned
- Missed business opportunities and loss of customers
- Inability to realise our business strategy to grow in speciality chemicals
- High employee turnover and costs from talent acquisition

MITIGATION MEASURES

Extend Value Chain (EVC)

- Continuous and thorough scanning of the project and technology pool
- Executed project implementation in line with project management systems and plans for business and operational readiness
- · Ensured robust talent management for critical positions, through early talent scouting from internal and external markets
- · Conducted regular engagements and collaborations with relevant stakeholders for new investments

Build Specialty Chemical Platform via Merger & Acquisition (M&A)

- Reviewed inorganic growth strategy
- Developed supplementary pool of target companies aligned with PCG's growth strategy
- Developed and executed post acquisition integration plans

Corporate Venture Capital (CVC)

- · Collaborated with PETRONAS' capital ventures companies for quality deal flow and investment consideration within PCG's preferred segments
- · Assessed opportunities of venture capital start-ups and conducted strategic fit assessment focusing on technology, market and regulations
- Collaborated or partnered with technology start-up companies

Strategic Investment

Capitals:



































RISK MOVEMENTS



Our next phase of growth projects is at an early stage, with several projects moving into the execution phase



New

Risk Impact:





Non-Critical

Risk Movement:









Risk No. 3

RISK EVALUATED

Project delivery issues that impede the commercialisation or stabilisation of new plants may impact our value capture. For instance, as Pengerang Integrated Complex (PIC) gears up for commercialisation, it is critical to achieving operational and commercial readiness for smooth execution.

CAUSES

- Failure of infrastructure and system readiness
- Ineffective project management
- Delay in commercial operation date
- Inability to secure volume offtake by customers

IMPACT ON VALUE

- · Lower returns to shareholders and investors
- Missed business opportunity and loss of customers
- Reputational damage based on poor project delivery

MITIGATION MEASURES

- Closely monitored and strengthened contractor management
- Secured minimum volume on a term basis
- Offtake products on equity or tender basis

Project Execution Risk

Capitals:























Stakeholders:







RISK MOVEMENTS



The risk is stable due to effective project execution and operational and commercial readiness plans.

Risk No. 4

RISK EVALUATED

We are at a high risk of cybersecurity threats due to a vulnerable operating technology (OT) environment coupled with enhanced digitalisation. Major infrastructure failure or cyber breaches may potentially cripple operations.

CAUSES

- Increasing trend of cyber-attack to the organisation
- Advancement of cyber-attack schemes

IMPACT ON VALUE

- Breaches in stakeholder' information/data
- · Loss of critical business data
- Business disruption from critical system shutdowns
- Reputational damage and loss of stakeholder trust

MITIGATION MEASURES

- Established an Enterprise Cyber Security Governance framework
- Implemented Identity Access Management (IAM) to ensure only authorised access allowed to the system
- Reinforced Cyber Defense via Enterprise-wide Incident Response Procedure (IRP), Security Operations Centre (SOC), Vulnerabilities Management, Data Leakage Protection, Forward proxy and Network access control (NAC)
- Deployed Real-Time OT (RTOT) and OT Asset Management (OTAM) for all PCG facilities
- Structured Change Management programme including the Human Firewall campaign, cybersecurity awareness and engagement via a digital platform

Cybersecurity Risk

Capitals:







Material Matters:





Strategic Thrusts:



Stakeholders:









RISK MOVEMENTS



The risk has been reduced due to the effectiveness of mitigations implementation to further manage the inherent risk.

ST Stable Risk Impact: Critical Non-Critical Risk Movement: R Reduce

Risk No. 5

RISK EVALUATED

Sustainability risk comprises climate change and circular economy.

Climate Change

Climate change will have wide-ranging effects on the environment and socio-economic related sectors. These include water resources, agriculture and food security, human health, terrestrial ecosystems, and biodiversity and coastal zones. Delays in our climate change response will lower our competitive edge against changing markets, regulations and technologies.

This risk is likely to continue to exist if governments and businesses fail to enforce, enact or invest in effective climate change adaptation and mitigation measures, preserve ecosystems, protect populations and transition to a net-zero economy.

Despite the latest nationally determined contributions (NDCs) to decarbonisation made at the 2021 COP26, it is likely to still fall short of the 1.5°C goal set out in the Paris Climate Agreement.

Circular Economy

With global awareness of the circular economy increasingly shaping stakeholder expectations, aggressive environmental pushes by policymakers and environmentalists may affect our business performance, reputation and long-term growth.

CAUSES

- Stringent laws and regulations such as Paris 2015 and COP26 Glasgow
- Potential exclusion from FTSE4Good Index and other indices due to stricter financial evaluation, which includes ESG
- Increase in customers' preference for green products
- · Competitors move in supporting climate change
- · Shifts in consumers' or customers' preferences due to increased awareness of sustainability
- Advancement of new technology leading to product substitution
- Single-use plastic ban in Malaysia and internationally

IMPACT ON VALUE

- · Higher operational costs due to the development of costly low-carbon technology and increased cost of borrowing
- · Asset damage due to physical risks such as extreme weather, flood and lightning
- Exposure to litigation, penalties and fines
- Loss of market share due to shifts in customer preferences
- Diminishing interest from investors and other financiers
- · Reputational damage and loss of stakeholder trust

MITIGATION MEASURES

Climate Change

- Developed and implemented the Net Zero Carbon Emissions (NZCE) 2050 Roadmap
- Established a baseline and periodically monitored GHG emissions intensity
- Embarked on sustainability-related projects
- Applied internal carbon prices for all new projects
- Conducted product life cycle assessments for PCG products
- · Conducted material physical and transition climate risk assessments following the Task Force on Climate-Related Financial Disclosure (TCFD) recommendations
- · Strategised crisis and business continuity management and other relevant responses
- · Increase communication to broadcast various social contribution undertaken by PCG

Circular Economy

- Collaborated with innovative technology providers
- Established partnerships and collaborations for an effective, sustainable waste recovery system · Delivered an educational module on plastic and sustainability education to primary and
- secondary schools in Malaysia • Enhanced awareness for environmental care through Reduce, Reuse, Recycle (3R) and Corporate
- Social Responsibility (CSR) activities
- Collaborated with key stakeholders through circular economy initiatives

Sustainability Risk

Capitals:









New













Strategic Thrusts:



Stakeholders:











RISK MOVEMENTS



Sustainability Risk has become a critical focus for PCG, given several pushing factors



Risk Impact:





Risk Movement:



CO



R Reduce



Risk No. 6

RISK EVALUATED

The prolonged COVID-19 pandemic has jeopardised value chains and delayed the achievement of business targets. As we enter the second year of the pandemic, emerging issues and uncertainties continue to impact business continuity.

CAUSES

- Spread of COVID-19 across the globe
- · Lack of awareness and organisational readiness to protect people, business and operations
- Ineffective and untimely response to manage the pandemic

IMPACT ON VALUE

- Low morale and engagement among employees
- Health-related issues from the virus outbreak
- Operational disruptions at manufacturing plants
- Reduced cash generation and revenue returns
- Lower shareholder returns

MITIGATION MEASURES

- Continuously monitored COVID-19 cases affecting our employees
- Readiness of crisis and business continuity plans
- Adopted special working arrangements
- Sustained plant operation and utilisation above 90%
- Rationalised plant turnaround schedule implementation during the pandemic situation
- Secured volume to non-traditional markets, increased allocations to current customers and diverted sales to China
- Monitored and assessed business performance

COVID-19

Risk

































RISK MOVEMENTS



PCG has successfully implemented all mitigation measures in managing the prolonged COVID-19 risks, ensuring our business and operations are not affected.

Risk No. 7

RISK EVALUATED

The volatility of the chemicals market, including the impact of the prolonged pandemic, poses dynamic challenges to business sustainability.

Adverse market conditions amidst lower global GDP growth, massive capacity addition and lower energy prices, coupled with political tension, result in significant compressed margins.

CAUSES

- · Capacity addition by new and existing producers offering greater availability and variety of products
- Global trade disruption
- · Continuing crude oil price volatility
- Advancement of new technology leading to product substitution

IMPACT ON VALUE

- Inadequate cash generation and revenue from low sales/compressed margins
- · Lower consumer demand due to cautious business and consumer sentiment
- Lower shareholder returns due to poor financial performance
- Plant slowdown/shutdown due to high inventory

MITIGATION MEASURES

- · Maximised netback through geo sales mix, sales channel mix and sales contract mix
- Executed and sustained price excellence
- Added value through product improvement or new product development
- Improved value proposition for local distribution in overseas subsidiaries
- Optimised cost to serve

Market Risk

M

Capitals:









Material Matters









Strategic Thrusts:



Stakeholders:







RISK MOVEMENTS



Despite the market volatility and the impact of prolonged COVID-19, the market risk has remained stable due to an effective and adaptable response strategy.

Risk Impact: Critical Non-Critical Risk Movement: ST Stable R Reduce N New

Risk No. 8

RISK EVALUATED

Our highly-integrated operations expose our plants to an array of risks, as the plants are highly dependent on each other. The planning and execution of operation and maintenance activities will also significantly impact the value chain if not properly managed, as a failure of one or more plants in the value chain will create a knock-on effect.

CAUSES

- · Non-compliance with Equipment Reliability Strategy, inspection or maintenance programme
- Inherent hardware or software design deficiencies and equipment failure

IMPACT ON VALUE

- · Inability to meet customers' demand
- · Loss of production volume
- Increase in maintenance costs

MITIGATION MEASURES

- Implemented the effective Operation Management, Asset Life Management, Bad Actor Management and Plant Reliability Threat programmes to optimise asset reliability and equipment performance
- Conducted regular maintenance and inspection programmes to minimise the risk of equipment failure and unplanned shutdowns
- Applied our human rights commitment to all employees, contractors and any third party performing work on behalf of the Group
- Complied with all relevant labour laws that protect the right of employees, as well as provide competitive salaries and benefits
- Activated the Business Recovery Plan (BRP) and Business Continuity Plan (BCP) for cases with prolonged interruption

Operational Risk

Capitals:

0











Stakeholders:



RISK MOVEMENTS



Effective operation and maintenance strategies, coupled with improved feedstock and utilities supply, resulted in sustained production volume and plant utilisation.

Risk No. 9

RISK EVALUATED

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

CAUSES

- Challenges or uncertainty of material delivery/procurement and prefabrication work due to Movement Control Order (MCO)
- COVID-19 impact and outbreak among staff and/or contractors resulted in schedule delays
- Breach and non-compliance to turnaround requirements
- · Underperformance, incompetent manpower and poor contractor management

IMPACT ON VALUE

- · Inability to meet customers' demand
- · Loss of production volume
- Increase in maintenance costs

MITIGATION MEASURES

- Replicated turnaround intervention strategies from plants that underwent turnarounds during the MCO period
 - Developed contingency plans and expedited material delivery
 - Reviewed and enhanced turnaround COVID-19 Plan Lessons Learned and implementation
- Intensified and conducted compliance monitoring on turnaround governance requirements
- Reviewed turnaround scoping and equipment criticality to optimise manpower and resources
- · Applied alternative technology to minimise HSE exposure and improve quality of work
- Recruited experienced manpower for effective turnaround execution

Plant Turnaround Risk

Capitals:



















Strategic Thrusts:



Stakeholders:









RISK MOVEMENTS



Proven turnaround strategy and implementation contribute to flawless TA execution, resulting in timely completion and reliable plant operation



Risk Impact:





97.

Risk Movement:







New

Risk No. 10

RISK EVALUATED

Our production plants require a reliable supply of feedstock and utilities to keep running. The continuity of our plants requires a consistent and significant volume of feedstock and utilities in a timely manner.

CAUSES

- Inconsistent supply due to reliability issues
- Disruption of feedstock or utility supply

IMPACT ON VALUE

- · Inability to meet customers' demand
- Business disruption for suppliers and JV partners
- Loss of production volume and revenue
- Increase in production costs

MITIGATION MEASURES

- Collaborated with feedstock and utility suppliers for reliable supplies
- · Leveraged our Value Optimisation Model to optimise molecules along the value chain in case of supply limitation
- · Activated a Business Recovery Plan (BRP) and Business Continuity Plan (BCP) for cases with prolonged interruption

Feedstock and Utilities

Capitals:

















Stakeholders:







RISK MOVEMENTS



We received a reliable supply of feedstock and utilities throughout the year.

Risk No. 11

RISK EVALUATED

Compliance is becoming increasingly challenging as we expand our footprint globally, with more stringent laws and regulations. The provision of the Malaysian Anti-Corruption Commission Act (2009) imposes corporate liability for any failure to prevent bribery and corruption. Any regulatory changes may impact our operations or future investment opportunities.

CAUSES

- · Lack of awareness and understanding of statutory requirements and their consequences
- New announcements or sudden changes in regulations and policies

IMPACT ON VALUE

- Non-compliance costs arising from penalties, summons and/or imprisonment
- Legal action from affected stakeholders
- · Reputational damage and loss of stakeholder trust
- Reduced profit and loss of business or market share

MITIGATION MEASURES

- · Conducted periodic engagements with local authorities, service providers and customers on laws and regulation updates
- Updated legal register to reflect new regulatory requirements
- Conducted regular communication on business activities to ensure constant compliance
- Performed assurance on all overseas subsidiaries
- Implemented PETRONAS Legal Compliance Framework
- Implemented Guidelines on Adequate Procedures based on TRUST principles for Corporate Liability
- · Adhered to PETRONAS' Human Rights Commitment, which is in line with the UN's Guiding Principles on Business and Human Rights

Regulatory Risk

Capitals:











Material Matters:













Stakeholders:









RISK MOVEMENTS



Compliance monitoring and regular engagements with government agencies/regulatory bodies have resulted in continuous regulatory compliance.

EMERGING RISKS

PCG continuously scans the industry environment using PESTEL (Political, Economic, Social, Technology, Environment, Legal) analysis framework alongside with input from stakeholder engagement to identify emerging risks and Economic, Environmental, and Social (EES) topics that might substantively affect the company's ability to create value over medium and long-term.

The materiality assessment conducted during the year showed great emphasis on the topics of Climate Change and Environmental Stewardship due to tougher regulations and increasing expectations from both external and internal stakeholders. On this note, PCG is expected to play a leading role in innovation and sustainability in supporting its supply chain.

The Board and management team monitor emerging risks and their mitigations to protect the business.

We proactively monitor climate change which we have now escalated into our Corporate Risk Profile (CRP). We continue monitoring emerging risks as below:

Emerging Risk	Scenario	Impact	Mitigation
Geopolitics Power tussle in international affairs impacting global or regional socio-economic stability. Deployment of economic levers, including trade controls, non-tariff barriers and/or currency measures, by global or regional powers to decouple economic interactions between nations and consolidate spheres of influence.	Increasing tensions surrounding South China Sea and Taiwan due to aggressive China policy as well as ongoing geopolitical uncertainty between Russia and Ukraine.	Higher freight cost and insurance coverage Volatile crude oil price Margin erosion	 Monitor and assess potential impact of the conflict Conduct scenario analysis factoring in any potential increase in logistic costs and insurance premiums
Technology, Innovation and Product Stewardship Disruptive innovations and technologies leading to vulnerabilities to PCG products such as LLDPE, HDPE, MTBE alternatives. Read more on pages 38 to 41 of Sustainability Report	An increasing demand for products to be lower in carbon footprint or environmentally friendlier/greener. Carbon Border Adjustment Mechanism (CBAM) is currently being announced by the European Union (EU). Similar mechanisms might be applied by major Asian nations committed to net-zero carbon emissions.	 Raw material disruptions as PCG is reliant on carbonintensive industry Threat to existing business which could reduce market share Higher CAPEX to develop and produce new products Carbon tax/cap and trade paid to foreign government, resulting in reducing competitiveness against EU companies Reputation impact as a petrochemical and plastic producer and energy intensive sector 	 Converting plastic waste into renewable feedstock for the production of quality polymers, which lowers carbon emissions compared to using new resources and reducing our reliance on hydrocarbons Selling sustainable products at a premium PCG has the potential to drive and lead NPE at a national and regional level

We believe that these mitigation measures can help to minimise risks, increase opportunities for sustainable growth, and achieve business objectives in-line with our business plans.

OUR STRATEGY



OUR WELL-MAPPED STRATEGY

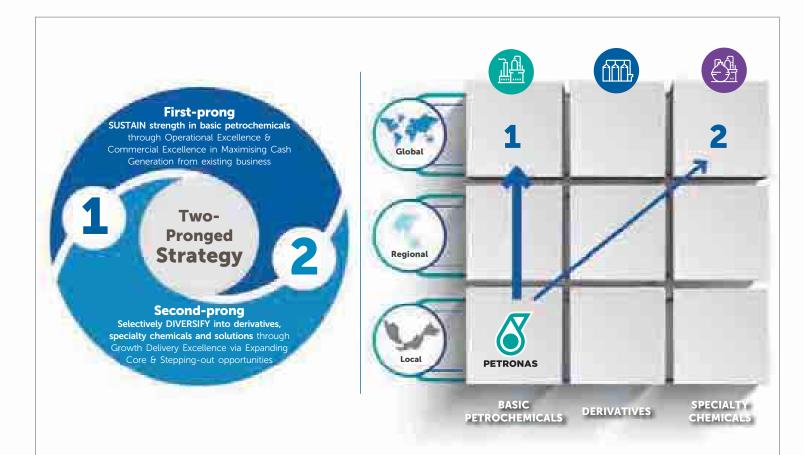


TO STRENGTHEN OUR FOOTPRINT



TWO-PRONGED STRATEGY

Our strategy propels the Group towards achieving our vision of becoming The Preferred Chemical Company Providing Innovative Customer Solutions.



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



OE OPERATIONAL EXCELLENCE

• Digital transformation & solutions

Increase value by looking through our

CE COMMERCIAL EXCELLENCE

- Customer focus
- Sustain and enhance market position
- Marketing and sales capabilities

GE GROWTH DELIVERY EXCELLENCE

products focusing on:

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

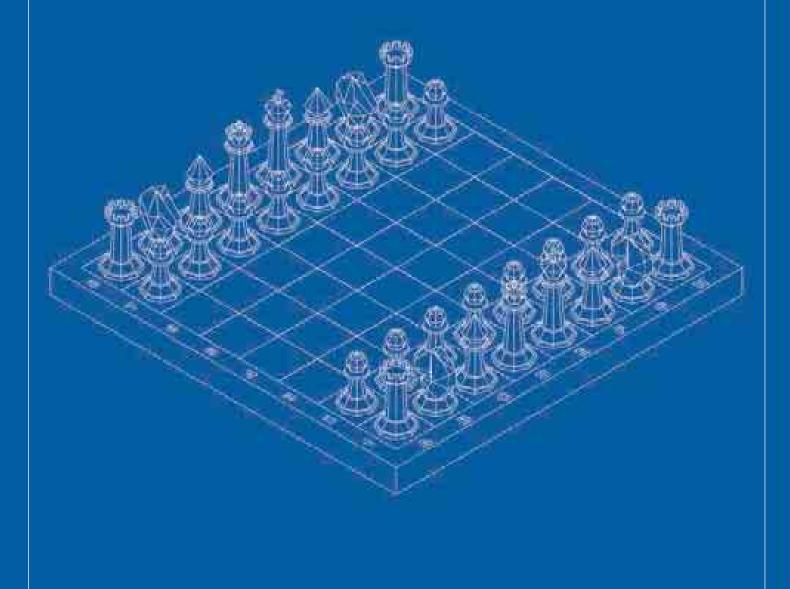
As a forward-looking organisation, our Two-Pronged Strategy focuses on near, mid to long-term goals that contribute positive business and Economic, Environment and Social (EES) impacts. These goals are supported by measurable targets to clearly track and assess our progress and performance.



STRATEGIC REVIEW

OUR STRATEGY

The Two-Pronged Strategy was formulated for PCG to remain competitive, resilient and adaptable. This proved crucial, especially in the past two years with the pandemic, on top of an already rapidly changing landscape and industry. With the aim towards delivering sustainable value to all our stakeholders, this strategy builds towards our growth aspirations while considering the external macro-environment, risks and opportunities and material matters.



100. INTEGRATED REPORT 2021

STRATEGIC REVIEW

STRATEGIC PERFORMANCE



OE OPERATIONAL EXCELLENCE

We have built a reputable position in the industry since our inception over thirty years ago with our operational execution and consistent delivery. This is attributed to our world-class operating standards at our plants which includes safeguarding our employees, minimising our impact on the environment and ensuring business continuity amidst market volatility and changes. Our objective is to maximise production at optimal costs to maintain market competitiveness and attractive margins while improving efficiency and turnaround strategies. Our focus on Operational Excellence has laid the foundations for our resilience and instilled world-class operations to advance our sustainable growth agenda.

KEY AREAS OF FOCUS

OUR PERFORMANCE











































OUR PERFORMANCE

















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

Headline KPI	2017	2018	2019	2020	2021	2022 Target	Term Targets (2023- 2026)
Number of Major Safety Incidents	1	1	0	0	0	0	0
Lost Time Injury Frequency (LTIF)	0.09	0.13	0.08	0.14	0.07	0.13	0.13
Number of Tier-1 Process Safety Event (PSE)	0	1	2	3	1	0	0
GHG Emissions (million tonne CO ₂ e)	7.09	7.08	7.02	7.10	7.00	6.98	6.98 by 2024*
Hazardous Waste 3R (%)	82	79	70	85	75	82	82 by 2024

^{*} Change due to change in values of Global Warming Potentials according to the Fourth Assessment Report of the Intergovernmental Panel on Climate Change

KEY INITIATIVES

- Implemented the Net Zero Carbon Emissions (NZCE) 2050 Roadmap
- Executed the waste recycling programme
- Reinforced the FELT leadership programme
- Shared lessons from past HSE incidents to avoid repeated errors
- Implementation of HSE Balance of Consequences (BOC)
- Implementation of 8 Golden Rules of Process Safety
- Heightened compliance to Operating Procedure (OP) and Management of Change (MOC)
- Reviewed effectiveness and improvement plans of Road Transport Operational Guideline (RTOG)

KEY AREAS OF FOCUS

Reliability

Headline KPI	2017	2018	2019	2020	2021	2022 Target	Mid Tern Target: (2023 2026
Production Volume (million tpa)	10.2	10.4	10.4	10.7	10.4	>10.0	>10.0
Plant Utilisation (PU) (%)	92	92	92	94	93	>90	>90

KEY INITIATIVES

- Leveraged the digital Enterprise Optimiser and the PETRONAS Integrated Vision for Operational Excellence Transformation (PIVOT) to drive the best value for molecules
- Expanded the implementation of Advanced Analytics (AA) and data-driven technology, which can pre-empt and prevent equipment failure, minimising overall downtime
- Operationalised Asset Performance Management (APM) to digitalise critical data for improved plant efficiency



STRATEGIC PERFORMANCE

KEY AREAS OF FOCUS

OUR PERFORMANCE

Plant Turnaround (TA) Excellence

Headline KPI	2017	2018	2019	2020	2021	2022 Target	Mid- Term Targets (2023- 2026)
Number of Safety Incidents during TA	4	12	13	2	9	0	0
Turnaround weighted days	10.3	23.0	14.1	2.3	14.3	22.0	5-15

KEY INITIATIVES

- · Engaged and worked closely with feedstock and utility suppliers to coordinate and plan plant shutdowns
- · Undertook the activities under DOSH's Special Scheme of Inspection (SSI) to optimise statutory shutdown activities and frequencies
- Employed drones to safely monitor our equipment and turnaround activities at remote and higher elevations area during turnaround execution

KEY AREAS OF FOCUS

OUR PERFORMANCE

Digital Transformation & Solutions (OE R2)

Headline KPI	2018	2019	2020	2021	2022 Target	Mid- Term Targets (2023- 2026)
Treatment i					raiget	
OE R2 Digital Transformation Progress (%)	55	73	90	90	100	100

Note: The Operational Excellence Result 2 (OE R2) transformation journey began in 2018

KEY INITIATIVES

- Implementation of work processes and its supporting digital tools
- Sustainment activities of implemented work processes and digital tools
- Implemented and strengthened empowerment and generative culture in PCG

VALUE CREATED FOR STAKEHOLDERS

Employees – Supported work processes and enhanced work culture through:

- Standardising work processes supported by digital tools
- Enhancing role clarity with more empowerment to perform at work
- Providing spiritual, emotional and moral support, especially during difficult times of running plant operations with minimal manpower throughout lockdowns
- Installing a clear and structured management system
- Facilitating better collaboration between functions thus creating a safer and more efficient way of working
- · Focusing on capability development

Customers – Optimised production volume through:

- Effective coordination with feedstock supply
- Implementing advanced digital tools in managing plant
- · Collaborating effectively with the authorities, including Malaysian National Security Council (MKN), Department of Occupational Safety and Health (DOSH), Ministry of Health (MOH), Ministry of International Trade and Industry (MITI) and local authorities

Business Partners – Collaborated on business objectives through:

- Ensuring consistent and reliable plant operations
- Creating an involved and dedicated customer experience
- Demonstrating strong Economic, Environmental, Social and Governance practices

Government & Regulators – Ensured full compliance with all regulators through:

- Establishing periodic engagements with relevant authorities at state and national levels, including DOSH, MITI and Department of Environment (DoE)
- Providing necessary and frequent reports to relevant authorities
- Equipping plant operations with reasonable safeguards and necessary monitoring tools

Communities – Held frequent and periodic engagements with local communities for a more comprehensive understanding of the impacts of our operations.

LOOKING AHEAD

PCG will continue to sustain safe and high utilisation plant operations through HSE and Operational Excellence. 2022 will be another cycle of heavy turnarounds, with four assets under regulatory turnaround activities. Despite this, we will optimise value creation through digital implementation to better manage our assets. With rising sustainability requirements, we remain committed to running our assets at optimum energy consumption for the lowest possible emission. Our commitment to fully comply with regulatory requirements is always our priority; hence we will continue good collaboration and communication with relevant regulatory bodies.



















































STRATEGIC PERFORMANCE



COMMERCIAL EXCELLENCE

Our collaborative relationship with our customers is the core of our Commercial Excellence, with the objective to deliver value through our diversified product portfolio. We achieve this by looking through our customers' lens to identify solutions that will bring added value to their business through the creation of innovative products and applications. Coupled with our strong regional presence, we have solidified our reputation as a leading chemical player in the industry.

KEY AREAS OF FOCUS

OUR PERFORMANCE



Headline KPI	2017	2018	2019	2020	2021	2022 Target	Mid-Term Targets (2023-2026)
Sales Volume (million tpa)	8.1	8.0	8.4	8.2	8.2	>8.0	>8.0
Order Fulfilment Reliability (OFR) (%)	94	95	97	97	87*	95	95

^{*} The decrease in 2021 is due to a global shipping container shortage



Sustain sales performance results for existing business

KEY AREAS OF FOCUS

OUR PERFORMANCE



Differentiated & **Specialty Products**

Headline KPI	2018	2019	2020	2021	2022 Target	Mid-Term Targets (2023-2026)
Number of New Products	1	5	11	16	3	10
Number of Co-Created Solutions	n/a	13	21	16	15	72

Note: Data tracking began in 2018

KEY INITIATIVES

• Drive the expansion of differentiated and specialty products

KEY AREAS OF FOCUS

OUR PERFORMANCE



Headline KPI	2018	2019	2020	2021	2022 Target	Mid-Term Targets (2023-2026)
OE R2 Digital Transformation Progress (%)	30	50	60	75	90	100

Note: Digital transformation journey began in 2018

KEY INITIATIVES

- Enhanced segmented/dynamic pricing and sales negotiation
- Implement digital solutions that improve efficiency and productivity

VALUE CREATED FOR STAKEHOLDERS

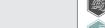
Customers – Ensured high-quality customer service through:

- Delivering timely and high-performance products
- Addressing customer pain points from feedback received through engagement platforms
- Providing new product solutions that support customers' business growth
- Providing knowledge-building capacities for customers through product stewardship and technical seminars to promote safe handling of chemicals and maximise the value realised from the products
- Implementing effective customer feedback management

Government & Regulators - Ensured consistent compliance with all relevant regulations

LOOKING AHEAD

In 2022, we will begin commercialising products from Pengerang Integrated Complex (PIC) to achieve PCG's near-term target of 50% improvement in cash flow by 2025. At the same time, we will continue to drive the expansion of differentiated and speciality chemicals to meet our mid-term goal of achieving 30% additional revenue from non-traditional business. With rising sustainability requirements across markets, we will also support customers' business growth through low-carbon, sustainable solutions, which aligns with PCG's sustainability agenda.























STRATEGIC REVIEW

GROWTH DELIVERY EXCELLENCE

Our growth performance has remained stable throughout the years due to PCG's diversified portfolio, as our strong financial position enables us to venture into new areas and achieve long-term growth. This is part of our business sustainability strategy. Through Growth Delivery Excellence, we further diversify chemicals into higher value-adding sustainable products, such as derivatives, specialty chemicals and solutions. As a result, we are able to meet the changing demands of our customers, future-proof our business and embed sustainability at the core.

Key Focus Areas	Key Initiatives	Achievements
Expansion of the core business via the extension of the value chain	 Proactively monitored progress on sanctioned projects to protect their value during project development Evaluated opportunities to expand the value of molecules from existing business and value chain into highermargin products 	 Commenced the production of silicone blending facility in Gebeng, Pahang Continued detail engineering design for the expansion of BRB facility in the Netherlands Incorporated LG PETRONAS Chemicals Malaysia Sdn Bhd for nitrile butadiene latex plant in Pengerang, Johor; began business and operation readiness activities and ongoing recruitment Conducted ground breaking ceremony for specialty ethoxylates and polyols project in Kertih, Terengganu through our joint venture (JV), PCG PCC Oxyalkylates Sdn Bhd; began business and operation readiness activities and ongoing recruitment Continued to drive feasibility studies into capital projects
Stepping out into specialty chemicals	 Validated specialty chemicals pathways and related end markets for a series of strategic acquisitions of Specialty Platform Assessed specialty chemicals companies for acquisition 	 Shortlisted potential strategic acquisition targets to build a strong specialty chemicals platform Assessed 100 potential acquisition targets Examined 25 specialty chemicals companies
 Progressed with our bio-based chemicals projects Refined our assessment of the development technology 		 Achieved first drop of Bio-Monoethylene Glycols (Bio-MEG) product from the pilot plant and continued to evaluate the technology for commercial scale Continued Research & Technology (R&T) investments in bio-based specialty surfactants development and commercialisation under BRB
	Assessed and evaluated potential disruptive technologies from start-up companies	Continued to assess technologies in the following areas: Conversion of organic waste into sustainable, high-efficiency bio-waste chemical fertiliser Agriculture artificial intelligence with drones as-a-service for precision smart farming Bio-material from a fungi cultivation process
Building resiliency through investment in sustainability	Conducted various feasibility studies for sustainability-related growth projects	Progress of feasibility studies: Converting scheduled waste into energy – completed a feasibility study with potential participation as a feedstock supplier Plastic waste collection and its chemical recycling – ongoing feasibility study to produce certified circular naphtha to be completed by end 2022 Utilisation of CO ₂ emission into a higher-value product – ongoing feasibility study to be completed by mid 2022

GROWTH DELIVERY EXCELLENCE

RISKS TO GROWTH

STRATEGIC INVESTMENT

Traditionally sourced feedstock exposes us to market uncertainties from both the feedstock and product side.

PROJECT FEASIBILITY

Hyperinflation, volatility of product price and increased pressure on climate action can impede a project's feasibility.

PROJECT EXECUTION

Project delivery issues that impact the commercialisation or stabilisation of new plants may impact our value capture.

SUSTAINABILITY

Global awareness on climate change and circular economy increasingly shaped customer demands for sustainable products and solutions which may affect our business performance, reputation and long-term growth.

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MITIGATION STRATEGIES

- Venture into specialty chemicals where the margin is higher and less cyclical than commodities
- Continuously scan for potential and emerging technologies used to convert existing molecules
- Prioritise the investment portfolio to deliver the targeted value effectively
- Enhance project execution and merger and acquisition (M&A) process to improve pace without compromising quality and governance
- Ensure robust project economics through rigorous and thorough project evaluation and forecast
- Capitalise on our business intelligence and benchmark with other key industry players
- Attract the most suitable business partners and technology providers which offer the best competitive advantages
- Embed sustainability as a prerequisite of projects from feasibility to commercialisation stage
- Drive project execution, business and operation readiness for sanctioned projects effectively
- Ensure a comprehensive scope of the Engineering, Procurement, Construction and Commissioning (EPCC) contract
- Motivate and strengthen contractor management
- Develop a clear route to market strategy and secure customers before project commercialisation
- Pursue sustainability-related projects to help achieve net-zero carbon emissions by 2050
- Conduct feasibility assessment with consideration of sustainability dimensions for all growth projects
- Collaborate with innovative technology solutions providers to build a portfolio of certified circular polymers and other sustainable products
- Engage with key stakeholders to promote circular economy and 3R awareness

RESULTS

- Shortlisted potential strategic acquisition targets
- · On track to accelerate the pursuit of specialty platform in 2022

• Three projects are nearing completion of feasibility studies for Final Investment Decision (FID) in 2022

• All projects in execution have progressed as scheduled, with business operations and a commercial readiness plan in place

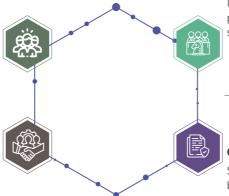
- Incorporated mid-term and long-term growth strategies as part of Net Zero Carbon Emissions (NZCE) 2050 Roadmap
- Contributed in establishing Malaysia's Chemicals Industry Roadmap with Ministry of International Trade and Investment to shape the industry to be competitive in producing higher value-added and market driven chemical products with sustainable practices
- Contributed in establishing Malaysia's Plastic Sustainability Roadmap 2021-2030 with the Ministry of Environment and Water (KASA)
- Delivered an educational module on plastic and sustainability education to primary and secondary schools in Malaysia

GROWTH DELIVERY EXCELLENCE

VALUE CREATED FOR STAKEHOLDERS

Customers

Deliver innovative solutions and diversify product offerings to customers, including sustainable solutions that meet rising requirements/expectations.



Shareholders & Investment Community

Invest our financial resources effectively in pursuing our growth plans, thus creating sustainable financial returns.

Business Partners

Create collaborative partnerships and innovative solutions, establish mutually-beneficial sharing of knowledge and expertise, and offer strong business development opportunities.

Government & Regulators

Secure strategic collaborations with government bodies to accelerate business objectives and advocate Foreign Direct Investment (FDI). Through growth, government bodies can improve their standards and benchmark on the evolving regulatory landscape.

LOOKING AHEAD

Objectives/Targets

Near-Term

To achieve commercial operation of sanctioned growth projects.

Mid-Term

- To achieve 30% revenue from non-traditional businesses by 2030
- To build the next specialty chemicals platform for growth and future-proofing the business
- To establish presence as a producer of sustainable products

Long-Term

To achieve net-zero carbon emissions by 2050.

Our Approach

- 1. Expand the value of molecules into higher-margin products
- 2. Pursue shortlisted strategic acquisition targets to build a strong specialty chemical platform
- Increase investments in developing new and disruptive technologies to meet the growing (current and future) demand for sustainable products
- 4. Prioritise projects with strategic advantages and ensure a strong potential pipeline of projects with promising mid-term prospects
- 5. Evaluate shifts in demand and supply while closely assessing market conditions that impact our pricing strategies
- 6. Accelerate sustainability integration and digitalisation into our operations and project delivery mechanisms
- 7. Pursue sustainability-related growth projects as part of sustainable development initiatives to achieve net-zero carbon emissions by 2050





BUSINESS REVIEW

MANUFACTURING

MOHD KABIR NOORDIN

Chief Manufacturing Officer

CC This year, we strengthened our fundamentals to deliver breakthrough operational performance. Despite the challenging environment, we never faltered on our commitment to health and safety. We ensured our people and facilities are safe and protected from the spread of COVID-19. With the assistance of digital tools and effective guidelines, we successfully completed four statutory turnarounds.

Our ability to consistently deliver production volumes of more than 10 million tpa reflects our agility and resilience, particularly during trying times. This is primarily due to an empowered skilled workforce at all levels of manufacturing, effective collaboration with key stakeholders across the value chain, as well as the adoption of digital tools that enabled us to deliver the best value to our customers and stakeholders.

The Keys to Our Success

- Skilled workforce at all levels of manufacturing
 - Effective collaboration with key stakeholders across the value chain





MANUFACTURING

KEY PRIORITIES

HEALTH, SAFETY AND ENVIRONMENT (HSE) EXCELLENCE

Capitals Deployed: Material Matters:







TURNAROUND EXCELLENCE

- Engaged and worked closely with feedstock and utility suppliers to coordinate and plan plant shutdowns
- Undertook activities required by the Special Scheme of Inspection (SSI) by Department of Occupational Safety and Health (DOSH) to optimise statutory shutdown activities
- Utilised stringent guidelines and digital tools to ensure successful and safe turnarounds

Capitals Deployed: 🌠





Material Matters:





DIGITAL ACCELERATION

Capitals Deployed: (\$)







Material Matters:





PEOPLE PERFORMANCE

- Optimised manpower productivity and capabilities by ensuring all subsidiaries had successfully embarked on Operational Excellence Result 2 (OE R2)
- Conducted regular virtual meetings with business heads and key stakeholders to identify and implement best-value decisions
- Engaged with onsite workers to maintain morale and motivation during the Movement Control Order (MCO)

Capitals Deployed: (**)



Material Matters:





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RESULTS

- Recorded zero fatalities and fire incidents across the plants
- Continued operating all PCG facilities, which were considered as an essential business. We also made products and services that supported the pandemic mitigation efforts
- Instilled and promoted a culture of safety, cooperation and positivity to keep morale high and sustain plant productivity
- Recorded a Lost Time Injury Frequency (LTIF) of 0.07 and Total Recordable Case Frequency (TRCF) of 0.28 against industry benchmarks of 0.26 and 0.70 respectively
- Executed four statutory turnarounds safely during the COVID-19 pandemic with a total of 3.5 million man-hours and manning a peak of 3,249 people

- Drove the implementation of APM and PIVOT AA to effectively monitor plant reliability performance and optimise asset management which translated into the value creation of RM27 million and sustained Plant Utilisation at above
- Reduced manual supervision and the need for dedicated manpower for monitoring critical equipment
- Ensured better HSE surveillance during execution and maintenance activities, especially at remote and high elevated areas
- Organised monthly manufacturing leadership team meetings to ensure effective leadership at plants
- Conducted monthly management-employee engagement sessions across manufacturing
- Sustained collaboration with feedstock suppliers through monthly supply planning and coordination meetings

MANUFACTURING

2020

PERFORMANCE HIGHLIGHTS & ACHIEVEMENTS

Loss Time Injury Frequency (LTIF)

0.14

Actual 0.13 0.07

2021

Tier-1 Process Safety Events (PSE)

2020

2021

Target

0.26

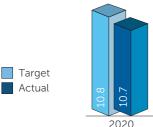


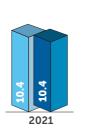




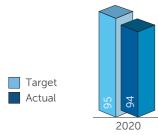


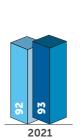
Production Volume (million tpa)





Plant Utilisation (PU) %





AWARDS & RECOGNITION



ROYAL SOCIETY FOR THE PREVENTION OF ACCIDENTS (ROSPA)

- Gold Award
- Silver Award

PRIME MINISTER'S HIBISCUS AWARD 2019/2020

- Exceptional Award in Environmental Performance
- Excellence Achievement in Environmental Performance
- Silver Award for Special Project

■ For more details on our Awards & Recognition, refer to Awards & Recognition on pages 10 to 11.

VALUE CREATED FOR STAKEHOLDERS

STAKEHOLDER

WHAT THEY EXPECTED



Employees

To be able to work and carry out their tasks in safe and conducive environments.



Customers

To be able to ensure reliable and smooth plant operations, which would translate into a reliable supply of products.



Government & Regulators

To ensure full compliance of all regulatory requirements related to plant operations and product specifications.



Communities

To ensure the surrounding environment and ecosystems are free of industrial contamination.

RISKS & OPPORTUNITIES

RISKS

OPPORTUNITIES

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

Drive the implementation of HSE excellence programmes at all levels to ensure safe working environment

Unreliable and inconsistent production impacts sales volume and revenue growth.

Deliver Operational Excellence through digital implementation in managing plant reliability issues.

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

Effectively collaborate with feedstock, utilities and chemicals suppliers.



MANUFACTURING

HOW WE CREATED VALUE

Provided all manner of necessary support, from materials to spiritual, emotional and moral support, during the difficult time of running plant operations with minimal manpower throughout the MCO.

Optimised production volume through:

- Effective coordination with feedstock supplier
- Implementation of advanced digital tools in managing plant reliability
- Effective collaboration with the authorities including Malaysian National Security Council (MKN), Department of Occupational Safety and Health (DOSH), Ministry of Health (MOH), Ministry of International Trade and Industry (MITI) and local authorities

Ensured full compliance with all regulators through:

- Periodic engagements with relevant authorities at state and national levels
- Providing necessary and frequent reports to relevant authorities
- Ensuring plant operations were equipped with reasonable safeguards and necessary monitoring tools (e.g., PETRONAS Risk Based Inspection (PRBI), Continuous Emission Monitoring Systems (CEMS)

Held frequent and periodic engagements with local communities for a more comprehensive understanding of the impacts of our operations.

ACTIONS TAKEN

RESULTS

Internalised Generative Culture to instil effective compliance to HSE requirement and excellence.

Achieved LTIF of 0.07, which is better than the industry benchmark of 0.26

Implemented digital solutions including Asset Performance Monitoring (APM) and Advance Analytics to improve in Equipment Reliability Strategy (ERS).

Sustained Overall Equipment Effectiveness (OEE) and Plant Utilisation (PU) at above 90%.

Collaborated with suppliers via Additional Ethane Taskforce (AET) and Additional Methanol Taskforce (AMT) to drive reliable feedstock supply.

- Coordinated and aligned successful shutdown activities for Sabah and Labuan
- Stretched the operations of PC Glycols and PC Derivatives beyond the initial shutdown plan

CONTRIBUTIONS TO SUSTAINABILITY

The manufacturing division contributes to PCG's Sustainability Agenda through safe and efficient plant operations, aligned with the Group's net-zero carbon ambitions.



WHAT WE DID

- Adopted digital tools to increase run length and reduce plant turnarounds, which indirectly reduces flaring and carbon emissions
- Improved our office and lab heating in the Netherlands with energy saving air treatment process
- Invested in a sustainable energy usage for our new BRB International B.V. (BRB) processing site in Echt, Netherlands
- Worked together with PETRONAS to conduct Kertih Site-wide Energy Review (Kertih SER) initiative at Kertih Petrochemicals Integrated Complex (KIPC) in Terengganu
- Ensured our plants maintain the highest standards of safety excellence to protect the well-being of our employees, partners and other stakeholders involved



TOP ACHIEVEMENTS

- Improved the greenhouse gas (GHG) emissions intensity of our plants by 1.4%
- Delivered 7 ktpa (2.4%) in additional production while lowering our unit total cost by 2.5% at PC MTBE through improved plant efficiency
- Saved 277 kWh of energy per batch at Echt, Netherlands processing site
- By 2025, through Kertih SER initiative, PCG expects to reduce GHG emission and energy consumption approximately by 101 ktCO₂e/yr and 3.6 million GJ/yr respectively
- Consistently recorded lower LTIF and TRCF than the industry standard

MOVING FORWARD

Although the challenges of COVID-19 remain, we will continue to support PCG's strategic goal of generating 50% additional cash flow from operations by sustaining high plant utilisation, delivering safe and timely plant shutdowns and turnarounds, accelerating digital adoption and driving cost optimisation. Learning from the past two years, we will benchmark our processes while looking for various ways to improve, especially with the upcoming statutory turnarounds in 2022.

Our people and the safety of their work environments will always be our main priority. We will increase employees' technical capabilities and competencies to excel long-term. This includes aggressively progressing with our digital transformation journey. By establishing a robust digital foundation, we can better protect the reliability of equipment, efficiency of operations and safety of our people.

BUSINESS REVIEW

COMMERCIAL

SHAKEEL AHMAD KHAN

Chief Commercial Officer

66 Given our experience in managing global supply disruptions in the initial phases of the COVID-19 pandemic, we expected the market recovery to be moderate. However, the rise in crude oil prices, combined with the rebound in petrochemicals demand, has strengthened product prices and improved our profit margins despite the challenging environment. Following the global shortage of shipping containers, our robust network of domestic and international value chain partners created all the difference. We were able to sustain our sales volume and achieve 87% in Order Fulfilment Reliability (OFR).

In essence, our strong market insights have enabled us to plan ahead and execute with pace. The changing market landscape, new market trends and the increasing demand for clean energy has also unveiled new and exciting opportunities, such as the launching of PCG's Ultra-High Purity Methanol (UHPM) for fuel cell application. Our subsidiary BRB Group also recorded its best performance since its inception. Despite the challenges of continued disruption, BRB's focus on customer centricity has enabled them to continue providing the products and solutions addressing customer needs during the pandemic.

The Keys to Our Success

- Robust network of domestic and international value chain partners
- Strong market insights

WHAT WE DO

We market and sell integrated chemical solutions, which includes basic performance chemicals, chemical derivatives and specialty products. Over the years, we have built a strong reputation as a reliable partner in the industry and region. We deliver best-in-class commercial value to customers globally, with primary markets in Malaysia, Asia Pacific and Europe.

Our focus is on delivering innovative, value-added solutions to customers while maximising business growth. This is motivated by our initiative to develop bespoke solutions, which address customer pain points and support their specific business needs.





COMMERCIAL

KEY PRIORITIES

TRANSPORTATION SAFETY

- Enforced the Road Transport Operational Guidelines (RTOG) for our current contractor fleet to improve transport safety performance
- Utilised the PETRONAS Integrated Vision for Operational Excellence Transformation (PIVOT) Transport Safety application, using analytics to capture and detect real-time transport data

Capitals Deployed:





Material Matters:



CUSTOMER ADVOCACY

- Continued online engagements with customers to maintain strong relationships and understand their needs
- Ensured timely delivery of products
- Ensured products delivered are in good quality

Capitals Deployed: 📸





Material Matters:



INNOVATIVE PRODUCT SOLUTIONS

- Designed and developed innovative chemical solutions to the market
- Developed and commercialised clean energy innovation projects aligned with global renewable energy direction
- Expanded our PETRONAS Etilinas Alfatene PE3838MA market share to China, Thailand, Indonesia, the Philippines, and Vietnam
- Expanded our PETRONAS Aireblue market reach to Korea, New Zealand, the Philippines, and India
- Implemented the Paddy Smart Farming system, a three-prong vital input initiative on paddy yield improvement

Capitals Deployed:







Material Matters:





CUSTOMER-CENTRIC SOLUTIONS

- Co-created and collaborated with customers to formulate application solutions that address their evolving business needs and aspirations
- Implemented the Customer Delivery Excellence (CDEx), a digital customer portal
- Launched the China Domestic Delivery (CDD) for polymer products, comprising four types of distribution methods, including Delivered Duty Paid (DDP) at the discharge port, Delivered at Place (DAP) from the discharge port, ex-warehouse (EXW) sales, and DAP from the warehouse

Capitals Deployed: (§)





Material Matters:







PRODUCT STEWARDSHIP AND TECHNICAL SEMINARS

• Conducted Product Stewardship and Technical Seminars for our customers and stakeholders who manage our products. The seminars raise awareness on the safe handling and use of our products, and educate customers to maximise the value derived from our products and applications

Capitals Deployed:





Material Matters:



•





RESULTS

- Enhanced safety performance with 100% of contracted drivers utilising the PIVOT Transport Safety Application
- Overall Total Vehicle Accident Rate (TVAR) is 0.20 with zero fatalities recorded since 2019
- A total of 8.2 million tpa sales volume
- 29 total online engagements with key customers
- Achieved OFR of 87%
- · Achieved 5.1 sigma on customer feedback, meeting the industry standard of 5.0 sigma
- Introduced a total of 16 innovative chemical solutions to the market
- Created UHPM, a low carbon solution, which met stringent user requirements that surpassed the International Methanol Producers and Consumers Association (IMPCA) specifications
- Increased average paddy yield from four tpa per hectare to seven tpa per hectare

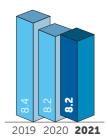
For the full list of our new products, please see pages 14 to 15

- Co-created 16 customised application solutions that help customers overcome their limitations and unlock their business potentials
- Improved marine-shipping tracking for customers through CDEx, which will be launched to all customers by 2022
- Enhanced product offering to customers in China through CDD, where they can purchase PCG polymer products in RMB currency and enjoy Just in Time (JIT) delivery
- Unlocked close to RM1 million of potential savings for customers, with competitive prices from lower delivery costs and faster delivery lead time
- Conducted 12 Product Stewardship and Technical seminars for 648 participants
- Expanded our reach beyond Asia by having participants from Turkey, Switzerland, the Netherlands, Australia and New Zealand

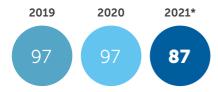
COMMERCIAL

PERFORMANCE HIGHLIGHTS & ACHIEVEMENTS

Total Sales Volume (million tpa)

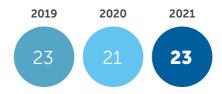


Order Fulfilment Reliability (OFR) (%)



* Decrease in 2021 is due to global shortage of shipping containers

Customer Feedback (no. of complaints)



SR For more details, please refer to the PCG Sustainability Report 2021.

AWARDS & RECOGNITION



MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY (MITI)

STA (Strategic Trade Act) 2010 Compliance Award

EXPORT EXCELLENCE AWARDS

Silver Award for Industrial Product (Mid-tier & Large Company)

For more details on our Awards & Recognition, refer to Awards & Recognition on pages 10 to 11.

VALUE CREATED FOR STAKEHOLDERS

STAKEHOLDER WHAT THEY EXPECTED



- To receive high-quality products and services in a timely manner
- To develop innovative solutions and collaborate with customers to cocreate application solutions that meet their specific needs
- To receive attentive customer service
- To be given competitive product pricing and fair credit terms



Suppliers & **Vendors**

- To ensure seamless operational business transactions
- To closely collaborate to enhance business performance



Government & Regulators

- To adhere to rules and regulations set by local and foreign authorities in the countries we operate
- To ensure zero non-compliances

RISKS & OPPORTUNITIES

RISKS

OPPORTUNITIES

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

- Reliable and timely delivery of products to customers promotes repeated purchases and customer loyalty
- · Strong engagement with customers enables a better understanding of their product expectations
- Collaborations with customers provides us with better insight on current market needs
- Expansion of customer base and exploration of new markets through innovative products



COMMERCIAL

HOW WE CREATED VALUE

- Ensured timely product delivery despite global shortages
- Introduced innovative chemical solutions and co-created application solutions to support customers' business growth and ensured they were delivered on time
- Addressed customer pain points through effective customer feedback management
- Educated customers through product stewardship and technical talks to promote safe handling of chemicals and maximise product value
- Offered competitive product pricing based on international market prices, as well as fair credit terms based on risk assessments
- Ensured close engagement to minimise operational disruptions and maintain reliable supply chain
- Reduced the number of safety incidents with advanced digital analytics and higher health and safety standards
- Legally allowed to operate in various market locations
- Strengthened regulatory collaborations for better market growth
- Ensured good governance over chemical industry
- Compliance to laws and regulations of the chemicals industry

ACTIONS TAKEN

• Established CDEx, a digital platform that provides visibility to customers on delivery updates

- Collaborated on product co-creation opportunities with selected customers
- Delivered customer-centric value propositions that meet customer needs

RESULTS

- Continue to achieve sales volume above 8 million tpa despite the challenges faced during the COVID-19 pandemic
- Achieved 5.1 sigma on customer feedback, meeting the industry standard of 5.0 sigma

CONTRIBUTIONS TO SUSTAINABILITY

Led by the commercial team, PCG strives to achieve positive impact through innovation and disciplined execution.



WHAT WE DID

- Collaborated with teams across the Group to help identify customer groups that will potentially benefit
- · Part of special project team that supports the Group's initiative to convert carbon dioxide to higher value chemicals
- Conducted Life Cycle Analyses (LCA) of chemical products to determine their carbon footprint and other health and environmental impacts
- Educated customers on how to safely handle and use the chemicals through Product Stewardship Seminars
- · Launched a Paddy Integrated Smart Farming Project in Kampung Nam Dam, Kedah, to increase the quantity and quality of crops for local farmers
- Played the role as Board Secretary at the Methanol Institute, giving us the voting rights for sustainability initiatives on green Methanol



TOP ACHIEVEMENTS

- Completed LCA for 19 products, making good progress to achieve full completion for all current products by 2023
- Improved the average yield of paddy farmers to seven tonnes per hectare, above the average yield of four tonnes



SR For more details, please refer to the PCG Sustainability Report 2021.

MOVING FORWARD

Although the chemicals market is still volatile, we will continue building on our growth momentum. Our expanding customer base, excellent delivery and rapidly growing portfolio of products puts us on a stronger footing to chart through the unpredictable landscape. Our resilient foundation ensures that we are well-positioned to support PCG's growth with the coming onstream of Pengerang Integrated Complex (PIC) in Johor, production commencement of silicone blending plant in Gebeng, Pahang and further expansions into derivatives and specialty chemicals.

We will continue to leverage our competitive edge in Southeast Asia, while expanding into other growing markets such as China, especially with new volumes coming from PIC. Additionally, there are plans for a new sales office in South Korea to meet the growing demand of the specialty care market. The development of new products and solutions will enable us to expand our market into uncharted territories with minimal investment; leveraging internal technical expertise through cross collaborations with customers.

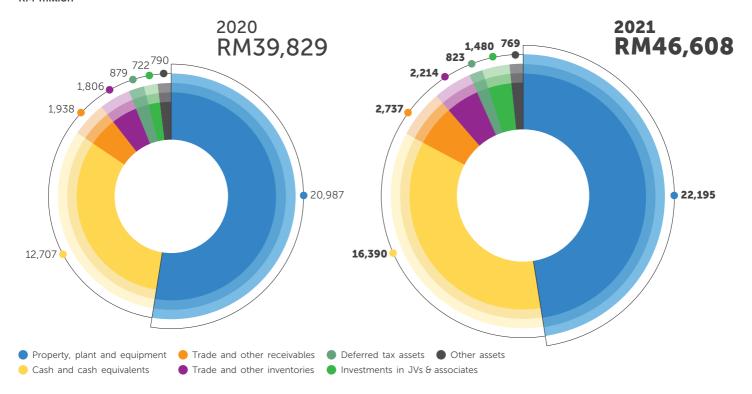




SIMPLIFIED GROUP STATEMENT OF FINANCIAL POSITION

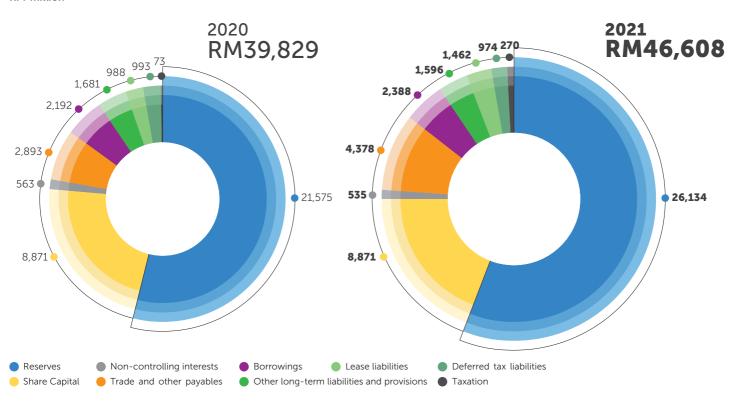
TOTAL ASSETS

as at 31.12.2021 and 31.12.2020 RM million



TOTAL EQUITY AND LIABILITIES

as at 31.12.2021 and 31.12.2020 RM million





ANALYSIS C FINANCIAL PO

RM million	2020	2021	Variance
ASSETS			
Property, plant and equipment	20,987	22,195	1,208
Investments in joint ventures (JVs) and	722	1,480	758
associates			
Intangible assets	744	684	(60
Deferred tax assets	879	823	(56
TOTAL NON-CURRENT ASSETS	23,332	25,182	1,850
Trade and other inventories	1,806	2,214	408
Trade and other receivables	1,938	2,737	799
Tax recoverable	46	85	39
Cash and cash equivalents	12,707	16,390	3,683
TOTAL CURRENT ASSETS	16,497	21,426	4,929
TOTAL ASSETS	39,829	46,608	6,779
EQUITY			
Share capital	8,871	8,871	-
Reserves	21,575	26,134	4,559
Total equity attributable to shareholders of the Company	30,446	35,005	4,559
Non-controlling interests	563	535	(28
TOTAL EQUITY	31,009	35,540	4,53
LIABILITIES			
Borrowings	1,994	2,156	16
Lease liabilities	908	1,389	48
Provisions	247	287	40
Other long term liabilities	1,434	1,309	(12)
Deferred tax liabilities	993	974	(1)
TOTAL NON-CURRENT LIABILITIES	5,576	6,115	539
Borrowings	198	232	34
Lease liabilities	80	73	(
Trade and other payables	2,893	4,378	1,48
Taxation	73	270	19
TOTAL CURRENT LIABILITIES	3,244	4,953	1,70
TOTAL LIABILITIES	8,820	11,068	2,24
TOTAL EQUITY AND LIABILITIES	39,829	46,608	6,77
Net assets per share attributable to shareholders of the Company (RM)	3.81	4.38	0.5

Improved margin and our commercial & operational excellence initiatives have contributed to the Group's robust financial position with total assets stood at RM46.6 billion.

Total assets as at 31 December 2021 increased by RM6.8 billion or 17.0% at RM46.6 billion from RM39.8 billion as at 31 December 2020. The increase in total assets was mainly attributable to:

- Increase in cash and cash equivalents by RM3.7 billion or 29.0% driven by higher profit generated during the year, partially offset by dividend payment to shareholders;
- · Increase in property, plant and equipment by RM1.2 billion or 5.8%, primarily in relation to the capital investment in the petrochemicals projects within Pengerang Integrated Complex (PIC) and recognition of right-of-use assets for process control building & warehouse;
- · Investment in JVs and associates increased by RM0.8 billion or more than 100% mainly due to higher contribution from share of profit during the year; and
- Increase in trade and other receivables by RM0.8 billion or 41.2% in line with higher revenue.

Liabilities increased by RM2.2 billion or 25.5% at RM11.1 billion. The increase in liabilities was mainly due to increase in trade and other payables in line with higher feedstock prices.

Shareholders' Equity increased by RM4.6 billion or 15.0% at RM35.0 billion from RM30.4 billion as at 31 December 2020. This was mainly due to increase in reserves from the profit generated during the year partially offset by the dividend paid to shareholders of RM3.2 billion.

ANALYSIS ON CONSOLIDATED T OF PROFIT OR LOSS

	For the year ended			
RM million	2020	2021	Variance	
Revenue	14,362	23,025	8,663	
Cost of revenue	(10,837)	(14,447)	(3,610)	
Gross profit	3,525	8,578	5,053	
Selling and distribution expenses	(967)	(1,091)	(124)	
Administration expenses	(718)	(839)	(121)	
Other expenses	(68)	(60)	8	
Other income	428	422	(6)	
Operating profit	2,200	7,010	4,810	
Financing costs	(27)	(29)	(2)	
Share of (loss)/profit of equity-accounted JVs and associates, net of tax	(316)	729	1,045	
Profit before taxation	1,857	7,710	5,853	
Tax expense	(271)	(391)	(120)	
PROFIT FOR THE YEAR	1,586	7,319	5,733	
Profit/(loss) attributable to:				
Shareholders of the Company	1,628	7,345	5,717	
Non-controlling interests	(42)	(26)	16	
PROFIT FOR THE YEAR	1,586	7,319	5,733	

The Group generated recordbreaking profit of RM7.3 billion, the highest profit since inception.

PCG's revenue rose to RM23.0 billion, with an increase of RM8.7 billion or 60.3% compared to RM14.4 billion in 2020, on the back of higher product prices in tandem with improved crude oil price, tight supply and healthy demand from global economic recovery.

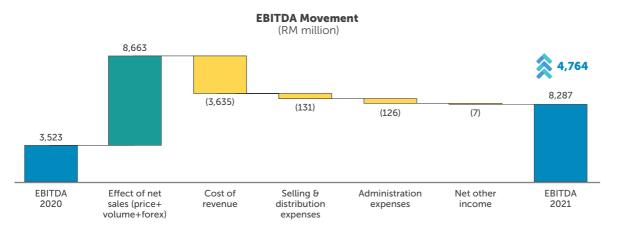
Cost of revenue increased by RM3.6 billion or 33.3% mainly arising from higher feedstock cost in line with crude oil prices.

Gross profit increased by RM5.1 billion or more than 100% at RM8.6 billion compared to RM3.5 billion in 2020 due to better margin.

Increase in operating profit by RM4.8 billion or more than 100% at RM7.0 billion in 2021 as compared to RM2.2 billion in 2020 was primarily driven by higher margin. This has resulted in lower cost over revenue by 16% at 71% in 2021.

Higher share of profit from JVs and associates mainly due to better margins and stable plant operations. This has contributed to about 10% of the Group's PBT.

PCG recorded the highest PBT and PAT at RM7.7 billion and RM7.3 billion, respectively, which increased more than double against last year.



EBITDA in 2021 at RM8.3 billion has increased more than double as compared to RM3.5 billion in 2020, mainly driven by improved margin.



ANALYSIS ON

CASH FLOW

FOR THE YEAR ENDED 31 DECEMBER 2021

RM million	2020	2021	Variance
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation	1,857	7,710	5,853
Adjustments for non-cash items	1,688	743	(945
Changes in working capital	(550)	(188)	362
Cash generated from operations	2,995	8,265	5,270
Interest income received	224	117	(107
Taxation paid	(204)	(197)	7
Net cash generated from operating activities	3,015	8,185	5,170
CASH FLOWS FROM INVESTING ACTIVITIES			
Net purchase of property, plant and equipment	(1,474)	(1,537)	(63
Investment in JVs and associates	(18)	(169)	(151
Dividends received from JVs and associates	50	201	151
Others	(2)	(51)	(49
Net cash used in investing activities	(1,444)	(1,556)	(112
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	(964)	(3,206)	(2,242
Drawdown of borrowings	411	404	(7
Repayment of borrowings	(120)	(268)	(148
Payment of lease liabilities	(123)	(118)	5
Proceeds from shares issued to a non-controlling interest	4	4	_
Net cash used in financing activities	(792)	(3,184)	(2,392
Net cash flows from operating, investing and financing activities	779	3,445	2,666
Effect of foreign currency translation differences	(25)	11	36
Net increase/(decrease) in cash and cash equivalents	754	3,456	2,702
Net foreign exchange differences on cash held	(92)	227	319
Cash and cash equivalents at beginning of the year	12,045	12,707	662
Cash and cash equivalents at end of the year	12.707	16,390	3.683

Free Cash Flow Movement
(RM million)

5,195 5.270 7,048 1.853 Free cash flow Free cash flow Cash flows Dividends Tax paid Operational Finance from JVs & CAPEX from operating activities associates

Free cash flow in 2021 at RM7.0 billion has increased more than double as compared to RM1.9 billion in 2020. This was in line with higher cash generated from operations as well as higher dividends received from JVs and associates, in line with their stellar performances.

Cash and cash equivalents as at 31 December 2021 stood at **RM16.4 billion**, an increase by RM3.7 billion compared to last year of RM12.7 billion.

Net cash generated from operating activities increased by RM5.2 billion, from RM3.0 billion in 2020 to RM8.2 billion in 2021 largely contributed by the higher profit generated during the year.

Net cash used in investing activities increased by RM0.1 billion due to higher investment in JVs and associates as well as purchase of property, plant and equipment for the year in relation to capital investment in the petrochemicals projects

within PIC.

Net cash used in financing activities increased by RM2.4 billion at RM3.2 billion from RM0.8 billion as at 31 December 2020. This was mainly due to higher dividend paid of RM3.2 billion to the shareholders in line with improved Group's performance and special dividend to commemorate PCG's 10th anniversary.

Free cash flow RM7.0 billion

2020: RM1.9 billion

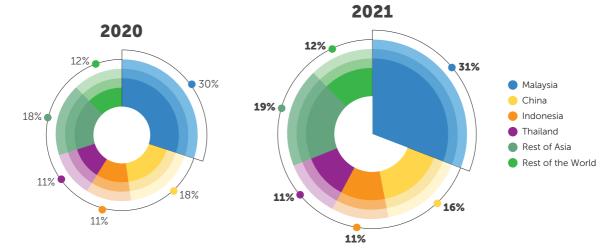
Dividends paid RM3.2 billion

2020: RM1.0 billion

REPORTING BY GEOGRAPHICAL LOCATION

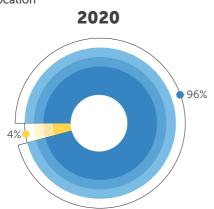
REVENUE

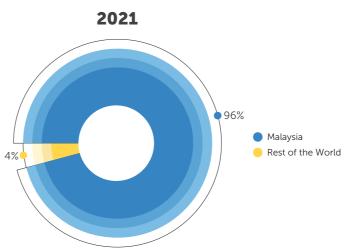
by Geographical Location



NON-CURRENT ASSETS







KEY INTEREST BEARING **ASSETS AND LIABILITIES**

		2020			2021	
RM million	As at 31 December 2020	Effective Interest Rate (%)	Interest Income/ Expenses	As at 31 December 2021	Effective Interest Rate (%)	Interest Income/ Expenses
Interest earning assets:						
Cash and bank balances	331	_	6	434	_	1
Fund investment	12,376	2.25	218	15,956	1.85	116
Interest bearing liabilities:						
Term Loans	2,142	2.17	46	2,295	2.33	32
Revolving credits	50	0.79*	_	93	0.79*	_
Lease liabilities	988	_	73	1,462	_	111

^{*} Above EURIBOR

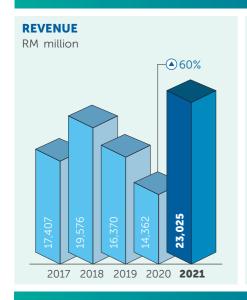


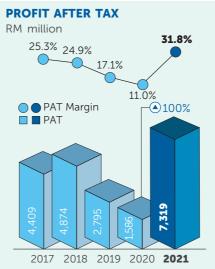
FIVE-YEAR GROUP FINANCIAL SUMMARY

RM million	2017	2018	2019	2020	202
Consolidated statement of income					
Revenue	17,407	19,576	16,370	14,362	23,02
By segment:					
Olefins and Derivatives	11,350	12,280	9,947	8,194	12,46
Fertilisers and Methanol	6,013	7,241	6,165	5,311	9,34
Others	44	55	258	857	1,22
Cost of revenue	(11,021)	(12,702)	(11,914)	(10,837)	(14,44
Gross profit	6,386	6,874	4,456	3,525	8,57
Selling and distribution expenses	(764)	(818)	(878)	(967)	(1,09
Administration expenses	(615)	(694)	(754)	(718)	(83
Other expenses	(9)	(200)	(107)	(68)	(6
Other income	348	503	523	428	42
Operating profit	5,346	5,665	3,240	2,200	7,01
Financing cost	(20)	(17)	(31)	(27)	(2
Share of profit/(loss) of equity accounted	16	108	(54)	(316)	72
JVs and associates net of tax					
Profit before taxation	5,342	5,756	3,155	1,857	7,71
Tax expense	(933)	(882)	(360)	(271)	(39
Profit for the year	4,409	4,874	2,795	1,586	7,31
Profit attributables to the shareholders of	4,165	4,788	2,811	1,628	7,34
the company	1,100	1,7 00	2,011	1,020	7,0
Consolidated statement of financial					
position					
Property, plant and equipment	20,792	19,080	20,482	20,987	22,19
Cash & cash equivalents	6,674	12,329	12,045	12,707	16,39
Total assets	33,262	37,365	38,863	39,829	46,60
Borrowings	_	2,072	1,875	2,192	2,38
Total liabilities	5,136	7,117	8,325	8,820	11,00
Share capital	8,871	8,871	8,871	8,871	8,8
Reserves	18,270	20,693	21,062	21,575	26,13
Total equity attributable to the	27,141	29,564	29,933	30,446	35,00
shareholder of the company	27,1.1	23,00.	23,300	33,1.3	00,0
Non-controlling interests	985	684	605	563	5
Total equity	28,126	30,248	30,538	31,009	35,54
inancial ratios (%)					
PAT margin	25.3	24.9	17.1	11.0	31
Return on equity	14.8	15.8	9.2	5.3	20
Return on asset	13.3	13.0	7.2	4.0	15
Cost over revenue	71.2	72.6	82.7	87.2	71
Dividend payout ratio	51.9	53.5	51.2	59.0	61
	01.5	00.0	02.2	33.0	
Share information	50	60	7.5	20	
Earning per share (sen)	52	60	35	20	9
Dividend per share (sen)	27	32	18	12	
Net asset per share (RM)	3.39	3.70	3.74	3.81	4.3
Closing share price (RM)	7.70	9.29	7.35	7.43	8.9
Number of ordinary shares (million)	8,000	8,000	8,000	8,000	8,00
Market capitalisation (RM million)	61,600	74,320	58,800	59,440	71,30

FIVE-YEAR GROUP FINANCIAL HIGHLIGHTS

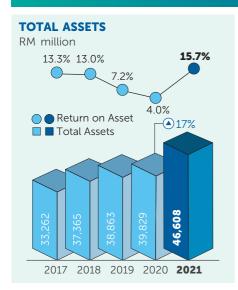
PROFITABILITY

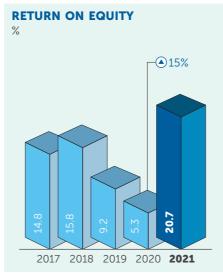




- Profit for 2017 improved (compared to RM3.3 billion in 2016) due to higher product prices and sales volumes
- Similarly, profit for 2018 was higher due to higher product prices and sales volumes, further supported by lower tax expense
- 2019 then saw a decline on the back of lower product margin and net share of losses from JVs and associates
- 2020 was affected by compressed margin, lower crude oil prices, softer demand following COVID-19 pandemic and higher net share of losses from JVs and associates
- 2021 showed significant improvement as product prices improved driven by global economic recovery and net share of profits from JVs and associates leading to the record-breaking profit generated

FINANCIAL POSITION

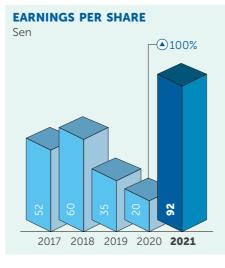


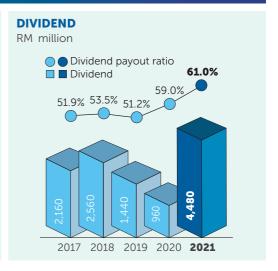


- Total assets in 2017 increased (compared to RM31.9 billion in 2016) mainly due to the development of PIC Petrochemical project
- Total assets in 2018 were higher as there were divestment of 50% equity interest in Pengerang Petrochemicals Company (PPC), which increased the cash and cash equivalents as well as acquisition of a non-controlling interest held in PC Olefins and PC LDPE
- A few notable capital investments in 2019 included increase in investment in PIC Petrochemical project and acquisition of 100% of shares in BRB Group, hence grew the total assets
- Total assets in 2020 remained robust mainly due to the increase in cash and cash equivalents from profit generated during the year
- The Group maintained strong financial position in 2021 mainly driven by higher cash and cash equivalents in line with higher profits generated, property, plant and equipment and investment in JVs and associates

SHARE AND RETURNS TO SHAREHOLDERS

CLOSING SHARE PRICE 20% 2018 2019 2020 2021 2017







GROUP QUARTERLY PERFORMANCE

RM million	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year 2021
Revenue	4,675	5,608	5,766	6,976	23,025
Operating profit	1,443	1,816	1,781	1,970	7,010
Profit before taxation	1,569	1,977	2,029	2,134	7,710
Profit for the period/year	1,466	1,856	1,963	2,034	7,319
Profit attributable to shareholders of the Company	1,461	1,860	1,964	2,060	7,345
Earnings per share (sen)	18	23	25	26	92
Dividends per share (sen)	_	23	10	23	56

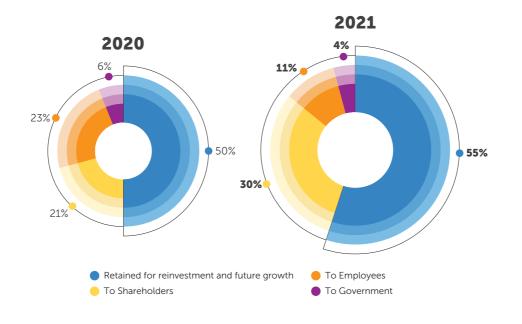
RM million	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year 2020
Revenue	3,891	3,178	3,457	3,836	14,362
Operating profit	606	325	473	796	2,200
Profit before taxation	568	291	479	519	1,857
Profit for the period/year	493	185	452	456	1,586
Profit attributable to shareholders of the Company	506	186	471	465	1,628
Earnings per share (sen)	6	2	6	6	20
Dividends per share (sen)	_	5	_	7	12

FINANCIAL REVIEW STATEMENT OF **VALUE ADDED**

RM million	2020	2021
Revenue	14,362	23,025
Less: Purchase of goods and services	(9,803)	(13,527)
Value added by the companies	4,559	9,498
Net other income	360	362
Financing costs	(27)	(29)
Share of (loss)/profit after tax of equity accounted JVs and associates	(316)	729
Value added available for distribution	4,576	10,560

DISTRIBUTION OF VALUE ADDED

RM million	2020	2021
Distributed to:		
To employees		
Employee costs	1,049	1,200
To government		
Taxation	271	391
To shareholders		
Dividends	960	3,200
Non-controlling interest	4	6
Retained for reinvestment and future growth		
Depreciation & amortisation	1,670	1,650
Retained profit	622	4,113
Value Distribution	4,576	10,560



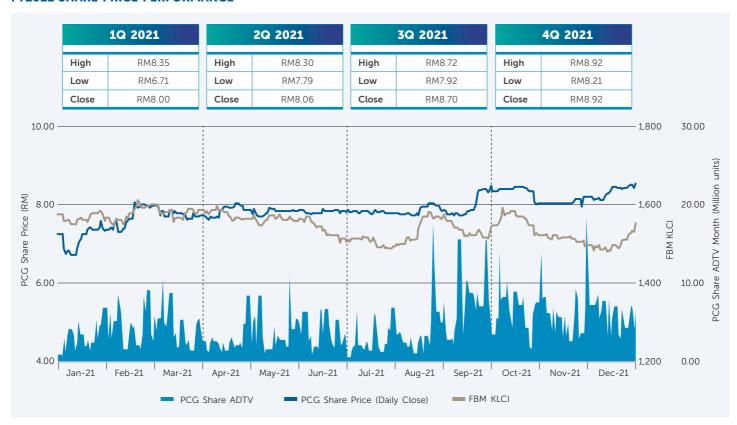


FINANCIAL REVIEW SHARF P

PCG share price opened on the 4th of January at RM7.21 and continued its upward trajectory on a robust economic recovery, increasing crude oil prices and healthy market demand. Market was volatile during the year as the pandemic continued to flare with multiple variants continuing to threaten the ongoing economic recovery. Nonetheless, despite the various pandemic-related challenges, the chemical market remained robust during the year, attracting investor interest. At the end of the year, PCG share price closed at RM8.92, 24% higher than its opening price.

Despite the market recovery seen, the FBM KLCI retreated 2.2% to 1,568 points compared to 1,603 at the beginning of the year, broadly affected by the decline in the healthcare index.

FY2021 SHARE PRICE PERFORMANCE



- · Crude rose on positive market developments and continued production cuts by OPEC+
- · PCG Share price started an upward trajectory from the start of the year on rising continuous market recovery and improving crude oil prices.
- · Share price dipped slightly during the lunar new year holidays then continued to track rising crude oil prices.
- Though temporarily slipped due to the movement control order (MCO 2.0) in several states that affected the local market, PCG share price remained fairly stable in 20
- Share price saw support from strong crude oil price and positive market outlook amid ongoing vaccine roll-out.
- The FBM KLCI fell following the increase in COVID-19 infection threatening economic recovery but recovered post resolution of political conflict.
- Brent Crude oil rose to over USD70 per barrel supported by strong demand and supply disruption caused by Hurricane Ida.
- PCG share price traded side-ways in July and August after which the share price increased with market activity, supported by bullish outlook on the petrochemical industry.
- The FBM KLCI declined in 4Q affected by the initial threat of Omicron variant but improved in the last week on last minute trading.
- Crude oil continued to remain strong, while natural gas feedstock prices surged, increasing chemical product prices particularly urea, methanol and ammonia.
- In line with expectations of improved FY2021 earnings, amid return of foreign net inflow, share price increased to FY2021 high of RM8.92.

FINANCIAL REVIEW **INVESTOR**

The Investor Relations (IR) department within PCG manages the engagements with the investing community. The department aims to provide a two-way communication platform between PCG management and our shareholders as well as stakeholders. Through our various channels of communication, the shareholders have reasonable access to our senior management and members of the Board.

Our senior management team is led by Ir. Mohd Yusri B Mohd Yusuf - Group Managing Director and Chief Executive Officer, M Azli Ishak - Chief Financial Officer, M Kabir Noordin - Chief Manufacturing Officer, Shakeel Ahmad Khan - Chief Commercial Officer and Yaacob Salim - Head of Strategic Planning and Ventures.

In 2021, we completed 279 engagements compared to 200 in 2020. Travel restrictions continued into 2021 as the Coronavirus outbreak continues to be a concern amid resurgences of infections and mutating variants. The adoption of the virtual formats of communication since 2020 has proven to be a preferred platform for communication with the investing community. Through these platforms, we continued to stay connected with our investors and enhanced our engagements to provide continuous updates on our operational performance and mitigation plans in response to pandemic-related risks and impacts. Throughout the year, the guarterly Analyst Briefings were also conducted using an entirely virtual format, with the management team dialling from the safety of their homes. 2021 also marks the second year for the Group to host a fully virtual Annual General Meeting in April, attended by 949 shareholders and proxies.

The convenience of the virtual platform also provided the opportunity to participate in a higher number of conferences during the year. In 2021, we participated in eight conferences and one thematic engagement session.

IR Engagement Channel:



Annual General Meetings



Quarterly Analyst Briefings



Conferences and Roadshows



Corporate Meetings



Corporate Website/Email

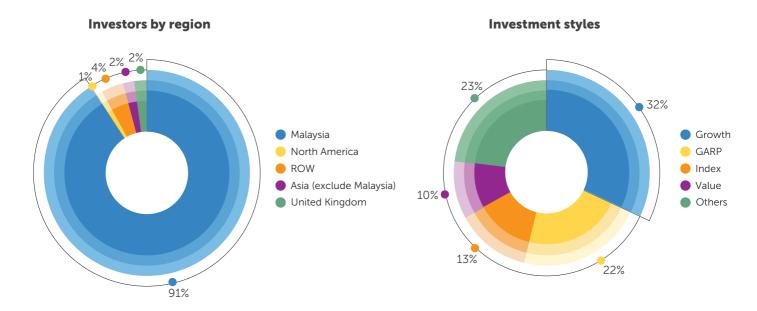


Sites or **Plant visits**

IR CALENDAR:







- \bullet Foreign ownership as at 31 December 2021 was 9.4% (7.3% in 2020)
- Malaysia Includes 64.4% holding by PETRONAS

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

FOREIGN SHAREHOLDING

PCG's foreign shareholding increased alongside net foreign inflow into the local bourse in 2021. Foreign ownership climbed from 7.33% in January to 9.39% at the end of December 2021.

Year	2017	2018	2019	2020	2021
PCG Foreign shareholding (%)	10.98	11.51	9.47	7.29	9.39

KEY CONCERNS:

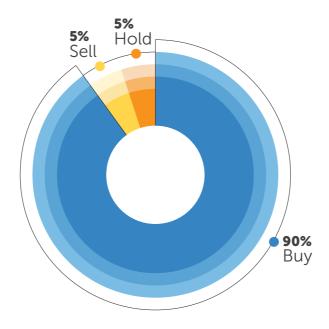
Focus Areas/Key concerns	Our Response
1 VALUE PROPOSITION	 Our solid performance during challenging market conditions confirms the strength and resilience of the company. Our strong business fundamentals, combined with our competitive advantages, make us a leading chemical player in the region. Being in the centre of Southeast Asia (SEA), we have a logistical advantage, strategically giving accessibility to our target markets. Our regional presence is further enhanced by our local branch and representative offices in various key markets. We operate large-scaled, fully integrated facilities from feedstock to product, supported by a comprehensive infrastructure that results in lower cost, optimum yields and high production flexibility. We are currently on a growth trajectory in a strong growth region, which is experiencing a boost in economic recovery post the pandemic-related lockdowns. SEA continues to show a substantial long-term economic growth outlook, conducive to generating potential and sustainable demand for our current and future products. We are in a solid financial position to weather economic and market uncertainties. We have shown robust operational and financial performance during tough times. We have ensured a consistent dividend payout ratio, paying just above our dividend policy of 50% profits after tax and minority interest each year. PCG is led by highly experienced and qualified talents with the strategic mindset to take the company forward towards achieving long term sustainability and value creation.
2 MANAGING PERFORMANCE	 The Group continued to demonstrate its strong operational capability by maintaining high plant utilisation, despite undergoing turnaround (TA) at four plants this year. The ability to offer a diverse range of products, a differentiated approach to customer-centricity and solid commercial capability allows us to be responsive to market changes. Market conditions such as supply/demand balance, economic stability and growth impact the price of crude oil due to the fluctuations in energy demand, which subsequently impacts petrochemical product prices. As we are unable to control the market environment, we must optimise our operational & commercial performance and maintain strict financial prudence.
	 2a. Operational performance The key to our operational performance is our ability to run our plants at optimum capacity to ensure undisrupted production at the lowest possible cost. We achieved this through Operational Excellence initiatives such as: Feedstock/supplier management & communication to align our maintenance works to capitalise on the downtime; Proactive monitoring and maintenance of identified and recurring issues; Detailed and thorough planning of maintenance schedule to optimise output. Further to the above, our strong adherence to our Health and Safety Culture is also essential to ensuring that our operations are carried out with the utmost discipline towards safety to minimise HSE-related downtime or incidents.
	 2b. Commercial performance The main goal of the commercial team is to find homes for all our products at best possible value. This is achieved through Commercial Excellence initiatives such as: Optimising sales in best netback markets or new markets and applications; Optimising distribution and inventory holding, which has reduced our cost-to-serve. The team's strength lies in their close relationships with our customers, strong market knowledge, and an understanding that allows them to plan their sales and the agility to shift volumes into alternatives markets when required.
	 2c. Financial performance The efforts from the Operational Excellence and Commercial Excellence, combined with market performance, translate into the company's financial performance. Selling our products at market prices means we follow the market movement in terms of sales performance. However, sweating our assets minimises our cost. Selling to high netback regions increases returns and strict financial discipline to manage business and cash flow will ensure that the company will always ensure that all its stakeholders receive fair returns.

Focus Areas/Key concerns	Our Response
^	24 Count
2 MANAGING PERFORMANCE	 2d. Growth Growth is the key to the long-term value and sustainability of a company. PCG's growth is mapped against our Two-Pronged Strategy: Sustain strength in basic chemicals; and Selectively diversify into derivatives, specialty chemicals and solutions. The Pengerang Integrated Complex is an example that addresses both this strategy starting with the feedstock diversification that allows us to grow our portfolio of basic chemicals and at the same time provides us more complex molecules to go into specialty chemicals. Our long-term growth agenda aims to have as much as 25% of our product offering consisting of specialty chemicals to increase our earnings in the next decade.
3 PROJECT DELIVERABLES	 In 2021, we began commercial operations of the silicone blending facility in Gebeng, Pahang which will tackle the growing demand for silicone-based chemicals. We are currently constructing the nitrile butadiene latex plant, in partnership with LG Chem, in Pengerang, Johor. This project is on track to come onstream in 2023. Construction for our specialty ethoxylates and polyols plant in Kertih, Terengganu is also ongoing. Aimed at addressing the growing demand for foam products in the automotive sector, cleaning products as well as personal care products, this plant, in partnership with PCC SE of Europe is also on track to come onstream in 2023.
4 MANAGING ECONOMIC, ENVIRONMENTAL, SOCIAL (EES) AND GOVERNANCE	 Our Sustainability Strategy takes into consideration our material matters and is designed to create value for our stakeholders, safeguard the environment, and uphold strong corporate governance. Our sustainability programme is built upon three pillars i.e., our Economic, which refers to our business sustenance & green initiatives; Environmental referring to our environment stewardship & resource efficiency; and Social, regarding our social responsibility. Economic: Focuses on business sustenance & green initiatives. Continuous refinement of Operational Excellence and Commercial Excellence initiatives, to grow the business through our Growth Delivery Excellence as well as diversification initiatives, including green and/or bio agenda to use biomass as a sustainable alternative feedstock for chemicals. Environmental: We have completed the net-zero carbon emissions framework, towards making PCG a net-zero emission emistion emission environmental environmen
	 zero emission emitter by 2050, focusing on emissions reduction, energy optimisation, waste minimisation and water conservation. In driving a New Plastics Economy, we have conducted a study to convert end of life plastic waste into crude naphtha for further conversion into a circular plastic resin. To cut back on our carbon footprint, we are exploring carbon capture for storage and further conversion onto higher-value products. Social: Looking at both our employees and our stakeholders through fair labour practices and Corporate Social responsibility programmes. This includes our signature programme, ecoCare, a mangrove rehabilitation project along Kertih, Terengganu river, as well as the Be Green campaign, Back to School programme and more. During the year, as part of our PCG COVID-19 Relief Programme, we continue to assist affected communities and stakeholders. This assistance includes medical oxygen concentrators, personal protective equipment (PPE), hand sanitisers, masks, laptops to support requirements at hospitals,
	 clinics, vaccination and sampling centres. Governance: Underpinning our operations is a stringent Governance code that the Board oversees with the strictest detail. PCG takes a zero-tolerance position on all forms of corruption, as described in the PETRONAS ABC Manual, which is available on our website. PCG practises a zero-gift policy in all its dealings. Our enhanced diligence for social and governance ensures that our contractors are adhering to the PETRONAS Contractor Code of Conduct on Human Rights (CoCHR) principles. These assessments are based on the nine principles in PETRONAS CoCHR: Freedom of Labour, Prevention of Child Labour, Wages and Benefits, Working Hours, Grievance Mechanisms, Non-Discrimination, Freedom of Association, Humane Treatment and Foreign or Migrant Workers.

ANALYST COVERAGE

No	Research House	No	Research House
1	Affin Hwang Investment Bank	13	J.P. Morgan Securities
2	Alliance DBS Research*	14	Kaf Seagroatt & Campbell Securities
3	AmInvestment Bank	15	Kenanga Investment Bank
4	BIMB Securities Sdn Bhd	16	Macquarie Securities
5	BoA Merill Lynch*	17	Maybank Investment Banking Group
6	CGS-CIMB Securities Sdn Bhd	18	MIDF Amanah Investment Bank
7	CITI Research	19	Morgan Stanley
8	CLSA	20	Nomura Securities
9	Credit Suisse	21	RHB Investment Bank Berhad
10	Goldman Sachs	22	TA Securities Holdings Berhad
11	Hong Leong Investment Bank	23	UBS Securities
12	HSBC Investment Bank*	Note: *Does not publish reports Source: Bloomberg	

SUMMARY OF ANALYSTS' RECOMMENDATIONS AS AT 28 FEBRUARY 2022



Note:



FINANCIAL REVIEW FINANCIAL CALENDAR

2021

23 February 2021

Announcement of the unaudited consolidated results for the fourth quarter ended 31 December 2020

11 March 2021

Date of entitlement of the second interim dividend for the financial year ended 31 December 2020

19 March 2021

Date of Notice of the $23^{\rm rd}$ Annual General Meeting and date of issuance of FY2020 Integrated Report

25 March 2021

Date of payment of the second interim dividend for the financial year ended 31 December 2020

22 April 2021

23rd Annual General Meeting

27 May 2021

Announcement of the unaudited consolidated results for the first quarter ended 31 March 2021

25 August 2021

Announcement of the unaudited consolidated results for the second quarter ended 30 June 2021

13 September 2021

Date of entitlement of the first interim dividend for the financial year ended 31 December 2021

30 September 2021

Date of payment of the first interim dividend for the financial year ended 31 December 2021

22 November 2021

Announcement of the unaudited consolidated results for the third quarter ended 30 September 2021

8 December 2021

Date of entitlement of special dividend for the financial year ended 31 December 2021 in conjunction with PCG's 10th anniversary

30 December 2021

Date of payment of special dividend for the financial year ended 31 December 2021 in conjunction with PCG's 10th anniversary

2022

24 February 2022

Announcement of the unaudited consolidated results for the fourth quarter ended 31 December 2021

14 March 2022

Date of entitlement of the second interim dividend for the financial year ended 31 December 2021

25 March 2022

Date of payment of the second interim dividend of the financial year ended 31 December 2021

18 March 2022

Date of Notice of the 24th Annual General Meeting and date of issuance of Integrated Report 2021

21 April 2022

24th Annual General Meeting

GOVERNANCE

SUSTAINABILITY STRATEGY

This year has been monumental for PCG's sustainability journey. The Group has made significant progress in instilling sustainability at the core of everything we do, with a reinforced commitment to creating positive **Economic**, **Environmental** and Social (EES) impacts.

ECONOMIC

Business Sustenance & Green Initiatives

- Operational Excellence
- Commercial Excellence
- Growth Delivery Excellence

ENVIRONMENTAL

Environment Stewardship & Resource Efficiency

- GHG Emission Reduction
- Energy Optimisation
- Waste Minimisation
- Water Conservation
- New Plastics Economy (NPE)

SOCIAL

Social Responsibility

SUSTAINABILITY STRATEGY





FTSE4Good FTSE4GOOD Bursa Malaysia

Score: 4-Star Rating

Member of

Dow Jones Sustainability Indices

Powered by the S&P Global CSA Achieved Top 10% DJSI World Ranking

























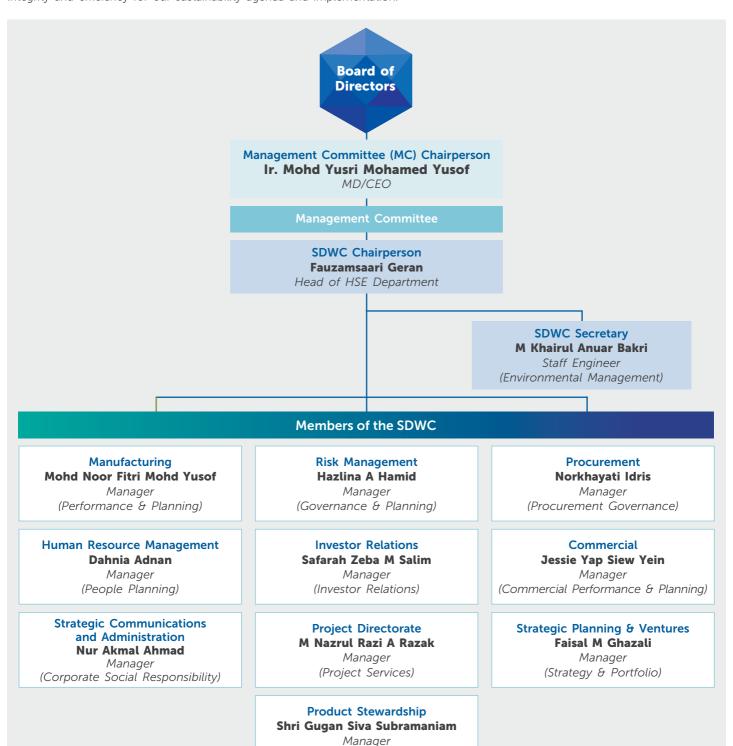


At PCG, we view sustainability as a key aspect of our business success. We aim to integrate sustainability into everything we do. Therefore, our Sustainability Strategy aligns with the Group's Two-Pronged Strategy, which is built on the three Pillars of Economic. Environmental and Social (EES). Our Economic contribution is supported by the three strategic thrusts of Operational Excellence, Commercial Excellence and Growth Delivery Excellence, which subsequently contributes to positive Environmental and Social impact.

SUSTAINABILITY GOVERNANCE

At PCG, we strive always to uphold the highest level of integrity and accountability, while promoting a solid sustainability mindset across the Board and leadership team. This year, we introduced sustainability key performance indicators (KPIs) in top management performance appraisals. Additionally, the Board holds quarterly deliberations on sustainability issues and undergo external training on sustainability-related matters. Similarly, we have included PCG's sustainability performance as a permanent agenda in quarterly Board meetings.

PCG's sustainability governance prioritises transparency and accountability when delivering our sustainability strategies. A Sustainable Development Working Committee (SDWC) leads our sustainability agenda, which is then reviewed and approved by the Management Committee and reported to the Board. The clear delineation of roles and responsibilities enables us to uphold the highest level of integrity and efficiency for our sustainability agenda and implementation.

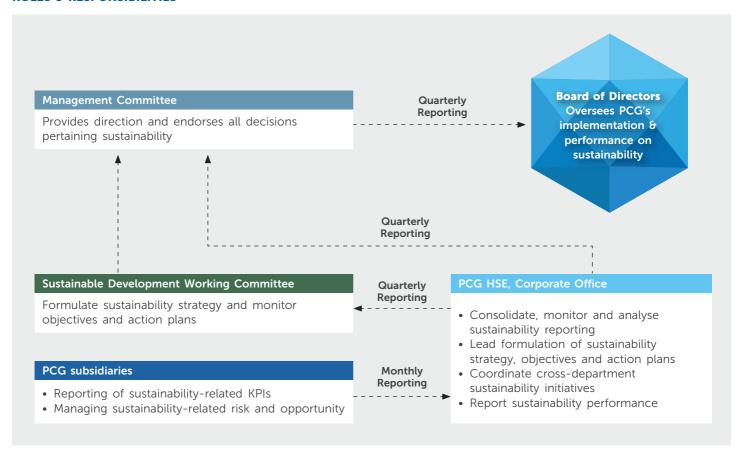


(Product Stewardship)



SUSTAINABILITY GOVERNANCE

ROLES & RESPONSIBILITIES



Role of the SDWC **Reviews quarterly** Coordinates cross-Monitors quarterly information that will be departmental performance indicators reported to the enhancements and against targets. Management Committee. initiatives. 4 5 6 Conducts an annual materiality review to Reviews data related to Implements initiatives each material matter determine PCG's that are required to sustainability focus areas that will be publicly support each material and formulate reported. matter. sustainability strategy.

SUSTAINABILITY SCORECARD



ECONOMIC



ENVIRONMENTAL

Production Volume million tpa

2020: 10.7 million tpa



Sales Volume million tpa

2020: 8.2 million tpa

AIR

GHG Emissions million tonne CO,e

2020: 7.10 million tonne CO₂e

Order Fulfilment Reliability

2020: 97%

GHG Emissions Intensity

tonne CO,e/tonne

2020: 0.66 tonne CO₂e/tonne

GHG Emissions Reduction*

million tonne CO₃e

* Cumulative emissions reduced since 2018



Production capacity

million tpa

2020: 12.8 million tpa

Number of new products

2020: 11



Air Emissions (NOx)

2020: 23.31 kilotonne

Air Emissions (SOx)

2020: 0.34 kilotonne

Air Emissions Intensity

tonne/kilotonne

2020: 2.21 tonne/kilotonne



Number of Co-created **Solutions**

2020: 21



Hazardous Waste Generation

kilotonne

2020: 27.0 kilotonne

Hazardous

WASTE

Waste 3R

2020: 85%





The intensity calculation is now based on an improved calculation approach, i.e. to reflect the efficiency of each production unit in relation to the indicator. The denominator applied has been changed to Production Volume, replacing the previously applied Sales Volume.

SUSTAINABILITY SCORECARD



SOCIAL

WATER



Freshwater Withdrawal

million m³

2020: 37.83 million m³

Freshwater Withdrawal Intensity

m³/tonne

2020: 3.53 m³/tonne



Wastewater Discharge

tonne

2020: 177.8 tonne

Wastewater **Discharge Intensity**

tonne/kilotonne

2020: 0.02 tonne/kilotonne

responsibility initiatives reach

Corporate social

people

2020: ~70,000 people

Inclusive of NPE reach

Number of Products Stewardship and **Technical Seminars**

2020: 14

ENERGY

Energy Intensity

GJ/tonne

2020: 15.73 GJ/tonne

Energy Consumed million GJ

2020: 110.01 million GJ

Energy Intensity Reduction from baseline year 2014

ecoCare



Mangrove trees planted

2020: 2,000



World-Class Safety Performance

Lost Time Injury Frequency (LTIF) compared to oil & gas

industry benchmark of 0.26

2020: 0.14

Employee Training & Development

million Invested

2020: RM17.6 million Invested

Female Workforce

2020: 17%





Training Days

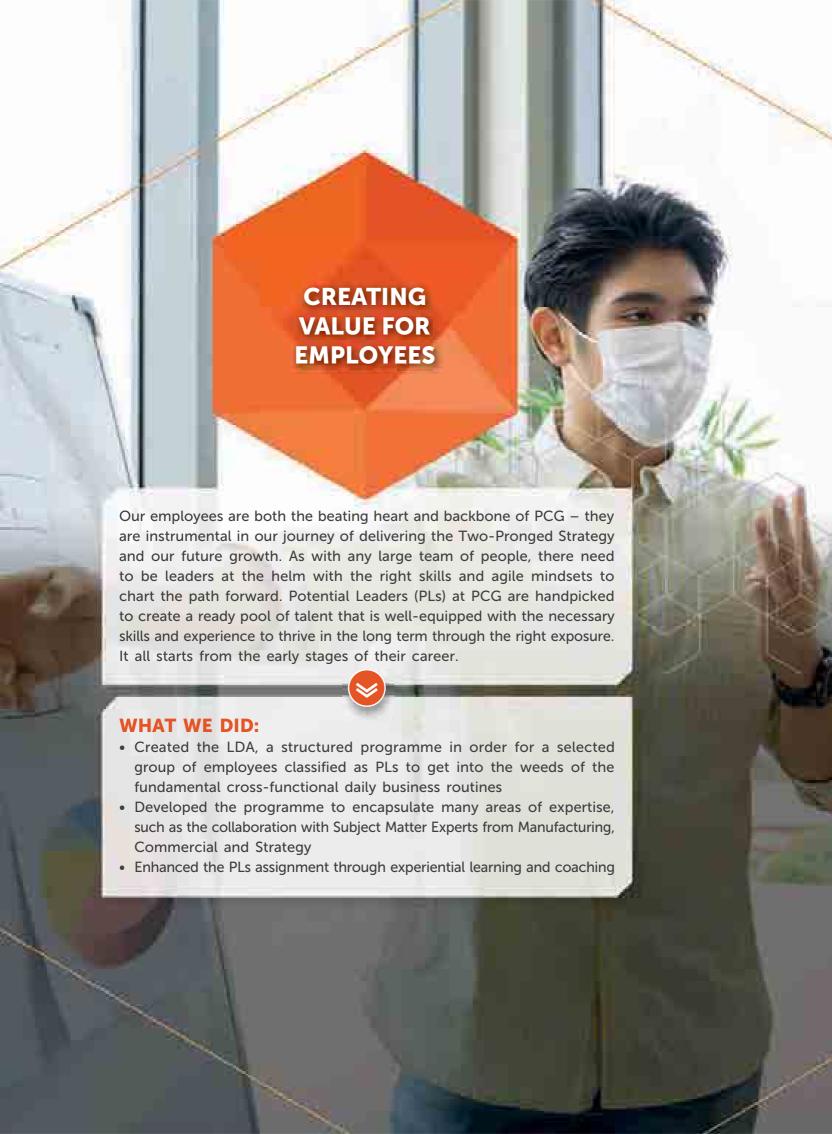
(man-days) On average per employee

2020: 3.3 (man-days) on average per employee



Representation in Senior Management

2020: 24%





CORPORATE INFORMATION

As at 28 February 2022

BOARD OF DIRECTORS

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

Chairman Non-Independent Non-Executive Director

IR. MOHD YUSRI **MOHAMED YUSOF**

Managing Director/ Chief Executive Officer (MD/CEO)

DATUK TOH AH WAH

Senior Independent Director

YEOH SIEW MING

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

DESIGNATION

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

COMPANY SECRETARIES

Azira Marini Ab Rahim (SSM Practising Certificate No. 201908001107) (LS0008959))

Kang Shew Meng (SSM Practising Certificate No. 201908002065) (MAICSA 0778565))

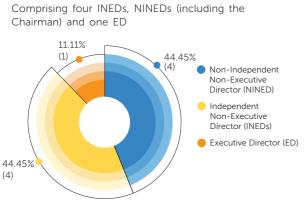
REGISTERED OFFICE

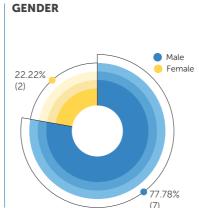
Tower 1, PETRONAS Twin Towers, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia : +603 2051 5000

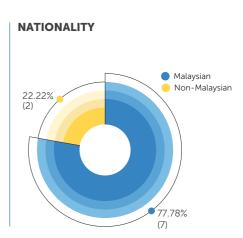
BUSINESS ADDRESS

Tower 1, PETRONAS Twin Towers, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia : +603 2051 5000

BOARD COMPOSITION









CORPORATE INFORMATION

WARREN WILLIAM WILDER

Independent Non-Executive Director

DR. ZAFAR ABDULMAJID MOMIN

Independent Non-Executive Director

DATUK SAZALI HAMZAH

Non-Independent Non-Executive Director

FREIDA AMAT

Non-Independent Non-Executive Director

NOOR ILIAS

Non-Independent Non-Executive Director

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 11th 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

 ${\it Email} \qquad : \ BSR. Helpdesk@boardroomlimited.com$

AUDITORS

KPMG PLT (LLP0010081-LCA & AF 0758) Chartered Accountants 10th 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

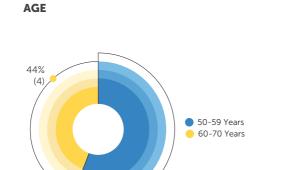
Email : petronaschemicals_ir@petronas.com

BANKING SERVICES PROVIDER

PETRONAS Integrated Financial Shared Service Centre (IFSSC)

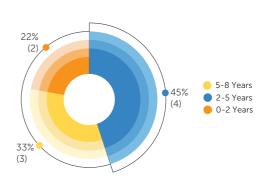
WEBSITE

www.petron as chemicals.com



56%

LENGTH OF SERVICE



As at 28 February 2022

DATUK IR. (DR.) ABDUL RAHIM HASHIM

Chairman

Non-Independent Non-Executive Director



Nationality: Malaysian



Length of Service:





Gender:



Date of Appointment: 1 January 2022

NUMBER OF BOARD MEETINGS ATTENDED

ACADEMIC/PROFESSIONAL QUALIFICATION:

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

PRESENT DIRECTORSHIPS:

Listed entities:

• PETRONAS Chemicals Group Berhad

Other public company:

• Malaysian Industry-Government Group for High Technology (MiGHT)

PRESENT APPOINTMENTS:

- Chairman of PETRONAS Chemicals Group Berhad
- · Director of MiGHT
- Director of ICE Petroleum Engineering Sdn Bhd

PAST EXPERIENCE:

- Board member of Deleum Berhad
- Vice Chancellor for Unversiti Teknologi PETRONAS (UTP)
- Vice Chancellor of University Malaya
- The Honorary President of the IGU
- The President of the Asia Pacific Natural Gas Vehicle
- The President of the Malaysian Gas Association
- Various directorships in PETRONAS
- Various senior positions in PETRONAS



Board Skills and Experience Matrix:



































Gender:

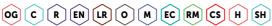
BOARD OF DIRECTORS' PROFILE



Board Skills and Experience Matrix:















IR. MOHD YUSRI MOHAMED YUSOF









Length of Service: 2 months



Date of Appointment: 1 January 2022

NUMBER OF BOARD MEETINGS ATTENDED

ACADEMIC/PROFESSIONAL QUALIFICATION:

- Registered Professional Engineer (PE), Board of Engineers Malaysia
- Fellow (FIChemE), Institution of Chemical Engineers, UK
- Bachelor of Science Degree in Chemical Engineering, Oklahoma State University, USA
- Advanced Management Programme, The Wharton School, University of Pennsylvania, USA

PRESENT DIRECTORSHIPS:

Listed entities:

- PETRONAS Chemicals Group Berhad
- MISC Berhad

Other public company:

Nil

PRESENT APPOINTMENTS:

- Member, Nomination and Remuneration Committee, MISC Berhad
- Board Member of various companies in PETRONAS

PAST EXPERIENCE:

- Vice President, Refining and Trading, Downstream Business, **PETRONAS**
- Head, Manufacturing, PETRONAS Chemicals Group
- MD/CEO, PETRONAS Chemicals Derivatives Sdn Bhd
- CEO, Ethylene Malaysia Sdn Bhd & Polyethylene Malaysia Sdn Bhd





















DATUK TOH AH WAH

Senior Independent Director



Nationality: Malaysian



Length of Service: 7 years and 8 months 13 June 2014









Date of Appointment:

NUMBER OF BOARD MEETINGS ATTENDED

9 of 9

ACADEMIC/PROFESSIONAL QUALIFICATION:

• Bachelor of Commerce, Concordia University, Canada

PRESENT DIRECTORSHIPS:

Listed entities:

- PETRONAS Chemicals Group Berhad
- · Carlsberg Brewery Malaysia Berhad

Other public company:

Nil

PRESENT APPOINTMENTS:

- Chairman of Nomination and Remuneration Committee, PETRONAS Chemicals Group Berhad (PCG)
- Member of Board Audit Committee, PCG
- Chairman of Board, Carlsberg Brewery Malaysia Berhad (Carlsberg Malaysia)
- Member of Board Audit & Risk Management Committee, Carlsberg Malaysia
- Member of Board Nomination Committee, Carlsberg Malaysia
- Member of Board Remuneration Committee, Carlsberg Malaysia
- Trustee of CHOICE Foundation

PAST EXPERIENCE:

- Director, CTBAT International Company Limited (Hong Kong)
- Independent Non-Executive Director, Tien Wah Press Holdings
- Managing Director (MD), British American Tobacco Malaysia Berhad
- Area Director of the Indonesian Cluster and the Regional Project Manager of British American Tobacco Asia Pacific Region Limited, Hong Kong



Board Skills and Experience Matrix:





































Board Skills and Experience Matrix:









YEOH SIEW MING











Female



Length of Service: 2 years and 9 months 15 May 2019

Date of Appointment:

NUMBER OF BOARD MEETINGS ATTENDED

9 of 9

ACADEMIC/PROFESSIONAL QUALIFICATION:

- Fellow Member of Association of Chartered Certified Accountants
- Member of the Malaysian Institute of Accountants
- Member of Malaysian Institute of Certified Public Accountants

PRESENT DIRECTORSHIPS:

Listed entities:

• PETRONAS Chemicals Group Berhad

Other public company:

PRESENT APPOINTMENTS:

- Chairman of Board Audit Committee, PETRONAS Chemicals Group Berhad (PCG)
- Member of Nomination and Remuneration Committee, PCG
- Member of Board Risk Committee, PCG
- Training Faculty of Deloitte University Asia Pacific
- Member of Sunway College Academic and Industry Advisory Board

PAST EXPERIENCE:

- Partner of Deloitte South East Asia
- License liquidator for voluntary and court appointed liquidations and conflict resolutions.
- Served in the following committees in Deloitte South East Asia
 - Partners' Admission Committee
 - Board Nomination Committee
 - Compensation Committee for South East Asia CEO and Chairman of the Board
 - Operational Excellence Committee
- Facilitator of Unleash Global Innovation Lab for United Nation's Sustainable Development Goals
- Council Member of Malaysian Institute of Certified Public Accountants
- · Held various management positions throughout her career with Deloitte

















WARREN WILLIAM WILDER

Independent Non-Executive Director



Nationality: American



Gender:



Length of Service: 3 years and 8 months 1 July 2018



Date of Appointment:

NUMBER OF BOARD MEETINGS ATTENDED

9 of 9

ACADEMIC/PROFESSIONAL QUALIFICATION:

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

PRESENT DIRECTORSHIPS:

Listed entities:

• PETRONAS Chemicals Group Berhad (PCG)

Other public company:

Nil

PRESENT APPOINTMENTS:

• Chairman of Board Risk Committee, PCG

PAST EXPERIENCE:

- Vice President of Chemicals, Saudi Aramco
- President and Chief Executive Officer, Polymer, Cracker of Reliance Industries Ltd
- Managing Director and Chief Executive Director of Titan Chemicals
- Senior Vice President of Olefins, Polyethylene of Westlake Chemical
- Vice President of Koch Industries
- Manager of Planning and Analysis of Union Pacific Corporation
- Refinery Process Engineer, Marine Fuels and Marine Lubricant Sales Coordination, Ship Chartering, Crude Oil Coordinator in Exxon Corporation



Board Skills and Experience Matrix:

















BOARD SKILLS AND EXPERIENCE MATRIX:























Board Skills and Experience Matrix:



















DR. ZAFAR ABDULMAJID MOMIN











Singaporean

Gender: Male

Length of Service:

Date of Appointment:

3 years and 8 months 1 July 2018

NUMBER OF BOARD MEETINGS ATTENDED

ACADEMIC/PROFESSIONAL QUALIFICATION:

- Doctorate of Philosophy in Business (General Management), Singapore Management University, Singapore
- Master of Business Administration, Kellogg School of Management, Northwestern University, Chicago, United States of America (USA)
- Master of Science in Mechanical Engineering, Purdue University, USA
- Bachelor of Mechanical Engineering, College of Engineering, Pune University, India

PRESENT DIRECTORSHIPS:

Listed entities:

• PETRONAS Chemicals Group Berhad

Other public company:

PRESENT APPOINTMENTS:

- Member of Nomination and Remuneration Committee, PETRONAS Chemicals Group Berhad (PCG)
- Member of Board Audit Committee, PCG
- · Member of Board Risk Committee, PCG
- School Advisory Committee, Opera Estate Primary School, Singapore
- Adjunct Associate Professor, Malaysia Institute for Supply Chain Innovation (MIT/MISI Initiative), Malaysia

PAST EXPERIENCE:

- Independent Non-Executive Director, Mapletree Logistics Trust (Singapore)
- Board Director, Center for Non-Profit Leadership (Singapore)
- Partner and Managing Director (MD), The Boston Consulting Group (Singapore, Dubai); Head of Asia Pacific Industrial Goods Practice, Pioneering Partner of Dubai/Abu Dhabi Offices
- Partner & MD, A.T. Kearney (Singapore); Head of Asia Pacific Automotive Practice
- Senior Partner & MD of L.E.K. Consulting (Singapore); Head of Southeast Asia
- Executive Vice President, Alghanim Industries (Kuwait)l CXO roles across functions and business units
- Various general management positions at United Technologies Corporation, Otis Asia Pacific Operations (Singapore)
- Various technical management positions at General Motors (USA)
- Adjunct Associate Professor, College of Business, Nanyang Technological University, Singapore



















DATUK SAZALI HAMZAH

Non-Independent Non-Executive Director



Nationality: Malaysian



Length of Service: 7 years and 9 months 8 May 2014





Gender:



Date of Appointment:

NUMBER OF BOARD MEETINGS ATTENDED

8 of 8

ACADEMIC/PROFESSIONAL QUALIFICATION:

- Chartered Fellow of the Institution of Chemical Engineers (IChemE)
- Bachelor of Chemicals Engineering, Lamar University, USA
- Advanced Management Programme, the Wharton School, University of Pennsylvania, USA
- Senior Management Program, London Business School, London, United Kingdom

PRESENT DIRECTORSHIPS:

Listed entities:

• PETRONAS Chemicals Group Berhad

Other public company:

PRESENT APPOINTMENTS:

- Executive Vice President and Chief Executive Officer, Downstream Business, PETRONAS
- Member of Executive Leadership Team, PETRONAS
- Chairman/Director of various companies within PETRONAS

PAST EXPERIENCE:

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



Board Skills and Experience Matrix:











BOARD SKILLS AND EXPERIENCE MATRIX:























Board Skills and Experience Matrix:















FREIDA AMAT



Nationality: Malaysian





Female



Length of Service: 6 years and 7 months

Date of Appointment: 31 July 2015

NUMBER OF BOARD MEETINGS ATTENDED

ACADEMIC/PROFESSIONAL QUALIFICATION:

- Fellow of the Association of Chartered Certified Accountants (FCCA)
- Member of the Malaysian Institute of Accountants
- Bachelor of Science in Economics majoring in Accounting and Finance, The London School of Economics and Political Science, University of London, United Kingdom
- Attended Senior Management Development Programme, **INSEAD**

PRESENT DIRECTORSHIPS:

Listed entities:

• PETRONAS Chemicals Group Berhad

Other public company:

Nil

PRESENT APPOINTMENTS:

- Member of Board Audit Committee, PETRONAS Chemicals Group Berhad (PCG)
- Vice President, Group Procurement, PETRONAS
- Chairman/Director, various companies within PETRONAS

PAST EXPERIENCE:

- Head, Finance Group & Corporate Services, Group Finance
- Head of Finance and Accounts Services Department, **PETRONAS**
- General Manager of Corporate Finance Department, **PETRONAS**
- General Manager of Finance & Accounts Services, Malaysian International Trading Corporation Sdn Bhd
- Various senior management positions within PETRONAS



















Non-Independent Non-Executive Director

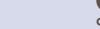


Nationality: Malaysian



Length of Service: 2 years 9 months







Gender:



Date of Appointment: 15 May 2019

NUMBER OF BOARD MEETINGS ATTENDED

9 of 9

ACADEMIC/PROFESSIONAL QUALIFICATION:

- · Degree in Mechanical Engineering, University of Wollongong, Australia
- Advanced Management Program, Harvard Business School, Boston, United States of America

PRESENT DIRECTORSHIPS:

Listed entities:

• PETRONAS Chemicals Group Berhad (PCG)

Other public company:

Nil

PRESENT APPOINTMENTS:

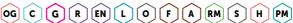
- Member of Board Risk Committee, PCG
- Vice President, Group Project Delivery, PETRONAS
- Chairman of PETRONAS Global Technical Solutions Sdn Bhd
- Director and Chief Executive Officer of PETRONAS Technical Services Sdn Bhd

PAST EXPERIENCE:

- Director of Primesourcing International Sdn Bhd
- Held various positions within PETRONAS Group of companies covering areas of Engineering, Research and Project Management



Board Skills and Experience Matrix:















BOARD SKILLS AND EXPERIENCE MATRIX:















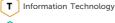


























COMPANY SECRETARIES









Age: 43



Gender: Female

DESCRIPTION OF ROLES

- She has been the Company Secretary of PCG since August 2021 and acts as an advisor to the Board, particularly with regards to corporate governance & compliance to the regulatory requirements.
- Responsible for provision of secretarial and governance advisory services to PCG and its Group of companies and ensuring the interest and reputation of PCG Group is protected.

QUALIFICATIONS

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

KANG SHEW MENG Company Secretary







Age: 61



DESCRIPTION OF ROLES

 He is a Joint Company Secretary of PCG since 2010 and acts as an advisor to the Board particularly with regard to compliance to the regulatory requirements

QUALIFICATIONS

- Fellow of the Institute of Chartered Secretaries and Administrators
- Master in Law (International Business Law) from Staffordshire University
- Diploma in Commerce (Business Management)

Additional Information of the Board of Directors:

- Family Relationship: Save as disclosed, none of the Directors has any family relationship with any Director and/or major shareholder of PCG.
- · Conflict of Interests: Save as disclosed, none of the Directors has any conflict of interests with PCG.
- Conviction for Offences: None of the Directors has any conviction for offences, other than traffic offences, if any, for the past 5 years.
- Public Sanction or Penalty: None of the Directors has any sanction or penalty imposed on them by any regulatory bodies during the financial year ended 31 December 2021.
- Directorship Appointment: None of the Directors has more than 5 directorship in listed issuers.



IR. MOHD YUSRI MOHAMED YUSOF Managing Director Chief Executive Officer (MD/CEO)



MOHD AZLI ISHAK Chief Financial Officer



MOHD KABIR NOORDIN Chief Manufacturing Officer



JAMILAH UJANG Head of Human Resource Management



CH'NG GUAN HOW Chief Innovation & Technology Officer



HASNIZAINI MOHD ZAIN Head of Legal

MANAGEMENT COMMITTEE PROFILE



SHAKEEL AHMAD KHANChief Commercial Officer



IR. YAACOB SALIM
Head of Strategic Planning
& Ventures



AKBAR MD THAYOOBHead of Special Project*



NORFAILA HASSAN Head of Strategic Communications & Administration



AMINUDIN YAHIAHead of Project Directorate



FAUZAMSAARI GERAN Head of Health, Safety & Environment

DESCRIPTION OF ROLES:

- Responsible for the overall operational, commercial, financial and sustainable management of PCG and its subsidiaries
- · Sits on the Board of PCG and several PETRONAS companies

QUALIFICATIONS:

- Registered Professional Engineer (PE), Board of Engineers Malaysia
- Fellow (FIChemE), Institution of Chemical Engineers, UK
- Bachelor of Science Degree in Chemical Engineering, Oklahoma State University, USA
- · Advanced Management Programme, The Wharton School, University of Pennsylvania, USA

IR. MOHD YUSRI **MOHAMED YUSOF**

Managing Director/ Chief Executive Officer (MD/CEO)



Nationality: Malaysian





Gender: Male

EXPERIENCE MATRIX:

1989

- Joined PETRONAS as an Environmental Executive and progressed through various roles in engineering, operations, and plant management
- Held several senior management positions in PETRONAS at PC Ethylene Sdn Bhd, PC Derivatives Sdn Bhd and PETRONAS Chemicals
- Involved in several major PETRONAS projects and initiatives such as Ethylene Cracker Project, Debottlenecking of Ethylene Malaysia Sdn Bhd, Corporate Strategic Review 2019, and Refinery & Petrochemical Integrated Development (RAPID)
- · Led PETRONAS capability development program for technical skill as Skill Group Advisor for Process & Operations and Chairman for Non-Executive Technical and Technical Trade Specialist (NET/TTS) Steering Committee

2009

• Appointed as CEO of PETRONAS Chemicals Ethylene Sdn Bhd

2012

• Appointed as CEO of PETRONAS Chemicals Derivatives Sdn Bhd

2014

- Appointed as Head of Manufacturing, PETRONAS Chemicals Group
- A member of PCG Management Committee

2017

- Appointed as PETRONAS Vice President, Refining and Trading
- A member of PETRONAS Downstream Executive Leadership Team

2022

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

Yusri 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.

DESCRIPTION OF ROLES:

- Responsible for the management of all financial and fiscal aspects of PCG and its subsidiaries as well as risk management, supply chain management, investor relations and information systems
- Sits on the Board of several PETRONAS companies

QUALIFICATIONS:

- Bachelor of Commerce in Accounting and Finance, Monash University, Melbourne, Australia
- Fellow of the Chartered Accountants Australia and New Zealand
- · Member of the Malaysian Institute of Accountants

MOHD AZLI ISHAK

Chief Financial Officer



Nationality: Malaysian



Age:



Gender: Male

EXPERIENCE MATRIX:

• Joined KPMG in Audit & Advisory

2003

• Joined Group Finance, PETRONAS and held various roles in financial due diligence, project financing, debt restructuring and corporate bond issuance

2007

• Appointed as Manager (JV Management), Vice President Office - Petrochemical Business, PETRONAS, and jointly led the initial public offering of PCG in 2010

2011

• Joined Merger & Acquisition, PETRONAS and held several senior managerial roles in acquisition, divestment and corporate strategy projects within PETRONAS Group. Appointed as Head (Merger & Acquisition) in 2018. Assumed additional role as Head of PETRONAS Ventures in 2020, managing PETRONAS' USD350 million corporate venture capital fund and investments in startups

2021

· Appointed as Chief Financial Officer of PCG

Mohd Azli 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.



DESCRIPTION OF ROLES:

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

QUALIFICATIONS:

- Bachelor of Science in Chemical Engineering, University Of Leeds, United Kingdom
- Diploma in Industrial Chemical, Institute of Technology MARA

MOHD KABIR NOORDIN

Chief Manufacturing Officer



Nationality: Malaysian



Age: 56



Gender: Male

EXPERIENCE MATRIX:

1991

• Joined PETRONAS Penapisan (Melaka) Sdn Bhd and immediately mobilised to PETRONAS Penapisan (Terengganu) Sdn Bhd as Production Technologist

1995

Returned to PETRONAS Penapisan (Melaka) Sdn Bhd as Executive (Production Specialist)

• Pursued his studies in Bachelor of Science in Chemical Engineering at University of Leeds, UK under scholarship of PETRONAS Staff Development Program

• Appointed as Manager (Refinery Shift) at PETRONAS Penapisan (Melaka) Sdn Bhd

2005

• Appointed as Senior Manager (Sour Hydroskimming), later Senior Manager (Sour Conversion) at PETRONAS Penapisan (Melaka) Sdn Bhd 2008

2008

• Appointed as General Manager (Production) at PETRONAS Penapisan (Melaka) Sdn Bhd

Appointed as Head of Operation at Malaysia LNG Sdn Bhd

2015

• Appointed as Senior General Manager (Gas Processing & Utilities) at PETRONAS Gas Berhad

2020

· Appointed as Chief of Manufacturing, PCG

Mohd Kabir 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.

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

QUALIFICATIONS:

• Bachelor of Science (Hons) Chemistry, Universiti Sains Malaysia, Pulau Pinang

SHAKEEL AHMAD KHAN

Chief Commercial Officer



Nationality: Malaysian



Age:



Gender: Male

EXPERIENCE MATRIX:

• Joined PETRONAS Penapisan (Melaka) Sdn Bhd as a Chemist

1999

• Joined Crude Oil Group of PETRONAS and held various positions including Executive (Trade Evaluation), Executive (Pricing/Costing) and later appointed to Manager (Business Planning and Development)

2006

• Appointed as Marketing Manager at Lubricant Business, PETRONAS

• Returned to Crude Oil Group of PETRONAS as Head (Trading Asia Pacific/Far East)

• Joined PETRONAS Chemicals Group Berhad and held various senior managerial positions including Manager (Commercial-Urea & other Fertiliser), Head (Marketing & Sales-Ammonia & Fertiliser and Head (Marketing & Sales-Polymer)

• Appointed as Chief Commercial Officer, PCG

Shakeel 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.

DESCRIPTION OF ROLES:

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

QUALIFICATIONS:

- Bachelor of Mechanical Engineering, University of Texas at El Paso, USA
- · Master of Business Administration, Heriot-Watt University
- Registered Professional Engineer with the Board of Engineers, Malaysia

IR. YAACOB SALIM

Head of Strategic Planning & Ventures



Nationality: Malaysian



Age:



Gender: Male

EXPERIENCE MATRIX:

1988-2005

· Various technical and managerial positions in multinational companies in the chemical and petrochemical industry

2006

• Joined Group Technology Solution, PETRONAS as Senior Manager Technical Assurance, later held various senior managerial positions including, Front-End Management and Project Management within PETRONAS Group of Companies

2011

• Appointed as Chief Executive Officer, PTSSB JLT (Dubai), a subsidiary of PETRONAS Technical Services Sdn Bhd

2012

• Appointed as Chief Executive Officer, Primesourcing International Sdn Bhd

2015

• Appointed as Deputy Project Director, PETRONAS Refinery & Petrochemical Corporation

2020

• Appointed as Head of Strategic Planning, Business Planning & Development, PETRONAS Refinery & Petrochemical Corporation

• Appointed as Head of Strategic Planning and Ventures, PCG

Yaacob 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.

DESCRIPTION OF ROLES:

- Responsible for PCG's growth agenda and pathway, sustainability of project support and future talent's development strategy
- Sits on the Board of several PETRONAS companies

QUALIFICATIONS:

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

AKBAR MD THAYOOB

Head of Special Project



Nationality: Malaysian



Age:



Gender: Male

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

· Appointed as CEO of PETLIN (M) Sdn Bhd

2010

• Appointed as Head of Office of the Executive Vice President, PETRONAS Downstream Rusiness

• Appointed as Head of Retail Business, PETRONAS Dagangan Berhad

2014

• Appointed as Head of Commercial at PCG and CEO of PETRONAS Chemicals Marketing (Labuan) Limited

· Appointed as Head of Strategic Planning and Ventures, PCG

2021

- · Appointed as Head of Special Project
- * A Management Committee Member until August 2021.

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.

LEADERSHIP

MANAGEMENT COMMITTEE PROFILE

DESCRIPTION OF ROLES:

 Responsible for Talent strategies, development and management, as well as Human Resource services for PCG

QUALIFICATIONS:

• Bachelor of Science (Hons) in Chemistry, University of Malaya

JAMILAH UJANG

Head of Human Resource Management



Nationality: Malaysian



Age: 48



Gender: Female

EXPERIENCE MATRIX:

1997

• Joined PETRONAS Gas Berhad as Executive 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, Upstream Business

2017

• Appointed as HR Business Partner for Development & Production Sector (Malaysia & International Assets), PETRONAS Carigali Sdn Bhd

2019

 Appointed as HR Business Partner for Upstream Operation 1, PETRONAS Carigali Sdn Bhd

2020

 Appointed as Head of Human Resource Management, PETRONAS Chemical Group (PCG)

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.

DESCRIPTION OF ROLES:

 Responsible for PCG's innovation and technology vision and strategy, technology platform and network management, and innovation culture and mindset

QUALIFICATIONS:

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

CH'NG GUAN HOW

Chief Innovation & Technology Officer



Nationality: Malaysian



Age:



Gender: Male

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

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.

DESCRIPTION OF ROLES:

- Responsible for PCG's legal affairs
- Sits on the Board of several PETRONAS companies

HASNIZAINI MOHD ZAIN

Head of Legal

Nationality: Malaysian



Age:



Gender: Female

QUALIFICATIONS:

- Bachelor of Laws, University of Leeds, United Kingdom
- · Certificate of Legal Practice, Malaysia
- Masters in Comparative Laws, International Islamic University, Malaysia

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

• 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

2021

· Appointed as Head of Legal, PCG

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.

DESCRIPTION OF ROLES:

• Responsible for strategising, planning, development and implementation of all PCG's corporate and product branding, stakeholder and media management, communication and reputation management as well as administration

QUALIFICATIONS:

• Bachelor of Mass Communication (Advertising), Institut Teknologi Mara

NORFAILA HASSAN

Head of Strategic Communications & Administration



Nationality: Malaysian



Age:



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 Sdn Bhd

2016

• Returned to PETRONAS as Head of Brand Management, Downstream Business

2020

• Appointed as Head of Strategic Communications & Administration, PCG

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.



LEADERSHIP

MANAGEMENT COMMITTEE PROFILE

DESCRIPTION OF ROLES:

 Responsible for championing and steering the project delivery, project management services and project governance through planning and execution of all PCG Brownfield and Greenfield Projects

QUALIFICATIONS:

- · Bachelor of Science in Quantity Surveying, Universiti Teknologi Malaysia
- Professional Certificate in Management from the University of Melbourne
- Certified Cost Professional (CCP) from The Association for the Advancement of Cost Engineering, International (AACEI)
- Professional Quantity Surveyor (PQS) from Board of Quantity Surveyor Malaysia.

AMINUDIN YAHIA

Head of Project Directorate



Nationality: Malaysian



Age:



Male

Gender:

DESCRIPTION OF ROLES:

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

QUALIFICATIONS:

• Bachelor of Science in Mechanical Engineering, University of Oklahoma, USA

FAUZAMSAARI GERAN

Head of Health, Safety & Environment



Nationality: Malaysian



Age:



Gender: Male

EXPERIENCE MATRIX:

1998

• Joined PETRONAS Gas Berhad (PGB) as a Maintenance Civil Executive in Plant Operation Division and further took on various roles as Executive of Project in Kuantan-Kertih Railway Project and Executive of Project Control in Technical & Facilities Development Division

2008

• Appointed as Manager of Project Control in PGB for Plant Rejuvenation & Revamps 2 & 4 Project

2012

· Appointed as Manager of Project Control in Pacific Northwest LNG Project, Canada

2015

• Appointed as Manager of Cost Engineering in PCG

2018

• Appointed as Manager of S&PC (Small & Plant Change) Project Engineering in PETRONAS and consequently as Manager of Project in Project Delivery & Technology Division (PD&T)

2021

· Appointed as Manager of Front End Engineering, PCG

2022

Appointed as Head of Project Directorate, PCG

Aminudin 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.

EXPERIENCE MATRIX:

 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

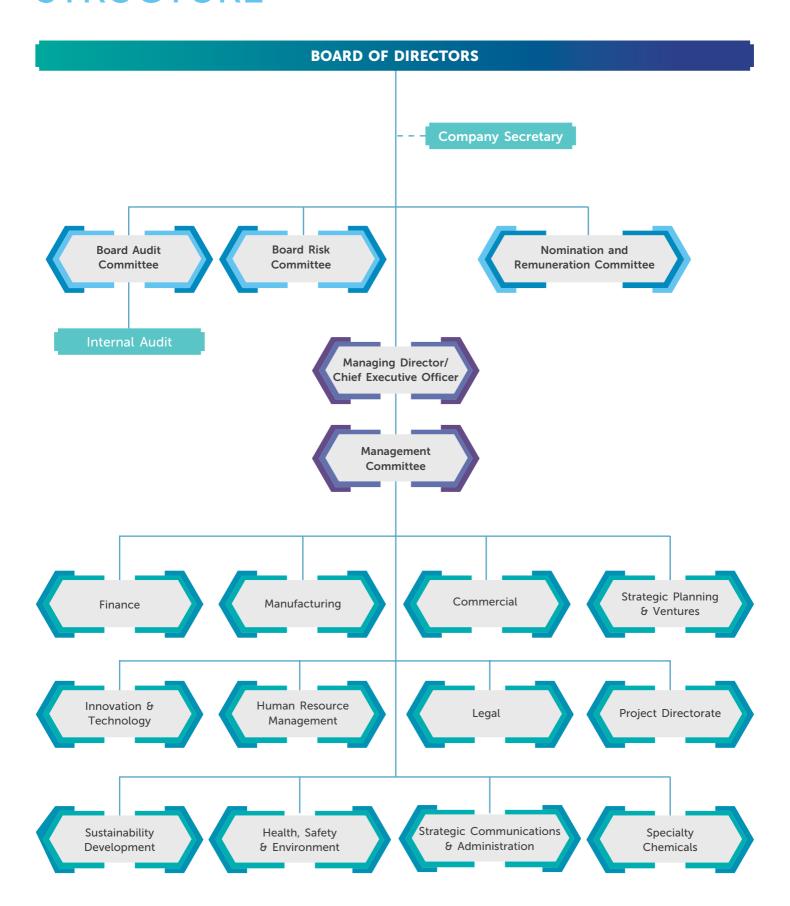
 Appointed as Senior Manager (Technical Services) at PETRONAS Chemicals Ammonia Sdn Bhd

2020

• Appointed as Head of Health, Safety & Environment, PCG

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



CHAIRMAN'S CORPORATE GOVERNANCE OVERVIEW

Dear Stakeholders,

I am pleased to present to you our Corporate Governance Overview Statement for the financial year 2021. This Statement reflects our unwavering commitment to ensure that the highest standards of governance are embedded in the way our business is managed. It also provides you with an insight into the activities of the Board and its Committees throughout the year and how the Board provides appropriate and effective stewardship to PCG to ensure it achieves its strategic priorities.



As a company, we are resolute in delivering consistent performance and delivering solid long-term returns to our stakeholders. Our ability and agility to carry this through has largely been premised on the important principles of good governance, namely, accountability, transparency and integrity in the conduct of our

Your Board believes that strong corporate governance supports long term value creation and the key to balancing the interests of our shareholders with those of our broader group of stakeholders.

The Group marked the first half of the financial year with promising signs of recovery from the COVID-19 pandemic, which appeared to be under control. However, by the start of the second half of 2021 the spread of the infectious Delta variant slowed economic activities globally and continued to have a profound effect as to how businesses had adapted their operations. It reinforced further the importance of good governance at a time when effective engagement and collaboration with stakeholders have never been more crucial and urgent.

In a year that has been challenging from an operational perspective, we delivered a strong performance. As a company that was not immune to unprecedented challenges, we demonstrated remarkable resilience and resourcefulness as we continued to embrace new ways of working.

The protection of shareholders' interests, both in the short and long term, is central to the way the Board operates. This has been the governing principle behind the Board's response to the COVID-19 pandemic. Its impact on all key stakeholders and understanding their views in order to make informed decisions have always been a key consideration during this crisis.

CHAIRMAN'S CORPORATE GOVERNANCE OVERVIEW



The Group marked the first half of the financial year with promising signs of recovery from the COVID-19 pandemic, which appeared to be under control.

In discharging its duties and responsibilities effectively, your Board is supported by various Board Committees, each with specific authority and Terms of Reference. Our corporate governance framework encompasses robust decision-making process and a clear framework within which decisions are made, delegated and executed with accountability across all levels.

I am especially pleased that our commitment to good governance has resulted in the Company being recognised and acknowledged. As testament of our efforts to build trust with stakeholders through transparency, quality and relevance of our disclosures, we were awarded by the MSWG-ASEAN Corporate Governance Awards 2020 with the following:



- Ranked 2nd out of Top 100 Companies for Excellence Award for CG Disclosure
- Ranked 1st for Industry **Excellence Award for Products & Services**

During the year, we were pleased to announce the appointment of Ir. Mohd Yusri Mohamed Yusof as the new Managing Director/ Chief Executive Officer of PCG in place of Datuk Sazali Hamzah, who was redesignated as a Non-Independent Non-Executive Director (NINED). In the meantime, NINEDs Freida Amat and Noor Ilias Mohd Idris expressed their intention not to seek re-election at the forthcoming AGM.

The Board wishes to express its sincere gratitude and appreciation to Datuk Md Arif Mahmood, Freida Amat and Noor Ilias Mohd Idris for their invaluable services as Chairman and members of the Board.

As at the date of this report, I am pleased to inform that the Corporate Governance Overview Statement, reports of the Nomination and Remuneration Committee, Board Audit Committee, Board Risk Committee and Statement on Risk Management and Internal Control have applied and complied with the relevant provisions of the MMLR of Bursa Malaysia, the Companies Act 2016, the MCCG, the Corporate Governance Guide - 4th Edition issued by Bursa Malaysia. Our practices are also benchmarked against the ASEAN Corporate Governance Scorecard.

The details of how PCG has applied the MCCG Principles and its Practices, are set out in our Corporate Governance Report 2021 which is accessible to the public on PCG's website, www.petronaschemicals.com.

As we navigate the economic volatility and uncertainty in the year ahead, your Board remains fully committed to maintain the highest standards of corporate governance and implementation of best practices. This is an area that requires focused approach as the dynamics of our corporate governance landscape continues to

DATUK IR. (DR.) ABDUL RAHIM HASHIM



Chairman



PETRONAS Chemicals Group Berhad (PCG or the Company) is resolute in its commitment to embrace, uphold and promote good corporate governance practices in the conduct of its business. The Board of Directors (the Board) believes that strong corporate governance practices are fundamental to the smooth, effective and transparent operations of the Company and our ability to attract investment, protect the rights of stakeholders and enhance shareholders value. In view thereof, we are pleased to present this Corporate Governance Overview Statement (CG Statement) which is in compliance with the statutory requirements, principles and best practices set out in the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Malaysia), Companies Act 2016 (CA 2016), the Malaysian Code on Corporate Governance (MCCG) which was further updated by Securities Commission (SC) on 28 April 2021, Corporate Governance Monitor 2021, the Corporate Governance (CG) Guide – 4th Edition issued by Bursa Malaysia Berhad and other applicable laws and regulations throughout the financial year under review.

It shall be read together with the Corporate Governance Report (CG Report) published in the Company's corporate website at www.petronaschemicals.com. The CG Report provides the details on how the Company has applied each MCCG Practice as well as the departures and alternative measures in place within the Company during the financial year 2021 and demonstrates the commitment of the Board and Management of the PCG Group in applying and embracing the high standards of corporate governance in the organisation.

This CG Statement takes into consideration the features of the MCCG and the adoption by PCG of the new best practices and how they have been applied, explains departures if any and alternative practices implemented. Primarily, the CG Statement provides investors with vital insights into the corporate governance practices of the Company throughout the financial year ended 31 December 2021 with reference to the three key Principles as set out in the MCCG:



As testament of our commitment in ensuring transparency and accountability of our business operations, we were recognised with the following awards for governance during the year under review:



2 August 2021

Date

Governance Awards 2020

Event

Award

• Ranked 1st for Industry Excellence Award for Products & Services

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

OUR GOVERNANCE STRUCTURE

As a company driven by its responsibility to shareholders and a broader group of stakeholders, good governance for PCG is imperative to its long-term success. The Board embraces transparency and accountability in the boardroom and promotes these critical components of governance throughout the Group.

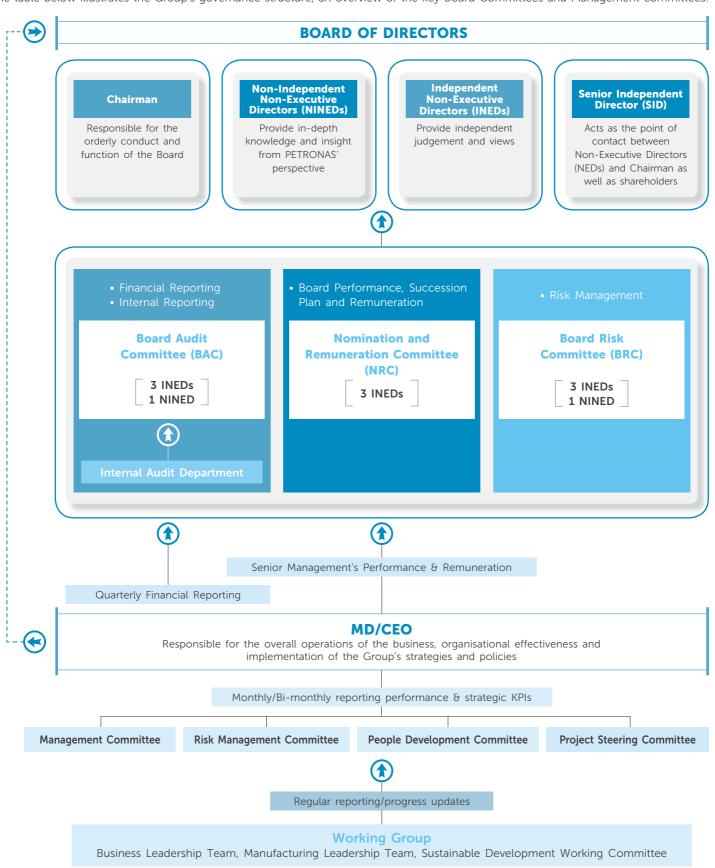
An important role of corporate governance is to ensure sustainable long-term performance, maximise returns for our stakeholders and create long-term economic value and growth.

PCG's governance structure and practices create value for all its stakeholders by:

- promoting the Group's future growth through sound sustainable practices
- building cogency through principled leadership
- · securing the integrity and quality of financial reporting
- · ensuring good reputation with accountable behaviour

The Board discharges its responsibilities within a clearly defined governance framework and robust mechanisms in place. Through this framework, the Board, without abdicating its responsibilities, delegates its governance responsibilities to Committees of the Board and other Management committees. The Board retains ultimate accountability and responsibility for the performance and affairs of the Company and ensures that the Group adheres to high standards of ethical behaviour.

The table below illustrates the Group's governance structure, an overview of the key Board Committees and Management committees:





HOW THE BOARD OPERATES

The Board Charter

In discharging the Board's duties and responsibilities effectively, the Board is guided by its Board Charter, a document which sets out the principles and guidelines that are to be applied by the Board. The division of responsibilities in respect of the Board, Board Committees, individual Directors and Management is reviewed periodically to ensure that the Company is able to adapt to changing business circumstances. The Board Charter was reviewed and updated in February 2022 to reflect 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.

Aside from setting out the governance structure, authority and Terms of Reference (TOR) of its Committees, as well as clearly identifying their respective roles and responsibilities and what is expected of them in terms of commitment, the Board Charter also sets out the matters reserved for the Board.

The Board Charter is available on the Company's corporate website, www.petronaschemicals.com together with the TORs of all Board Committees.

The Board's Responsibilities and Duties

The Board is collectively responsible for the overall leadership of the Company, meeting its objectives and goals and for promoting its long-term sustainability and success within a framework of prudent and effective controls.

The Board is entrusted with the responsibility to promote the success of the Group by directing and supervising the Group's affairs in a responsible and effective manner. Each Director has a duty to act in good faith and in the best interest of the Company.

The Board safeguards stakeholder value-creation. The Board ensures that the strategic plan of the Company supports long-term value creation and includes strategies on economic, environmental, social and governance (EES) considerations thereby strengthening the integration of sustainability in the Company's operations. Through sustainable practices, the Company becomes more resilient, is able to create durable and sustainable value and maintains simultaneously, the confidence of its stakeholders.

Prudent and effective controls make it possible for the Board to assess and manage emerging risks and opportunities continuously to ensure long-term sustainable development and growth.

Together with Management, the Board promotes good corporate governance culture within the Group ensuring ethical leadership, prudent and professional behaviour in the conduct of its business and in all aspects of its operations.

The balance on the Board with the presence of NEDs ensures that no individual or small group of Directors are able to dominate the decision-making process and that the interests of shareholders are protected. The Board considers each NED to be independent in character and judgement.

The Board is satisfied that each Director has devoted sufficient time to effectively discharge his/her responsibilities. The current composition of Directors has a blend of skills, experience and knowledge enabling them to provide effective oversight, strategic guidance and constructive challenge, examine, review and decide on Management's proposals and empower the MD/CEO to implement strategies approved by the Board.

Board Conduct

The Board commits itself and its Directors to ethical business and lawful conduct, including proper use of authority and appropriate decorum when acting as Board members.

All Board members discharge their duties and responsibilities at all times as fiduciaries in the best interest of the Company. They act with integrity, lead by example, keep abreast of their responsibilities as Directors and of the conduct, business and development of the Company.

In directing or managing the Company's business and affairs, they exercise reasonable care, skill and diligence by applying their knowledge, skill and experience.

The Board ensures that key transactions or critical decisions are deliberated and decided on by the Board in a meeting. The Board also ensures that decisions and basis for those decisions, including any dissenting views are made known and properly minuted.

The Directors are aware of their collective and individual responsibilities to all shareholders for the manner in which the affairs of the Company are managed, controlled and operated. The Board is satisfied that it has fulfilled these duties and obligations during the year under review.

In discharging its functions, the main roles and responsibilities of the Board are as follows:

- To review, approve and monitor the annual corporate plan, which includes overall corporate strategy, marketing plan, human resources plan, financial plan and budget, risk management plan and information technology plan;
- To ensure that appropriate policies are in place, adopted effectively and are regularly reviewed in light of changing circumstances;
- · To review and approve financial statements;
- To review and manage principal risks and adequacy of PCG's internal control systems including systems for compliance with applicable laws, regulations, rules and guidelines;
- To ensure that there is an appropriate succession plan for members of the Board and the Senior Management; and
- To be accountable to its shareholders, and to some extent, accountability towards a wider range of stakeholders affected by PCG's decisions such as employees, suppliers, customers, the local community and the state/country where PCG is operating.
- The board (together with management) takes responsibility for the governance of sustainability in the company including setting the company's sustainability strategies, priorities and targets.

The above roles and responsibilities are clearly set out in the Board Charter

Board Balance and Composition

The Board comprises nine Directors as at the date of this Statement, one of whom is an Executive Director while eight are NEDs. Todate, there are two women directors on the Board of PCG, constituting 22% of the Board's composition. The Board acknowledges that the recommendation of Practice 5.9 of the MCCG with regard to the 30% women representation on the Board has yet to be adopted. However, the Board has identified a suitable woman candidate from its current directors' pool whose proposed appointment will go through the formal process of selection.

The Board has determined that four of the NEDs are independent, in line with the requirements of Paragraph 15.02 of the MMLR of Bursa Malaysia. All Board members are persons of high integrity and calibre with diverse professional backgrounds, sound knowledge and understanding of the Group business. The NEDs possess the necessary expertise and experience to ensure that the formulation of policies and strategies proposed by the Management are fully deliberated and examined. They contribute to the formulation of policy and decision-making through their expertise and experience.

The Board saw some changes and new appointments made to its composition as at the date of this Statement.

In view of the retirement of Datuk Md Arif Mahmood from PETRONAS effective 1 January 2022, Datuk Ir. (Dr.) Abdul Rahim Hashim was appointed as Chairman of the Company effective 1 January 2022. The Board also welcomed, Ir. Mohd Yusri Mohamed Yusof as the new MD/CEO of PCG in place of Datuk Sazali Hamzah who was redesignated as a NINED. Meanwhile, Noor Ilias Mohd Idris and Freida Amat have expressed their intention to retire at the close of the Company's forthcoming 24th AGM. In view thereof, Noor Ilias Mohd Idris and Freida Amat will retire from office upon the conclusion of the said AGM.

The Board wishes to record its appreciation and gratitude to Datuk Md Arif Mahmood, Noor Ilias Mohd Idris and Freida Amat during their tenure as Chairman and members of the Board.

The Board believes that the current overall Board composition is adequate in terms of size, skills and experience, diversity of age and gender. This is to ensure inclusiveness of views as well as to facilitate effective decision-making and constructive deliberation during its meetings. At the same time, the Board strives to adopt Practice 5.2 of the MCCG to have within its composition a majority of Independent Directors. All directors must exercise their judgement independently at all times, irrespective of status.

Board of Directors INEDs Executive Director • Ir. Mohd Yusri Mohamed Yusof Right balance of skills and experience to make a meaningful contribution to the business of the Company **Board Skills and Diversity** The Board is diverse in demographics, skills and experience. The Board has members with a broad range of skills that can help create value in the interests of all stakeholders.

Industry Background:

- · Oil and Gas
- Petrochemical

International Experience:

- Global
- Regional

Functional Experience:

- Engineering
- Logistics
- Legal/Regulatory
- Commercial/Marketing
- Operations

- Economics
- Finance
- Audit
- Risk Management
- Sustainability
- Corporate Strategy
- Information Technology
- Human Resource
- Project Management

Length of Service

22% 0-2 years

45% **2-5 years** 4 Directors

33% **5-8 years** 3 Directors



In considering new appointments to the Board, the Board through the NRC, takes into account corporate leadership skills, experience and expertise required to advance the strategic direction of the Company. The NRC ensures that the Board has the right balance of skills, experience, independence and business knowledge necessary to discharge its responsibilities in keeping with the highest standards of governance while providing meaningful contributions to the business of the Company.

Directors are required to obtain consent of the Chairman before accepting any new directorships and to indicate the time expected to be spent on their new appointment. In any given circumstances, in accordance with MMLR, Directors are expected to serve in not more than five listed issuers. In addition, all of the Directors of PCG have not appointed any alternates. The time commitments of NEDs are considered by the NRC at appointment and reviewed annually.

In appointing or re-appointing a Board member, the Board will consider the current composition and the tenure of each Director. The Board will review its composition and evaluate the need to bring new skills and perspective to the boardroom. The Board has in place a set of procedures for Directors to comply with before they can accept an external Board appointment to ensure that there is no potential conflict in the pending appointment.

Details of the Directors' external directorships including their qualifications, experience and length of service are set out in their respective profiles on pages 144 to 152 of this Integrated Report 2021.

Separate roles of Chairman and MD/CEO

The positions of Chairman and MD/CEO are held separately by Datuk Ir. (Dr.) Abdul Rahim Hashim and Ir. Mohd Yusri Mohamed Yusof, respectively. This segregation ensures a clear distinction between the Chairman's responsibility to manage the Board and the MD/CEO's responsibility to manage the Company's business. The role of the Chairman includes:

Ensures appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board as a whole. In this regard, the Chairman acts as the main representative of the Company alongside the MD/CEO at shareholders' meetings and on other occasions where key or major actions are taken, or statements are made in the name of the Company.

Leads in the creation of an effective corporate governance system, including the establishment of Board Committee structures and their TORs.

Ensures appropriate procedures are in place to govern the Board's operation, decisions are taken on a sound and wellinformed basis including discussions on all strategic and critical issues, dissenting views can be freely expressed and discussed and leads efforts to address the Board's developmental needs.

Separation in the role of the Chairman and the MD/CEO is imperative as both roles have different expectations and serve distinct primary audiences.

The respective roles and responsibilities of the Chairman and MD/ CEO can be viewed under the Board Charter in the Company's corporate website, www.petronaschemicals.com.

Senior Independent Director

The SID acts as a point of contact between the INEDs and the Chairman on sensitive issues and is available for confidential discussion with other NEDs who may have concerns which they believe have not been considered by the Board as a whole. He has also been identified as a designated contact to whom shareholders' concerns or queries may be raised, as an alternative to the formal channel of communication with shareholders.

Datuk Toh Ah Wah has been appointed as SID in line with the best practice recommended by the ASEAN CG Scorecard, which is used as a benchmark by the Company in its effort to maintain the highest standards of good governance. Based on his experience with the Board and seniority amongst the INEDs, Datuk Toh Ah Wah satisfies the prescribed criteria, and is the most appropriate candidate for the role of SID. His familiarity with the operations throughout the years and on the workings of the Board as well as his involvement with NRC and BAC have also provided him with in-depth experience on the respective member's individual roles and forte. Datuk Toh Ah Wah also has significant influence within the Board and was able to deliver his role as a SID of PCG.

Separation of Powers between the Board and Management

The MD/CEO is assisted by the Management Committee, Project Steering Committee and Risk Management Committee in managing the business on a day-to-day basis, which he consults regularly.

The Management Committee ensures that effective systems, controls and resources are in place to execute business strategies and decisions taken by the Board and/or the MD/CEO. These committees report the performance and strategic KPIs on monthly basis to the MD/CEO, whilst progress and updates are reported regularly by the working group within the business units.

Board Diversity

Diversity is also important to ensure the Company remains relevant, resilient and sustainable in the rapidly transforming and evolving business environment. In this regard, the NRC is empowered to review and evaluate the composition and performance of the Board annually as well as assessing qualified candidates to occupy Board positions.

The Board currently comprises two women Directors or 22% of the Board composition. The Board will continue with its ongoing efforts to source for and identify a suitable woman candidate for appointment to the Board. The Board is looking at a time frame of one year to achieve the 30% target. As at the date of this Statement, the Board has identified a suitable woman candidate. The formalisation of the appointment of a woman candidate as an INED will be the Board's focused priority in year 2022.

While it is important to promote diversity, the selection criteria of a Director is based on an effective blend of competencies, skills, experience and knowledge in areas identified by the Board remain a priority so as not to compromise on the effectiveness in carrying out the Board's functions and duties. The Board is committed to ensure that its composition not only reflects the diversity as recommended by the MCCG, as best as it can, it will also have the right mix of skills and balance to contribute to the achievement of the Company's goals.

To ensure that there is a healthy talent pipeline, the Board Diversity Policy also includes policies on the participation of women in decision-making.

To-date, there are seven women serving as directors on the board of the PCG Group. Several prominent and suitable qualified women have been identified and included in the directors' pool for possible nomination as part of the succession plan for PCG directors. In this regard, the NRC is empowered to review and evaluate the composition and performance of the Board annually, as well as assessing qualified candidates to occupy Board positions.

The Board continues to focus on diversity when assessing new candidates for Board memberships. In its effort to create and maintain a diverse Board, the Board would:

- Review succession plans to ensure an appropriate focus on diversity;
- Identify specific factors for consideration in the recruitment and selection process;

- Adhere to the recruitment and sourcing process that seeks to include diverse candidates, including women in any director
- Assess the appropriate mix of diversity including gender, age, skills, experience and expertise required on the Board and address gaps, if any.

A copy of the Board Diversity Policy is available at the Company's corporate website, www.petronaschemicals.com.

Independence

The Board recognises the important contributions that INEDs make to good corporate governance. All Directors, regardless of their independent status, are required to act in the best interests of the Company and to exercise unfettered and independent judgement.

Board decisions are made taking into account the views of the INEDs which carry substantial weight. They fulfil their roles in ensuring that strategies proposed by Management are deliberated and examined taking into account the interests of the shareholders and stakeholders

To date, all four INEDs satisfy the following criteria:

- independent from Management and free from any business or other relationship which could interfere with independent judgement or the ability to act in the best interests of the Company.
- not involved in the day-to-day operations of the Company other than when collective Board approval is required. This mitigates the risk of undue influence from third parties and allows INEDs to exercise fair judgement.
- declare their interest or any possible conflict of interest in any matter tabled prior to the commencement of Board meetings. Directors are able to ascertain their involvement in any proposal as the papers are disseminated to them at least five business days before each meeting. In a situation where there is conflict of interest, Directors are required to recuse themselves and abstain from deliberation to allow unbiased and free discussion and decision making.

In line with the exemplary practice as recommended by the MCCG, the Company has adopted a tenure policy whereby an INED's total tenure on the Board is capped at nine years. As at the date of CG Statement, none of the INEDs has served the Board more than nine years.



Board Appointment Process

PROCESS FLOW FOR APPOINTMENT OF A DIRECTOR



The Company maintains a formal and transparent procedure for the appointment of new directors. Nomination of NINEDs is made by PETRONAS, being the majority shareholder of the Company. The search for potential INEDs may also be made through engagement of a professional recruitment firm or recommendations from existing Board members in identifying suitably qualified candidates to fill the vacant positions. In its selection of suitable candidates, the NRC adheres to the guidelines stipulated in the Board Succession Planning Framework and Board selection criteria. Once a potential candidate has been shortlisted for recommendation, the Company Secretary will conduct comprehensive background checks, including checks on financial and character integrity. All potential candidates are first considered by the NRC, taking into account the mix of skills, competencies, experience, integrity, personal attributes and time commitment required to effectively discharge his or her role as a director. Diversity in terms of age and gender are also considered during the selection process.

Directors' Re-election and Re-appointment

In accordance with the MMLR and Article 107 of the Company's Constitution, one-third of the Directors of the Company for the time being shall retire by rotation at an Annual General Meeting (AGM) of the Company provided always that all Directors, shall retire from office at least once in every three years but shall be eligible for re-election at the AGM. A Director retiring at the AGM shall hold office until the close of the meeting whether adjourned or not. Additionally, pursuant to Article 100 of the Company's Constitution and the CA 2016, Directors appointed to fill a casual vacancy or as an addition to the Board of Directors shall hold office only until the conclusion of the next AGM and shall be eligible for re-election.

Taking into consideration the relevant requirements, the Directors' rotation list was presented to the NRC for endorsement prior to recommendation to the Board. The affected Directors are required to give their consent on their re-election prior to PCG's Board meeting.

In assessing the candidates' eligibility for re-election, the NRC considers their competencies, commitment, contribution, performance based on the Board Effectiveness Evaluation (BEE) and their ability to act in the best interest of PCG. The Board at its meeting held on 24 February 2022 endorsed the recommendation of the NRC for the following Directors to be considered for re-election pursuant to the following relevant Articles of PCG's Constitution at the Company's forthcoming 24th AGM.

Article 107:

- Noor Ilias Mohd Idris
- Freida Amat
- * Noor Ilias Mohd Idris and Freida Amat have expressed their intention not to seek re-election. Hence, Noor Ilias Mohd Idris and Freida Amat will retire from office upon the conclusion of the 24th AGM of the Company.

Article 100:

- Datuk Ir. (Dr.) Abdul Rahim Hashim
- Ir. Mohd Yusri Mohamed Yusof

Board Meetings and Attendance

The Board is of the opinion that the provisions of the CA 2016 and MMLR are sufficient to ensure adequate commitment by the Directors to perform their duties; and that each Director is able to commit sufficient time to the Company without it being formally regulated. The Directors' commitment in discharging their duties and responsibilities is reflected by their attendance at the Board and Board Committees' meetings held during the year under review. The Board is satisfied with the level of commitment given by the Directors toward fulfilling their roles and responsibilities. A high level of flexibility has been demonstrated with Board members being able to accommodate to the Company's needs. The Board also agreed for the Directors to notify the Company Secretary of their directorships in other companies for disclosure to the Board at Board meetings.

The Board schedules its meetings at least quarterly. Additional meetings are held to discuss specific issues that require deliberation in between the scheduled meetings. The meetings of the Board and its Committees for the financial year 2021 were pre-scheduled in November 2020 to facilitate the Directors in planning ahead and incorporate the meeting dates into their respective schedules. It also served to provide the members with ample notice of the meetings. The Board has a formal schedule of matters reserved at Board meetings which includes corporate plans and strategies, annual budgets, operational and financial performance reviews, major investments and financial decisions, the Senior Management's performance assessment, changes to the Management and control structure within the Group, including key policies and procedures and limits of authority. The agenda of Board meetings is drawn up upon consultation between the Chairman, MD/CEO and the Company Secretary.

The Board conducted nine meetings during the financial year 2021. Five out of nine meetings were special meetings. Due to the COVID-19 pandemic, the Board meetings continued to be held via an online platform. During the year under review, six meetings were held virtually, and three meetings were held via a hybrid meeting arrangement. Aside from Board meetings, during the year under review there is one urgent matter which was decided via Directors' Circular Resolution and signed by all Directors. The Directors' Circular Resolutions was circulated to the Board members via e-Signature tool for approval. Resolutions in writing signed by the Directors are valid and effectual as if they had been passed at a Board meeting.

In discharging their responsibilities, during each Board and Board Committees meeting, the Board practices active and open discussions at Board meetings to ensure that opportunities are given to all Directors to participate and contribute to the decisionmaking process. Robust discussions and vigorous deliberations at Board meetings ensure that the process of constructive and healthy dialogue is achieved.

Directors were impartial in their views, with the Company's and stakeholders' best interests at the forefront of every major decision. Although the minimum quorum for Board meeting is three, Board meetings are mostly attended by all Directors. While a decision of the Board and Board Committees only requires a majority of votes of the Directors, all decisions made are on consensus basis. In the case of a tied vote, the Chairman has a second or casting vote. During the year under review, the Chairman did not need to use his casting vote to pass any resolutions.

The respective Chairmen of the NRC, BAC and BRC also update the Board on the proceedings of their respective Committee meetings. All proceedings of Board meetings are duly recorded in the minutes of meeting and the signed minutes of each Board meeting are properly kept by the Company Secretary. The minutes of each Board meeting are circulated in a timely manner to all Directors for their perusal prior to the minutes being tabled for confirmation at the next Board meeting. The Directors may request for clarification or raise comments on the minutes prior to their confirmation.

The Minutes of Board meetings accurately reflect the deliberations and decisions of the Board, including any dissenting views and if any Directors had abstained from voting or deliberating on a particular matter. Presentations to the Board are prepared and delivered in a manner that ensures clear and adequate understanding of the subject matter. If there are any urgent matters or additional documents that are sent less than five business days, the Management will take the Board through the documents for a more detailed explanation.

All Directors complied with the minimum attendance requirement of at least 50% of Board meetings held during the year under review pursuant to the MMLR. The Directors' commitment in discharging their duties and responsibilities is affirmed by their attendance at the Board meetings held during the year under review. The overall percentage of all Board meetings attended by the Directors during the year under review was 100%. The Board is satisfied with the level of commitment given by the Directors toward fulfilling their roles and responsibilities.

Directors must immediately declare if they have any direct or indirect interest in transactions that are to be entered into with the Company. They must disclose the extent and nature of their interest at a Board meeting or as soon as practicable after they become aware of the conflict of interest. They must abstain from participating in the deliberation and Board decision on the matter as he/she is an interested party.

Relevant members of the Senior Management and external advisers may be invited to attend Board meetings to report and advise the Board on matters pertinent to their respective areas of responsibility. In the event a Director is unable to attend a meeting, his/her views are sought in advance and put to the meeting to facilitate a comprehensive discussion. Each Director therefore makes himself/ herself available to fellow Directors and may contribute to all major decisions that the Board has to make.

Board meetings are convened immediately following the finalisation of the Company's quarterly and annual results for the Board to review and approve prior to announcements to Bursa Malaysia.

The Board is updated on announcements made by the Company to Bursa Malaysia on significant transactions. News coverage on events, analyst reports and matters concerning the Company reported in the media are disseminated to all the Directors as and when required.



Details of attendance of each Director on the Board, Board Committees and 23rd AGM for the financial year ended 31 December 2021 are as follows:

	Meeting Attended/Held					
Name of Directors	Board	BAC	NRC	BRC	AGM	
Non-Independent Non-Executive						
Datuk Md Arif Mahmood	8/8	_	_	_	1/1	
Executive Director						
Datuk Sazali Hamzah	8/8	_	_	_	1/1	
Independent Non-Executive Directors						
Datuk Toh Ah Wah	9/9	4/4	6/6	_	1/1	
Yeoh Siew Ming	9/9	4/4	6/6	7/7	1/1	
Warren William Wilder	9/9	4/4	-	7/7	1/1	
Dr. Zafar Abdulmajid Momin	9/9	4/4	6/6	7/7	1/1	
Non-Independent Non-Executive Directors						
Noor Ilias Mohd Idris	9/9	_	_	7/7	1/1	
Freida Amat	9/9	3/4	_	_	1/1	

2021 saw the Board and Board Committees spending a total of approximately 102 hours in discharging its key fiduciary duties and oversight function and responsibilities.



Board Committees

As part of its efforts to ensure the effective discharge of its duties, the Board has delegated certain functions to certain Committees with their own TORs.

In delegating certain oversight functions to its Board Committees, the Board does not abdicate its responsibility and exercises collective oversight at all times. The Board further ensures that its delegation does not hinder or reduce its ability to discharge its functions. In this regard the Board clearly sets out the division of responsibilities in the respective TORs. The Chairman of the Board is not a member of any Board Committee. The Chairman of all the Committees will report to the Board on the decision or outcome of the Committee meetings.

The TORs of the above Committees are available on the Company's corporate website at www.petronaschemicals.com.

🕒 The reports of the NRC, BAC and BRC are set out on pages 188 to 200 of this Integrated Report 2021.

Board Strategic Conversation (BSC)

During the year under review, four sessions of BSC with the Management Committee of PCG was successfully held. The Board deliberated on long term plan for identified business portfolio based on market outlook and external environment analysis, progress on the Group's strategies and future growth plans as well as sustainability development agenda and plan to achieve net-zero carbon emission by 2050.

Supply and Access to Information

Prior to each Board meeting, the agenda and a set of Board papers encompassing qualitative and quantitative information relevant to the business of the meeting are circulated to all Directors five business days prior to the meeting dates. This enables the Directors to have sufficient time to peruse the Board papers and seek clarification or further details from the Management or the Company Secretary before each meeting to ensure preparedness for the meeting.

Any Director may request any matters to be included in the agenda. Urgent papers may be presented and tabled at a meeting under the item "Any Other Business", upon endorsement by the MD/CEO and approval by the Chairman. The contents of the Board papers prepared are comprehensive and include objectives, background, critical issues, implications, risks assessment and

mitigations, strategic fit, recommendations and other pertinent information to enable informed decision-making by the Board. The quality of information given to the Board is important as it leads to good decision-making. Presentations and briefings by the Management and relevant external advisors, where applicable, were also held at Board meetings to advise the Board. In this regard, relevant information was furnished, and clarification was given to assist the Board in making a decision.

The Directors can access the Board papers online through a secured collaborative software and collaborate with other Board members and the Company Secretary electronically. This software eases the process of distribution of meeting papers and minimises leakage of sensitive information. The online accessibility assists in facilitating the Directors to read and review documents or communicate with other Board members at any time. The Directors have direct access to the Management and have unrestricted access to any information relating to the Group to enable them to discharge their duties. The Directors also have direct access to the advice and services of the Company Secretary and are regularly updated on new statutory and regulatory requirements relating to the duties and responsibilities of the Directors. The Directors, whether as a full Board or in their individual capacity, may seek independent professional advice at the Company's expense in furtherance of their duties.

THE BOARD'S 2021 KEY FOCUS AREAS & PRIORITIES

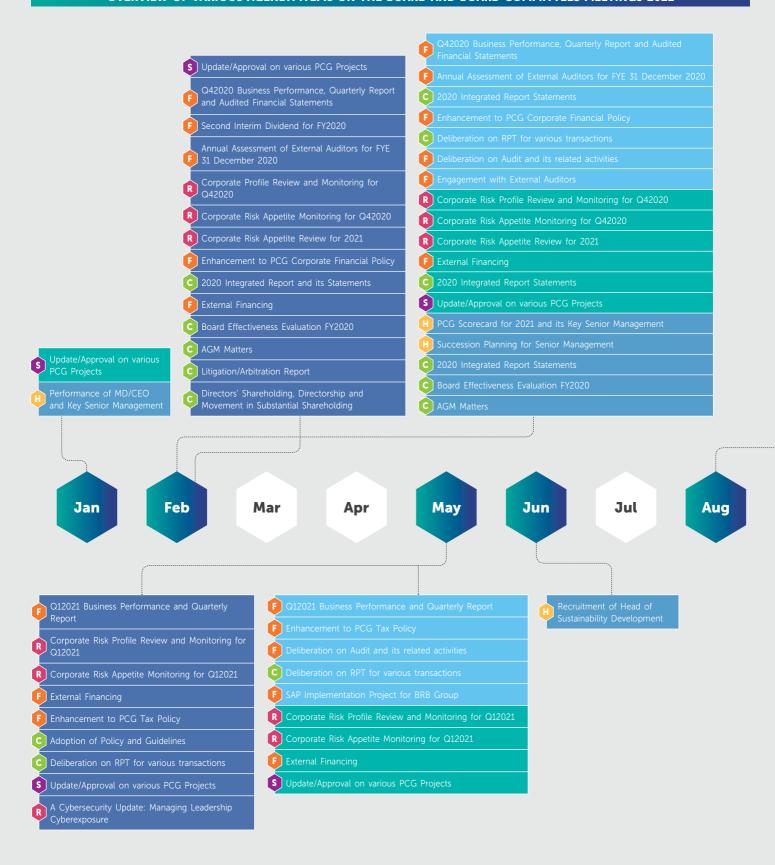
The diagram illustrated below shows the key areas of focus for the Board which appear as items on the Board's agenda at the respective meetings throughout the year. Concentrated discussion of these items assists the Board in making the right decisions taking into account the long-term implications to the business and its stakeholders.

Key focus areas	Description				
Strategy					
Group strategic initiatives and plans	The Board deliberated on strategic initiatives and provided the relevant feedback and directions. The Board also oversaw the conduct of the Company's business and execution of the initiatives against the 2021 target.				
2 Progress of growth projects	The Company's strategic direction, achievements and challenges in pursuing a second-pronged growth strategy via extend value chain, build specialty platform and create optionality for growth were periodically and as and when necessary, updated to the Board for guidance and directions on the way forward.				
	During the year, the Company has sanctioned the establishment of a new sales office in South Korea to meet the growing demand of specialty care market.				
3 Group's Business Plan & Budget	The Board deliberated and approved PCG's business plan and budget which spans over five years. Projections presented to the Board were prepared against market forecasts. Strategic targets and Key Performance Indicators (KPIs) of the Company's three strategic pillars – Operational Excellence, Commercial Excellence and Growth Delivery Excellence – as well as future growth projects and financial forecasts, were also presented to the Board for their deliberation. The Board also deliberated PCG's resource allocation plans and potential challenges towards achieving PCG's aspirations.				

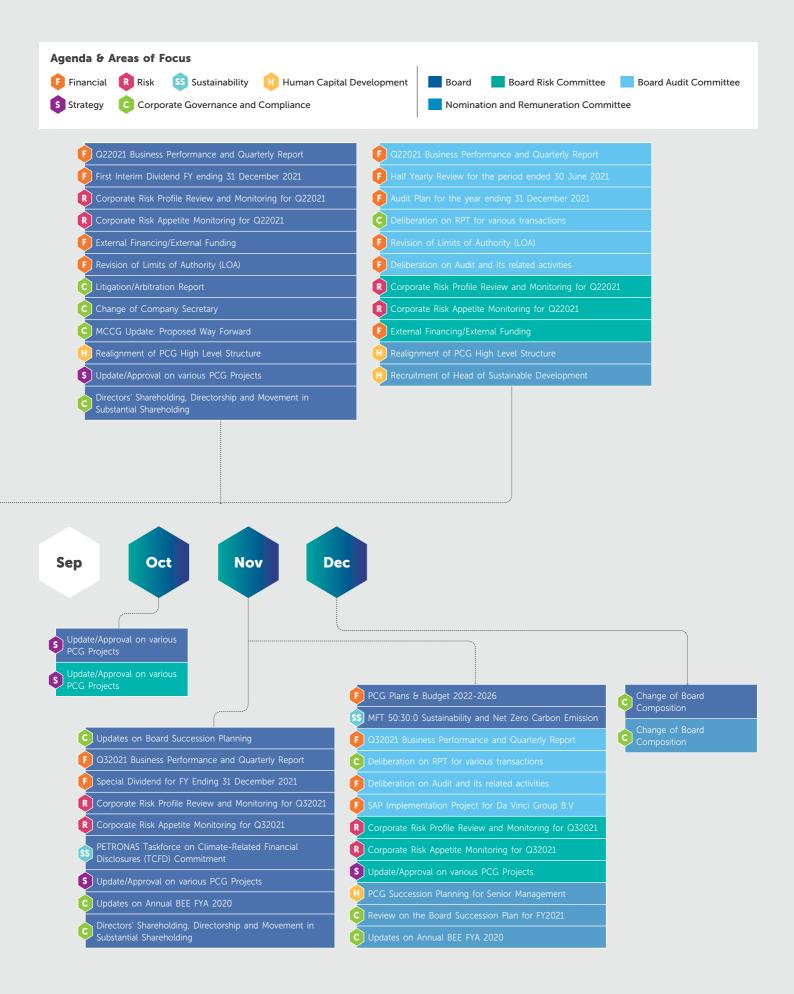


Key	y focus areas	Description
Fin	ancial	
0	Group's performance on Quarterly basis	The business performance report is mandatory to be reported at a quarterly Board meeting Performance is measured and tracked against the approved KPIs. The MD/CEO and Key Management's KPIs and their performance were presented to the Board to oversee, measure and track against the approved KPI targets for the year in achieving the Company's aspiration and objective. On a quarterly basis, the Board was updated on the performance against the business plan targets.
Ris	k	
•	Management of principal risks	The Board deliberated and approved PCG principal risks that may significantly impact PCC business goals and targets. The Board constantly monitors the agreed mitigations to manage or reduce the likelihood and impact of these principal risks. Key risk indicators which provide early warnings of risk manifestation were also reported to the Board.
		In addition, various emerging risks or opportunities resulting from complex internal and external environment were also identified and reported to the Board and subsequently determined if it should be included as one of the principal risks under the PCG Corporate Risk Profile.
		To ensure risks undertaken in pursuit of business objectives are within Board's acceptable level, the Board approved PCG risk appetite which sets its key operational boundaries. Any breach of risk appetite may jeopardise PCG's business sustainability, hence, will be escalated to the Board for deliberation.
		In achieving comprehensive risk-based decision making, the Board also deliberated on the risks related to high impact business matters such as projects' Final Investment Decisions project financing and joint venture arrangement, in order to assess the feasibility and commerciality of these projects and investments.
Coı	rporate Governance and Comp	oliance
0	Implementation and monitoring of succession planning	The Board ensures that there is an appropriate succession plan for members of the Board and Senior Management.
2	Reviewed and monitored the performance of Related Party	The Board reviewed the performance of the related party vendors in respect of the work of services performed during the period from 1 January 2020 until 31 December 2020. A total of 26 assessments were conducted by PCG on all appointed related party vendors within the PCG Group.
3	Related Party Transactions (RPT) and Recurrent Related Party Transactions (RRPT)	The Board reviewed the RPT and RRPT within the PCG Group as to ensure all transaction are at arm's length and were carried out on normal commercial terms and not to the detriment of the minority shareholders. During the period from 1 January 2021 until 31 December 2021, a total of four RPT/RRPTs duly completed contracts entered by PCG Group which were reported to BAC on a quarterly basis.
Sus	stainability	
1	PCG Group Sustainability Agenda	The Company drives sustainability through economic, environmental, social and governance lenses. During the year, the Board discussed on the Net Zero Carbon Emission (NZCE) 2050 Roadmap. The Board also supports PETRONAS' commitment in supporting the Task force for Climate-related Financial Disclosures (TCFD) recommendations.

OVERVIEW OF VARIOUS AGENDA ITEMS ON THE BOARD AND BOARD COMMITTEES MEETINGS 2021







SUSTAINABILITY

The Board acknowledges that our long-term success and continued relevance are dependent on the prosperity and trust of the communities we serve and the environment we operate in. Our financial outcomes are inexorably linked to our ability to manage EES risks and opportunities as much as we recognise that an inclusive society built on human dignity and the responsible use of human capital is essential for all of us to thrive.

The Board together with Management takes responsibility for the governance of sustainability in the Company, including setting the Company's sustainability strategies, priorities and targets. Performance against these clearly set out targets are communicated to the Company's internal and external stakeholders.

In line with the recommendation of the MCCG, the Board takes into consideration the Company's performance in managing material sustainability risks and opportunities when determining the appropriate level of remuneration for Directors and Senior Management.

To demonstrate its commitment that sustainability considerations are integrated into the operations of the Company, the Board ensures that performance evaluations of the Board and Senior Management include a review of their performance in addressing the Company's material sustainability risks and opportunities. The Board considers how well they have performed their respective EES roles, which may include progress against the achievement of sustainability targets set by the Board.

As a Group, the well-being of customers, employees and other stakeholders as well as the environment is crucial to sustaining our long-term performance. The Board factors in these sustainability considerations and ensures that the Company's strategies, priorities and targets are communicated to internal and external stakeholders. As such the Company has incorporated ESG risks and opportunities into its business decisions given their heightened materiality in decision-making considerations of stakeholders. The Group considers the integration of ESG factors as a component of the Board's fiduciary responsibility, and accountable therefore to the oversight and management of sustainability.

PCG's sustainability agenda aims to make it more resilient to disruptions, flexible to change and accountable to the 'triple bottom line' (TPL) of Economic, Environment and Social (EES). The Company views sustainability as an ongoing and rewarding journey which the Company is committed to continuously engage in and undertake.

Our Sustainability Report for 2021 articulates our commitment to improving the Group's sustainability practices so that we are more competitive, more resilient and adaptable to change which has been reinforced amid the unprecedented challenges of COVID-19. The Report sets out in detail the scope of our sustainability reporting and sustainability framework that addresses stakeholder expectations across various sustainability agendas.

Directors' Indemnity

PCG continues to provide and maintain indemnification for its Directors throughout the financial year as allowed under the CA 2016 to the extent it is insurable under the Directors' and Officers' Liability Insurance (D&O) procured by the Company. Directors and Officers are indemnified against any liability incurred by them in discharging their duties while holding office as Directors and Officers of the Company.

All Directors may opt to obtain D&O insurance to provide insurance protection (to the extent it is insurable) against unindemnified liabilities by the Company. The premium to be paid by all Directors is determined by the insurance company.

Succession Plan

The Board has a Board Succession Planning Framework to assist them in particular, the NRC, in ensuring the orderly identification and selection of new Directors in the event of an opening on the Board, whether such opening exists by reason of an anticipated retirement, an unanticipated departure, the expansion of the size of the Board, or otherwise. Such structured succession plan addresses the composition and effectiveness of the Board. In addition to the succession plan for Directors, the NRC also reviews the succession plan for the Senior Management of the Company.

During the year under review, the NRC continued to focus on conducting all relevant reviews for the Senior Management positions. Based on the review of the succession plan, the NRC is satisfied that there is a sufficient talent pool of potential successors for the Senior Management positions.

Onboarding and Continuing Development Programme for **Directors**

All new Directors appointed to the Board received a comprehensive onboarding programme, conducted by members of the Management Committee covering key areas of the business, an overview of the Group's financial risk management processes, the internal audit function, innovation and technology, critical legal areas and the corporate governance framework within the Group. The Directors were also updated on ongoing and potential projects undertaken by the Group. This programme helps the new Directors to familiarise themselves with the Group's businesses. As at the date of this Statement, two newly appointed Directors have attended the onboarding programme.

In line with Paragraph 15.08 of the MMLR, the Directors acknowledge the importance and value of attending conferences, training programmes and seminars in order to keep themselves abreast with the development and changes in the industry in which the Group operates, as well as to update themselves on new statutory and regulatory requirements. All Directors also have attended and participated in programmes, conferences and forums that covered the areas of sustainability, corporate governance, financial, relevant industry updates and global business developments which they considered as useful in contributing to the effective discharge of their duties as Directors. All members of the BAC have also fulfilled the requirement of Practice 9.5 of the MCCG by attending the relevant accounting and auditing standards trainings.





The Directors' participation in seminars and training programmes in various capacities such as delegates and/or speakers are specified in more detailed below:

No	Director	Trainings Programmes/ Conferences Attended	Organiser	Date (2021)
0	Datuk Ir. (Dr.) Abdul Rahim Hashim	Awareness Talk by MACC: Anti-Bribery & Anti-Corruption	Deleum Bhd	3 July
	пазини	Integrity Experience Sharing Session – Tumbuk Rusuk Break the Silence	Deleum Bhd	8 September
		Understanding Financial Statements by PWC	Deleum Bhd	30 November
2	Ir. Mohd Yusri Mohamed Yusof	Innovation Masterclass Cohort 3: Part 1	AWS/PETRONAS	9-11 March
	Monamed Tusor	Innovation Masterclass Cohort 3: Part 2	AWS/PETRONAS	15-17 March
		Innovation Masterclass Cohort 3: Part 3	AWS/PETRONAS	22 March
		Understanding Board Decision Making Process	MISC	12-13 October
		Oil Market Snapshots	Fact Global Energy/ Downstream	20 October
		MISC Group Director's Training 2021	MISC	1 December
		Session on Greenhouse Gas (GHG) Awareness	MISC	6 December
3	Datuk Toh Ah Wah	MIA Audit Committee Conference 2021	Malaysian Institute of Accountant (MIA)	15 & 16 March
		ESG: What matters to you	TRICOR	26 March
		Asia-Pacific Board Leadership Centre: Board and Audit Committee Priorities 2021	KPMG	7 May
		Corporate Board Leadership Symposium 2021	MIA	22 & 23 June
		4 th Asia Leadership Forum: From Principle to Practice: The Pandemic Leadership Essentials	Centre for Asia Leadership	30 June & 1 July
		Board Excellence Programme: Advanced 2: Effective Strategy for Stakeholder Management	PETRONAS	5 & 6 July
		Getting it Right at the Board: What does it take	Malaysian Institute of Corporate Governance (MICG) & 30% Club	18 August
		Corporate Liability: S17A of the MACC Act: The Ultimate Vaccine for Corruption in Private Sector	MIA	26 August
		PETRONAS 6 th Audit Committee Forum: Crisis Management: The Future is Now	PETRONAS	7 September
		Climate Change, Reporting & Sustainability Trends: The Inter-Links towards addressing Sustainability Development Goals & Climate Change	MICG	8 September
		Basics of Climate Change & Organisational Greenhouse Gas Accounting	MIA	27 & 28 October
		AOB Conversation with Audit Committees	Securities Commission	29 November
		Specialty Chemicals Strategy Workshop	PCG	17-18 December

No	Director	Trainings Programmes/ Conferences Attended	Organiser	Date (2021)
4	Yeoh Siew Ming	Personnel Security	E-Learning	12 February
		Emergency & Crisis Management Awareness		9 March
		Audit Committee Conference 2021	MIA	15-16 March
		Asia-Pacific Board Leadership Centre Webinar: Board and Audit Committee Priorities 2021	KPMG	7 May
		Enterprise Value Creation	Good Governance Academy	13 May
		Global Economic Outlook – The Post-Covid Recovery	ACCA	14 May
		Implementing Amendments in The Malaysian Code of Corporate Governance	Asia School of Business	14 June
		Petronas Board Excellence Advanced 2 Programme – Effective Strategy For Stakeholder Management	PETRONAS	5-6 July
		Launch of the 2020 Malaysian Board Practices Review Report	ICDM	8 July
		The 6 th PETRONAS Board Audit Committee ("BAC") Forum	PETRONAS	7 September
		Webinar on Climate Change, Reporting and Sustainability Trends: The Inter-Links Towards Addressing Sustainable Development Goals and Climate Change	MICG	8 September
		SC's Audit Oversight Board Conversation with Audit Committees	Securities Commission Malaysia	29 November
		Specialty Chemicals Strategy Workshop	PCG	17-18 December
5	Warren William Wilder	PETRONAS Board Excellence Programme: Advance 2: Effective Strategy for Stakeholder Management	PETRONAS	5 & 6 July
		Specialty Chemicals Strategy Workshop	PCG	17-18 December



No	Director	Trainings Programmes/ Conferences Attended	Organiser	Date (2021)
6	Dr. Zafar Abdulmajid	Nominating and Remuneration Committees: Beyond Box-Ticking and Enhancing Effectiveness	Asia School of Business (ASB)	15-16 March
	Momin	PETRONAS Board Excellence Programme: Advance 2: Effective Strategy for Stakeholder Management	PETRONAS	5 & 6 July
		The 6 th PETRONAS Board Audit Committee Forum	PETRONAS	7 September
		Webinar on Climate Change, Reporting and Sustainability Trends: The Inter-Links Towards Addressing Sustainable Development Goals and Climate Change	MICG	8 September
		Petrochemical Industry Fundamentals Course	IHS Markit	21-22 September
		Chemical Week's Financial Outlook & Sustainability Forum & Awards	IHS Markit	17-18 November
		Specialty Chemicals Strategy Workshop	PCG	17-18 December
7	Datuk Sazali Hamzah	Crisis Management Leadership Conversation with Downstream Executive Leadership Team (DELT)	PETRONAS	12 January
		Top Leaders Dialogue 2021: Session 1	PETRONAS	22 February
		Innovation Masterclass Cohort 2: Part 1	AWS/PETRONAS	9-11 March
		Innovation Masterclass Cohort 2: Part 2	AWS/PETRONAS	15-17 March
		Innovation Masterclass Cohort 2: Part 3	AWS/PETRONAS	22 March
		Top Leaders Dialogue Special Edition 2021	PETRONAS	22 June
		Board & Management Strategy Retreat 2021: Specific Spaces for Growth	PETRONAS	27 September
		Top Leaders Dialogue Session #3 2021: Physical Attendees	PETRONAS	8 December
		Specialty Chemicals Strategy Workshop	PCG	17-18 December
8	Freida Amat	How Governance Gets Procurement Fit for the Future	MICG	26 February
		Audit Committee Conference 2021	MIA	15-16 March
		The 6 th PETRONAS Board Audit Committee Forum	PETRONAS	7 September
9	Noor Ilias Mohd Idris	Webinar on Rethinking Corporate Risk to Manage Market Uncertainty	MICG	15 March
		Specialty Chemicals Strategy Workshop	PCG	17-18 December

Qualified and Competent Company Secretaries

The Company have two company secretaries who are qualified to act as company secretary in accordance with Section 235 of the CA 2016. During the year under review, Hasnizaini Mohd Zain vacated her position as Company Secretary effective 26 August 2021 and was replaced by Azira Marini Ab Rahim, a Company Secretary by profession. With this appointment, the Secretaries of the Company are Azira Marini Ab Rahim and Kang Shew Meng. Both act as advisors to the Board, particularly with regard to the Company's Constitution, policies, corporate governance and procedures and its compliance with regulatory requirements, codes, guidelines and legislations.

The Company Secretaries ensure that discussions and deliberations at the Board and Board Committee meetings are well documented and subsequently communicated to the relevant Management for appropriate actions.

The Company Secretaries constantly keep abreast of the evolving regulatory changes and developments in corporate governance through continuous training. During the year under review, the Company Secretaries have attended the following trainings:

Name	Development Programme Attended	Organiser	Date (2021)
Azira Marini	Key Disclosures Obligation of a Listed Company	CKM Advisory Sdn Bhd	5 & 6 May
Ab Rahim	Common Pitfalls in Transactions and RPT Rules	CKM Advisory Sdn Bhd	24 & 25 May
	PDM Part IA Companies Act 2016: Refresh & Update PETRONAS & Its Business Organisation PETRONAS Board Governance and Decision-Making in PETRONAS	PETRONAS	8 July
	PDM Part IB Directors' Duties & Responsibilities Appointment & Resignation of Directors in PETRONAS Announcement to Bursa Malaysia Berhad	PETRONAS	9 July
	PDM Part IIA Incorporation of Company Alteration to the Company's M&A Equity Funding: Redeemable Preference Shares Board and Members Meetings	PETRONAS	2 August
	PDM Part IIB Conflict of Interest Related Party Transactions	PETRONAS	3 August
	PDM Part IIIA Stock Exchange & The Malaysian Listing Requirements	PETRONAS	13 August
	Webinar Series: Chapter 10 – Transactions With 3 rd Party and Related Party	MAICSA	13 December
Kang Shew Meng	SSM National Conference 2021 On Governing Under New Normal	SSM	24 August
	MAICSA Annual Conference 2021: The New Norm: Managing Disruption – Resilience and Recovery	MAICSA	6 & 7 October
	In-House Training on Removal of Director	In-House Training	9 December

In this regard, both the Company Secretaries are qualified and competent in their roles. The Board is satisfied with the performance and support rendered by the Company Secretaries to the Board in discharging their functions.

Board Effectiveness Evaluation

The Board Effectiveness Evaluation (BEE) is to evaluate the performance of Board/Board Committees/Members of the Board as well as identifying any gaps or areas of improvement, where required. Every year, under the purview of the NRC, a formal evaluation is undertaken to assess the effectiveness of the following:

- Group Dynamics & Effectiveness
- Structure and Composition
- Communications

The BEE focuses on maximising the effectiveness and performance of the Board and its Committees in the best interests of the Company.



Board Effectiveness Evaluation 2021

The BEE 2021 was conducted by an external independent third-party leadership consulting firm which covered the Board, Board Committees, Peers and Self Evaluations of the Board members. The evaluation process covered a variety of aspects associated with Board effectiveness, including among others, the composition of the Board and Board Committees and Board working relationships. The assessment criteria were anchored on governance framework, best practices as well as industry norms.

The BEE 2021 was carried out through questionnaires and 1-on-1 interview sessions with Board members. The interview sessions allowed consultants from the independent third-party leadership consulting firm to explore selected issues in an in-depth manner to garner first-hand insights.

The evaluation also entailed an assessment of each individual Director with a focus on their capabilities. Completed questionnaires were routed directly to independent third-party leadership consulting firm without any intermediation by the Management.

Feedback and inputs from selected Management Team on the performance of the Board were also obtained. The BEE focused on maximising the effectiveness and performance of the Board and its Committees in the best interests of the Company.

As a culmination to this exercise, the independent third-party leadership consulting firm prepared a report on the performance of the Board, Board Committees and individual Directors, assessed against other large companies in their benchmark repository covering a wide cross-section of industries. The Board, through the NRC, reviewed the outcome of BEE 2021 and noted that PCG continued to be led by an effective, committed and talented Board, helmed by a highly capable and progressive Chairman. The Board and Board Committees are also committed to the highest standards of good governance and continues to be seen as an excellent Board and Board Committees with outstanding support from the Management.

In line with Practice 6.1 of MCCG, the Company had engaged a third-party consultant for the BEE 2021, where the results were presented to the Board on 24 February 2022. The Board noted the findings and areas that necessitated further improvements.

Amongst the key areas for improvement highlighted in the BEE 2021 is for the Board to enrich its composition further by onboarding INEDs with expertise in sustainability and specialty chemicals to support the Company's sustainability agenda and future growth.

Directors' Remuneration

Our approach on Directors' fees which is aligned to our strategic objectives, allows us to attract, motivate and retain high calibre talent. The design of our fees structure complies with regulatory requirements, embraces market practices and trends, and provides attractive and balanced rewards.

The Board has established a formal and transparent Directors' Remuneration Framework which comprises retainer fees, meeting allowances and benefits in-kind. In compliance with Section 230(1) of the CA 2016, the resolution on the payment of the following Directors' fees from the 23rd AGM until the forthcoming AGM was tabled for shareholders' approval:

	Director's				
	Fee (per annum) (RM)	BOD (RM)	Committee (RM)	Fuel (per annum)* (RM)	
Chairman	288,000	3,500	3,500		
NINED	144,000	3,500	3,500		
INED	144,000	3,500	3,500		
INED (Special Skill)	144,000	3,500+ (Special Fee = Between 1 to 5 times multiple of meeting attendance fee)	3,500	6,000	

^{*} NINED who are employees of PETRONAS are not eligible for Fuel Allowance

The Director's fees and meeting allowances for NINEDs who are employees of PETRONAS, are paid directly to PETRONAS. The fees and allowances for NEDs will remain until further review by the Board and are subject to the approval of the shareholders of PCG.

The Company also reimburses all expenses incurred by the Directors, where relevant, in the course of carrying out their duties as Directors

The breakdown of the detailed Directors' remuneration is disclosed in the Corporate Governance Report 2021, which is accessible to the public at Company's corporate website, www.petronaschemicals.com.

Datuk Sazali Hamzah, the former MD/CEO and Executive Director of the Company was not entitled to receive directors' fee or meeting allowances. During the year under review, he was remunerated an amount of RM1,289,436 as MD/CEO of PCG.

Senior Management's Remuneration

The remuneration philosophy reflects the Group's commitment to be compliant with the best practices in the areas of remuneration, retention and reward to ensure that the Group attracts and retains exceptional talent. The remuneration packages and incentives are regularly evaluated against market-related surveys.

PETRONAS Remuneration Philosophy and Guiding Principle



The Senior Management are employees of PETRONAS who are seconded to the Company. Their remuneration has been benchmarked with the industry and is aligned with the market.

The Board acknowledges that there is a departure from Practice 8.2 of the MCCG (disclosure on a named basis the top five Senior Management's remuneration components). This is in line with PETRONAS approved Group Positioning. As of now, PCG does not have any plan to fully disclose the detailed remuneration of the Senior Management.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

ACCOUNTABILITY AND AUDIT

Financial Reporting

Financial procedures and standards have been put in place to assist the Board in discharging its duty of ensuring that the Company maintains adequate and accurate records for purposes of timely reporting of its financial statements. Ultimately, this results in better stakeholder communication enabling them to have informed assessment of the Company's performance and future prospects.

For the year under review, no accounting irregularities were reported by either internal or external auditors.

The Board is committed to provide a fair and objective assessment of the financial position and prospects of the Group in the quarterly financial results, annual financial statements, Annual Reports and all other reports or statements to shareholders, investors and relevant regulatory authorities.



R The Statement of Responsibility by Directors in respect of preparation of the annual audited financial statements is set out on page 3 of the Financial Report

Risk Management and Internal Control

The Board assumes responsibility for the effective management of risks across the Company, determining its risk appetite as well as ensuring the implementation of adequate and appropriate internal controls throughout the Company. In the discharge of this responsibility, the Board reviews its risk management processes and internal control procedures to ensure a sound system of risk management and internal control to safeguard shareholders' investments and the assets of the Company.

Apart from having oversight of the Company's risk management, internal control and financial reporting, the BRC and the BAC also ensure the required in-depth review into specific financial, operational and regulatory areas of the Company's business.

The Board confirms that it has monitored the Company's risk management and internal control system and that there is a process in place to identify, evaluate and manage the significant risks faced by the Company.

The Company's system of internal financial control is primarily aimed at safeguarding the Company's assets, ensuring proper accounting records are kept, identifying and managing business risks and maintaining compliance with appropriate legislation and regulations.

The Board continues to maintain and review its risk management processes and internal control procedures to ensure a sound system of risk management and internal control to safeguard shareholders' investments and the assets of the Company and the Group.

The Statement on Risk Management and Internal Control provides an overview of the risk management and internal controls within the Group and further details can be found on pages 201 to 215 of this report.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

COMMUNICATING EFFECTIVELY WITH STAKEHOLDERS AND INVESTORS

Regular communication and engagement between stakeholders and the Company are critical for the sustainable growth of the Company's business as this gives stakeholders a much better insight of the Company and facilitates mutual understanding of each other's expectations. As such, the Company have consistently maintained an open dialogue with relevant stakeholder groups such as regulatory agencies, employees, shareholders, investors, consumers and general public, non-governmental associations, industry and trade associations and suppliers. Their views and concerns on the Company's business, its policies on governance, the environment and social responsibility are given due consideration in the Company's decision-making process.

The Board recognises the importance of conducting regular and effective dialogue with shareholders and investors. The two-way communication with the shareholders enables the Company to evaluate views and feedback that are incorporated into decisionmaking process. The Company's annual investor relations engagement programme ordinarily includes one-to-one meetings, plants or site visits, analysts' briefings, the AGM as well as participation in conferences and non-deal roadshows. With the ongoing pandemic and movement restriction order, the Company has continued to hold off all physical engagement activities in favour of interactive virtual communication. 2021 marks the 2nd year that the Company has conducted the AGM virtually using Remote Participation Voting (RPV) platform which was attended by 947 shareholders.

In 2021, the MD/CEO, Chief Financial Officer and other members of Senior Management hosted four Analyst Briefings for the Company's financial results, during which, participants were updated on operational, commercial and financial performance. Additionally, they were updated on the progress of the Company's growth projects & plans, ongoing COVID-19 impact and the Group's sustainability efforts.

The Board believes its practices in this area are consistent with the MCCG's provisions concerning dialogue with shareholders.

Investor Relations' (IR) activities 2021

Quarterly Analyst briefings:

Event	Date (2021)
2020 Financial Results	23 February
2021 Financial Results	27 May
2021 Financial Results	25 August
2021 Financial Results	22 November



Investor Engagement & Corporate events:

No.	Event	Organiser	Date (2021)	Format
0	CGS-CIMB 13 th Annual Corporate Day	CGS – CIMB	6 January	Virtual Conference
2	RHB Thematic Webinar: Integrated Oil & Gas	RHB	27 March	Virtual Conference
3	Citic CLSA ASEAN Access	Citic CLSA	30 March	Virtual Conference
4	Nomura Investment Forum Asia (NIFA) 2021	Nomura	2 June	Virtual Conference
5	UBS OneASEAN Virtual Conference 2021	UBS	18 June	Virtual Conference
6	Nomura ASEAN Virtual Conference	Nomura	12 October	Virtual Conference
7	ESG session with PNB	CGS-CIMB	15 October	Conference Call
8	Nomura Virtual Malaysia Company Corporate Day 2021	Nomura	21 October	Virtual Conference
9	UBS Asia Energy, Utilities and Materials Virtual Conference 2021	UBS	24 November	Virtual Conference

The IR department is headed by Zaida Alia Shaari, who holds a Certificate of Investor Relations (CIR) from the UK IR Society. She started her career in IR in 2012 when she headed the IR function in FGV Holding Berhad during its Initial Public Offering exercise. Prior to joining PCG in July 2017, she was the Head of IR for Malakoff Corporation Berhad. The IR department provides the communication channel through which the Management team and the investment community interact. The Head of IR is the focal contact person for analysts, fund managers, potential investors and other stakeholders when seeking information and updates on PCG.

In addition, the Company actively updates its corporate website, www.petronaschemicals.com with the latest information on the corporate and business aspects of the Group. Press releases, announcements to Bursa Malaysia, media conference post AGM, analyst briefings and quarterly results of the Group are also made available on the website, and this serves to promote accessibility of information to the Company's shareholders and all other market participants. Communication and feedback from investors can also be directed to email address petronas.com or alternatively, it can be addressed to:

ZAIDA ALIA SHAARI

Head of Investor Relations Tel : 03-2392 3699

Email: petronaschemicals_ir@petronas.com

In addition, matters of concern to the Group from shareholders or other stakeholders can be addressed to the SID, who is also the Chairman of the NRC directly to the following address:

DATUK TOH AH WAH

Senior Independent Director

Email: petchem.sid@petronas.com

Annual General Meeting

The AGM is the principal forum of open dialogue with shareholders. The notice and agenda of our 23rd AGM together with the Forms of Proxy were given to shareholders thirty days before the AGM, which gave shareholders sufficient time to prepare themselves to attend the AGM or to appoint proxies to attend and vote on their behalf. Each item of special business included in the notice of the AGM was accompanied by an explanatory statement on the effects of the proposed resolution.

In view of COVID-19 pandemic conditions, the 23rd AGM was convened on 22 April 2021 and was conducted fully virtual. This is in line with the Securities Commission Guidance Note on the Conduct of General Meetings for Listed Issuers issued on 18 April 2020 (including any amendment that have been made from time to time) to ensure companies can continue to fulfil their obligation under the law and to shareholders during this pandemic.

The Company had notified the shareholders on the conduct of the AGM virtually via the RPV application, together with the instructions in the Administrative Guide. The same was also published through the announcement to Bursa Malaysia and the Company's corporate website respectively.

During the virtual AGM, the MD/CEO presented a comprehensive review of the Group's performance initiatives and value created for shareholders. This review was supported by a visual and graphical presentation of the key points and financial figures. Before the AGM, shareholders were encouraged and given sufficient opportunity as well as time by the Board to submit questions pertaining to the Integrated Report, resolutions being proposed and the business of the Company or the Group in general prior to seeking approval from members and proxies on the resolutions. The Board, Senior Management, and external auditors, were also present virtually at the AGM to provide answers and clarification to shareholders. There was active engagement between the Board and shareholders and there was opportunity for shareholders to

have real-time interaction with the Board and the MD/CEO. Questions which were posed by shareholders were responded to. Answers to the queries by MSWG prior to the AGM were also shared with the shareholders and the same were uploaded onto the website prior to the AGM day.

The Company received 68 live questions and 33 pre-submitted questions from shareholders. Out of the 101 questions, the Company addressed 94 questions during the AGM and the responses for the remaining guestions were published in the Company's corporate website after the meeting.

Pursuant to Paragraph 8.29A of the MMLR, each resolution to be tabled at an AGM is to be voted by poll. At the 23rd AGM, PCG had engaged Tricor Investor & Issuing House Services Sdn Bhd as the Poll Administrator and Boardroom Corporate Services Sdn Bhd as Independent Scrutineer for conduct of poll via e-Vote application. The Board also encouraged active participation by the shareholders and investors during the AGM. The total number of shareholders and proxies who had logged in through the RPV was 947, which represented a total of 7,438,742,070 shares.

The complete minutes of the AGM detailing the meeting's proceedings including issues or concerns raised by shareholders and a summary of the key matters discussed were made accessible to the public on the Company's corporate website at www.petronaschemicals.com.

INTEGRITY AND ETHICS

The Board is committed to a corporate culture that encompasses and embraces ethical conduct within the Group by adopting numerous policies which serve to achieve this commitment.

Code of Conduct and Business Ethics

The Group adopts and practises the PETRONAS Code of Conduct and Business Ethics (CoBE) which emphasises and advances the principles of discipline, good conduct, professionalism, loyalty, integrity and cohesiveness that are critical to the success and well-being of the Group. The CoBE contains detailed policy statements on the standards of behaviour and ethical conduct expected of each individual of the Group. The Group also requires that contractors, sub-contractors, consultants, agents and representatives, and others performing work or services for or on behalf of the Group to comply with the relevant parts of the CoBE when performing such work or services. The CoBE expressly prohibits improper solicitation, bribery and other corrupt activities not only by employees and directors but also by third parties performing work or services for or on behalf of companies in the Group. The CoBE is accessible to the public on the Company's corporate website at www.petronaschemicals.com.

Anti-Bribery and Corruption Policy

With the adoption of the Anti-Bribery and Corruption (ABC) policy, PCG also practices a zero-tolerance policy against all forms of bribery and corruption. The ABC policy elaborates upon those principles and provides guidance to employees on how to deal with improper solicitation, bribery and other corrupt activities and issues that may arise in the course of conducting business. The ABC policy is also applicable to all employees, directors, contractors, sub-contractors, consultants, agents, representatives and others

performing work or services for or on behalf of PCG. The Company had organised series of refresher trainings including the e-learnings, and communication campaigns for all staff in 2021. It was attended by 1,800 participants. Among the topics discussed at the refresher training were Integrity, Industrial Relations at Workplace, Corporate Liability, and CoBE.

Corporate Liability

Taking cognisance of the introduction of corporate liability in the recent amendment to the Malaysian Anti-Corruption Commission Act 2009 (MACC Act 2009), which came into force on 1 June 2020, the Company has taken proactive actions to ensure that it has adequate procedures in place designed to prevent associated persons from undertaking conduct that would trigger the liability under the newly introduced Section 17A of the MACC Act 2009. The corporate liability provision criminalises a company based on illegal actions taken by the employee, for the benefit of the company unless the company can demonstrate presence of adequate procedures by the company to prevent such illegal actions. The Company implemented its anti-bribery and corruption programmes and controls around the T.R.U.S.T values and principles, guided by the Guidelines on Adequate Procedures issued by the Prime Minister's Department.

Throughout the year in review, groupwide communications were high on the agenda with tone from the top messaging from the top management of PETRONAS. It plays an instrumental role in raising awareness of transparency and integrity by promoting awareness campaigns entitled "Leaders Speak Integrity" to all PETRONAS employees including the employees of PCG, with key emphasis on the efforts and commitment in implementing best practices and integrity in its day-to-day operations and business transactions.



R For more details on the ABC policy, please refer to the Company's corporate website at www.petronaschemicals.com.

Whistleblowing Policy

The Company has adopted the PETRONAS Whistleblowing Policy which provides an avenue for the Group's employees and members of the public to disclose any improper conduct in accordance with the procedures as provided under the policy.

The Whistleblowing Policy was further enhanced in 2021 to comply with Guidelines on Adequate Procedures under Section 17A(5) of the MACC Act 2009. The Whistleblowing Policy encourages staff and members of the public that disclosures are secure and dealt with, confidentially, and through our accessible whistleblowing channels, which are operated with the highest standards of integrity and accountability. The Whistleblowing Policy provides clarity on the oversight and responsibilities of the whistleblowing process, the reporting process, protection to whistleblowers and the confidentiality afforded to whistleblowers globally.

The policy and procedures are accessible to the public on the Company's corporate website at www.petronaschemicals.com. To lodge a report for any improper conduct, please email whistle@petronas.com.



R Further details on the Whistleblowing Policy can be found on page 213 under the Statement on Risk Management and Internal Control



Trading on Insider Information

On a quarterly basis, the Company Secretary issues a Notice of Closed Period to Directors and Management Committee, highlighting the requirements with regard to dealing in the Company's shares during "Closed Period"/"Outside Closed Period" as they are in possession of price sensitive information relating to PCG. There were no trading activities undertaken by the Board nor the Principal Officers of the Company during the year under review. The above information was presented to the Board on a quarterly basis, for notation.

Selection of Vendors

The Group has adopted the PETRONAS tendering process and governing principles that are embedded in the PETRONAS Tenders & Contracts Administrative Manual for vendors' selection. Generally, the main selection criteria are based on technically acceptable and commercially attractive bid.

Tender Committees have been established to carry out independent review on evaluation of bidders' proposals and to ensure tendering activities are carried out in accordance with the established guidelines and procedures. Only with the endorsement of the Tender Committees will the award recommendation be forwarded to the approving authority for consideration and approval.

The tendering processes are as follows:



RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST SITUATIONS

All RPTs including RRPTs entered into by the Company, or its subsidiaries are reviewed by the BAC. The Company has established its Guideline and Procedures on RPT and conflict of interest situations to strengthen its internal control. Further refinement on process flows and procedures through RPT Assessment checklist have been incorporated for each step of approval, monitoring and reporting of RPTs/RRPTs prior to endorsement by the BAC. The Statement on Risk Management and Internal Control (SORMIC) provides a comprehensive overview of the Group's policies and procedures on RPTs and RRPTs. Further details on SORMIC can be found on pages 201 to 215 of this report.

RELATIONSHIP WITH EXTERNAL AUDITORS

External Auditors

Through the BAC, the Company maintains a professional and transparent relationship with its external auditors, KPMG PLT. The BAC met the external auditors twice during the year under review to assess the scope and adequacy of the Group's audit plan, process and audit findings. The BAC also met the external auditors twice during the year under review without the presence of the Management. At the meetings, the external auditors highlighted to both the BAC and the Board on matters that warrant their attention

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors have provided assurance that the financial statements prepared for each financial year give a true and fair view of the state of affairs of the Company and the Group as at the end of financial year and of the results and cash flow of the Group for the financial year as required by the CA 2016. The Statement of Responsibility by Directors for the audited financial statements of the Company and Group is as outlined on page 3 of the Financial Report.



R Details of the Company and the Group's financial statements for the financial year ended 31 December 2021 are set-out on pages 9 to 85 of Financial Report.

STATEMENT BY THE BOARD ON COMPLIANCE

The Board has deliberated, reviewed and approved this Statement and is satisfied that the Group has fulfilled its obligations under the relevant paragraphs of the MMLR of Bursa Malaysia, CA 2016, MCCG, CG Guide - 4th edition issued by Bursa Malaysia Berhad and other applicable laws and regulations throughout the financial year ended 31 December 2021.

The Board is also satisfied that the Company has adopted the practices and has applied the key Principles of the MCCG for the year under review. Details of how the Company has applied the MCCG Principles and complied with its Practices are set out in the CG Report. The explanation for the departures is further elaborated in the CG Report.

Additional Compliance Information - Material Contracts

There were no material contracts or loans entered into by the Company or its subsidiaries involving Directors' or major shareholders' interests, either still subsisting at the end of the year ended 31 December 2021 or entered into since the end of the previous period, except as disclosed in the Audited Financial Statements.

This statement is made in accordance with the resolution of the Board of Directors dated 24 February 2022.

DATUK IR. (DR.) ABDUL RAHIM HASHIM

Chairman

NOMINATION AND REMUNERATION COMMITTEE REPORT



The Nomination and Remuneration Committee (NRC) is mandated by the Board to oversee all aspects of succession planning, remuneration and performance of directors and senior management.

TERMS OF REFERENCE

The NRC is governed by its Terms of Reference (TOR), which is in line with the requirements of the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Malaysia) and the Malaysian Code on Corporate Governance (MCCG). The TOR was reviewed and updated in February 2022 to reflect relevant changes to the MCCG. The TOR of the NRC is accessible to the public on the Company's corporate website at www.petronaschemicals.com.

COMPOSITION

The NRC comprises solely Independent Non-Executive Directors (INED), in compliance with the requirement of Paragraph 15.08A(1) of the MMLR, which provides that the NRC must comprise exclusively non-executive directors, a majority of whom must be independent. The NRC also observes the recommendation of Practice 5.8 of MCCG, where the NRC is chaired by the Senior Independent

The NRC was established to enhance the efficiency and transparency of the Company's governance processes and to assist the Board in matters regarding, among others, the nomination and appointment of Directors and key management personnel. For practical purposes, PCG has opted to combine the nomination and remuneration committee into one committee. In carrying out its duties and responsibilities, the NRC has the following authority:

- To seek any information it requires from the Company's employees, officers and/or from external parties;
- To engage external consultants and other advisers or otherwise obtain independent legal or other professional services it requires, at the expense of the Company; and
- To request sufficient resources to undertake its duties including access to the Company Secretary.

ROLE AND PHILOSOPHY

The principal responsibilities of the NRC are, amongst others, reviewing the composition, skills and competencies of the Board, assessing the independence of the Independent Directors, evaluating the performance and effectiveness of the Board as a whole, Board Committees and individual Directors and identifying and nominating suitable candidates for appointment to the Board. It also recommends to the Board the re-election/retention of Directors and reviews the succession planning for the Board and Senior Management.

MEETINGS AND ATTENDANCE

NRC convened six meetings during the financial year 2021. Three out of six meetings were special meetings. Due to the COVID-19 pandemic, the NRC meetings continued to be held via an online platform. During the year under review, five meetings were held virtually and one meeting was held via a hybrid meeting arrangement. The Managing Director/Chief Executive Officer (MD/CEO) and the Head of Human Resource Management Division and any other persons deemed necessary by the NRC are invited to attend and be present for deliberations which require their input or advice. The Company Secretary acts as Secretary to the NRC.

The NRC meetings for the financial year 2021 were pre-scheduled in November 2020, to facilitate the members in planning ahead and incorporating the NRC meeting dates into their respective schedules. This also serves to provide the members with ample notice of the meetings. The agenda and a set of meeting papers encompassing information relevant to the business of the meeting were distributed to the NRC members via a secured collaborative software no less than five business days from the date of each meeting. The online accessibility assists in facilitating the NRC members to read and review documents or communicate with other NRC members at any time.



NOMINATION AND REMUNERATION COMMITTEE REPORT

All proceedings of the NRC meetings are duly recorded in the minutes of each meeting and the signed minutes of each NRC meeting are properly kept by the Company Secretary. Minutes of the NRC meeting are tabled for confirmation at the next NRC meeting, after which they are presented to the Board for notation.

	Members and their Attendance						
1	Datuk Toh Ah Wah Chairman, Senior Independent Director (SID)	•	Number of Meetings Attended: 6/6				
2	Yeoh Siew Ming Independent Non-Executive Director	(Number of Meetings Attended: 6/6				
3	Dr. Zafar Abdulmajid Momin Independent Non-Executive Director	•	Number of Meetings Attended: 6/6				

FUNCTIONS OF THE NRC AND RELATED ACTIVITIES IN 2021

Board Succession Plan

The NRC has the responsibility in ensuring appropriate succession planning for Directors and reviewing the Board's required mix of skills and experience, which includes review of the tenure of Independent Directors on the Board and proposals for retirement and/or re-election of Directors.

During the year under review, the NRC conducted the relevant process in assessing and nominating potential candidates in its continuing efforts to increase the number of Independent Directors. Once a potential candidate has been shortlisted for appointment, the Company Secretary will undertake comprehensive background screening on the financial and character integrity of the candidate.

The NRC also discussed the latest amendments to the MCCG issued in April 2021. Two of the recommended practices by MCCG that required attention by the NRC are for the PCG Board to have a majority of Independent Directors and 30% women directors.

The NRC also reviewed the tenure of its Independent Director as part of PCG's succession planning exercise. In this regard, a director search will be initiated one year prior to the planned vacancy so as to ensure a seamless handover of responsibilities.

MD/CEO and Senior Management Succession Plan

The NRC is tasked to overseeing the development of a succession plan for the MD/CEO and Senior Management. During the year under review, the NRC continued with its focus on the Senior Management positions of the Company and conducted all relevant reviews and assessments for the positions. The NRC is satisfied that there is a sufficient talent pool of potential successors for PCG's Senior Management and that for critical positions, external talents will be recruited if there are no suitable internal talents. The NRC also highlighted to the Board the importance of an effective and robust human capital planning and talent development, which are vital in delivering to the Company the best available talent for its future success.

Directors' Re-election and Re-appointment

Taking into consideration the relevant requirements, the Directors' rotation list was presented to the NRC for endorsement prior to recommendation to the Board. The affected Directors were also required to give their consent on their re-election prior to PCG's Board meeting.

The Company's Constitution permits the Board to appoint a person to be a director of the Company at any time either to fill a casual vacancy or as an addition to the existing directors. A candidate who has been appointed as director must seek re-election at the next AGM.

The Company's Constitution further provides for rotation of Directors, whereby one-third of the Directors are to retire at every AGM. In line with Article 107 of the Company's Constitution, Noor Ilias Mohd Idris and Freida Amat are the Directors representing one-third and have been longest in office since their last election. Noor Ilias Mohd Idris and Freida Amat have expressed their intention to retire at the conclusion of the 24th AGM. In view thereof, they will retire from office upon the close of the 24th AGM of the Company.

There were two new appointments since the last $23^{\rm rd}$ AGM namely Datuk Ir. (Dr.) Abdul Rahim Hashim and Ir. Mohd Yusri Mohamed Yusof, both whom shall retire and shall be considered for re-election pursuant to Article 100 of the Company's Constitution. These Directors are recommended for re-election by the NRC and the Board and have given their consent for the re-election at the $24^{\rm th}$ AGM.

MD/CEO and Senior Management Performance Appraisal

During the year under review, the NRC deliberated on the MD/CEO and the following Senior Management's 2021 scorecard and their performance against the set targets:

- · Chief Financial Officer;
- Chief Manufacturing Officer;
- · Chief Commercial Officer;
- Head, Strategic Planning & Ventures; and
- · Head of Internal Audit

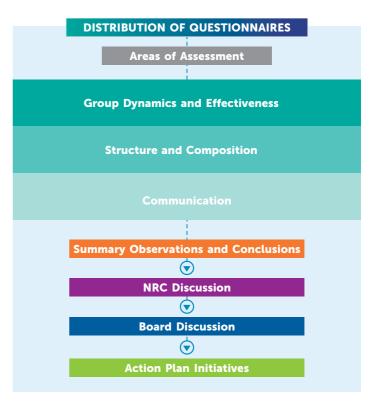
NOMINATION AND REMUNERATION **COMMITTEE REPORT**

Board Effectiveness Evaluation

During the year under review, the NRC endorsed the appointment of an independent consultant to conduct the Board Effectiveness Evaluation (BEE). This is in line with Practice 6.1 of MCCG whereby the engagement by the Board of an independent third-party leadership consulting firm at least every three years is recommended, to facilitate an objective and candid board evaluation.

The questionnaires of the BEE were circulated through a digital platform in December 2021. The questionnaires on the BEE incorporated applicable best practices and were in line with new enhancement of MCCG requirement. The indicators for the performance of the Board which included among others, the Board composition, planning process, conduct of meetings, communication with the Management and stakeholders as well as strategy and planning for the Group, were used for the Board to provide their

The independent third-party leadership consulting firm conducted one-on-one interview sessions with all Board members and selected members of Senior Management.



Areas for Board Effectiveness Evaluation	Individual Director Peer Review	Self-Evaluation
Group Dynamics and Effectiveness Overall Impressions of the Board Overall Board Effectiveness Board Involvement and Engagement	 Knowledge and Understanding on Role that a Board plays in governance and as Company Director Mission and Vision 	Skills and Experience Analytical skills Relevant functional insights Relevant industry insights
 Structure & Composition Organisation/Composition of the Board Overall Committee Organisation Board Audit Committee Deep Dive Nomination and Remuneration Committee Deep Dive Board Risk Committee Deep Dive Roles and Duties of Board Members Looking forward (succession planning & development) Board's Focus on Sustainability 	Strategic needs and development Market Critical success factors Business risk Performance measures International businesses Financial discussions Legal and compliance duties Risk management Board effectiveness Differentiate strategy/policy issues and operational matters	Preparation for Board Meetings Time commitment Contribution Pre-reading of all board papers
Communication Communication with Shareholders Communications with Other Stakeholders		Independence Ability to speak openly and honestly Building Relationship Board colleagues Board and Management Display confidence in other Directors abilities Listen attentively to ideas
		Professional Development Ongoing training and education



NOMINATION AND REMUNERATION COMMITTEE REPORT

Board Effectiveness Evaluation 2021

The NRC reviewed the outcome of the BEE 2021 and noted that the Board is committed to the highest standards of good governance and continues to be an excellent Board with strong support from the Management.

The BEE 2021 revealed that the current composition of the Board is well-balanced, effective and equipped with the relevant skills and areas of expertise to steer PCG especially in its growth strategy.

The results of the BEE 2021 for the Board, Board Committees and individual Directors for the year under review enabled the Board to put in place actions to address areas for improvement. The evaluation confirmed the strength of the Board and the high performing boardroom culture. Priority areas and key findings have since been incorporated in the action plans that would further improve the Board performance.

NRC's Effectiveness Review and Performance

Based on the BEE 2021 findings, the Board believes that the NRC has effectively performed its duties and functions during the year, thus providing a valuable contribution to the Board. The Board is satisfied with the performance and effectiveness of the NRC in providing sound advice and recommendations to the Board, particularly on managing competencies and succession planning for Directors and Senior Management.

Summary of Activities of the NRC

The following activities were carried out in 2021:

- (a) Reviewed performance of the MD/CEO and Key Senior Management;
- (b) Reviewed the Directors' training requirements;
- (c) Reviewed the NRC Report for inclusion in the 2020 Integrated Report;
- (d) Reviewed the evaluation of the assessment on the effectiveness of the Board as a whole, the Committees of the Board, as well as the contribution of each individual Director through a BEE exercise;
- (e) Appointment of Independent consultant for BEE;
- (f) Reviewed the succession planning for the CEO and Key Senior Management;
- (g) Reviewed the candidates for Head of Sustainability Development;
- (h) Chit Chat session with the Head of Sustainability and Head of Specialty Chemicals candidates;
- (i) Reviewed Board Succession Planning;
- Reviewed the actions taken by the Company to address the agreed areas of improvement arising from the BEE 2020;
- (k) Realignment of PCG High Level Structure; and
- (I) Change of PCG Chairmanship and MD/CEO

NRC Priority Areas in FY2022

In addition to the matters which are under the purview of NRC, the following activities are the priority areas in 2022 which is in line with the key highlights of the BEE 2021 results:

- Striving to achieve majority Independent Directors and 30% women directors on the Board;
- (b) Succession Planning for Directors and Senior Management;
- (c) Finalising the candidates for Head of Sustainability Development; and
- (d) Finalising the candidates for Head of Specialty Chemicals.

DATUK TOH AH WAH

Chairman,

Nomination and Remuneration Committee



The fundamental role of the Board Audit Committee (BAC) is to assist the Board in effecting its oversight responsibilities in the areas of internal and external audit, internal financial controls and financial reporting.

This report provides an insight into the activities of the BAC during the year under review.

TERMS OF REFERENCE

The authority, duties and responsibilities of the BAC are set out in its Terms of Reference (TOR) which is accessible on the Company's corporate website at www.petronaschemicals.com.

Following Bursa Malaysia Berhad's issuance of its updated Corporate Governance Guide – 4th Edition to the Malaysian Code on Corporate Governance (MCCG), the TOR and BAC Selection Criteria has also been enhanced, specifically on the requirement of a former partner of the Company's external auditors to observe a cooling-off period of at least three years before being appointed as a member of the BAC

COMPOSITION

The BAC comprises four members all of whom are Non-Executive Directors with three being Independent Directors who fulfil the criteria of independence as defined in the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Malaysia). Its composition is in compliance with Paragraph 15.09(1)(b) of the MMLR.

The Chairman of the BAC, Yeoh Siew Ming and Freida Amat are both qualified accountants. Yeoh Siew Ming, who was appointed to the Board on 15 May 2019 is a Fellow of the Association of Chartered Certified Accountants (ACCA), member of the Malaysian Institute of Accountants (MIA) and Malaysian Institute of Certified Public Accountants. Freida Amat is a Fellow of the ACCA and also a member of the MIA. In this regard, the Company is in compliance with the MMLR which requires at least one member of the BAC to be a qualified accountant.

MEETINGS AND ATTENDANCE

The BAC conducted four meetings during the year under review. Due to the COVID-19 pandemic, the BAC meetings continued to be held virtually. The BAC meetings for the year under review were pre-scheduled in November 2020 to allow the Directors to plan ahead and incorporate the meeting dates into their respective schedules. This also serves to provide the members ample notice of the meetings. The BAC meets at least quarterly with additional meetings convened as and when necessary. During the year under review, all BAC meetings were conducted after the requisite quorum as stipulated in the BAC TOR were met.

	Members and their attendance						
1	Yeoh Siew Ming Chairman, Independent Non-Executive Director	(Number of Meetings Attended: 4/4				
2	Datuk Toh Ah Wah Senior Independent Director	(Number of Meetings Attended: 4/4				
3	Dr. Zafar Abdulmajid Momin Independent Non-Executive Director	(Number of Meetings Attended: 4/4				
4	Freida Amat Non-Independent Non-Executive Director	•	Number of Meetings Attended: 3/4				

By invitation, the Managing Director/Chief Executive Officer (MD/ CEO), Chief Financial Officer and Head of Internal Audit Division (IAD) attend the BAC meetings to provide input and advice, appropriate information as well as clarification to relevant items on the agenda. The Company Secretary acts as a secretary to the BAC.

The Head of IAD presents the internal audit reports and its activities to the BAC. In this regard, relevant members of the Management are invited to apprise the BAC on specific issues arising from the audit findings. The external auditors also attend the BAC meeting to present the external audit plan for the year as well as the outcome of the statutory audit conducted on the Company and its subsidiaries. In addition, the BAC held two private sessions with the external auditors during the year under review (i.e., on 19 February 2021 and 16 August 2021 respectively), without the presence of the Management.



The agenda and meeting papers encompassing qualitative and quantitative information relevant to the business of the meetings are distributed to the BAC members via a secured collaborative software no less than five business days prior to the date of each meeting. The online accessibility assists in facilitating the BAC members to read and review documents or communicate with other BAC members at any time.

The BAC's Circular Resolutions are also circulated to the BAC members via e-Signature tool for approval. Deliberations during BAC meetings include financial performance review of the Company, interim financial reporting to Bursa Malaysia, year-end statutory audits, assessment of Related Party Transactions (RPTs) and Recurrent Related Party Transactions (RRPTs) proposed to be entered into by the Company and its subsidiaries, status of open audit findings together with the agreed corrective actions.

Minutes of the BAC meeting are tabled for confirmation at the next BAC meeting, after which they are presented to the Board for notation. In addition to communicating to the Board on matters deliberated during the BAC meeting, the BAC Chairman also recommends to the Board the approval of annual financial statements and quarterly financial results.

CONTINUOUS TRAINING

The BAC members acknowledge the need for continuous education trainings. During the year under review, all members of the BAC attended training on the developments in accounting and auditing standards, practices and rules, in line with Practice 9.5 of MCCG.

BAC'S ACTIVITIES IN 2021

01 (Financial Reporting

6

7

Enhancement of PCG Tax Policy.

SAP Implementation Progress Update at BRB Group.

- (a) Reviewed the quarterly results for announcements to Bursa Malaysia before recommending the same for the Board's approval, upon being satisfied that it had complied with applicable approved MFRS issued by the Malaysian Accounting Standards Board (MASB), MMLR and other relevant regulatory requirements.
- (b) Reviewed the Company and the Group's annual and quarterly management accounts.
- (c) Reviewed the audited financial statements of the Company and Group prior to submission to the Board for the Board's consideration and approval, upon the BAC being satisfied that, inter alia, the audited financial statements were drawn up in accordance with the provisions of the Companies Act 2016 (CA 2016) and the applicable approved MFRS issued by the MASB.
- (d) Reviewed specific key areas affecting the Company and the Group's financial results, and endorsed recommendations made by the Management. The key areas deliberated included assessments on the following areas:

No. **Key Areas Deliberated** 1 Impairment indicators of non-current assets (i.e., property, plant and equipment and intangible asset) and detailed impairment testing. • The review of internal and external factors that may give rise to impairment indication (and if indication exists, the review and deliberation of the impairment assessment including key assumptions used, controls put in place by Management such as Segregation of Duties, consultation with the Subject Matter Experts and proper sign-off in deriving the recoverable amount. This includes the review of Management's impairment assessment on Pengerang Petrochemical Company and PETRONAS Chemicals Aromatics Sdn Bhd. 2 Recognition of deferred tax assets and the probability of their future utilisation. 3 Carrying values of inventories and any write-off thereon. Updates on Amendment on MFRS for FY2021 and FY2022. 4 5 Revision of PCG Limits of Authority.

(e) The BAC had reviewed and deliberated the above key areas and was satisfied with the various actions taken by the Management in addressing the issues raised by the external auditors. The BAC noted that Management also held frequent engagements with the external auditors in improving the internal control processes for the Group.

BAC'S ACTIVITIES IN 2021 (CONTINUED)

02 > Internal Control

- (a) Reviewed the effectiveness of the system of internal controls, taking into account the findings from internal and external audit reports.
- (b) Enhancement of PCG Tax Policy and Financial Policy which sets forth the policies for financial management activities embedding the principles of financial risk management.
- (c) Reviewed the Limits of Authority to reflect the current business requirements and processes, alignment with any new framework and guidelines with the right balance between business agility and control for an effective decision-making process.

03 () Corporate Governance

Reviewed the Corporate Governance Overview Statement, BAC Report including the Statement on Risk Management and Internal Control (SORMIC) for inclusion in the 2020 Integrated Report.

04 (Internal Audit

- (a) Reviewed and approved the changes of Annual Audit Plan FY2021 on quarterly basis to ensure the proposed audit activities are carried out as per emerging and relevant risks as well as business strategies.
- (b) Reviewed and approved the risk based Annual Audit Plan FY2022 and budget to ensure comprehensiveness of audit coverage, resource and competencies to execute the internal audit functions effectively.
- (c) Reviewed and deliberated on audit reports which included opinion on the adequacy and effectiveness of PCG's governance, risk management and internal controls, audit findings' root causes, implications and the recommended corrective actions to be undertaken by the Management. The BAC also provided suggestions for improvement to reinforce the oversight role and to ensure that Management holds individuals accountable for their internal control, risk management and governance responsibilities.
- (d) Monitored the implementation of the agreed corrective actions on audit issues taken by Management until duly resolved on a quarterly basis.
- (e) Reviewed the performance of IAD for FY2020 with regards to its independence, objectivity and effectiveness in providing assurance on PCG's governance, risk management and internal controls and approved the Key Performance Indicators of IAD for FY2021.
- (f) Reviewed IAD's Quality Assurance and Improvement Program activities including the results of External Quality Assessment Review.
- (g) Reviewed and approved the Internal Audit Charter (due once every 3 years).
- (h) The Chairman of the BAC held private meetings and discussions at least once every quarter with the Head and senior auditors of IAD on internal audit reports, selected audits' scopes, resource adequacy and capabilities and any related matters.

05 () RPT and Conflict of Interest (COI)

- (a) Reviewed all RPTs/RRPTs in accordance with the PCG Guidelines and Procedures on RPTs/RRPTs and COI, to ensure the transactions are at all times carried out at arm's-length basis and are not to the detriment of minority shareholders.
- (b) Reviewed and deliberated on the RPTs/RRPTs reports on a quarterly basis.
- (c) Reviewed and deliberated performance of RPTs/RRPTs vendors for 2020.

06 ▶ External Audit

- (a) Reviewed with the external auditors, audit strategies and scope for the statutory audit of the Company and Group's financial statements for the financial year ended 31 December 2021.
- (b) Reviewed with the external auditors the results of the statutory audit and the audit report.
- (c) Reviewed the proposed fees for the statutory audits.
- (d) Reviewed the fees of total non-audit work carried out by the external auditors with the main objective of ensuring there is no impairment to independence and objectivity. In relation to this, the BAC noted the assurance provided by the external auditors confirming their independence throughout the year under review.
- (e) During the year under review, PCG engaged the external auditors for certain non-audit services. Total fees paid to the external auditors are detailed out in the next page:



		2021		2020
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
KPMG PLT				
Audit Fees paid/payable Statutory Audit	1,359	192	1,436	162
Non-audit Fees Half-yearly Limited Review Audit of non-financial information for Integrated Report Review of the quarterly Consolidated Results Report for announcement to Bursa Malaysia	185 130	185 130 31	180 113	180 113
Review of SORMIC Review of application for Investment Tax Allowance of PC Fertiliser Sabah	26 -	26	25 20	25 -
	372	372	368	348
Overseas affiliate of KPMG PLT				
Audit Fees paid/payable Statutory audit	172	_	149	_
Non-audit Fees Audit of report required for application of Government incentive in Netherlands for BRB Group	341	-	-	-
IFRS convergence from Dutch Generally Accepted Accounting Principles (GAAP) for BRB Group	-	-	410	-
	341	-	410	-
Other Auditors				
Audit Fees paid/payable Statutory audit	2,345	28	2,103	27
Non-Audit Fees Tax services for overseas subsidiaries Due diligence and cost verification services Audit of report required for application of Government incentive	4,623 3,121	_ 3,121	2,855 -	-
in the Netherlands for BRB Group Tax due diligence and advisory services at BRB Group IFRS convergence at BRB Group Accounting services	747 308 208 142	- - -	1,459 - - 109	- - -
Review of transfer pricing documentation Half-yearly Limited Review	74 29 9,252	- 7 3,128	84 34 4,541	- :
			·	
Total Statutory Audit Fees	3,876	220	3,688	189
Total Non-audit Fees	9,965	3,500	5,319	355
% of Non-audit Fees over Statutory Audit Fees % of Non-audit Fees over Statutory Audit Fees by KPMG PLT	>100%	>100%	>100%	>100%

External Audit

In ensuring that the external auditors' independence is not impaired, the Audit Engagement Partner in charge of the Company will be rotated every seven years and is required to observe a cooling-off period of five years before being re-appointed (in line with the MIA's requirements). Internally, the external auditors conduct an Independent Partner Review in order to preserve their independence. The external auditors had also provided their written assurance to the BAC that in accordance with the terms of all relevant professional and regulatory requirements, they had been independent throughout the audit engagement.

The BAC had also carried out an assessment on the performance, suitability and independence of the external auditors based on the following four key areas, and will continue to do so on an annual basis:

- Quality of engagement team and services
- Adequacy of resources
- Quality of communication and interaction
- Independence, objectivity and professional scepticism

Annual Reporting

The BAC reviewed its report for the financial year ended 31 December 2021 to ensure that they were prepared in compliance with the relevant regulatory requirements and guidelines.

Internal Audit Function

The BAC is supported by an in-house internal audit function to undertake independent, objective assurance and advisory activities designed to add value and improve PCG's operations. IAD helps PCG accomplish its objectives by bringing a systematic, disciplined approach to evaluate design and improve the effectiveness of its governance, risk management and internal control processes.

The Head of IAD reports functionally to the BAC and administratively to the MD/CEO of PCG to ensure impartiality and independence in execution of the role. Dewi Izza Suhana Radin Amir is the Head of IAD and Fellow Chartered Accountant of the Institute of Chartered Accountants in England and Wales (ICAEW). She also holds a Bachelor of Arts in Accounting and Financial Management and Economics from the University of Sheffield, United Kingdom.

The IAD is governed by the Internal Audit Charter which defines the responsibilities, authority and scope of work of IAD within the Group. The Charter is aligned with the standards and principles as outlined in the Institute of Internal Auditors' International Professional Practices Framework (IPPF).

The conduct of IAD activities is also guided by established procedures, guidelines and COSO Internal Control Integrated Framework; a comprehensive, structured and widely used auditing approach, in conducting the audit activities through the five COSO components:

- Control Environment
- Risk Assessment
- · Control Activities
- Information and Communication
- Monitoring Activities

In maintaining independence and objectivity of IAD, internal auditors declared that they are free from any relationship or conflict of interest through annual declaration. In the event of potential conflict of interest occur after annual declaration has been made, internal auditors shall immediately report to Head of IAD and will not be assigned an audit scope that would lead to a conflict of interest.

The IAD continues to adopt a risk-based approach to ensure that the Annual Audit Plan is prioritised based on the Group's key risks covering critical areas and functions to support business strategic objectives. In deriving the plan, the IAD gather inputs from various sources including:

- Group & PETRONAS Downstream risk profiles and emerging risks identified thereon;
- · Group business objectives and strategies;
- Materiality/criticality of business operations;
- · Maturity of internal controls of the auditable areas; and
- Feedback from relevant stakeholders i.e., BAC, Senior Management, selected directors of PCG OPUs, Joint Venture companies and partners, external auditor and internal audit fraternity.

The IAD continuously assessed emerging risks or areas that would warrant an audit and changes to the Annual Audit Plan during the year under review. These were presented to the BAC for approval. During the year under review, the IAD performed audit engagements as per the approved Annual Audit Plan and presented the following reports to the BAC:

- Audit on PETRONAS Chemicals Marketing China.
- Audit on Implementation and Effectiveness of PCG Corruption Risk Assessment.
- Audit on Implementation and Effectiveness of Corporate Liability Third Party Risk Management activities for Customers and Suppliers of PCG.
- Shareholders' audit on Malaysian NPK Fertilizer Sdn Bhd.
- Audit on Readiness and Implementation of Asset Performance Management across PCG.
- Audit on Overall Governance and Implementation of Post Final Investment Decision activities for Extended Value Chain projects.
- Audit on PCG Transfer Pricing.
- Audit on Management of Plant Incidents in PC Methanol Sdn Bhd.
- Shareholder's Audit on Contractor Management and Compliance Management at BASF PETRONAS Chemicals Sdn Bhd.
- Audit on Post Merger Integration activities of Project Kipping.
- Audit on PETRONAS Risk Based Inspection.
- Audit on Operationalisation of OE R2 across PCG.
- Audit on Implementation and Effectiveness of Procedure Use Discipline and Operating Procedure across PCG.
- Audit on Procurement and Contract Management Activities of Group Procurement.



The internal audit reports highlighted to the BAC on the opinion of the adequacy and effectiveness of PCG's governance, risk management and internal controls, audit findings' root causes, implications and the recommended corrective actions to be undertaken by the Management. The Management is responsible to ensure that the agreed corrective actions are implemented and closed satisfactorily within the agreed time frame. The status of the agreed corrective actions was tracked on a monthly basis until duly resolved. All agreed corrective actions status were verified by IAD prior to reporting to the BAC on a quarterly basis.

The Quality Assurance and Improvement Programme (QAIP) continues to be applied to assess the quality of audit processes. It is an ongoing and periodic assessment that covers the entire spectrum of Internal Audit activities. The QAIP assesses the efficiency and effectiveness of the IAD processes and opportunities for continuous improvement through internal and external assessments. The results and updates of QAIP are reported to the BAC.

During the year under review, the BAC endorsed the results of the External Quality Assessment Review (EQAR) performed by the Institute of Internal Auditors Malaysia on IAD. The assessment resulted in enhancement of IAD's work process manuals as well as inputs to the revised Internal Audit Charter.

The IAD has adequate and sufficient resources to implement its Approved Audit Plan. There is a total of 18 internal auditors in PCG with diverse backgrounds and disciplines such as accounting, finance, plant operations, sales & marketing and procurement. The IAD staff's various professional qualifications and certifications is as shown below:

- ICAEW/ACCA: 6
- Masters: 1
- Certified Internal Audit: 2
- Certified Fraud Examiner: 1
- COSO Certificate: 7
- Engineer's Certificate of Competency (Steam) DOSH: 2
- Certified Environmental Professional in the Operation of Industrial Effluent Treatment System, DOE: 1

Note:

- Association of Chartered Certified Accountants (ACCA)
- Department of Occupational Safety and Health Malaysia Ministry of Human Resource (DOSH)
- Department of Environment Ministry of Environment and Water (DOE)

During the year under review, the IAD was supported by line resource from business and subject matter experts from PETRONAS Group, specifically on technical and HSE related areas.

The Group continues its commitment to equip the internal auditors with adequate knowledge to discharge their duties and responsibilities through continuous trainings on business acumen and best industry practices from both in-house and external accredited training providers. Continuous on-the-job learning also acts as a platform to assess the capability and competency of the internal auditors.

Annually, the competency of internal auditors was assessed through individual competency assessment to determine the learning and development needs. The functional competencies assessment is part of PETRONAS capability development programme for internal auditors, which takes into consideration the core competencies as stipulated by Internal Audit Competency Framework issued by the Institute of Internal Auditors.

The total costs incurred by the internal audit function of the Group for 2021 was RM5.77 million.

RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST **SITUATIONS**

During the year under review, the BAC reviewed all RPTs/RRPTs and Conflict of Interest (COI) situations based on the Guideline and Procedures of RPT and COI (the Guideline). This Guideline lays out the principles and procedures which govern the activities on RPTs/RRPTs and COI situations across the PCG Group in complying with the applicable MMLR and other laws and regulations. The BAC is satisfied that the Guideline has put in place adequate procedures and processes to identify, monitor and track all RPTs/ RRPTs in a timely and orderly manner to ensure that the RPTs/ RRPTs are at all times, carried out in the best interests of the Group, are fair, reasonable and on normal commercial terms and are not to the detriment of the minority shareholders. The BAC has, from time to time reviewed any RPTs that have risen within the Group in accordance with the Guideline. The procedures and processes will also be reviewed from time to time based on the recommendations from the Management.

PCG forms part of the integrated oil and gas value chain of the PETRONAS Group. The transactions such as the supply of raw materials are vital to PCG's operations, and alternative supplies will not be readily available as the PETRONAS Group is a major supplier and at times, the sole supplier of such raw materials.

Due to the integrated nature of PCG's business operations with the PETRONAS Group, the Company has been granted a waiver from complying with the requirement of Paragraph 10.09 of the MMLR including having to seek shareholders' approval in relation to the supply, sale, purchase, provision and usage of certain goods, services and facilities which form part of the PETRONAS Group integrated operations. The waiver is of particular significance to ensure PCG does not experience any disruption to its operations. The RRPTs that were waived by Bursa Malaysia from complying with the requirement of Paragraph 10.09 of the MMLR are as follows:

Transacting Parties	Nature of transactions	For Year Ended 31 December 2021 RM'000			
PCG Group and	INTEGRATED OPERATIONS OF OUR GROUP				
PETRONAS and its subsidiaries (PETRONAS	i. Supply of fuel and feedstock (such as ethane, propane, butane, dry gas naphtha, natural gas) by PETRONAS Group	5,978,821			
Group)	ii. Supply of utilities, electricity and water by PETRONAS Group	110,053			
	iii. Upgrading and pipeline works on the Labuan Gas Terminal by PETRONAS Chemicals Methanol Sdn Bhd	Nil			
	iv. Grant to PETRONAS Group for the right of usage of facilities and passage of commodities to facilitate the receipt and distribution of petrochemicals and related products				
	v. Provision of operating and maintenance services by PETRONAS Group	14,787			
	vi. Purchase of marine diesel oil from PETRONAS Group	15,564			
	SERVICES RENDERED WITHIN THE PETRONAS GROUP				
	vii. Provision of vessel screening services by PETRONAS Maritime Services Sdn Bho	Nil			
	viii. Provision of freight, transportation and warehousing services by MISC Berhad and its subsidiaries (MISC Group)	1,694			
	OTHERS	'			
	ix. Sales of petrochemical products and other related products to PETRONAS Group	536,556			
	x. Supply of products from Pengerang Refining Company Sdn Bhd (PRC) to PCG Group	Nil			
	xi. Supply of products by PCG Group to PRC	Nil			
	xii. Terminal Usage Agreements between PCG Group and Pengerang Terminals (Two) Sdn Bhd	Nil			

The BAC is satisfied that during the year under review, all the RPTs/RRPTs were fairly concluded on prevailing market rate/prices, had been carried out at arm's length basis and normal commercial terms/conditions, applicable industry norms and not detrimental to the interests of PCG and its minority shareholders. The RPTs/RRPTs were reported to the BAC on a quarterly basis.

BAC EFFECTIVENESS REVIEW AND PERFORMANCE

For the year under review, the Board assessed the performance of the BAC through an annual BEE. The Board agreed that BAC continued to support the Board in reviewing financial and audit matters, contributing to the overall effectiveness of the decision-making process by the Board for the Company and the Group. The PCG Board is satisfied that the BAC has discharged its functions, duties and responsibilities in accordance with the BAC TOR.

REPORTING TO THE EXCHANGE

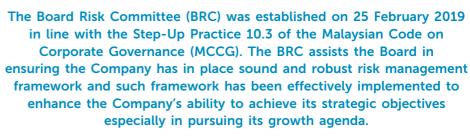
For the year under review, the BAC is of the view that the Company is in compliance with the MMLR and as such, the reporting to Bursa Malaysia under Paragraph 15.16 of the MMLR is not required.

YEOH SIEW MING

Chairman. Board Audit Committee

BOARD RISK COMMITTEE REPORT





In carrying out its oversight responsibilities, each BRC member provides individual independent opinions to the fact-finding, analysis and decision-making process of the BRC, based on their expertise, experience and industrial knowledge.



WARREN WILLIAM WILDER | CHAIRMAN

TERMS OF REFERENCE

The Terms of Reference (TOR) of the BRC sets out the authority, duties and responsibilities of the BRC. The TOR was reviewed and updated in February 2022 to reflect relevant changes to the Malaysian Code on Corporate Governance (MCCG). The TOR is accessible on the Company's corporate website at wwwpetronaschemicals.com.

COMPOSITION

The BRC consists of four members all of whom are Non-Executive Directors, including three Independent Directors. Members of the BRC possess sound judgment, objectivity, independent attitude, management experience, professionalism, integrity and knowledge of the industry.

MEETINGS AND ATTENDANCE

The BRC conducted seven meetings during the year under review. Three out of seven meetings were special meetings. Due to the COVID-19 pandemic, the BRC meetings continued to be held via an online platform. Six meetings were held virtually and one meeting was held via a hybrid meeting arrangement. The BRC meetings for the financial year 2021 were pre-scheduled in November 2020 to allow the Directors to plan ahead and incorporate the meeting dates into their respective schedules. This also serves to provide the members with ample notice of the meetings. The BRC meets quarterly in a year and precede Board meetings, with additional meetings convened as and when necessary. During the year under review, attendance at all BRC meetings met the requisite quorum as stipulated in the TOR. The quorum for BRC meeting shall be two members of whom at least one is an Independent Director. The Company Secretary acts as a secretary to the BRC.

By invitation, the Managing Director/Chief Executive Officer (MD/CEO), Chief Financial Officer and Head of Risk Management Department (RMD) attend the BRC meetings to provide input and advice, appropriate information as well as clarification to relevant items on the agenda.

The Head of RMD presents the risk management reports including updates on risk monitoring and the corporate risk profile to the BRC. Relevant members of the Management are invited to apprise the BRC on specific issues arising from the strategic or high business impact proposals. The agenda and meeting papers encompassing qualitative and quantitative information relevant to the business of the meetings were distributed to the BRC members via a secured collaborative software no less than five business days prior to the date of each meeting. The online accessibility assists in facilitating the BRC members to read and review documents or communicate with other BRC members at any time.

Minutes of the BRC meeting are tabled for confirmation at the next BRC meeting, after which they are presented to the Board for notation.

	Members and their Attendance					
1	Warren William Wilder Chairman, Independent Non-Executive Director	()	Number of Meetings Attended: 7/7			
2	Yeoh Siew Ming Independent Non-Executive Director	(Number of Meetings Attended: 7/7			
3	Dr. Zafar Abdulmajid Momin Independent Non-Executive Director	(Number of Meetings Attended: 7/7			
4	Noor Ilias Mohd Idris Non-Independent Non-Executive Director	•	Number of Meetings Attended: 7/7			

BOARD RISK COMMITTEE REPORT

BRC'S ACTIVITIES 2021

The following activities were carried out in 2021:



CORPORATE RISK PROFILE

Reviewed and endorsed the PCG Corporate Risk Profile for the Board's approval. Subsequently on a quarterly basis, the BRC deliberated risk mitigations implementation and key risk indicators to ensure its adequacy and effectiveness. Additional mitigations to strengthen the management of risks were recommended for further action.

During the year, the BRC endorsed eleven risks to the Board. Six of these are critical risks that require continuous monitoring. This includes a new risk i.e. Sustainability Risk, which encompasses environmental issues such as climate change. The focus on climate change has become significant due to tougher regulations and increasing expectations from both external and internal stakeholders. Circular Economy, previously known as "War on plastic" and is part of Sustainability risk, continues to be PCG's focus moving forward.



EMERGING RISKS

Considered the emerging risks which manifest from internal or external environment that could potentially impact delivery of business objectives. The external factors include but are not limited to geopolitical tensions, socio-economic issues, technology developments and environmental concerns. The emerging risks were then assessed to determine whether it should be included as one of the critical risks under the PCG Corporate Risk Profile.

During the year under review, BRC continued to deliberate on risks in line with the Statement on Risk Management and Internal Control (SORMIC). On 14 February 2022, BRC has endorsed two emerging risks to the Board, namely, Geopolitics and Technology, Innovation & Product Stewardship.



RISK APPETITE

Deliberated and endorsed the development of risk appetite and its thresholds with addition of Cyber Security as one of PCG's focus areas. Subsequently on a quarterly basis, the BRC reviewed any breach of risk appetite thresholds for specific action to ensure risks undertaken in pursuit of strategic and business objectives were consistently within the approved levels



4 HIGH IMPACT BUSINESS MATTERS

Reviewed and deliberated on the risks related to strategic and high impact business matters such as projects' Final Investment Decisions, project financing and joint venture arrangement to assess the feasibility and commerciality of these projects and investments. For the financial year 2021, the BRC reviewed ten proposals with high business impact.



CRISIS AND BUSINESS CONTINUITY IMPLEMENTATION

Reviewed PCG's integrated approach in managing risks focusing on three areas namely, Enterprise Risk Management, Crisis Management and Business Continuity Management. With the prolonged COVID-19 pandemic stretching into 2021, the BRC alongside with management had prioritised staff well-being and various employee assistance programmes to complement the new way of working.

ANNUAL REPORTING

The BRC reviewed the BRC Report and SORMIC for the financial year ended 31 December 2021 to ensure that they were prepared in compliance with the requirements and guidelines of the MMLR of Bursa Malaysia.

BRC EFFECTIVENESS REVIEW AND PERFORMANCE

For the year under review, the Board assessed the performance of the BRC through an annual BEE. The Board believes that the BRC has effectively performed its duties and functions during the year, thus providing valuable contribution to the Board in deliberating strategic and high business impact proposals. The PCG Board is satisfied that the BRC has effectively discharged its functions, duties and responsibilities in accordance with the BRC TOR.

WARREN WILLIAM WILDER

Chairman Board Risk Committee



PCG HAS A RISK MANAGEMENT FRAMEWORK AND INTERNAL CONTROL SYSTEMS IN PLACE TO ENSURE THE SMOOTH **RUNNING OF OUR BUSINESS**

This statement on risk management and internal control is made in accordance with Paragraph 15.26(b) of Bursa Malaysia's Main Market Listing Requirements (MMLR) which requires the board of directors of public companies to publish a statement about the state of risk management and internal control of the listed issuer as a Group.

PCG's sustainability strategy takes into consideration effective risk management practices, internal control and compliance with objectives to create value for our stakeholders and safeguards the existing portfolios as well as moving forward to capitalise on opportunity for growth.

We believe our internal control systems are appropriate for the Group given the size, diversity and complexity of our operations. Our Board and Board Committees regularly review and monitor the adequacy and integrity of these controls to ensure the Group's compliance with applicable laws, regulations and guidelines.

The Board recognises that such systems can only provide a reasonable and not absolute assurance that significant risks which impact the Group's strategies and objectives are within levels appropriate to the Group's business as approved by the Board. Key elements of the risk management and systems of internal control are set out below.

BOARD ACCOUNTABILITY

The Board acknowledges the importance of maintaining a sound internal control system and robust risk management practices for good corporate governance with the objective of safeguarding the shareholders' investment and the Group's assets. The Board further affirms its overall responsibility for reviewing the adequacy and integrity of the Group's risk management and internal control systems.

The Group has established a process for identifying, evaluating, treating, monitoring and managing critical risks that may materially affect the achievement of our corporate objectives. The Board monitors the critical risks regularly.

MANAGEMENT RESPONSIBILITY

The Management is accountable to the Board to ensure effective implementation of risk management and internal controls. The Management formulates and endorses the risk management policy, frameworks and guidelines including their implementations across the Group. The Management reviews PCG's risks and recommend additional course of action to mitigate the identified risks.

The Management also assigns accountabilities and responsibilities at appropriate levels within PCG and ensures that all the necessary resources are efficiently allocated to manage risks.

RISK MANAGEMENT

Despite the COVID-19 pandemic entering into its second year, PCG remained resilient, continued enjoying a strong growth momentum and recorded significant financial improvement as compared to the previous year, in line with higher prices of crude oil and petrochemicals products. The increase in COVID-19 awareness, global vaccination rate and ease of the pandemic-related lockdown contributed to the market shift and demand. This is a great lesson for PCG to learn in ensuring sustainability of the ecosystem and business and the need to focus on our long-term plan while managing at the same time, the pandemic-related risks that require effective risk management practices.

We continue to be agile in adapting to the dynamic changes with comprehensive and integrated processes to identify all potential risks and managing them appropriately. This demands a proactive Risk Management Framework, which is implemented through PCG Group-wide.

While the Board oversees our overall effectiveness of risk management as part of robust corporate governance, we recognise that risk management is the responsibility of everyone in PCG. Risk management is integrated into our business planning, capital allocation, investment decisions, internal control and day-to-day operations to enhance ownership and agility in managing risks.

PCG Risk Policy

The PCG Risk Policy anchors on PCG's commitment to become a risk resilient organisation with a stronger risk culture and ownership within the organisation.

All entities across PCG have adopted and communicated the PCG Risk Policy as follows:

PETRONAS Chemicals Group is committed to become a risk resilient organisation.

PETRONAS Chemicals Group shall continuously strive to implement:

- Risk management best practices to protect and create value within the set boundaries
- Risk based decision making by providing a balanced and holistic view of exposure to achieve business objectives

Managing risk is everyone's responsibility

RISK GOVERNANCE AND OVERSIGHT

Our risk governance structure facilitates risk identification and escalation whilst providing assurance to the Board. It assigns clear roles and responsibilities, facilitates the implementation with guidelines and tools. The structure also consists of different layers of responsibilities explained below:

RISK OVERSIGHT MODEL						
BOARD OF DIRECTORS Responsible for the overall effective oversight of PCG Group's risk management to safeguard PCG reputation and deliver sustainable shareholders' value						
BOARD COMMITTEE LEVEL	BOARD RISK COMMITTEE (BRC) Responsible for guidance and oversight of PCG Group risk management Review and endorse the Group's risk profile and risk appetite Deliberate risk assessment for high impact business matters					
MANAGEMENT LEVEL RISK MANAGEMENT COMMITTEE (RMC) Responsible for ensuring the implementation and effectiveness of PCG Group risk management		effectiveness of PCG Group risk management practices				
OPERATIONAL LEVEL	MANUFACTURING Responsible for the manufacturing risk management	COMMERCIAL Responsible for the commercial risk management				

Risk Oversight deliberations are conducted quarterly to ensure risk management is integrated into key business activities. Management committees of the Group's subsidiaries are responsible for risk management and internal control at the respective companies.

A dedicated Board Risk Committee has been established in line with PCG's growth strategy, comprising a majority of Independent Directors, with greater emphasis on deliberating risk and opportunities for high impact business decision proposals such as mergers and acquisitions, divestments and key capital projects.

Risk Management Department (RMD), led by Head of Risk Management, is accountable and responsible for the effective implementation of risk management across PCG Group of companies.

In addition to our risk governance and oversight structure, our risk management is supported by the 3 Lines of Defense Model that distinguishes the three groups which are involved in effective risk management.

Third Line of Defense	Provide independent assurance on the overall adequacy, integrity and effectiveness of risk management and internal control system.	Internal Audit
Second Line of Defense	Establish, implement, maintain and review effectiveness of risk management via assurance program.	Risk Management functions (PCG RMD, PETRONAS Downstream Risk and PETRONAS Group Risk)
First Line of Defense	Own and manage risks directly. Conduct self-assessment and corrective action.	Business Line (Risk Owner)



3 PETRONAS RESILIENCY MODEL

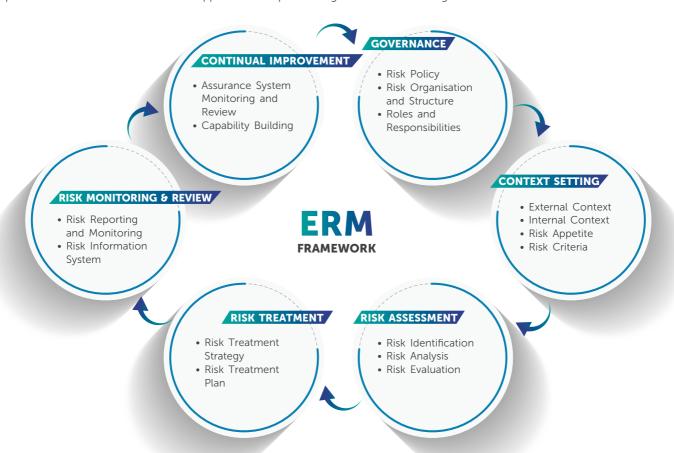
PCG has adopted the PETRONAS Resiliency Model (PRM) in managing risk with three key areas namely, Enterprise Risk Management (ERM), Crisis Management (CM) and Business Continuity Management (BCM).



Over the years, we have continued to enhance our risk management practices and intensify our efforts to be a risk resilient organisation in order to safeguard our business through embedding risk assessment in all our decision making within the set boundaries, to better suit our ever-changing business complexities and environment.

4 ENTERPRISE RISK MANAGEMENT

Our ERM Framework and relevant guidelines are generally aligned with the Principles and Guidelines of ISO 31000:2009 and provides a standard and consistent approach in implementing ERM across the organisation.

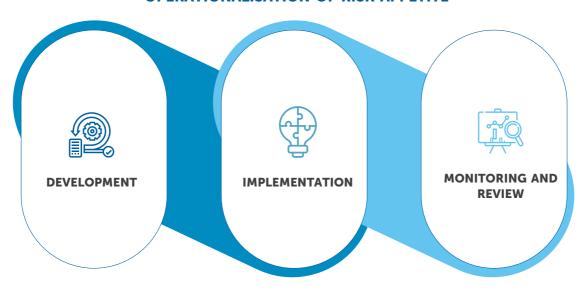


Risk Appetite

Risk appetite for PCG is defined as the amount and type of risks that PCG is willing to take, accept or retain in pursuing its strategic and business objectives.

The PCG Risk Appetite is guided and operationalised as follows:

OPERATIONALISATION OF RISK APPETITE



Development

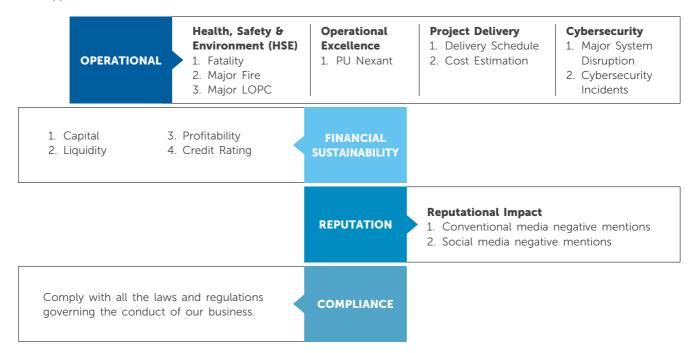
PCG Risk Appetite was developed by aligning to PCG business strategies, with four Risk Appetite Focus Areas to be closely controlled and monitored.

To support the PCG Risk Appetite Focus Areas, Risk Appetite Statement, Risk Tolerance and Risk Threshold were established to ensure risks undertaken in pursuit of business objectives are consistently within acceptable level.

For the year under review, cybersecurity was included in risk appetite under operational focus area. This enables us to reflect current challenges in managing cybersecurity risk, new working environment, potential exposure and impact from cyber-attack.



PCG Risk Appetite Focus Areas are as follows:



Implementation

Clear roles and responsibilities of relevant parties in implementing Risk Appetite was established to ensure clear accountability. The Risk Appetite would be communicated to the respective risk owners to ensure strong understanding and strict adherence. In addition, Risk Appetite was integrated in the discussion on risk assessment for decision-making.

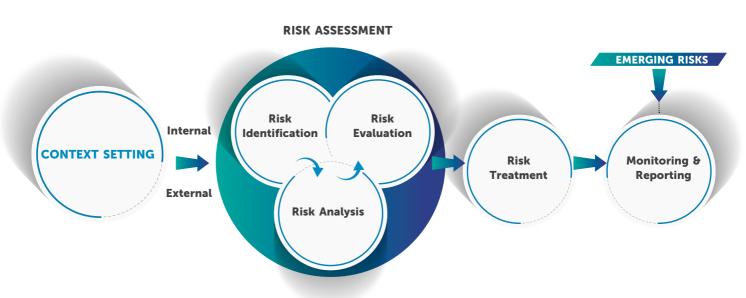
Monitoring and Review

Monitoring and review are pivotal to ensure that PCG does not breach the established Risk Appetite. Regular monitoring and reporting were established to ensure any breach of the Risk Threshold is escalated to risk owner, Management and Board, if required, on a timely basis to trigger deliberation for specific action or decision.

Risk Profiling Process

Our Corporate Risk Profile (CRP) is developed based on the Enterprise Risk Management Process Guideline (ERMPG) and is reviewed quarterly.

Our structured risk profiling process is set out below:



The status of the PCG CRP including key risk indicators (KRIs) and mitigation plans of critical risks are deliberated by the RMC, BRC and Board during their quarterly meetings.

Each critical risk has a dedicated owner responsible for the implementation of control measures, monitoring and tracking of key risk indicators, as well as identifying and implementing additional risk mitigation measures. The risks and mitigation measures are communicated to the line management on a timely basis to ensure awareness at all levels.

We continuously scan and monitor our operating and external environments to identify any emerging risks. These emerging risks are discussed by the Management and Board. 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.

To support the implementation of risk management at operational level, we apply the following PETRONAS' structured risk management assessment approach and tools:

PETRONAS Health Safety Environment Management System (HSEMS)	To manage HSE risks and ensure our operations are in tandem with HSE regulatory requirements and industry best practices	
Counterparty Risk Assessment	To ensure the systematic identification, assessment and mitigation of risks associated with credit and performance, in line with PETRONAS Financial Policy and PETRONAS Credit Guidelines	
	Each counterparty is assigned credit ratings which will eventually facilitate the business decision-making	
Project Risk Assessment (PRA)	To ensure the systematic identification, assessment and mitigation of risks associated with projects, in line with PETRONAS Project Management System (PPMS) requirements	
Contractor Risk Assessment (CoRA)	To ensure the systematic identification, assessment and mitigation of risks critical to contractors' performance. CoRA is undertaken as part of the procurement process prior to contractor selection	
Turnaround Risk Assessment (TaRA)	To ensure the systematic identification, assessment and mitigation of risks for turnaround activities	
Supplier Risk Assessment	To ensure the systematic identification, assessment and mitigation of risks associated with supplier performance with each supplier being assigned risk ratings to facilitate the business decision-making	

Risk in Strategic Planning

We continued our focus to integrate risk management into our strategic planning and business decision makings. We intensified our continuous risk scanning efforts to identify emerging risks that could potentially impact delivery of our business objectives.

We conducted risk assessment during PCG Annual Plans and Budget to ensure that our key strategies are robust and any business assumptions made are better understood, with associated risks being well identified and managed.

Risk in Decision Making

We also mandated that all Board and Management decision papers are equipped with risk assessment to ensure that decision makers make fully informed decisions, consider the level of risks they want to take and implement necessary controls to achieve the desired business objectives.

As we strive on to grow our capacity and diversify our product portfolio, risk assessments have become more critical than ever in the selection of business opportunities and project executions to ensure we achieve the targeted returns that we desired. During the year under review, the BRC deliberated risks related to key growth projects and its mitigations prior to approval by the Board.



Corporate Liability

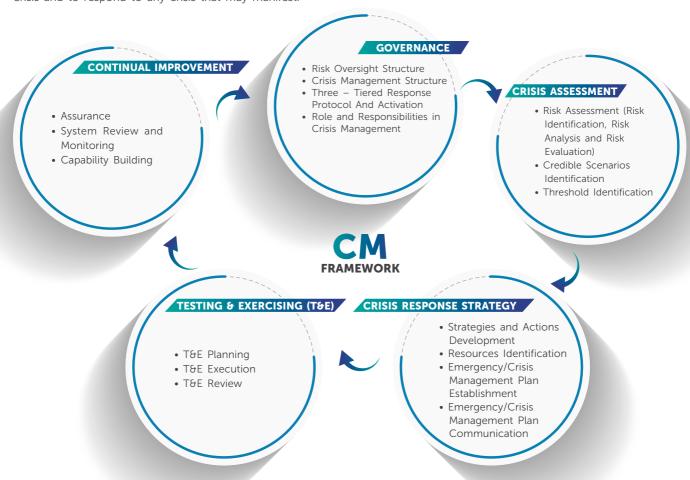
PCG is exposed to corporate liability under Section 17A of Malaysian Anti-Corruption Commission Act (2009) (Section 17A) that penalises a commercial organisation for failure to prevent bribery and corruption, effective 1 June 2020. The sole defense available to protect the commercial organisation is through the implementation of the Prime Minister Office's (PMO) Guidelines on Adequate Procedures based on 5 principles known as TRUST, namely:

- Top Level Commitment
- Risk Assessment
- Undertake Control Measure
- · Systematic Review, Monitoring and Enforcement
- Training and Communication

PCG continues to implement adequate procedure to manage Corporate Liability risk exposure to ensure we are protected from liability under Section 17A. This also includes the annual review of Corruption Risk assessment by respective departments and process owners.

5 CRISIS MANAGEMENT

PCG is exposed to potential crisis events of varying severities due to the nature of its business operations. PCG has established a Crisis Management Framework (CMF) to provide guidance on establishing a comprehensive approach across PCG in managing crisis and to respond to any crisis that may manifest.

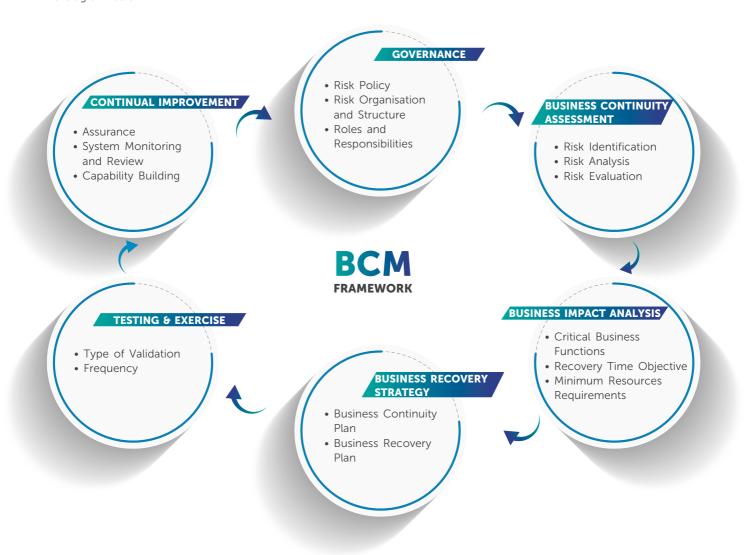


A Crisis Management Plan (CMP) has also been established to include non-HSE scenarios and provide a holistic and strategic support to control and mitigate the crisis including detailing out the roles and responsibilities of the Crisis Management Team (CMT). The CMP has also outlined a three-tiered response system based on severity of the crisis that provides clear demarcation of response control and required capability of emergency or crisis team members in order to protect and save people, environment, asset and reputation of PCG.

Note:

6 BUSINESS CONTINUITY MANAGEMENT

In the event of prolonged business disruption, we have a Business Continuity Management (BCM) Framework and Guidelines that provides a systematic approach and consistent BCM practices to ensure continuation of PCG business and operation as illustrated in the diagram below.



PCG has established a Business Continuity Plan (BCP) for Products Supply to address abrupt and prolonged outage of the products supply that could affect delivery of products to customers. Additionally, the Group has developed a BCP for PETRONAS Twin Towers to cater for inaccessibility of workplace, failure of critical ICT systems and prolonged unavailability of key personnel.

During the year under review, as part of our effort of continuous improvement to focus on value-adding activities, Business Recovery Plans (BRPs) for our plants & facilities were reviewed. The review allows for a more efficient and effective document management via simplification of documents. These were tested and the reports presented to Management for tracking and monitoring. Findings and feedback gathered post-testing were analysed for further continual improvement. The reports were also presented to the oversight of risk management committees.

Tests and drills are regularly conducted to ensure readiness of PCG and our Management team in managing crisis and business continuity, as well as the robustness of our plans.



CONTINUAL IMPROVEMENT UNDER RISK MANAGEMENT FRAMEWORK

The inculcation of a risk management culture is a key aspect of an effective risk management. We continuously engage our employees through risk management communication programmes to instill the importance of risk management. PCG acknowledges the importance of risk assurance programmes to provide assurance to stakeholders that the systems of risk management and internal controls are implemented and complied with. For the year under review, PCG established its risk assurance programmes based on an annual risk assurance plan that was endorsed by our RMC.

All PCG subsidiaries have performed self-assessment on their compliance to the requirement stipulated under risk frameworks. The BRB Group (PCG's subsidiary acquired in 2019) has completed its inaugural self-assessment and developed risk management plan for the year which includes the adoption of risk policy and risk assessment for decision making.

PCG Risk Management Department also performed verification on agreed risk mitigations at PCG subsidiaries. However, due to the threat of COVID-19 infection and Movement Control Order (MCO) imposed by the Malaysian government, the verification activities were carried out on desktop and virtual modes.

The RMC reviewed the risk assurance reports and monitors the appropriate corrective actions for timely closure. In addition, the status of our risk assurance progress and gap closures are reported to the RMC on a quarterly basis.

PCG Internal Audit also performed audit on Corruption Risk Assessment (CRA) and Third-Party Risk Management (TPRM) practices in PCG to evaluate and determine effectiveness of CRA and TPRM in supporting compliance to Corporate Liability requirements.

8 INTERNAL CONTROL

Management is accountable to the Board and is also responsible to design, implement and maintain governance, risk management and internal controls in the Group. The Board and Board Audit Committee oversee the actions of the Management and monitor the effectiveness of controls that have been put in place.

The Group adopts the five components of Committee of Sponsoring Organisations of The Treadway Commission (COSO) Internal Control Integrated Framework, as a guide for adequate and effective internal controls.

The implementation and maintenance of governance, risk management and internal control in joint ventures, joint operation and associate companies are performed under the purview of their respective established governing procedures. The interests of the Group are safeguarded through the Group's representatives to the respective Boards of joint ventures, joint operation and associate companies, in addition to the regular review of management accounts and joint shareholders' audit.

Internal Audit

The Internal Audit Department (IAD) of PCG reports independently to the Board Audit Committee (BAC) and is independent of the activities and operations of the Group. IAD provides independent and objective assurance as well as advisory activities designed to add value and improve the Group's operations. IAD helps PCG accomplishes its objectives by bringing a systematic approach to evaluate design and improve the effectiveness of its governance, risk management and internal control processes.

IAD maintains its impartiality, proficiency and due professional care by having its plans and performance, audit reports, resources, capabilities and quality assurance and improvement programme directly under the purview of the BAC.

The IAD function includes undertaking reviews of PCG governance, risk management and internal control on selected key activities and operations based on risk assessment and in accordance with the annual internal audit plan which is approved by the BAC.

The internal audit plan is formulated using a risk-based audit planning methodology encompassing the business strategies, key business objectives, its associated risks (including relevant emerging risks), and inputs from relevant stakeholders.

The BAC reviews IAD planned and ongoing activities on a quarterly basis with emphasis on audit scope and resource adequacy and capabilities.

The BAC reviews IAD audit reports which includes opinion on the adequacy and effectiveness of PCG's governance, risk management and internal control, audit finding's root cause, implications and the recommended corrective actions to be undertaken by the Management. The status of the closures of audit issues are reported to the BAC on a quarterly basis.

IAD adopts the standards and principles outlined in the Institute of Internal Auditors' International Professional Practices Framework (IPPF) and five components of COSO Internal Control Integrated Framework; a comprehensive, structured and widely used auditing approach, in conducting the audit activities. The conduct of IAD is also governed by the PCG Internal Audit Charter and established procedures and guidelines.



The key activities of the internal audit function are set out in the BAC Report on page 194.

Other Key Elements of Internal Control Systems

In furtherance of the Board's commitment to maintain a sound system of internal control, the Board continues to maintain and implement a strong control structure and environment for the proper conduct of the Group's business operations as follows:

Board of Directors

The Board meets at least quarterly and has set a schedule of matters, which are required to be brought to its attention for discussion, thus ensuring that it maintains full and effective supervision over appropriate controls. The MD/CEO leads the Management in the presentation of Board papers which would include the Group Quarterly performance reports and related financial reports of the Group and provides detailed explanation of pertinent issues as well as its recommendation of issues resolutions. In arriving at any decision requiring Board's approval, as set out in the Limits of Authority manual, thorough deliberation and discussion by the Board is a prerequisite. The Board is also informed on the Group's activities and its operation on a regular basis and the risks associated to them. In addition, the Board is updated on the key risks arising from the changes in the business and external environment which may result in significant impact to the Group.

Board Audit Committee

The Board has delegated the duty of reviewing and monitoring the effectiveness of the Group's system of internal control to the BAC.

The BAC assumes the overall duties of reviewing with the external auditors their audit plan, audit report, as well as their findings and recommendations pursuant to the yearend audit. The BAC also evaluates the adequacy and effectiveness of the Group's internal control systems through reviews of internal control issues identified by internal auditors and Management. Throughout the year under review, the BAC was updated and refreshed on Companies Act 2016, MFRS as well as new legal and regulatory requirements.

The BAC meets at least quarterly and has full and unimpeded access to the internal and external auditors as well as all employees of the Group.



Further details on the BAC activities are set out on pages 193 to 194.

Organisation Structure and Management Committee

An organisational structure, which is aligned to the business and operational requirements, and with clearly defined lines of responsibility, accountability and levels of authority, is in place to assist in implementing the Group's strategies and day-to-day business activities.

The Company has a Management Committee which serves in an advisory capacity to the MD/CEO in accomplishing the vision, strategies and objectives set for the Group.

In addition, various functional committees have also been established across the Group to ensure the Group's activities and operations are properly aligned towards achieving the organisational goals and objectives.

Financial Reporting Control

The Group has implemented a Financial Reporting Control (FRC) Assurance Guidelines aligned to PETRONAS Assurance Framework which was previously known as Financial Control Framework (FCF) with the principal objective of providing assurance on the quality of financial reporting through a structured process of ensuring the adequacy and effectiveness of key internal controls operating at various levels within the Group at all times.



FRC is the first line assurance involving self-assessment, with the objective to act as the first line of defence in integrated assurance approach. It comprises five assurance stages as outlined in PETRONAS Assurance Framework as follows:

Stage 1: Annual Assurance Planning \bigcirc Stage 2: Assurance Planning \bigcirc Stage 3: Assurance Fieldwork **(Stage 4: Assurance Reporting** \bigcirc Stage 5: Post Assurance & Planning

FRC governing documents are the Risk Control Assessment Matrix and Functional Checklist (FC). FC is a set of questionnaires that cover financial reporting processes and financial risk.

Key process owners at various levels are required to complete FRC activities such as identifying scope of testing, assigning relevant assessor, evaluating the FC and finalising assurance result via integrated assurance system platform which provides confirmation of compliance to key internal controls for the areas of the business for which they are accountable.

Tax Compliance & Control

The Group has implemented Tax Compliance & Control (TCC) as part of Tax assurance programme that is aligned with PETRONAS Assurance Framework (i.e. First Line Assurance) with the principal objective is to provide assurance on compliance with statutory requirements at various levels within the Group at all times.

TCC involves self-assessment, with the objective is to act as the first line of defence in integrated assurance approach. Key process owners at various levels are required to complete the TCC activities such as identifying scope of testing, assigning assessor, evaluating the TCC functional checklist and finalising the assurance result via integrated assurance system platform which provides confirmation of compliance to key internal controls for the areas to which they are accountable.

• Limits of Authority

The Group Limits of Authority (LOA) defines clear demarcation of authorisation and decision-making limits to govern business decision process.

A full review of LOA is performed every five years where the areas of decision making are reviewed to reflect the current business requirements and process, align with any new framework and guidelines with the right balance between business agility and control for an effective decision-making process. The Company revised the LOA to reflect the change in business requirement, processes and structure which was approved and implemented effective 1 October 2021.

Additionally, LOAs were also established for new joint ventures and associate companies under the Group to ensure that they are able to exercise efficient decisionmaking with proper governance and control upon their incorporation.

Group Policies

The Group has in place policies which govern the dayto-day workings of the business such as HSE, plant operations, human resource management and related party transactions. The Group also subscribes to the PCG Financial Policy which sets forth the policy for financial management activities embedding the principles of financial risk management. PCG Financial Policy governs financial risk management practices across the Group. It prescribes a framework in which financial risk exposure is identified and managed towards efficient capital management practices.

Operating Procedures and Guidelines

The Group has developed operating procedures and guidelines which cover business and operations, including but not limited to business planning, capital expenditure, financial operation, performance reporting, HSE, plant operations, marketing and sales, procurement, supply and distribution, human resource management, corporate affairs, innovation and technology and information system. These define the procedures for day-to-day operations and act as guidelines to the proper measures to be undertaken in a given set of circumstances. The procedures and guidelines are also reviewed on a regular basis to ensure continuing relevance and effectiveness.

Business Plan and Budget

The Group undertakes an annual budgeting and forecasting exercise which includes development of business strategies for the next five years and the establishment of measurable KPIs against which the overall performance of the Group, including the respective performance of business segments and companies within the Group. Detailed operating and capital expenditure requirements are tabled to the Board for approval prior to the commencement of a new financial year. The Group's performances are reported internally on a monthly basis to the Management Committee. The Group's quarterly performances are also presented to the Board with comparison to approved plans as well as against prior periods. The Group's strategic direction is also reviewed through a rigorous assessment process considering changes in market conditions and significant business risks.

Information and Communications Technology

Information and communications technology (ICT) is extensively deployed within the Group in order to automate work processes, and to efficiently collect as well as manage key business information. To further enhance efficiency and accuracy, the Group has implemented a centralised work process methodology i.e. Operational Excellence Management System (OEMS) as well as an associated plant operation automation system.

As part of the PETRONAS Group, we are participating in PETRONAS' current implementation of its Cyber Security Strategy and Deployment Programme. We have recently adopted the PETRONAS Enterprise Cyber Security Governance Framework which provides guidelines for prevention and mitigation of Cyber Security risks, thus assuring that existing ICT infrastructure and application vulnerabilities are configured and operated in a secured manner. Cyber Security threat has been identified as one of the Group's critical risks and is being monitored accordingly. The Group continues to enhance its ICT systems in ensuring that technology can act as an enabler to improve business processes, enhance productivity and facilitate decision-making throughout the Group while adhering to the Group's business objectives, policies and procedures.

Management System

PCG has implemented the OEMS with its fundamental principle being the documentation and use of collective best knowledge and experience that ensures each job is performed successfully. It serves as an integrated management system consisting of a document structure, a people structure and a self-assurance structure.

The document structure is a four-level document hierarchy with a "top-down" approach namely Policies, Requirements, Procedures and Records which are made accessible to users. The people structure provides clarity on the roles each focal has to perform to keep OEMS robust as well as enables a seamless working relationship among focal at various levels. The self-assurance structure with a "bottom-up" approach allows for self-check and escalation of issues that need higher level interventions.

The OEMS has an in-built annual Plan-Do-Check-Act cycle for continual improvement for which the Management System Review is a crucial component that serves as a platform to determine which element of OEMS need attention for improvement. A digital solution that supports OEMS is established and actively used.

The Management System seeks to eliminate unplanned events and ensure each job is done successfully by making certain that knowledge is retained and used by the right people at the right time to deliver the right results.

Integrated Assurance

PCG has implemented PETRONAS Integrated Assurance which provides a structured and consistent approach in managing the assurance programme. PETRONAS Assurance ensures compliance to standards and legal requirements as well as effective management of risk.

In order to ensure that good governance being practiced, an assurance programme is established to evaluate the adequacy and effectiveness of PCG's internal control system. This assurance requirement is a continuous process which provides insight and oversight towards effective and informed decision-making for business improvement and sustainability.

Each Operating Unit (OPU) and Business Unit (BU) establishes its own assurance team as First Line Assurance to manage the risk and conduct self-assessment, provide assurance to its own Management, undertake advisory and value-added services in the assurance process to evaluate the compliance of operational activities and management system.



Procurement Governance

The Group has adopted the PETRONAS tendering process and governing principles that are embedded in the PETRONAS Tenders & Contracts Administrative Manual for procurement activities above tendering threshold limit. Generally, the main selection criteria is based on technically acceptable and commercially attractive bid so as to secure the best value in procurement of goods and services whilst upholding good procurement governance. The key tendering processes are as follows:



Procurement processes includes:

- The most effective approach to be undertaken in the execution of procurement exercise shall be outlined in Tender Plan for evaluation of vendors' proposal against a set of pre-approved technical and commercial evaluation criteria.
- The award recommendation that shall be based on the pre-approved technical and commercial evaluation criteria and award strategy.

Tender Committees have been established to ensure tender evaluations are carried out in an effective, transparent and fair manner in line with established procedures and guidelines. The award recommendation will be endorsed by the Tender Committee and approved by Approving Authority as set out in the LOA manual.

Risk assessment is included in each tender exercise to identify associated risk, minimise its likelihood and impact in ensuring that an informed decision is made.

Employees Performance Management

The Group selects talents for employment through a structured recruitment process. The leadership and technical competency of staff are continuously enhanced through a structured training and development programme. A performance management system is in place to facilitate wholesome assessment of staff performance, including individual objectives, leadership, behaviours and competencies on a periodic basis.

Whistleblowing Policy

The Group has adopted the PETRONAS Whistleblowing Policy which provides an avenue for the Group employees and members of the public to disclose any improper conduct in accordance with the procedures set out under the Policy. Under the Whistleblowing Policy, a whistleblower will be accorded with protection of confidentiality of identity, to the extent reasonably practicable. An employee who whistle blows internally will also be protected against any adverse and detrimental actions for disclosing any improper conduct committed or about to be committed within the Group, to the extent reasonably practicable, provided that the disclosure is made in good faith. Such protection is accorded even if the investigation later reveals that the whistleblower is mistaken as to the facts, rules and procedures involved. The process is undertaken by the PETRONAS' Whistleblowing Committee. The policy and procedures are accessible to the public for reference on the Company's corporate website at www.petronaschemicals.com.

RELATED PARTY TRANSACTIONS (RPTS)/RECURRENT RELATED PARTY TRANSACTIONS (RRPTS) AND CONFLICT OF INTEREST **SITUATIONS (COI)**

The Group has established the Guidelines and Procedures on RPTs and COI Situations (collectively, the Guideline) to promote continuous awareness and provide consistent approach to all RPTs and RRPTs or COI situations. The Guideline requires the use of various processes to ensure that RPTs/RRPTs are conducted on an arm's length basis, which is consistent with the Group's normal business practices and policies and will not be to the detriment of the Group's minority shareholders.

The Guideline aims to provide guidance under which certain transactions and situations must be reviewed and endorsed by the various approving authorities of the Group in compliance with the applicable MMLR of Bursa Malaysia.

The Guideline also prescribes the processes required to identify, evaluate, approve, monitor and report RPTs/RRPTs as well as manage COI. Such processes include identification and screening of transactions, negotiation of transactions and approval/mandate mechanism, monitoring and reporting principles, and renewal or changes in the terms or termination of such transactions. In principle, the Guideline sets forth the following:

All sourcing and sales of PCG's products, general merchandise shared facilities shall be based on market negotiated pricing terms and conditions and/or pricing formulas and the terms are not more favourable to the related party than those generally applied to a third party, in order to ensure that the transactions are on an arm's length basis;

Database is maintained to capture the list of related parties and RPTs/RRPTs which have been entered into;

If a Director or a related party has an interest in a transaction, he or she will abstain from any deliberation and decision making at the Board or subsidiary company's Board (as the case may be) in respect of such transaction;

All RPTs will be reviewed by the BAC prior to the deliberation by either the Board or the shareholders. All RPTs and RRPTs will be reported to the BAC on a quarterly basis.

On an annual basis, all Directors and any related party of the Group will declare in a written form, designed to elicit information about current/potential relationships and/or COI situations, involving their interest, either directly or indirectly. All Directors and any related party of the Group shall also notify in writing of any interest in RPT or COI situation when it becomes immediately known to them.

Overall, the BAC is satisfied that during the year under review, all the RPTs/RRPTs were fairly concluded on prevailing market rate/ prices, had been carried out at arm's length basis and normal commercial terms/conditions, applicable industry norms and not detrimental to the interests of PCG and its minority shareholders.



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

MANAGEMENT'S ACCOUNTABILITY

Management is accountable to the Board for the implementation of the processes in identifying, evaluating, monitoring and reporting of risks and internal control as prescribed above. The MD/CEO and CFO have provided the Board with assurance that the Group risk management and internal control system is operating adequately and effectively, in all material aspects, to ensure achievement of corporate objectives. In providing the above assurance by the MD/ CEO and CFO, similar assurances have also been obtained from Management Committee members confirming the adequacy and effectiveness of risk management practice and internal control system within their respective areas.

CONCLUSION

Based on the above, the Board is of the view that the system of internal control instituted throughout PCG is sound and provides a level of confidence on which the Board relies for assurance. In the year under review, there was no significant control failure or weakness that would result in material losses, contingencies or uncertainties requiring separate disclosure in this Integrated Report.

The Board and Management will continue to review and strengthen the Group's risk management and internal control system to ensure ongoing adequacy and effectiveness of the system of internal control and risk management practices to meet the changing and challenging operating environment.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide (AAPG 3), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants (MIA) for inclusion in the integrated report of the Group for the year ended 31 December 2021, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the integrated report of the Group, in all material respects:

- has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or
- (b) is factually inaccurate.

AAPG 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and Management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the Annual Report will, in fact, remedy the problems.

This Statement on Risk Management and Internal Control is made in accordance with the resolution of the Board dated 24 February 2022.

WARREN WILLIAM WILDER

Chairman. Board Risk Committee

	Name of registered owner/Beneficial owner			Land area	Age of Plant & building	NBV as at 31/12/2021
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) H.S.(D) 3385, PT No. 10535, Mukim Kertih, Kemaman, Terengganu Leasehold for 60 years,	30.08.2000	Industrial land – TNB sub-station	3,886	21	206,106
	expiring on 29 August 2060 H.S.(D) 3316, PT No. 9015, Mukim Kertih, Kemaman, Terengganu Leasehold for 60 years, expiring on 29 August 2060	30.08.2000	Industrial land – Waste water and treatment sub-station	260,469	21	
	Pajakan Negeri, No. Hakmilik 7594, No. Lot 8068, Mukim Kertih, Kemaman, Terengganu Leasehold for 60 years, expiring on 29 August 2060	30.08.2000	Industrial land – Plant for production of ethylene derivatives	611,075	21	
2	PETRONAS Chemicals Methanol Sdn Bhd No. 205350607, Kg. Rancha-Rancha, Wilayah Persekutuan Labuan Leasehold for 79 years, expiring on 31 December 2082	31.08.2004	Industrial land – Plant for production of methanol	14 hectares	17	1,328,622
3	PETRONAS Chemicals Methanol Sdn Bhd Pajakan Negeri, No. Hakmilik 11911, Lot 31770, Kg. Rancha-Rancha, Wilayah Persekutuan Labuan Leasehold for 99 years, expiring 1 August 2106	02.08.2007	Industrial land – Land for Plant 2 jetty	19,679	14	
4	PETRONAS Chemicals Methanol Sdn Bhd Pajakan Negeri, No. Hakmilik 11903, Lot 31772, Kg. Rancha-Rancha, Wilayah Persekutuan Labuan Leasehold for 99 years, expiring 14 April 2107	15.04.2008	Industrial land - Land for Plant 2 sea water outtake	483	13	
	Pajakan Negeri, No. Hakmilik 11904, Lot 31771, Kg. Rancha-Rancha, Wilayah Persekutuan Labuan Leasehold for 99 years, expiring 14 April 2107	15.04.2008	Industrial land – Land for Plant 2 sea water intake	1,195	13	



	Name of registered owner/Beneficial owner			Land area	Age of Plant & building	NBV as at 31/12/2021
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	12	
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	48 acres	30	
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	27	
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	1,050	17	
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	29	181,327
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 8 January 2100	09.01.2001	Industrial land – Propane dehydrogenation plant	34 acres	21	298,440
1	PETRONAS Chemicals MTBE Sdn Bhd H.S.(D) 34912, No. P.T. 15129, Mukim Sungai Karang, Kuantan, Pahang Leasehold for 99 years, expiring on 8 January 2100	09.01.2001	Emergency response building	15 acres	21	4,569

	Name of registered owner/Beneficial owner			Land area	Age of Plant & building	NBV as at 31/12/2021
No.	Lot. no./Leasehold period	Acquisition date	Existing use	(sq metre unless otherwise stated)	(Years)	(RM'000)
12	Polypropylene Malaysia Sdn Bhd H.S.(D) 9686, No. Lot P.T. 4536, Mukim Sungai Karang, Kuantan, Pahang Leasehold for 66 years, expiring on 14 July 2058	15.07.1992	Industrial land – Plant for production of polypropylene	20 hectares	29	13,371
13	PETRONAS Chemicals Fertiliser Kedah Sdn Bhd Pajakan Negeri, No. Hakmilik 1010, No. Lot 10750 Gurun, Kuala Muda, Kedah Leasehold for 99 years, expiring on 22 April 2102	01.11.1999	Commercial/industrial land — Plant for production of urea and ammonia	699,100	22	152,124
14	PETRONAS Chemicals Fertiliser Kedah Sdn Bhd Pajakan Negeri, No. Hakmilik 3396-3399, No. Lot 174-177, Seksyen 6, Gurun, Kuala Muda, Kedah Leasehold for 99 years, expiring on 12 February 2105	01.11.1999	Commercial/industrial land — Plant for production of urea and ammonia	201,233	22	43,788
15	ASEAN Bintulu Fertilizer Sdn Bhd No. 323, Lot 35, Block 20, Kemena land District, Bintulu, Sarawak Leasehold for 99 years, expiring on 19 February 2083	01.04.1983	Mixed zone/town land – Plant for production of urea and ammonia	38 hectares	39	263,146
16	ASEAN Bintulu Fertilizer Sdn Bhd No. 321, Lot 2233-2239, Block 26, Kemena Land District, Bintulu, Sarawak Leasehold for 60 years, expiring on 8 May 2046	08.02.2005	Mixed zone/town land – Dwelling house	8,298	17	1,184
1	PETRONAS Chemicals Ethylene Sdn Bhd, PETRONAS Chemicals Polyethylene Sdn Bhd Pajakan Negeri, No. Hakmilik 6282, No. Lot 8075, Mukim Kertih, Kemaman, Terengganu Leasehold for 51 years, expiring on 16 June 2052	02.04.1993	Industrial land – Plant for production of ethylene/polyethylene	567,800	29	311,662



	Name of registered owner/Beneficial owner			Land area	Age of Plant & building	NBV as at 31/12/2021
No.	Lot. no./Leasehold period	Acquisition date	Existing use	(sq metre unless otherwise stated)	(Years)	(RM'000)
18	PETRONAS Chemicals Ethylene Sdn Bhd Pajakan Negeri, No. Hakmilik 3939, No. Lot 5217, Mukim Kertih, Kemaman, Terengganu Leasehold for 60 years, expiring on 23 October 2054	31.05.1995	Industrial land — Storage facility for water	191,200	27	5,370
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	21	72,222
20	PETRONAS Chemicals Ammonia Sdn Bhd PT 15786, Lot 5276, Mukim Kertih, Kemaman, Terengganu Leasehold for 44 years, expiring on 8 January 2055	30.12.2011	Industrial land — KIPC Shared Facilities which includes the administrative, laboratory and workshop buildings	96,208	10	29,049
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	21	45,111
P	Kertih Port Sdn Bhd Pajakan Negeri, No. Hakmilik 4695, No. Lot 7120, Mukim Kertih, Kemaman, Terengganu Leasehold for 60 years, expiring on 5 March 2060	02.08.2000	Industrial land – Operations of Kertih Port (Jetty and marine related facilities)	43,100	21	290,780
23	Kertih Port Sdn Bhd Pajakan Negeri, No. Hakmilik 4696, No. Lot 7121, Mukim Kertih, Kemaman, Terengganu Leasehold for 60 years, expiring on 5 March 2060	02.08.2000	Industrial land — Gas and oil pipelines (Reclaimation area land & Coastal Strip Land)	41,400	21	382
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	29	15,368

	Name of registered owner/Beneficial owner			Land area	Age of Plant & building	NBV as at 31/12/2021
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 8 January 2055	07.09.1998	Industrial land – Integrated PVC manufacturing plant	187,958	23	2,060
	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	23	1,346
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	4	320,154
27	BRB SIL Invest B.V. Branskamp 10/12, 6014 CB, Ittervoort, The Netherlands	10.03.2003	Industrial land – Plant for production of silicones	4,694	31	11,078
28	BRB International B.V. Europastraat 5, 6014 CD, Ittervoort, The Netherlands	03.02.2009	Industrial land – Plant for production of LAC	3,390	31	3,293
29	BRB Central Eastern Europe Sp. z.o.o. Niepolomice, Podleze, Land Estate 1446, Poland	11.08.2015	Land	13,870	6	665
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	34	4,337
31	BRB Malaysia Sdn Bhd Kawasan Industri Gebeng, 26100 Kuantan, Pahang	25.11.2021	Industrial land – Blending facility for silicones	3,699	1	1,309



ANALYSIS OF SHAREHOLDINGS

As at 28 February 2022

Share Capital : RM800,000,000 comprising 8,000,000,000 ordinary shares

Class of Shares : Ordinary shares

Voting Rights : One Vote Per Ordinary Share (on a poll)

DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shareholdings
Less than 100	908	5.27	4,868	0.00
100 - 1,000	6,249	36.28	4,763,797	0.06
1,001 - 10,000	7,747	44.97	31,600,496	0.39
10,001 - 100,000	1,472	8.55	45,498,934	0.57
100,001 to less than 5% of issued shares	848	4.92	2,285,545,805	28.57
5% and above of issued shares	2	0.01	5,632,586,100	70.41
Total	17,226	100.00	8,000,000,000	100.00

CLASSIFICATION OF SHAREHOLDERS

	No. of Sha	reholders	% of Sha	reholders	No. of S	Shares	% of Shar	eholdings
Malaysian	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
1. Individuals	13,066	117	74.91	0.67	50,835,763	669,968	0.64	0.01
2. Body Corporate								
a. Banks/Finance Companies	93	1	0.39	0.02	951,364,410	75,700	11.89	0.00
b. Investment Trusts/Foundation/Charities	3	0	0.02	0.00	166,800	0	0.00	0.00
c. Other types of companies	224	5	1.28	0.03	17,352,201	2,594,000	0.21	0.02
3. Government Agencies/Institutions	3	0	0.02	0.00	2,026,700	0	0.03	0.00
4. Nominees	2,822	892	16.18	5.11	6,196,438,283	778,476,175	77.46	7.29
5. Others	0	0	0.00	0.00	0	0	0.00	0.00
Total	16,211	1,015	92.80	4.66	7,218,184,157	781,815,843	90.23	9.77

LIST OF SUBSTANTIAL SHAREHOLDERS

		No. of Shares		% of Share	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)	564,982,800	-	7.06	-

ANALYSIS OF SHAREHOLDINGS

As at 28 February 2022

LIST OF DIRECTORS' SHAREHOLDINGS

		No. of Shares		% of Shar	eholdings
No.	Name	Direct	Deemed Interest	Direct	Deemed Interest
1	Datuk Ir. (Dr.) Abdul Rahim Hashim	60,000	_	0.00	_
2	Ir. Mohd Yusri Mohamed Yusof	23,000	_	0.00	_
3	Datuk Toh Ah Wah	30,000	_	0.00	_
4	Yeoh Siew Ming	_	_	_	_
5	Warren William Wilder	_	_	_	_
6	Dr. Zafar Abdulmajid Momin	_	_	_	_
7	Datuk Sazali Hamzah	_	16,000	_	0.00
8	Noor Ilias Mohd Idris	6,000	_	0.00	_
9	Freida Amat	6,000	_	0.00	-

LIST OF MANAGEMENT'S SHAREHOLDINGS

		No. of Shares		% of Shar	eholdings
No.	Name	Direct	Deemed Interest	Direct	Deemed Interest
1	Ir. Mohd Yusri Mohamed Yusof	23,000	_	0.00	_
2	Mohd Azli Ishak	_	_	_	_
3	Mohd Kabir Noordin	_	_	_	_
4	Shakeel Ahmad Khan	_	_	_	_
5	Yaacob Salim	_	_	_	_
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	Jamilah Ujang	_	_	_	_
10	Norfaila Hassan	_	_	_	_
11	Aminudin Yahia	_	_	_	_

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	484,586,100	6.06
3	AmanahRaya Trustees Berhad Amanah Saham Bumiputera	360,000,000	4.50
4	Kumpulan Wang Persaraan (Diperbadankan)	219,484,500	2.74
5	Citigroup Nominees (Tempatan) Sdn Bhd Exempt an for AIA Bhd	63,621,000	0.80
6	Citigroup Nominees (Tempatan) Sdn Bhd Great Eastern Life Assurance (Malaysia) Berhad (PAR 1)	54,858,000	0.69
7	Cartaban Nominees (Asing) Sdn Bhd Exempt an for State Street Bank & Trust Company (West CLT OD67)	47,771,100	0.60



ANALYSIS OF SHAREHOLDINGS

As at 28 February 2022

No.	Name	Holdings	%
8	Permodalan Nasional Berhad	46,629,500	0.58
9	Lembaga Tabung Haji	44,367,300	0.55
10	HSBC Nominees (Asing) Sdn Bhd JPMCB NA for Vanguard Emerging Markets Stock Index Fund	40,145,712	0.50
11	Cartaban Nominees (Tempatan) Sdn Bhd PAMB for Prulink Equity Fund	39,114,700	0.49
12	HSBC Nominees (Asing) Sdn Bhd JPMCB NA for Vanguard Emerging Markets Stock Index Fund	36,880,958	0.46
13	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Nomura)	34,031,400	0.43
14	AmanahRaya Trustees Berhad Amanah Saham Malaysia 2 — Wawasan	32,565,200	0.41
15	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Public Ittikal Fund (N14011970240)	32,000,000	0.40
16	Citigroup Nominees (Asing) Sdn Bhd UBS AG	28,767,390	0.36
17	AmanahRaya Trustees Berhad Public Islamic Dividend Fund	26,980,800	0.34
18	AmanahRaya Trustees Berhad Amanah Saham Malaysia	24,000,000	0.30
19	AmanahRaya Trustees Berhad Amanah Saham Bumiputera 3 – Didik	22,765,900	0.28
20	HSBC Nominees (Asing) Sdn Bhd JPMBL SA for Stichting Depositary APG Emerging Markets Pool	20,148,400	0.25
21	Citigroup Nominees (Asing) Sdn Bhd Exempt an for Citibank New York (Norges Bank 14)	20,004,600	0.25
22	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (CIMB PRIN)	19,738,900	0.25
23	Citigroup Nominees (Tempatan) Sdn Bhd Great Eastern Life Assurance (Malaysia) Berhad (PAR 3)	18,187,900	0.23
24	DB (Malaysia) Nominee (Asing) Sdn Bhd BNYM SA/NV for People's Bank of China (SICL ASIA EM)	16,649,800	0.21
25	Maybank Nominees (Tempatan) Sdn Bhd MTRUSTEE Berhad for Principal Dali Equity Growth Fund (UT-CIMB-DALI) (419455)	15,639,023	0.20
26	AmanahRaya Trustees Berhad Amanah Saham Malaysia 3	15,326,900	0.19
25	AmanahRaya Trustees Berhad Amanah Saham Bumiputera 2	16,000,200	0.20
26	Citigroup Nominees (Asing) Sdn Bhd CBNY for Norges Bank (Fl 17)	15,639,023	0.20
27	Cartaban Nominees (Tempatan) Sdn Bhd PBTB for Takafulink Dana Ekuiti	15,326,900	0.19
28	HSBC Nominees (Asing) Sdn Bhd J.P. Morgan Securities PLC	15,123,137	0.19
29	HSBC Nominees (Asing) Sdn Bhd JPMCB NA for Van Guard Fiduciary Trust Company Institutional Total International Stock Market Index Trust II	14,821,200	0.19
30	AmanahRaya Trustees Berhad Public Islamic Equity Fund	14,781,800	0.18
Tot	al	6,972,991,420	87.18

CORPORATE DIRECTORY

WHOLLY-OWNED SUBSIDIARIES

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 Fax: +609 830 5618

PCM (China) Co., Ltd.

Unit 10-011, 10th Floor Han Seng Bank Tower No. 1000 Lujiazui Ring Road Shanghai 200120 China

Tel: +8621 6887 1017 Fax: +8621 6887 1445 ext 205

PCM (Thailand) Company Limited

5th Floor, Bangkok City Tower 179 South Sathorn Road Kwaeng Tungmahamek Khet Sathorn Bangkok 10120 Thailand

Tel: +66 2679 5600 Fax: +66 2679 5511

PETRONAS Chemicals Ammonia Sdn Bhd

Kertih Integrated Petrochemical Complex KM 105, Jln Kuantan-Kuala Terengganu 24300 Kertih, Kemaman Terengganu Darul Iman

Tel: +609 830 5000 Fax: +609 830 5990

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

PETRONAS Chemicals Fertiliser Kedah Sdn Bhd

KM 3, Jalan Jeniang P.O. Box 22 08300 Gurun Kedah Darul Aman Tel: +604 466 6666

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

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 Rhd

Kawasan Perindustrian Rancha-Rancha P.O. Box 80079

87010 Federal Territory of Labuan

Tel: +6087 594 000 Fax: +6087 594 979

13. PETRONAS Chemicals MTBE Sdn Bhd

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, Kawasan Perindustrian Gebeng Balok, 26080 Kuantan 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, Jl. TB Simatupang Kav 22-26 Cilandak Barat Jakarta Selatan

12430 Indonesia Tel: +6221 2276 8393 Fax: +6221 2297 6658

18. Vinyl Chloride (Malaysia) Sdn Bhd

Kertih Integrated Petrochemical Complex KM 105 Jln Kuantan-Kuala Terengganu 24300. Kertih Kemaman

Terengganu Darul Iman Tel: +609 830 5000 Fax: +609 830 5990

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 5000 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

Rivium 1e Straat 42, 2909 LE Capelle aan den Ijssel, Rotterdam The Netherlands

Tel: +311 03164131

22. Da Vinci Group B.V.*

Europastraat 5-6014 CD lttervoort The Netherlands

Tel: +31 475 560 300 Fax: +31 475 560 144



CORPORATE DIRECTORY

PARTLY-OWNED SUBSIDIARIES

23. ASEAN Bintulu Fertilizer Sdn Bhd

12th miles, Jalan Tanjung Kidurong P.O. Box 482, 97008 Bintulu, Sarawak

Tel: +6086 231 000/232 000 Fax: +6086 251 043

9th floor, Hindustan Times House 18-20 Kasturba Gandhi Marg

24. PCM Chemical India Private Limited

New Delhi 110001 Tel: +9111 2373 8715 Fax: +9111 2373 8712

25. PETRONAS Chemicals Aromatics Sdn Bhd

c/o PETRONAS Penapisan (T) Sdn Bhd 24300 Kertih, Kemaman Terengganu Darul Iman

Tel: +609 830 3007

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 Tel: +603 2858 3331

Fax: +603 2858 3148

JOINT VENTURES

28. INEOS PCG Acetyls Sdn Bhd (fka 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, Jalan Kuantan-Kuala Terengganu 24300 Kertih

Terengganu Darul Iman Tel: +609 830 5788 Fax: +609 830 5665

30. PCG PCC Oxyalkylates Sdn. Bhd (fka PCC Oxyalkylates Malaysia Sdn. Bhd)

Level 13A, Wisma Mont Kiara No. 1, Jalan Kiara, Mont Kiara 50480 Kuala Lumpur

31. PT Anugerah Kimia Indonesia

AKR Tower LT.12 Jalan Panjang No. 5, Kel. Kebon Jeruk, Kec. Kebon Jeruk Kota Adm. Jakarta Barat Prov. DKI Jakarta

ASSOCIATES

32. 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

33. Idemitsu SM (Malaysia) Sdn Bhd

PLO 408, Jalan Pekeliling Pasir Gudang Industrial Estate 81700 Pasir Gudang Johor Darul Takzim

Tel: +607 252 5350 Fax: +607 252 8281

34. Malaysian NPK Fertilizer Sdn Bhd

Batu 2, Jalan Jeniang P.O. Box 24 08300 Gurun Kedah Darul Aman Tel: +604 466 6000 Fax: +604 468 4619

35. LG PETRONAS Chemicals Malaysia Sdn Bhd

No. 74-01, Jalan Kempas 2 Taman Desaru Utama 81930 Bandar Penawar Johor Darul Takzim Tel: +607-828 0036

^{*} Corporate Directory for Da Vinci Group B.V.'s subsidiaries and joint ventures is available at the Company's corporate website at www.petronaschemicals.com

INDEPENDENT LIMITED **ASSURANCE REPORT**

TO THE MEMBERS OF PETRONAS CHEMICALS GROUP BERHAD

REGISTRATION NO: 199801003704 (459830-K)

(INCORPORATED IN MALAYSIA)

Independent Limited Assurance Report to PETRONAS Chemicals Group Berhad and its subsidiaries ("the Group") on the Selected Non-Financial Material Matters for the year ended 31 December 2021 as published in the Integrated Annual Report 2021

We, KPMG PLT ("KPMG"), were engaged by the Board of Directors of the Group to provide limited assurance on the Selected Non-Financial Material Matters, the ("Subject Matter"), listed below, for the year ended 31 December 2021 as published in the Integrated Annual Report 2021 ("the Report"), in the form of an independent limited assurance conclusion as to whether the Subject Matter is in all material respects in accordance with International <IR> Framework by the International Integrated Reporting Council ("IIRC") (hereafter known as the International <IR> Framework), as well as the Group's definition and calculation methodologies which are disclosed in the Report including any significant inherent limitations, the ("Applicable Criteria").

Subject Matter

The Selected Non-Financial Material Matters covered by our limited assurance engagement are:

- Effluent Pollution Loading Chemical Oxygen Demand ("COD"):
- (ii) Greenhouse Gas Emissions Scope 1 & Scope 2;
- Lost Time Injury Frequency ("LTIF");
- Total Recordable Occupational Illness Frequency ("TROIF");
- Total non-renewable energy consumption;
- Total weight of NOx and SOx emissions from the selected operating sites;
- Total municipal water supplies (or from other water utilities);
- (viii) Tier 1 Process Safety Event ("T-1 PSE").

The boundary of the limited assurance engagement by KPMG represents the Group's operations at the Group level (located at to PETRONAS Chemicals Group Berhad headquarters at PETRONAS Twin Tower 1, Kuala Lumpur City Centre) and two (2) of its whollyowned subsidiaries being PETRONAS Chemicals Ammonia Sdn Bhd ("PC Ammonia") and PETRONAS Chemicals LDPE Sdn Bhd ("PC LDPE") located in Kertih, Terengganu (collectively known as the operating units or OPUs) for the site level data testing, and the remaining to PETRONAS Chemicals Group Berhad's wholly-owned subsidiaries or OPUs for the group level consolidated data testing.

Board of Directors and Management's Responsibilities

The Board of Directors and Management of the Group are responsible for the preparation and presentation of the Subject Matter in accordance with the Applicable Criteria, and the information and assertions contained within it; for determining the objectives in respect of sustainable development performance and reporting, including the identification of stakeholders and material issues; and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

The Board of Directors and Management of the Group are responsible for the prevention and detection of fraud and error mainly through the implementation and continued operation of an adequate system of internal control.

The Board of Directors and Management of the Group are also responsible for ensuring that staff involved with the preparation and presentation of the description of the Subject Matter and the Report are properly trained, information systems are properly updated and that any changes in reporting encompass all significant business units

The Board of Directors and Management of the Group are responsible for disclosing to us their knowledge of: (i) known, actual or possible non-compliance with laws or regulations that have or may have a material effect on the Subject Matter and the Report; and (ii) allegations of or suspected fraud or dishonesty committed against the Group.

The Board of Directors and Management of the Group are responsible to make available to us draft the Subject Matter and the Report and any other information timely to facilitate the completion of the engagement within the required time frame.

The Board of Directors and Management of the Group are responsible for disclosing to us facts that may affect the Subject Matter and the Report, of which they may become aware during the period from the date of the assurance report to the date the Subject Matter and the Report are issued.

Our Responsibilities

Our responsibility is to carry out a limited assurance engagement and to express a limited assurance opinion based on the work performed and evidence obtained.

We conducted our engagement in accordance with International Standard on Assurance Engagements ("ISAE") 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information and ISAE 3410, Assurance Engagement on Greenhouse Gas Statements, as adopted by the Malaysian Institute of Accountants ("MIA"). ISAE 3000 (Revised) requires that we comply with the requirements of the By-Laws (On Professional Ethics, Conduct and Practice) of the MIA including independence, and implement quality control procedures that are applicable to the individual engagement in accordance with the requirements of International Standard on Quality Control ("ISQC") 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements as adopted by the MIA and plan and perform our engagement to obtain limited assurance that nothing has come to our attention that causes us to believe that the Subject Matter, in all material respects, is not prepared in accordance with the Applicable Criteria



INDEPENDENT LIMITED ASSURANCE REPORT

We have complied with the independence and other relevant ethical requirements of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Those standards require that we comply with ethical requirements. We exercise professional judgement and maintain professional scepticism throughout the audit.

Procedures Performed

Our limited assurance engagement on the Subject Matter consists of making enquiries, primarily of persons responsible for the preparation of the Subject Matter presented in the Report, and applying analytical and other evidence gathering procedures, as appropriate. These procedures included:

- Enquiries of management to gain an understanding of the processes for determining material issues for key stakeholder groups;
- Interviews with senior management and relevant staff at group level and selected business unit level concerning sustainability strategy and policies for material issues, and the implementation of these across the business;
- Interviews with relevant staff at the corporate and business unit level responsible for providing the Subject Matter in the Report:
- Interviews with sites, selected on the basis of a risk analysis including the consideration of both quantitative and qualitative criteria:
- Identify the risks of material misstatement of the Subject Matter and the Report, whether due to fraud or error, design and perform limited assurance procedures to address those risks, and obtain limited assurance evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the engagement in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Compare the Subject Matter presented in the Report to corresponding information in the relevant underlying sources on a sample basis to determine whether all the relevant information has been appropriately included in the Report;
- Evaluate the Subject Matter presented in the Report to determine whether they are in line with our overall knowledge of, and experience with, the sustainability performance of the Group;
- Evaluate the remainder of the Report to determine whether there are any material misstatements of fact or material inconsistencies based on our understanding obtained as part of our assurance engagement.

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.

Inherent Limitations

Due to the inherent limitations of any internal control structure it is possible that errors or irregularities in the information presented in the Report may occur and not be detected. Our engagement is not designed to detect all weaknesses in the internal controls over the preparation and presentation of the Report, as the engagement has not been performed continuously throughout the period and the procedures performed were undertaken on a test basis.

Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Based on the limited assurance procedures performed and evidence obtained, as described above, nothing has come to our attention that would lead us to believe that the Subject Matter included in the Report of the Group for the year ended 31 December 2021, in all material respects, is not prepared in accordance with the Applicable Criteria.

Purpose of our report

In accordance with the terms of our engagement, this report on the Subject Matter has been prepared for the Group and for no other purpose or in any other context.

Restriction of use of our report

Our 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 PETRONAS Chemicals Group Berhad, for any purpose or in any other context. Any party other than PETRONAS Chemicals Group Berhad who obtains access to our report or a copy thereof and chooses to rely on our 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 PETRONAS Chemicals Group Berhad for our work, for this report, or for the conclusion we have reached.

Our report is released to PETRONAS Chemicals Group Berhad on the basis that it shall not be copied, referred to or disclosed, in whole (save for PETRONAS Chemicals Group Berhad's own internal purposes) or in part, without our prior written consent.



KPMG PLT (LLP0010081-LCA & AF 0758) Chartered Accountants Petaling Jaya, 4 March 2022

NOTICE OF 24TH ANNUAL GENERAL MEETING

PETRONAS CHEMICALS GROUP BERHAD

REGISTRATION NO: 199801003704 (459830-K) (INCORPORATED IN MALAYSIA)

NOTICE IS HEREBY GIVEN THAT the 24th Annual General Meeting (AGM) of the Company will be held fully virtual through live streaming via a remote participation and voting facilities at the Broadcast Venue, Exhibition Hall 8C, Level 4, Kuala Lumpur Convention Centre, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia on Thursday, 21 April 2022 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 2021 together with the Reports of the Directors and Auditors thereon.

Please refer to Explanatory Note A

2. Noor Ilias Mohd Idris and Freida Amat who retire by rotation pursuant to Article 107 of the Company's Constitution, have expressed their intention not to seek re-election. Hence, Noor Ilias Mohd Idris and Freida Amat will retire from office upon the conclusion of the 24th AGM of the Company.

Please refer to Explanatory Note B

To re-elect the following Directors who retire pursuant to Article 100 of the Company's Constitution:

(a) Datuk Ir. (Dr.) Abdul Rahim Hashim

(Resolution 1) (Resolution 2)

(b) Ir. Mohd Yusri Mohamed Yusof

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 RM2.7 million with effect from 22 April 2022 until the next AGM of the Company.

(Resolution 3)

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 2022 and to authorise the Directors to fix their remuneration.

(Resolution 4)

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 24th AGM, the Company will be requesting the Record of Depositors as at 14 April 2022. Only a depositor whose name appears on the Record of Depositors as at 14 April 2022 shall be entitled to attend, participate, speak and vote at the meeting as well as for appointment of proxy(ies) to attend, participate, speak and vote on his/her stead.

By Order of the Board

Azira Marini Ab Rahim SSM Practising Certificate No. 201908001107 (LS0008959) Kang Shew Meng SSM Practising Certificate No. 201908002065 (MAICSA 0778565)

Company Secretaries Kuala Lumpur 18 March 2022



NOTICE OF 24TH ANNUAL GENERAL MEETING

IMPORTANT NOTICE

The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 (CA 2016) which requires the Chairman of the meeting to be present at the main venue of the meeting.

Shareholders will not be allowed to attend this AGM in person at the Broadcast Venue on the day of the meeting.

Shareholders are to attend, participate, speak, (including posing questions to the Board via real time submission of typed texts) and vote (collectively referred as 'participate') remotely at this AGM via the Remote Participation and Voting facilities (RPV) provided by Tricor Investor & Issuing House Services Sdn. Bhd. (Tricor) via its TIIH Online website at https://tiih.online.

Please read these Notes carefully and follow the procedures in the Administrative Guide for the AGM in order to participate remotely via RPV.

NOTES

Proxy and/or Authorised Representatives

- A member who is entitled to participate in this AGM via RPV is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to participate in his/her place. A proxy may but need not be a member of the Company.
- 2. A member of the Company who is entitled to participate at the meeting may appoint not more than two proxies to participate on his/her behalf provided that the member specifies the proportion of the member's shareholdings to be represented by each proxy. There shall be no restriction as to the qualification of the proxy.
- 3. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one proxy in respect of each Securities account it holds with ordinary shares of the Company standing to the credit of the said Securities accounts.
- 4. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for the multiple beneficial owners in one Securities Account (omnibus account), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
- 5. Where a member or the authorised nominee appoints two proxies, or where an Exempt Authorised Nominee appoints two or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
- 6. A member who has appointed a proxy or attorney or authorised representative to participate at AGM via RPV must request his/her proxy or attorney or authorised representative to register himself/herself for RPV via TIIH Online website at https://tiih.online. Procedures for RPV can be found in the Administrative Guide for the AGM.
- 7. The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be deposited with Tricor not less than 48 hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote:
 - (a) In hard copy form:

In the case of an appointment made in hard copy form, the proxy form must be deposited with:

(i) Tricor

32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia

or alternatively, the Customer Service Centre at:

Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia

OR

- (ii) By fax at 03-2783 9222 or email to is.enquiry@my.tricorglobal.com
- (b) By electronic means

The proxy form can be electronically lodged with Tricor via TIIH Online at https://tiih.online. Kindly refer to the Administrative Guide for the AGM on the procedures for electronic lodgement of proxy form via TIIH Online.

- 8. Please ensure ALL the particulars as required in the proxy form are completed, signed and dated accordingly.
- Last date and time for lodging the proxy form is on Tuesday,
 19 April 2022 at 10.00 a.m.
- 10. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with Tricor or alternatively the Customer Service Centre at the address stated under item (7)(a)(i) not less than 48 hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
- 11. For a corporate member who has appointed an authorised representative, please deposit the ORIGINAL certificate of appointment of authorised representative with Tricor or alternatively the Customer Service Centre at the address stated under item (7)(a)(i). The certificate of appointment of authorised representative should be executed in the following manner:
 - (a) If the corporate member has a common seal, the certificate of appointment of authorised representative should be executed under seal in accordance with the constitution of the corporate member.
 - (b) If the corporate member does not have a common seal, the certificate of appointment of authorised representative should be affixed with the rubber stamp of the corporate member (if any) and executed by at least two authorised officers, of whom one shall be a director; or any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.
- 12. By submitting the duly executed Proxy Form, the member and his/her proxy(ies) consent to the Company (and/or its agents/service providers) collecting, using and disclosing the personal data therein in accordance with the Personal Data Protection Act 2010 for the purpose of the 24th AGM and any adjournment thereof.

Pursuant to Paragraph 8.29A of the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Malaysia) all resolutions set out in the Notice of $24^{\rm th}$ AGM will be put to vote as a poll.

NOTICE OF 24TH ANNUAL GENERAL MEETING

EXPLANATORY NOTES

Audited Financial Statements for the Financial Year Ended **31 December 2021**

The audited financial statements are laid before the shareholders pursuant to the provision of Section 244(2)(a) of the CA 2016 for discussion only. The audited financial statements do not require shareholders' approval and hence, will not be put forward for voting.

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.

Noor Ilias Mohd Idris and Freida Amat are due to retire in accordance with Article 107 of the Company's Constitution. Noor Ilias Mohd Idris and Freida Amat have expressed their intention not to seek re-election. Hence, Noor Ilias Mohd Idris and Freida Amat will retire from office upon the conclusion of the 24th AGM of the Company.

The profiles of the retiring Directors are set out in the Profile of the Board of Directors on pages 151 to 152 of the Integrated Report 2021.

Re-election of Directors who retire in accordance with Article 100 of the Company's Constitution

Datuk Ir. (Dr.) Abdul Rahim Hashim and Ir. Mohd Yusri Mohamed Yusof were appointed on 1 January 2022, they will be retiring under Article 100 of the Company's Constitution. They, being eligible for re-election have 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 144 and 145 of the Integrated Report 2021.

Note C

Non-Executive Directors' Fees and Allowances

Pursuant to Section 230(1) of the CA 2016, the fees of the directors, and any benefits payable to the directors including any compensation for loss of employment of a director or former director of a public company or a listed company and its subsidiaries, shall be approved at a general meeting.

The fees and allowances structure of the Non-Executive Directors (NEDs) of the Company is as follows:

- Monthly fixed fees for duties as Director/Chairman;
- Meeting allowance for each Board/Board Committee attended; and
- · Fuel allowance.

The Directors' fees and meeting allowances for Non-Independent Non-Executive Directors who are also employees of Petroliam Nasional Berhad (PETRONAS) are paid directly to PETRONAS. The shareholders at the last AGM held on 22 April 2021 approved the Directors' Fees and Allowances of up to an amount of RM2.5 million for the period from 23 April 2021 until the next AGM of the Company. The actual Directors' Fees and other benefits paid to the NEDs for the said period was RM1,903,000.00.

The Directors' fees and allowances for the NEDs for the period from 22 April 2022 until the next AGM of the Company (Mandate Period) are estimated not to exceed RM2.7 million. The calculation is based on the estimated number of scheduled Board and Board Committees' meetings and on assumption that 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 2021 are published in the Corporate Governance Report on the Company's corporate website at www.petronaschemicals.com.

Re-appointment of Auditors

The Board Audit Committee (BAC) had carried out an assessment on the performance, suitability and independence of the external auditors based on the following four key areas, and will continue to do so on an annual basis:

- (a) quality of engagement team and services;
- (b) adequacy of resources:
- (c) quality of communication and interaction; and
- (d) independence, objectivity and professional skepticism.

The BAC also took into account the openness in communication and interaction with the lead audit engagement partner and engagement team through discussions at the private meetings, which demonstrated their independence, objectivity and professionalism.

The BAC was satisfied with the suitability of KPMG PLT based on the quality of audit, performance, competency and sufficiency of resources the external audit team provided to the PCG Group. The BAC was also satisfied in its review that the provisions of non-audit services by KPMG PLT to the PCG Group for the financial year ended 2021 did not in any way impair their objectivity and independence as External Auditors of PCG Group.

KPMG PLT has also met the criteria prescribed by Paragraph 15.21 of the MMLR of Bursa Malaysia.

The Board at its meeting held on 24 February 2022 recommended the re-appointment of KPMG PLT as External Auditors of the Company for the financial year ending 31 December 2022 for approval of the shareholders under Resolution 4.

Abstention from Voting

Any NED of the Company who is a shareholder of the Company will abstain from voting on Resolution 3 concerning remuneration of the NEDs at the 24th AGM.

Other Information

The Company has engaged independent scrutineers to count, audit and validate the votes for each proposal presented to shareholders.



ADMINISTRATIVE GUIDE

FOR THE 24TH ANNUAL GENERAL MEETING (24TH AGM) OF PETRONAS CHEMICALS GROUP BERHAD (THE COMPANY)

Date : Thursday, 21 April 2022

Time : 10.00 a.m.

Broadcast Venue : Broadcast Venue, Exhibition Hall 8C, Level 4, Kuala Lumpur Convention Centre,

Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia

Precautionary Measures Against the Coronavirus Disease (COVID-19)

- The Securities Commission Malaysia (SC) had, on 16 July 2021, issued a revised Guidance Note on the Conduct of General Meetings for Listed Issuers stating various mode of conducting general meetings for areas with movement restriction subject to the requirements under the prevailing and applicable Standard Operating Procedure (SOPs) (Revised Guidance Note). The Revised Guidance Note further states that listed issuers are encouraged to continue leveraging technology to conduct their general meetings beyond the Movement Control Order (MCO) in accordance with the recommendation stated under Practice 13.3 of the Malaysian Code on Corporate Governance.
- In line with the Government's directive, and Revised Guidance Note, the Company will conduct the 24th AGM on a **virtual basis through live streaming and online remote voting** via Remote Participation and Voting (RPV) facilities which are available on Tricor Investor & Issuing House Services Sdn. Bhd.'s (Tricor) TIIH Online website at https://tiih.online.
- The Broadcast Venue of the 24th AGM is strictly for the purpose of complying with Section 327(2) of the CA 2016 which requires the Chairman of the Meeting to be present at the main venue of the meeting. No shareholders/proxy(ies) from the public will be physically present at the Broadcast Venue on the day of the meeting.
- Shareholders are to attend, participate, speak (including pose questions to the Board via real time submission of typed text) and vote (collectively referred to as "participate") remotely at this 24th AGM via the RPV facilities provided by Tricor via its TIIH Online website at https://tiih.online. You may also consider appointing the Chairman of the Meeting as your proxy to attend and vote on your behalf at the 24th AGM.
- In view of the uncertainties and the surge in COVID-19 infections, the Company will have to observe the guidelines or new procedures as may be issued by the Government from time to time, which may affect the administration of the 24th AGM as set out in this Administrative Guide. If there is any material change required to the proceeding of the meeting, the Company will issue announcement, and please check the Company's corporate website for the latest updates on the status of the 24th AGM.

Remote Participation and Voting

- The RPV facilities are available on Tricor's TIIH Online website at https://tiih.online.
- Shareholders are to participate remotely at the 24th AGM using RPV facilities from Tricor.
- Kindly refer to procedures for RPV as set out below for the requirements and procedures.

ADMINISTRATIVE GUIDE 24TH ANNUAL GENERAL MEETING

Procedures to Remote Participation and Voting via RPV Facilities

• Please read and follow the procedures below to engage in remote participation through live streaming and online remote voting at the 24th AGM using the RPV facilities:

Before the 24 th AGM Day				
Procedure	Action			
i. Register as a user with TIIH Online	 Using your computer, access to website at https://tiih.online. Register as a user under the "e-Services" select "Create Account by Individual Holder". Refer to the tutorial guide posted on the homepage for assistance. Registration as a user will be approved within one working day and you will be notified via email. If you are already a user with TIIH Online, you are not required to register again. You will receive an email to notify you that the remote participation is available for registration at TIIH Online. 			
ii. Submit your request to attend 24th AGM remotely	 Registration is open from 10.00 a.m. on Friday, 18 March 2022 until the day of 24th AGM on Thursday, 21 April 2022. Shareholder(s) or proxy(ies) or corporate representative(s) or attorney(s) are required to pre-register their attendance for the 24th AGM to ascertain their eligibility to participate the 24th AGM using the RPV. Login with your user ID (i.e. email address) and password and select the corporate event: "(REGISTRATION) PETRONAS CHEMICALS GROUP BERHAD 24TH AGM" Read and agree to the Terms & Conditions and confirm the Declaration. Select "Register for Remote Participation and Voting". Review your registration and proceed to register. System will send an email to notify that your registration for remote participation is received and will be verified. After verification of your registration against the Record of Depositors as at 14 April 2022, the system will send you an email after 19 April 2022 to approve or reject your registration for remote participation. Note: Please allow sufficient time for approval of new user of TIIH Online and registration for the RPV. 			

On the 24 th AGM Day							
Procedure	Action						
i. Login to TIIH Online	 Login with your user ID and password for remote participation at the 24th AGM at any time from 9.00 a.m. i.e. 1 hour before the commencement of meeting at 10.00 a.m. on Thursday, 21 April 2022. 						
ii. Participate through Live Streaming	 Select the corporate event: (Live Stream Meeting) PETRONAS CHEMICALS GROUP BERHAD 24TH AGM to engage in the proceedings of the 24th AGM remotely. If you have any question for the Chairman/Board, you may use the query box to transmit your question. The Chairman/Board will try to respond to questions submitted by remote participants during the 24th AGM. If there is time constraint, the responses will be published within three working days in the Company's corporate website at http://www.petronaschemicals.com under Investor Relations, after the meeting. 						
iii. Online remote voting	 Voting session commences from 10.00 a.m. on Thursday, 21 April 2022 until a time when the Chairman announces the end of the session. Select the corporate event: (Remote Voting) PETRONAS CHEMICALS GROUP BERHAD 24TH AGM or if you are on the live stream meeting page, you can select "GO TO REMOTE VOTING PAGE" button below the Query Box. Read and agree to the Terms & Conditions and confirm the Declaration. Select the CDS account that represents your shareholdings. Indicate your votes for the resolutions that are tabled for voting. Confirm and submit your votes. 						
iv. End of remote participation	• Upon the announcement by the Chairman on the conclusion of the 24 th AGM, the Live Streaming will end.						



ADMINISTRATIVE GUIDE 24TH ANNUAL GENERAL MEETING

Note to users of the RPV facilities:

- (i) Should your registration for RPV be approved, we will make available to you the rights to join the live stream meeting and to vote remotely. Your login to TIIH Online on the day of meeting will indicate your presence at the virtual meeting.
- (ii) The quality of your connection to the live broadcast is dependent on the bandwidth and stability of the internet at your location and the device you use.
- (iii) In the event you encounter any issues with logging-in, connection to the live stream meeting or online voting on the meeting day, kindly call Tricor Help Line at 011-40805616 / 011-40803168 / 011-40803169 / 011-40803170 for assistance or email to tiih.online@my.tricorglobal.com for assistance.

Entitlement to Participate and Appointment of Proxy

- Only members whose names appear on the Record of Depositors as at 14 April 2022 shall be eligible to participate at the 24th AGM or appoint a proxy(ies) and/or the Chairman of the Meeting to participate on his/her behalf.
- In view that the 24th AGM will be conducted on a virtual basis, a member can appoint the Chairman of the Meeting as his/her proxy and indicate the voting instruction in the Proxy Form.
- If you wish to participate in the 24th AGM yourself, please do not submit any Proxy Form for the 24th AGM. You will not be allowed to participate in the 24th AGM together with a proxy appointed by you.
- Accordingly, proxy forms and/or documents relating to the appointment of proxy/corporate representative/attorney for the 24th AGM whether in hard copy or by electronic means shall be deposited or submitted in the following manner not later than **Tuesday, 19 April 2022 at 10.00 a.m**:
 - (i) In hard copy:
 - (a) By hand or post to the office of 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 or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur; and
 - (b) By fax at 03-2783 9222 or email to is.enquiry@my.tricorglobal.com
 - (ii) By electronic form:

All shareholders can have the option to submit proxy forms electronically via TIIH Online and the steps to submit are summarised below:

Procedure	Action					
i. Steps for Individual Shareholders						
Register as a User with TIIH Online	• Using your computer, please access the website at https://tiih.online . Register as a user under the "e-Services". Please refer to the tutorial guide posted on the homepage for assistance.					
	If you are already a user with TIIH Online, you are not required to register again.					
Proceed with submission of Proxy Form	After the release of the Notice of Meeting by the Company, login with your user name (i.e. email address) and password.					
	Select the corporate event:					
	PETRONAS CHEMICALS GROUP BERHAD 24 TH AGM — "SUBMISSION OF PROXY FORM".					
	Read and agree to the Terms and Conditions and confirm the Declaration.					
	Insert your CDS account number and indicate the number of shares for your proxy(ies) to vote on your behalf.					
	Indicate your voting instructions – FOR or AGAINST, otherwise your proxy will decide on your votes.					
	Review and confirm your proxy(ies) appointment.					
	Print the Proxy Form for your record.					

Procedure	Action					
ii. Steps for corporation or institutional shareholders						
Register as a User with TIIH	Access TIIH Online at https://tiih.online .					
Online	• Under e-Services, the authorised or nominated representative of the corporation or institutional shareholder selects "Create Account by Representative of Corporate Holder".					
	Complete the registration form and upload the required documents.					
	Registration will be verified, and you will be notified by email within one to two working days.					
	• Proceed to activate your account with the temporary password given in the email and reset your own password.					
	Note: The representative of a corporation or institutional shareholder must register as a user in accordance with the above steps before he/she can subscribe to this corporate holder electronic proxy submission. Please contact Tricor if you need clarifications on the user registration.					
Proceed with submission of	Login to TIIH Online at https://tiih.online .					
Proxy Form	Select the corporate exercise name:					
	"PETRONAS CHEMICALS GROUP BERHAD 24™ AGM: SUBMISSION OF PROXY FORM"					
	Agree to the Terms & Conditions and Declaration.					
	• Proceed to download the file format for "Submission of Proxy Form" in accordance with the Guidance Note set therein.					
	Prepare the file for the appointment of proxies by inserting the required data.					
	Login to TIIH Online, select corporate exercise name:					
	"PETRONAS CHEMICALS GROUP BERHAD 24TH AGM: SUBMISSION OF PROXY FORM"					
	Proceed to upload the duly completed proxy appointment file.					
	Select "Submit" to complete your submission.					
	Print the confirmation report of your submission for your record.					

Voting at Meeting

- The voting at the 24th AGM will be conducted on a poll pursuant to Paragraph 8.29A of the MMLR of Bursa Malaysia. The Company has appointed Tricor to conduct the poll voting electronically (e-voting) via Tricor e-Vote application (Tricor e-Vote App) and Boardroom Corporate Services Sdn. Bhd. as Independent Scrutineers to verify the poll results.
- Shareholders can proceed to vote on the resolutions before the end of the voting session which will be announced by the Chairman of the Meeting and submit your votes at any time from the commencement of the 24th AGM at 10.00 a.m. Kindly refer to "Procedures to Remote Participation and Voting via RPV Facilities" provided above for guidance on how to vote remotely via TIIH Online.

Results of the voting

• The resolutions proposed at the 24th AGM and the results of the voting will be announced at the 24th AGM and subsequently via an announcement made by the Company through Bursa Malaysia at www.bursamalaysia.com.



ADMINISTRATIVE GUIDE 24TH ANNUAL GENERAL MEETING

Pre-Meeting Submission of Questions to the Board of Directors

- The Board recognises that the 24th AGM is a valuable opportunity for the Board to engage with shareholders. In order to enhance the efficiency of the proceedings of the 24th AGM, shareholders may in advance, before the 24th AGM, submit questions to the Board via Tricor's TIIH Online website at https://tiih.online, by selecting "e-Services" to login, post your questions and submit it electronically no later than **Tuesday, 19 April 2022 at 10.00 a.m.** The Board will endeavour to address the questions received at the 24th AGM.
- Alternatively, you may also send your questions for the 24th AGM to the following email address:

Investor Relations: petronaschemicals_ir@petronas.com

Annual Report

- The Annual Report is available on the Company's corporate website at www.petronaschemicals.com and Bursa Malaysia's website at www.bursamalaysia.com under Company's announcements.
- You may request for a printed copy of the Annual Report at https://tiih.online by selecting "Request for Annual Report" under the "Investor Services".
- Kindly consider the environment before you decide to request for the printed copy of the Annual Report. The environmental concerns like global warming, deforestation, climate change and many more affect every human, animal and nation on this planet.

Enquiry

• If you have any enquiry prior to the meeting, please call Tricor at +603-2783 9299 during office hours i.e. from 8.30 a.m. to 5.30 p.m. (Monday to Friday).

GLOSSARY OF TERMS, ABBREVIATIONS AND ACRONYMS

Abbreviation	Full Terms/Definations						
3R	Reduce, Reuse, Recycle						
AA	Advanced Analytics						
AACEI	Advancement of Cost Engineering, International						
ABF	ASEAN Bintulu Fertilizer Sdn Bhd						
ACCA	Association of Chartered Certified Accountants						
AGM	Annual General Meeting						
АРМ	Asset Performance Management						
ARA	Australasian Reporting Awards						
ASEAN	Association of Southeast Asian Nations						
BAC	Board Audit Committee						
всм	Business Continuity Management						
ВСР	Business Continuity Plan						
Bio-MEG	Bio-Monoethylene Glycols						
Board	Board of Directors						
ВРС	BASF PETRONAS Chemicals Sdn Bhd						
BRC	Board Risk Committee						
BRP	Business Recovery Plan						
BUST	Bottom-Up Stock Target						
CA 2016	Companies Act 2016						
CAPEX	Capital Expenditure						
ССР	Certified Cost Professional						
CDEx	Customer Delivery Excellence						
CE	Commercial Excellence						
CG	Corporate Governance						
CG Statement	Corporate Governance Overview Statement						
СМ	Crisis Management						
CO ₂	Carbon Dioxide						
CO ₂ e	Carbon Dioxide equivalent						
СоВЕ	PETRONAS' Code of Conduct and Business Ethics						
COD	Chemical Oxygen Demand						
CRP (1)	Corporate Risk Profile						
CRP (2)	COVID-19 Relief Programme/Community Relief Package						
CSR	Corporate Social Responsibility						

Abbreviation	Full Terms/Definations					
DJSI	Dow Jones Sustainability Index					
DMFC	Direct Methanol Fuel Cell					
DoE	Department of Environment					
DOSH	Department of Occupational Safety & Health					
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation					
EES	Economic, Environmental and Social					
EPCC	Engineering, Procurement, Construction and Commissioning					
ERM	Enterprise Risk Management					
FDI	Foreign Direct Investment					
FID	Final Investment Decision					
FRP	Frontliner Relief Package					
FTE	Full-Time Equivalent					
FTSE4Good	Index Series designed to measure the performance of companies demonstrating strong ESG practices					
GDP	Gross Domestic Production					
GE	Growth Delivery Excellence					
GHG	Greenhouse Gas					
GJ	Gigajoule					
GRI	Global Reporting Initiative					
HDPE	High Density Polyethylene					
HR-PIB	Highly Reactive Polyisobutylene					
HSE	Health, Safety and Environment					
HSEMS	HSE Management System					
IAM	Identity Access Management					
ICCA	International Council of Chemical Associations					
IChemE	Institution of Chemical Engineers					
IFRS	International Financial Reporting Standards					
IFSSC	PETRONAS Integrated Financial Shared Service Centre					
IRF	Integrated Reporting Framework					
IKM	Institut Kimia Malaysia					
IMPCA	International Method Producers and Consumers Association					



GLOSSARY OF TERMS, ABBREVIATIONS AND ACRONYMS

Abbreviation	Full Terms/Definations					
INED	Independent Non-Executive Director					
IPIECA	International Petroleum Industry Environmental Conservation Association					
IR (1)	Integrated Report					
IR (2)	Investor Relations					
JVs	Joint ventures					
KASA	Ministry of Environment and Water					
KIPC	Kertih Integrated Petrochemical Complex					
KPIs	Key Performance Indicators					
ktpa	Kilo metric tonnes per annum					
LAC	Lube oil Additives and Chemicals					
LDA	Leadership Development in Action					
LDAR	Leak Detection and Repair					
LDPE	Low Density Polyethylene					
LLDPE	Linear Low Density Polyethylene					
LTIF	Lost Time Injury Frequency					
М&А	Merger & Acquisition					
MACC	Malaysian Anti-Corruption Commission					
MaSPA	Malaysia Sustainable Plastic Alliance					
MCCG	Malaysian Code on Corporate Governance					
мсо	Movement Control Order					
MFRS	Malaysian Financial Reporting Standards					
MITI	Ministry of International Trade and Industry					
MMLR	Main Market Listing Requirements					
MNFSB	Malaysian NPK Fertlizer Sdn Bhd					
MSOSH	Malaysian Society for Occupational Safety & Health					
MSWG	Minority Shareholders Watch Group					
МТВЕ	Methyl Tertiary Butyl Ether					
NGO	Non-Governmental Organisation					
NINED	Non-Independent Non-Executive Director					
NOx	Nitrogen Oxide					
NPE	New Plastics Economy					
NRC	Nomination and Remuneration Committee					

Abbreviation	Full Terms/Definations					
OE	Operational Excellence					
OE R2	Operational Excellence Result 2					
OEE	Overall Equipment Effectiveness					
OFR	Order Fulfilment Reliability					
OPEC+	Organization of the Petroleum Exporting Countries Plus					
оѕн	Occupational Safety & Health					
ОТ	Operating Technology					
PAT	Profit After Tax					
PATANCI	Profit After Tax and Non-Controlling Interests					
PBT	Profit Before Tax					
PC ASB/ PC Ammonia	PETRONAS Chemicals Ammonia Sdn Bhd					
PC Aromatics	PETRONAS Chemicals Aromatics Sdn Bhd					
PC DSB/ PC Derivatives	PETRONAS Chemicals Derivatives Sdn Bhd					
PC ESB/ PC Ethylene	PETRONAS Chemicals Ethylene Sdn Bhd					
PC FKSB/ PC Fertiliser Kedah	PETRONAS Chemicals Fertiliser Kedah Sdn Bhd					
PC FSSB/ PC Fertiliser Sabah	PETRONAS Chemicals Fertiliser Sabah Sdn Bhd					
PC GSB/ PC Glycols	PETRONAS Chemicals Glycols Sdn Bhd					
PC LDPESB/ PC LDPE	PETRONAS Chemicals LDPE Sdn Bhd					
PC MSB/ PC Methanol	PETRONAS Chemicals Methanol Sdn Bhd					
PC MTBESB	PETRONAS Chemicals MTBE Sdn Bhd					
PC OSB/ PC Olefins	PETRONAS Chemicals Olefins Sdn Bhd					
PC PSB/ PC Polyethylene	PETRONAS Chemicals Polyethylene Sdn Bhd					
PCG or the Group	PETRONAS Chemicals Group Berhad					
PEMSB	Polyethylene Malaysia Sdn Bhd					
PGB	PETRONAS Gas Berhad					
PIC	Pengerang Integrated Complex					

GLOSSARY OF TERMS, ABBREVIATIONS AND ACRONYMS

Abbreviation	Full Terms/Definations					
PIVOT	PETRONAS Integrated Vision for Operational Excellence Transformation					
PL	Potential Leaders					
PPC	Pengerang Petrochemical Company Sdn Bhd					
PPE	Personal Protective Equipment					
PPV	Pusat Pemberian Vaksin					
PPVRP	PPV Relief Package					
PQS	Professional Quantity Surveyor					
PU	Plant Utilisation					
R&D	Research & Development					
R&T	Research & Technology					
RM	Ringgit Malaysia					
ROE	Return on Equity					
RoSPA	Royal Society for the Prevention of Accidents					
RTOG	Road Transport Operational Guidelines					
Saudi Aramco	Saudi Arabian Oil Company					
SDGs	Sustainability Development Goals					

Abbreviation	Full Terms/Definations					
SDWC	Sustainable Development Working Committee					
SEA	Southeast Asia					
SME	Small and Medium-sized Enterprises					
SOPs	Standard Operating Procedures					
SORMIC	Statement on Risk Management and Internal Control					
SR	Sustainability Report					
TA	Turnaround					
TCFD	Taskforce for Climate-related Financial Disclosures					
tCO ₂ e	Tonnes of CO ₂ equivalent					
ТР	Technical Professionals					
tpa	Tonnes per annum					
TRCF	Total Recordable Case Frequencies					
TVAR	Total Vehicle Accident Rate					
UN	United Nations					
VRF	Value Reporting Foundation					

PROXY FORM PETRONAS CHEMICALS GROUP BERHAD

REGISTRATION NO: 199801003704 (459830-K) (INCORPORATED IN MALAYSIA) FOR THE 24^{TH} ANNUAL GENERAL MEETING



Number of O	rdinary Shares Held					
CDS Account	Number					
I/We	(Full Name In Block Letters	5)	NRIC/Passport No./Com			
Of	(Full	Address)		Telephone	No.:	
Email address:		being a me	ember of PETRONAS Chemicals Group	Berhad (th	e Company) h	ereby appoint
Full Name (in Block Letters)		NRIC/Passport No.	Proportion of Shareholdings			
				No. o	of Shares	%
Address						
and/or (delete a	as appropriate)					
Full Name (in	Block Letters)		NRIC/Passport No.	Propo	ortion of Share	eholdings
				No. o	of Shares	%
Address						
Meeting of the Venue, Exhibition	Company will be held fully on Hall 8C, Level 4, Kuala I	virtual through _umpur Conv	n/our proxy to vote for me/us on my n live streaming via a remote participati ention Centre, Kuala Lumpur City Cer nment thereof and vote as indicated b	on and vot itre, 50088	ing facilities at	the Broadcas
Resolution	Ordinary Business				For	Against
1	Re-election of Datuk Ir. (E	Dr.) Abdul Rah	im Hashim as a Director			
2	Re-election of Ir. Mohd Yusri Mohamed Yusof as a Director					
3	Directors' Fees and Allowances of up to RM2.7 million with effect from 22 April 2022 until the next Annual General Meeting of the Company payable to Non-Executive Directors					
4	4 Re-appointment of KPMG PLT as Auditors of the Company					
(Please indicate		ovided wheth	g for full details of the proposed Resolution er you wish your vote to be cast for or he/she thinks fit).		e Resolutions. I	n the absence
Dated this	day of					

- A member who is entitled to participate in this AGM via RPV is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to participate in his/her place. A proxy may but need not be a member of the Company
- A member of the Company who is entitled to participate at the meeting may appoint not more than two proxies to participate on his/her behalf provided that the member specifies the proportion of the member's shareholdings to be represented by each proxy. There shall be no restriction as to the qualification of the proxy.
- Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one proxy in respect of each Securities account it holds with ordinary shares of the Company standing to the credit of the said Securities accounts.
- 4. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for the multiple beneficial owners in one Securities Account (omnibus account), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds. 5. Where a member or the authorised nominee appoints two proxies, or where an Exempt Authorised Nominee appoints two or more proxies, the proportion of shareholdings to be represented by each proxy must
- be specified in the instrument appointing the proxies
- 6. A member who has appointed a proxy or attorney or authorised representative to participate at AGM via RPV must request his/her proxy or attorney or authorised representative to register himself/herself for RPV via TIIH Online website at https://tiih.online. Procedures for RPV can be found in the Administrative Guide for the AGM.
- The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be deposited with Tricor Investor & Issuing House Services Sdn Bhd not less than 48 hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote: (a) In hard copy form:
 - In the case of an appointment made in hard copy form, the proxy form must be deposited with:
 - (i) Tricor, 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia OR
 - (ii) By fax at 03-2783 9222 or email to is.enquiry@my.tricorglobal.com
 - (b) By electronic means
 - The proxy form can be electronically lodged with Tricor via TIIH Online at https://tiih.online. Kindly refer to the Administrative Guide for the AGM on the procedures for electronic lodgement of proxy form via TIIH Online.
- 8. Please ensure ALL the particulars as required in the proxy form are completed, signed and dated accordingly
- Last date and time for lodging the proxy form is on Tuesday, 19 April 2022 at 10.00 a.m.
- 10. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with Tricor or alternatively the Customer Service Centre at the address stated under item (7)(a)(i) not less than 48 hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
- 11. For a corporate member who has appointed an authorised representative, please deposit the ORIGINAL certificate of appointment of authorised representative with Tricor or alternatively the Customer Service Centre at the address stated under item (7)(a)(i). The certificate of appointment of authorised representative should be executed in the following manner:

 (a) If the corporate member has a common seal, the certificate of appointment of authorised representative should be executed under seal in accordance with the constitution of the corporate member.

 - (b) If the corporate member does not have a common seal, the certificate of appointment of authorised representative should be affixed with the rubber stamp of the corporate member (if any) and executed by at least two authorised officers, of whom one shall be a director; or any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad all resolutions set out in the Notice of 24th AGM will be put to vote as a poll.
- 12. By submitting the duly executed Proxy Form, the member and his/her proxy(ies) consent to the Company (and/or its agents/service providers) collecting, using and disclosing the personal data therein in accordance with the Personal Data Protection Act 2010 for the purpose of the 24th AGM and any adjournment thereof.

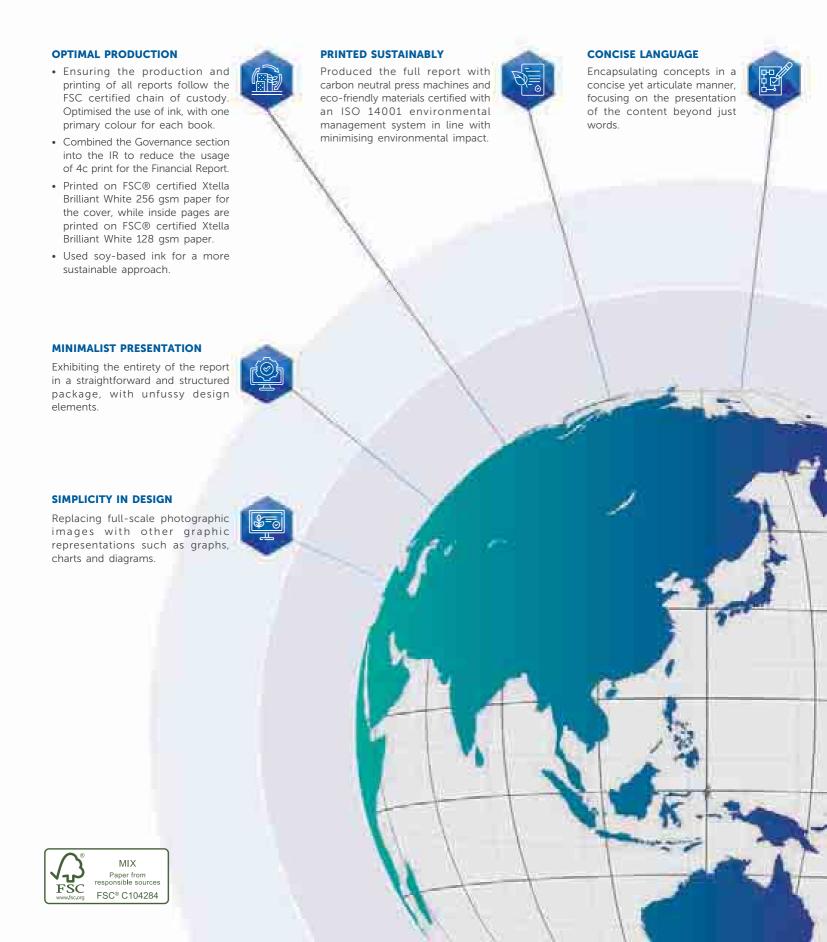
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STAMP

TRICOR INVESTOR & ISSUING HOUSE SERVICES SDN. BHD.

Unit 32-01, Level 32, Tower A Vertical Business Suite, Avenue 3, Bangsar South No. 8 Jalan Kerinchi 59200 Kuala Lumpur Malaysia

PCG's Integrated Report 2021 has been produced in line with our theme: **Sustainability at the Core**. Every decision made during publication had to consider its environmental impact. From the materials used and acquired to the design conception and production; everything is intentional.



PETRONAS Chemicals Group Berhad

Tower 1 PETRONAS Twin Towers Kuala Lumpur City Centre 50088 Kuala Lumpur Malaysia

> Tel: +603 2051 5000 Fax: +603 2051 3888

www.petronaschemicals.com