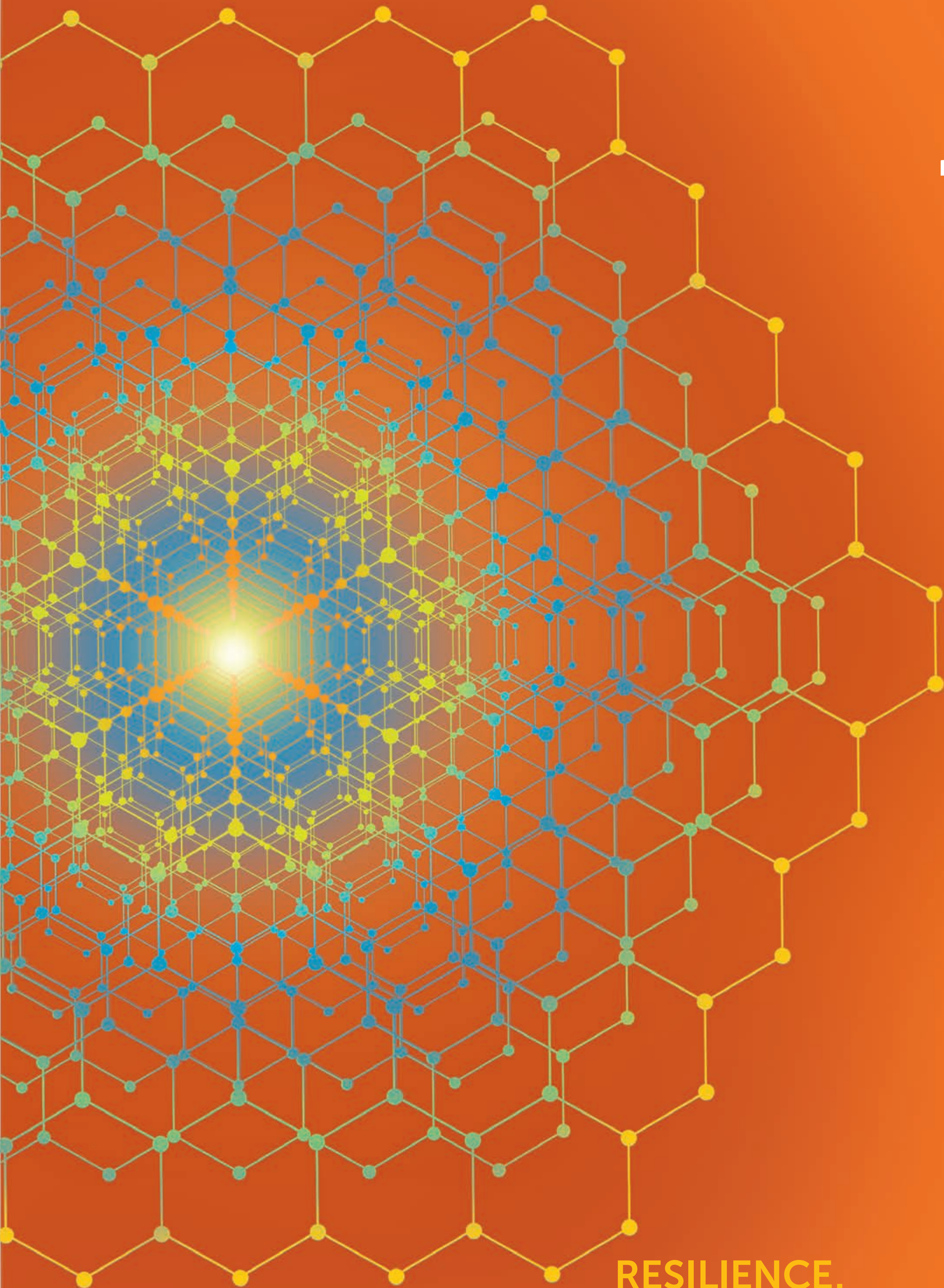
PETRONAS



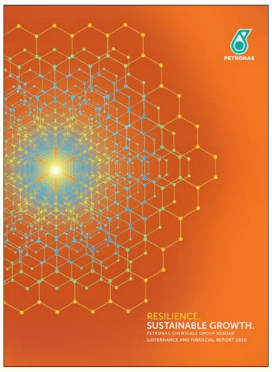
RESILIENCE.
SUSTAINABLE GROWTH.

PETRONAS CHEMICALS GROUP BERHAD

GOVERNANCE AND FINANCIAL REPORT 2020

About this report

We are proud to present PETRONAS Chemicals Group Berhad's (PCG) combined Governance and Financial reporting publication.



Scope and Boundary

PCG's Governance and Financial Report (GFR) 2020 reporting scope covers the period from 1 January 2020 to 31 December 2020 unless otherwise stated. The boundary is limited to PCG and the principal activities of its subsidiaries, joint operation, joint ventures and associates.

Our GFR is to be read in conjunction with our Integrated Report 2020 (IR) and Corporate Governance Report (CG Report) which are both accessible online at www.petronaschemicals.com

Disclosures

The GFR presents a detailed report of how we apply the principles of the Malaysian Code on Corporate Governance 2017 (MCCG 2017). It includes expanded information of our Corporate Governance Overview Statement, Nomination and Remuneration Committee Report, Board Audit Committee Report, Board Risk Committee Report and Statement on Risk Management and Internal Control.

Our GFR also includes our Audited Financial Statements consisting of Directors' Report, Financial Statements, Notes to the Financial Statements and our Independent Auditors' Report. The GFR provides detailed governance and financial disclosures to our shareholders, investors, analysts and other interested parties.

Reporting Framework

This Governance reporting has been prepared in accordance with the relevant requirements, guidelines and practices of the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Malaysia), MCCG 2017, Companies Act 2016 (CA 2016) and Corporate Governance Guide (3rd Edition) by Bursa Malaysia Berhad, in addition to being benchmarked against the ASEAN Corporate Governance Scorecard.

Our Financial reporting has been prepared in accordance with the Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards (IFRS), MMLR of Bursa Malaysia and CA 2016.

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

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CHAIRMAN'S CORPORATE GOVERNANCE OVERVIEW

DEAR STAKEHOLDERS,

The highest standards of corporate governance are critical for delivering consistent performance as well as to create sustainable value for all stakeholders. In determining the Company's strategic priorities, we embrace principles of good governance, especially when devising enabling policies and efficient processes. We instil a sense of responsibility in our corporate culture, focussing on integrity and ethics to drive responsible growth.

DATUK MD ARIF MAHMOOD / *Chairman*

The year under review has been fraught with challenges. There is no question that the impacts from COVID-19 are unprecedented and are testing the resilience of countries and businesses. The crisis has fundamentally changed the way businesses operate globally. From the perspective of corporate governance, the situation has reinforced the critical role and leadership of the Board in steering not just immediate recovery efforts, but also the mid- to long-term strategies to adapt and grow in the post-COVID period. Akin to the year under review, 2021 will continue to be volatile and dynamic and our priority is to remain resilient and focus on achieving our growth objectives. Please rest assured that the Board will play a significant role through calculated interventions that will positively influence our long-term success, resilience and agility in a changed world.

In other words, the Board's oversight role will focus on continuing to build a resilient organisation while also laying the foundations for our future success. The Board's responsibility to drive long-term value across a broader group of stakeholders, customers, society and shareholders, instilling a culture of continuous change and developing talent will drive transformation in a post-COVID world.

The COVID-19 crisis has also substantially changed the manner the Board and Management undertake their respective affairs. Board meetings during the year under review were conducted online or virtually. The Company's 22nd Annual General Meeting was successfully conducted virtually on 16 June 2020 in line with the Securities Commission's Guidance Note on the Conduct of General Meetings for Listed Issuers issued on 18 April 2020.

CHAIRMAN'S CORPORATE GOVERNANCE OVERVIEW

"As a values-based organisation, we promote world-class business practices and robust institutional governance and risk frameworks, with strong emphasis on transparency, accountability, effective leadership, and sustainable performance."

I am pleased to report that this **Corporate Governance Overview Statement** has been prepared in accordance with statutory requirements, guidelines and practices and cover the following areas as required by the Malaysian Code on Corporate Governance 2017 (MCCG 2017):

i) Board Leadership and Effectiveness
ii) Effective Audit and Risk Management
iii) Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders

The Board's governance oversight is guided by its strong commitment and well-defined responsibilities. They are guided by our governance objectives which provide a mechanism to measure and evaluate performance while applying the Principles and Practices of MCCG 2017. It is a conscious effort by the Board and Management at every level of the organisation to lead by example, embrace corporate values, implement best practices and create an organisational culture that optimises performance, accountability and contribution.

The Board embraces its diversity and leverages on the credentials each of its members bring, to ensure effective stewardship of Management and steering of the Company to retain its competitive advantage. The Board continues to achieve a balance of skills, knowledge, experience and independent viewpoints through the different perspectives of the Directors, all of which have provided valuable insights to the Board's decision-making process.

During the year under review, we strengthened our commitment towards doing business responsibly by enhancing our internal governance practices. We revised the cooling-off period for the appointment of Independent Director and specific person including an existing or former officer, adviser or transacting party of PCG or its related corporation, following amendments to the MMLR of Bursa Malaysia.

The Board also appointed Datuk Toh Ah Wah as Senior Independent Director in line with best practice recommended by the ASEAN CG Scorecard which is used as a benchmark by the Company.

Following the enforcement of corporate liability provision since 1 June 2020 which imposes corporate liability on companies for failure to prevent bribery and corruption, the Company conducted a workshop in February 2020 to brief Directors on the adequate procedures that had been put in place and to equip them with the required understanding of their liability and penalty imposed for the offences under Section 17A of the MACC Act 2009. The Board will continue to strengthen its procedures to ensure adequacy in preventing acts of corruption related to the organisation.

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 2017, the Corporate Governance Guide – 3rd Edition issued by Bursa Malaysia Berhad. Our practices are also benchmarked against the ASEAN Corporate Governance Scorecard.

The details of how PCG has applied the MCCG 2017 Principles, complied with and adopted its practices are enumerated in our Corporate Governance Report 2020, which is accessible to the public on PCG's corporate website, www.petronaschemicals.com.

In the year ahead, as the Company navigates through the pandemic, the Board will remain fully committed to continue ensuring the wellbeing of our employees and the safe as well as optimal operations of our global businesses across the value chain. The Board will also ensure the sustainability of our business and operations by aligning best practices, ethics and business integrity into the strategies and operations of the Group.

DATUK MD ARIF MAHMOOD
Chairman

BOARD OF DIRECTORS' PROFILE

as at 1 March 2021

DATUK MD ARIF MAHMOOD | Chairman, Non-Independent Non-Executive Director

Board Skills and Experience Matrix

C R EN O RM OG G M CS H

Nationality: Malaysian

Age: 58

Gender: Male

Date of Appointment: 1 May 2015

Length of Service 5 years and 10 months

NUMBER OF BOARD MEETINGS ATTENDED

8 out of 8

ACADEMIC/PROFESSIONAL QUALIFICATIONS:

- Masters of Business Administration, Massachusetts Institute of Technology, United States of America (USA)
- Bachelor of Science in Electrical Engineering (summa cum laude), Boston University, USA

PRESENT DIRECTORSHIPS:

Listed entities:
- PETRONAS Chemicals Group Berhad
- PETRONAS Dagangan Berhad

Other public company:

Nil

PRESENT APPOINTMENTS:

- Chairman of PETRONAS Dagangan Berhad
- Executive Vice President and Chief Executive Officer, Downstream Business, PETRONAS
- Member of Executive Leadership Team, PETRONAS
- Member of People Development Committee, PETRONAS
- Member of Talent Council, PETRONAS
- Member of Industry Advisory Panel, Universiti Teknologi PETRONAS
- Director, Johor Petroleum Development Corporation
- Chairman/Director of various companies within PETRONAS

PAST EXPERIENCE:

- Director, PETRONAS
- Senior Vice President of Corporate Strategy, PETRONAS
- Vice President of Oil Business, PETRONAS
- Managing Director/Chief Executive Officer of ASEAN Bintulu Fertilizer Sdn Bhd
- Senior General Manager of Retail Business Division, PETRONAS Dagangan Berhad
- General Manager (Gas Processing Plant B), PETRONAS Gas Berhad

DATUK SAZALI HAMZAH | Managing Director/ Chief Executive Officer (MD/CEO) Non-Independent Executive Director

Board Skills and Experience Matrix

C R EN OG RM M L O

Nationality: Malaysian

Age: 54

Gender: Male

Date of Appointment: 8 May 2014

Length of Service 6 years and 10 months

NUMBER OF BOARD MEETINGS ATTENDED

8 out of 8

ACADEMIC/PROFESSIONAL QUALIFICATIONS:

- 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:

Nil

PRESENT APPOINTMENTS:

- Vice President, Downstream Business, PETRONAS
- Board member of Institution of Chemical Engineers United Kingdom, Malaysian Branch
- Chairman/Director of various companies within PETRONAS

PAST EXPERIENCE:

- 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:

OG Oil and Gas	C Petrochemical	G Global	R Regional	EN Engineering	L Logistics
LR Legal/Regulatory	O Operations	M Commercial/Marketing	EC Economics	F Finance	A Audit
RM Risk Management	S Sustainability	CS Corporate Strategy	T Information Technology	H Human Resource	PM Project Management

BOARD OF DIRECTORS' PROFILE

DATUK TOH AH WAH
Senior Independent Director

Board Skills and Experience Matrix

RM R S F G A EC M CS

Nationality: Malaysian

Age: 63

Gender: Male

Date of Appointment:
13 June 2014

Length of Service
6 years and 9 months

NUMBER OF BOARD MEETINGS ATTENDED
8 out of 8

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
- Chairman of Board Nomination Committee, Carlsberg Malaysia
- Chairman 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 Berhad
- 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
- MD/Chief Executive Officer, Pakistan Tobacco and Area Director, South Asia Area (covering Pakistan, Bangladesh and Sri Lanka)
- MD, British American Tobacco New Zealand
- Business Development Director China for British American Tobacco Asia Pacific North
- Various senior management positions with British American Tobacco (Malaysia) Berhad

YEOH SIEW MING
Independent Non-Executive Director

Board Skills and Experience Matrix

RM O CS A R M F

Nationality: Malaysian

Age: 53

Gender: Female

Date of Appointment:
15 May 2019

Length of Service
1 year and 9 months

NUMBER OF BOARD MEETINGS ATTENDED
8 out of 8

ACADEMIC/PROFESSIONAL QUALIFICATIONS:
- 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:
Nil

PRESENT APPOINTMENTS:
- Chairman of Board Audit Committee, 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

BOARD SKILLS AND EXPERIENCE MATRIX:

OG Oil and Gas	C Petrochemical	G Global	R Regional	EN Engineering	L Logistics
LR Legal/Regulatory	O Operations	M Commercial/Marketing	EC Economics	F Finance	A Audit
RM Risk Management	S Sustainability	CS Corporate Strategy	T Information Technology	H Human Resource	PM Project Management

BOARD OF DIRECTORS' PROFILE

WARREN WILLIAM WILDER
Independent Non-Executive Director

Board Skills and Experience Matrix

C S O EN EC OG RM G M L CS LR R

Nationality: American

Age: 63

Gender: Male

Date of Appointment: 1 July 2018

Length of Service 2 years and 8 months

NUMBER OF BOARD MEETINGS ATTENDED
8 out of 8

ACADEMIC/PROFESSIONAL QUALIFICATIONS:
- Masters of Business Administration (MBA) Finance, University of Chicago, United States of America (USA)
- Bachelors of Chemical Engineering (Honours), University of Washington, Seattle, USA

PRESENT DIRECTORSHIPS:
Listed entities:
- PETRONAS Chemicals Group Berhad

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, Crackers 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

DR ZAFAR ABDULMAJID MOMIN
Independent Non-Executive Director

Board Skills and Experience Matrix

EN CS M RM R T L F H G O EC A

Nationality: Singaporean

Age: 62

Gender: Male

Date of Appointment: 1 July 2018

Length of Service 2 years and 8 months

NUMBER OF BOARD MEETINGS ATTENDED
8 out of 8

ACADEMIC/PROFESSIONAL QUALIFICATIONS:
- Doctorate of Philosophy in Business (General Management), Singapore Management University, Singapore
- Master of Business Administration, Kellogg School of Management, Northwestern University, Chicago, 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:
Nil

PRESENT APPOINTMENTS:
- Member of Nomination and Remuneration Committee, PCG
- Member of Board Audit Committee, PCG
- Member of Board Risk Committee, PCG
- Adjunct Associate Professor, College of Business, Nanyang Technological University, 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); 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)

BOARD SKILLS AND EXPERIENCE MATRIX:

OG Oil and Gas	C Petrochemical	G Global	R Regional	EN Engineering	L Logistics
LR Legal/Regulatory	O Operations	M Commercial/Marketing	EC Economics	F Finance	A Audit
RM Risk Management	S Sustainability	CS Corporate Strategy	T Information Technology	H Human Resource	PM Project Management

BOARD OF DIRECTORS' PROFILE

FREIDA AMAT
Non-Independent Non-Executive Director

Board Skills and Experience Matrix

C CS OG RM R A G F M EC

Nationality: Malaysian

Age: 51

Gender: Female

Date of Appointment:
31 July 2015

Length of Service
5 years and 7 months

NUMBER OF BOARD MEETINGS ATTENDED
8 out of 8

ACADEMIC/PROFESSIONAL QUALIFICATIONS:
- 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
- Director of various companies within PETRONAS

PAST EXPERIENCE:
- Head, Finance Group & Corporate Services, Group Finance PETRONAS
- 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

NOOR ILIAS MOHD IDRIS
Non-Independent Non-Executive Director

Board Skills and Experience Matrix

C G A EN R H RM F PM L O S OG

Nationality: Malaysian

Age: 55

Gender: Male

Date of Appointment:
15 May 2019

Length of Service
1 year 9 months

NUMBER OF BOARD MEETINGS ATTENDED
8 out of 8

ACADEMIC/PROFESSIONAL QUALIFICATIONS:
- 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

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:

OG Oil and Gas	C Petrochemical	G Global	R Regional	EN Engineering	L Logistics
LR Legal/Regulatory	O Operations	M Commercial/Marketing	EC Economics	F Finance	A Audit
RM Risk Management	S Sustainability	CS Corporate Strategy	T Information Technology	H Human Resource	PM Project Management

BOARD OF DIRECTORS' PROFILE

COMPANY SECRETARIES:

HASNIZAINI MOHD ZAIN | Company Secretary

Nationality: Malaysian

Age: 46

Gender: Female

DESCRIPTION OF ROLES:

- She has been the Company Secretary of PCG since 2018 and acts as advisor to the Board, particularly with regards to compliance to the regulatory requirements
- Responsible for PCG's legal affairs and company secretarial matters of PCG Group

Further details about Hasnizaini Mohd Zain can be found on page 13

KANG SHEW MENG | Company Secretary

Nationality: Malaysian

Age: 60

Gender: Male

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 2020.

MANAGEMENT COMMITTEE PROFILE

DATUK SAZALI HAMZAH | Managing Director/Chief Executive Officer (MD/CEO)

Nationality: Malaysian **Age:** 54 **Gender:** Male

DESCRIPTION OF ROLES:

- Responsible for the overall operational, commercial, financial and sustainable management of PCG and its subsidiaries
- Sits on the Board of PCG and several PETRONAS companies

EXPERIENCE MATRIX:

1990
- Joined PETRONAS as a process technologist and progressed through various roles in the refinery and petrochemical business
- Held several senior management positions at PETRONAS Penapisan (Terengganu) Sdn Bhd, PETRONAS Penapisan (Melaka) Sdn Bhd, PETRONAS Group Technology Solutions, and Project Management of Technology & Engineering Division of PETRONAS
- Involved in the implementation and commercial operations of several major PETRONAS projects such as Kertih Aromatics Project, Melaka Base Oil Plant, Melaka Refinery Revamp and the Co-Generation Power Plant

2003
- Selected as a member of PETRONAS Corporate Strategic Study and Implementation, and led a change programme to enhance plant performance and operational excellence

2010
- Led a highly specialised team providing technical services and support to all operating plants in PETRONAS, subsequently heading the Project Management Delivery Division and overseeing PETRONAS downstream projects of high capital value

2012
- Appointed as MD/CEO of PETRONAS Penapisan (Melaka) Sdn Bhd

2014
- Appointed as President/CEO of PCG
- A member of Downstream Executive Leadership Team

2015
- Appointed as Result Manager for the Technology Workstream of PETRONAS' Project CACTUS

2016
- Appointed as PETRONAS Vice President and remains as MD/CEO of PCG

QUALIFICATIONS:

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

Datuk Sazali has no family relationship with any director and/or major shareholder of PCG, nor any conflict of interest with the Group. He has not been convicted for any offence within the past five years, other than traffic offences, if any, nor had any public sanctions or penalty imposed by any regulatory body during the financial year.

MANAGEMENT COMMITTEE PROFILE

MOHD AZLI ISHAK | Chief Financial Officer

Nationality: Malaysian

Age: 42

Gender: Male

DESCRIPTION OF ROLES:

- Responsible for the management of all financial and fiscal aspects of PCG and its subsidiaries as well as risk management, supply chain management, investor relations and information systems
- Sits on the Board of several PETRONAS companies

EXPERIENCE MATRIX:

- 2000 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 start-ups
- 2021 Appointed as Chief Financial Officer of PCG

QUALIFICATIONS:

- Bachelor of Commerce in Accounting and Finance, Monash University, Melbourne, Australia
- Member of the Chartered Accountants Australia and New Zealand
- Member of the Malaysian Institute of Accountants

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.

MOHD KABIR NOORDIN | Chief Manufacturing Officer

Nationality: Malaysian

Age: 55

Gender: Male

DESCRIPTION OF ROLES:

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

EXPERIENCE MATRIX:

- 1991 Joined PETRONAS Penapisan (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)
- 1998 Pursued his studies in Bachelor of Science in Chemical Engineering at University of Leeds, UK under scholarship of PETRONAS Staff Development Program
- 2000 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 Appointed as General Manager (Production) at PETRONAS Penapisan (Melaka) Sdn Bhd
- 2011 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 Manufacturing Officer

QUALIFICATIONS:

- Bachelor of Science in Chemical Engineering, University Of Leeds, United Kingdom
- Diploma in Industrial Chemical, Institute of Technology MARA

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.

MANAGEMENT COMMITTEE PROFILE

SHAKEEL AHMAD KHAN | Chief Commercial Officer

Nationality: Malaysian

Age: 51

Gender: Male

DESCRIPTION OF ROLES:

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

EXPERIENCE MATRIX:

- 1995 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
- 2008 Returned to Crude Oil Group of PETRONAS as Head (Trading – Asia Pacific/Far East)
- 2012 Joined PETRONAS Chemical Group Berhad and held various senior managerial positions including, Manager (Commercial – Urea & other fertilizer), Head of Marketing & Sales for Ammonia and Fertilizer, Head (Marketing & Sales – Polymer)
- 2020 Appointed as Chief Commercial Officer

QUALIFICATIONS:

- Bachelor of Science (Hons) Chemistry, Universiti Sains Malaysia, Pulau Pinang

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.

AKBAR MD THAYOOB | Head of Strategic Planning & Ventures

Nationality: Malaysian

Age: 57

Gender: Male

DESCRIPTION OF ROLES:

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

EXPERIENCE MATRIX:

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

QUALIFICATIONS:

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

Akbar has no family relationship with any director and/or major shareholder of PCG, nor any conflict of interest with the Group. He has not been convicted for any offence within the past five years, other than traffic offences, if any, nor had any public sanctions or penalty imposed by any regulatory body during the financial year.

MANAGEMENT COMMITTEE PROFILE

JAMILAH UJANG | Head of Human Resource Management

Nationality: Malaysian

Age: 47

Gender: Female

DESCRIPTION OF ROLES:

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

EXPERIENCE MATRIX:

- 1997 Joined PETRONAS Gas Berhad as a Chemist
- 2001 Joined Gas District Cooling (M) Sdn Bhd as a Quality Assurance Executive, and held various roles in manpower planning and capability development
- 2005 Joined PETRONAS Carigali Sdn Bhd, and held managerial roles in talent development and talent sourcing
- 2012 Appointed as Senior Manager (Capability – Petroleum Engineering & Drilling) and held various managerial roles in people management, leadership and employee performance management in PETRONAS Upstream Business
- 2016 Returned to PETRONAS Carigali Sdn Bhd as HR Business Partner for Malaysia Asset Division
- 2017 Appointed as HR Business Partner for Development & Production Division, PETRONAS Carigali
- 2019 Appointed as HR Business Partner for Upstream Operation 1, PETRONAS Carigali
- 2020 Appointed as Head of Human Resource Management, PCG

QUALIFICATIONS:

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

Jamilah has no family relationship with any director and/or major shareholder of PCG, nor any conflict of interest with the Group. She has not been convicted for any offence within the past five years, other than traffic offences, if any, nor had any public sanctions or penalty imposed by any regulatory body during the financial year.

CH'NG GUAN HOW | Chief Innovation & Technology Officer

Nationality: Malaysian

Age: 51

Gender: Male

DESCRIPTION OF ROLES:

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

EXPERIENCE MATRIX:

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

QUALIFICATIONS:

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

Ch'ng has no family relationship with any director and/or major shareholder of PCG, nor any conflict of interest with the Group. He has not been convicted for any offence within the past five years, other than traffic offences, if any, nor had any public sanctions or penalty imposed by any regulatory body during the financial year.

MANAGEMENT COMMITTEE PROFILE

HASNIZAINI MOHD ZAIN | Head of Legal & Corporate Secretariat

Nationality: Malaysian

Age: 46

Gender: Female

DESCRIPTION OF ROLES:

- Responsible for PCG's legal affairs and company secretarial matters of PCG Group and acts as advisor to the Board, particularly with regard to compliance to the regulatory requirements
- Sits on the Board of several PETRONAS companies

EXPERIENCE MATRIX:

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

QUALIFICATIONS:

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

Hasnizaini has no family relationship with any director and/or major shareholder of PCG, nor any conflict of interest with the Group. She has not been convicted for any offence within the past five years, other than traffic offences, if any, nor had any public sanctions or penalty imposed by any regulatory body during the financial year.

NORFAILA HASSAN | Head of Corporate Affairs & Administration

Nationality: Malaysian

Age: 48

Gender: Female

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

EXPERIENCE MATRIX:

- 1997 Joined Leo Burnett Advertising as an Executive Client Servicing for various industries ranging from FMCG, automotive to retail, etc including PETRONAS
- 2000 Joined PETRONAS Dagangan Berhad and held various positions in advertising and promotion unit and e-business project implementation
- 2006 Appointed as Head of Brand Communication at PETRONAS and held various managerial positions in the areas of Brand Strategy, Brand Performance and Brand Management for the Downstream Marketing operating units
- 2015 Appointed as Head of Group Strategic Communications for PETRONAS Lubricants International Group
- 2016 Returned to PETRONAS as Head of Brand Management, Downstream Business
- 2020 Appointed as Head of Corporate Affairs & Administration, PCG

QUALIFICATIONS:

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

Norfaila has no family relationship with any director and/or major shareholder of PCG, nor any conflict of interest with the Group. She has not been convicted for any offence within the past five years, other than traffic offences, if any, nor had any public sanctions or penalty imposed by any regulatory body during the financial year.

MANAGEMENT COMMITTEE PROFILE

MOHD ZAKIR JAAFAR | Head of Project Directorate

Nationality: Malaysian

Age: 50

Gender: Male

DESCRIPTION OF ROLES:

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

EXPERIENCE MATRIX:

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

QUALIFICATIONS:

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

Mohd Zakir has no family relationship with any director and/or major shareholder of PCG, nor any conflict of interest with the Group. He has not been convicted for any offence within the past five years, other than traffic offences, if any, nor had any public sanctions or penalty imposed by any regulatory body during the financial year.

FAUZAMSAARI GERAN | Head of Health, Safety & Environment

Nationality: Malaysian

Age: 48

Gender: Male

DESCRIPTION OF ROLES:

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

EXPERIENCE MATRIX:

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

QUALIFICATIONS:

- Bachelor of Science in Mechanical Engineering, University of Oklahoma, USA

Fauzamsaari has no family relationship with any director and/or major shareholder of PCG, nor any conflict of interest with the Group. He has not been convicted for any offence within the past five years, other than traffic offences, if any, nor had any public sanctions or penalty imposed by any regulatory body during the financial year.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 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 shareholder 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), Companies Act 2016 (CA 2016), Malaysian Code on Corporate Governance 2017 (MCCG 2017), Corporate Governance Monitor 2020 and the Corporate Governance Guide (3rd Edition) issued by Bursa Malaysia in addition to being benchmarked against the ASEAN Corporate Governance Scorecard and other applicable laws and regulations throughout the financial year under review.

This CG Statement shall be read together with the Corporate Governance Report 2020 (CG Report) published in the Company's website at www.petronaschemicals.com. The CG Report provides the details on how the Company has generally applied the practices under MCCG 2017 as well as the departures and alternative measures in place within the Company during the financial year 2020 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 serves to show how our measures are aligned with the principles of good governance in accordance with the MCCG 2017 and references are made to the three key CG principles in the MCCG 2017:

PRINCIPLE A	PRINCIPLE B	PRINCIPLE C
Board Leadership and Effectiveness	Effective Audit and Risk Management	Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders

Testimony of our commitment in ensuring transparency and accountability is proven when we were recognised with the following awards for governance during the year under review:

Date:	**19 September 2020**	**22 December 2020**
Event:	2019 ASEAN Corporate Governance Scorecard Awards	2020 National Annual Corporate Report Awards (NACRA)
Award:	• Ranked 1st for Industrial Products and Services Award • Ranked 4th out of Top 100 Companies for Excellence Award for **Overall CG & Performance** • Ranked 6th out of Top 100 Companies for CG Disclosure	Best Sustainability Reporting (Gold)

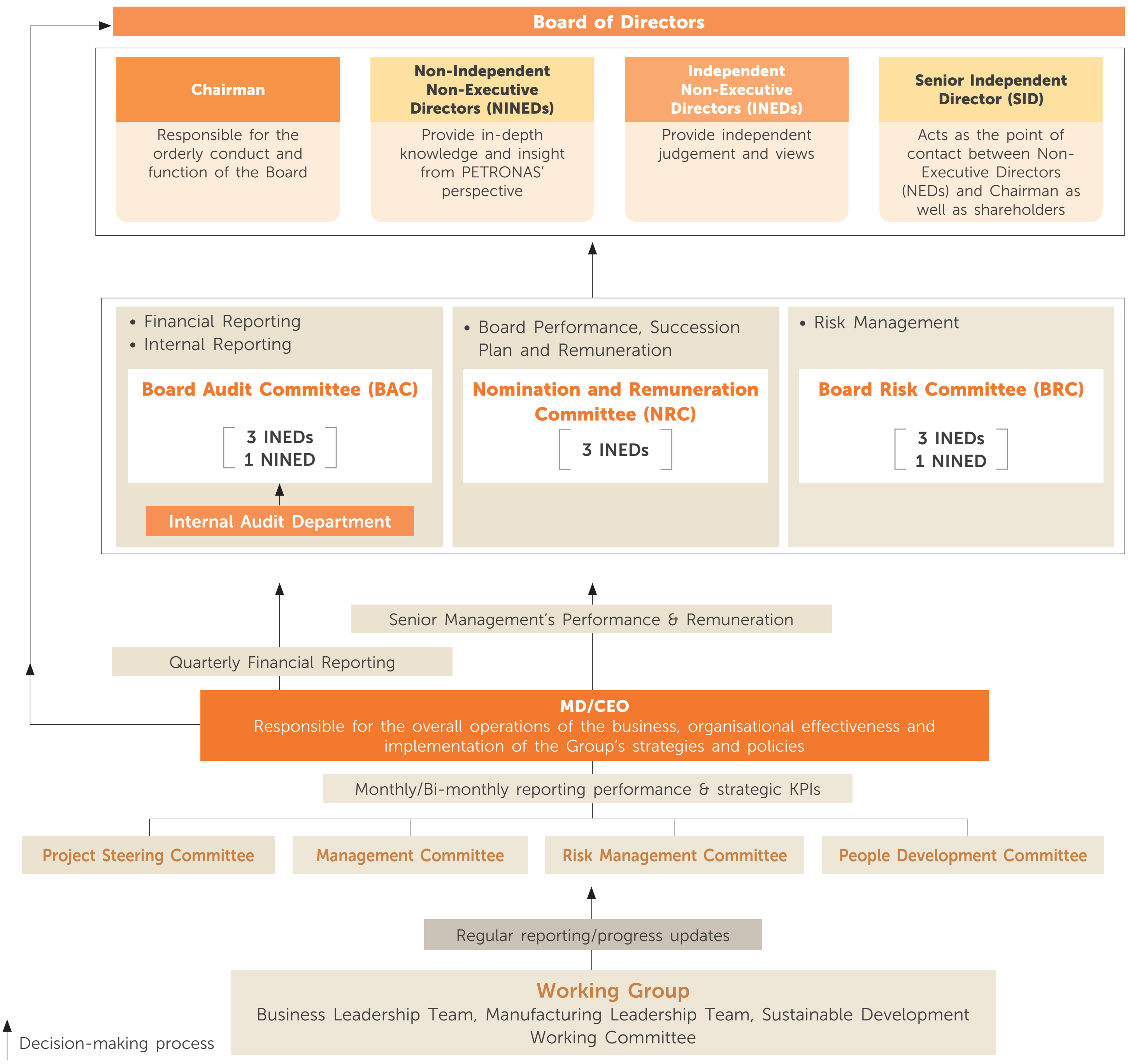
CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

OUR GOVERNANCE STRUCTURE

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 key 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:



CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 delegation of authority as set out in the Board Charter is clear and ensures that the line of authority is in line with the legal and regulatory requirements.

The Board Charter will be reviewed and updated from time to time 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.

The Board Charter is available on the Company's corporate website, www.petronaschemicals.com together with the Terms of References (TOR) of all Board Committees.

The Board's Responsibilities and Duties

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 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 above roles and responsibilities are clearly set out in the Board Charter.

Board Balance and Composition

The Board comprises eight Directors as at the date of this report, one of whom is an Executive Director and seven are Non-Executive Directors (NEDs). 25% of the Directors are women. 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 Company's 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. None of former PCG's MD/CEO has been appointed as a Board Member of PCG.

The Board opined 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 4.1 of MCCG 2017 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

NINEDs
- Datuk Md Arif Mahmood
- Freida Amat
- Noor Ilias Mohd Idris

Executive Director
- Datuk Sazali Hamzah

INEDs
- Datuk Toh Ah Wah (SID)
- Yeoh Siew Ming
- Warren William Wilder
- Dr Zafar Abdulmajid Momin

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

0 to 2 YEARS	2 to 5 YEARS	5 to 7 YEARS
25%	25%	50%
2 Directors	2 Directors	4 Directors

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 notify 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 Bursa Malaysia's 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.

Details of the Directors including their qualifications, experience and length of service can be referred to in the profile of each Director on pages 4 to 7 of this Governance and Financial Report 2020 (GFR 2020).

Separate roles of Chairman and MD/CEO

The positions of Chairman and MD/CEO are held separately by Datuk Md Arif Mahmood and Datuk Sazali Hamzah, 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 terms of reference (TOR).
- Ensures appropriate procedures are in place to govern the Board's operation, decisions are taken on a sound and well-informed 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 play 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, Risk Management Committee and People Development 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/bi-monthly to the MD/CEO, whilst progress and updates are reported regularly by the working group within the business units.

Board Diversity

We believe that a truly diverse and inclusive Board will leverage differences in thought, perspective, knowledge, skill, regional and industry experience, cultural and gender, in order to ensure that the Company retains its competitive advantage. The Board also supports the country's aspirational target of 30% representation of women directors. To-date, there are 12 women serving as directors on the board of the PCG Group of Companies. Whilst the recommendation of Practice 4.5 of MCCG 2017 on 30% women directors has yet to be adopted, several prominent and suitable qualified women have also 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:

(a) Review succession plans to ensure an appropriate focus on diversity.

(b) Identify specific factors for consideration in the recruitment and selection process.

(c) Adhere to the recruitment and sourcing process that seeks to include diverse candidates, including women in any director search.

(d) 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. To date, all four INEDs satisfy the following criterias:

(a) 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.

(b) 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.

(c) 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 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 2017, 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 this report, none of the INEDs has served the Board more than nine years.

The Board had, as recommended by the NRC, revised its Board Succession Planning Framework which include amendment to the Board Selection Criteria and revision of cooling-off period for the appointment of Independent Director.

Following the recent amendment to the MMLR of Bursa Malaysia on 13 August 2020, Bursa Malaysia has enhanced the definition of independent directors by extending the cooling-off period for specific persons (such as an existing or former officer, adviser or transacting party of the listed issuer or its related corporation), to three years (from the current two-year period); and require a non-independent non-executive director to also observe the above revised cooling-off period. In view of these changes, the Board had revised its Board Succession Planning Framework which include amendment to Board Selection Criteria and revision of cooling-off period for the appointment of Independent Director.

Board Appointment Process

The Board appointment process is summarised in the chart below:

PROCESS FLOW FOR APPOINTMENT OF A DIRECTOR

1. Circumstances giving rise to the appointment of Directors
2. Deliberate selection criteria by combining competencies and attributes required
3. Search for candidates internally/externally
4. Assess and shortlist the potential candidates in consultation with the NRC
5. To perform background check
6. Interview candidates
7. NRC to endorse candidate for Board approval
8. Board Approval
9. Orientation/Induction
10. Continuous Training & Annual Performance Assessment

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. Search for potential INEDs may also be made through engagement of a professional recruitment firm or recommendations from existing Board members in identifying suitable 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 Secretaries will conduct comprehensive background checks, including checks on financial and character integrity. All potential candidates are first considered by the NRC, taking into account 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 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 retain office until the close of the meeting whether adjourned or not. Whilst according 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 and 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 23 February 2021 endorsed the recommendation of the NRC for the following Directors to be considered for re-election pursuant to Articles 107 of PCG's Constitution at the Company's 23rd AGM and they have given their consent for re-election at the AGM:

- Datuk Sazali Hamzah
- Warren William Wilder
- Dr Zafar Abdulmajid Momin

Board Meetings and Attendance

The Board is of the opinion that the provision 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 able to accommodate the Company according to its 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 2020 were pre-scheduled in November 2019 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 COVID-19 pandemic in 2020 has significantly changed the manner on how the Board and Management carry out daily affairs where even more activities are being conducted online, including Board meetings and Board strategic conversation sessions. As such, six out of total of eight Board meetings were held virtually via tele-conference during the year. Aside from Board meetings, urgent matters were also decided via five Directors' Circular Resolutions. In discharging their responsibilities, during each Board and Board Committees meeting, the INEDs were inquisitive in the quest for better understanding of items being discussed, vocal during discussions and judicious in the decision-making process. They 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, all Board meetings in 2020 were attended by all Directors. The decision of the Board and Board Committees only require a majority of votes of the directors. In the case of a tied vote, the Chairman has a second or casting vote (if applicable). During the year under review, the Chairman did not need to use his casting vote to pass any resolution. All Directors' Circular Resolutions that were signed by all the Directors shall be valid and effectual as if it had been passed at a Board meeting.

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.

All Directors complied with the minimum attendance requirement of at least 50% of Board meetings held during the financial year 2020 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 financial year under review. The overall percentage of all Board meetings attended by the Directors during the financial 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 interest in transactions that are to be entered into directly or indirectly 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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.

Details of attendance of each Director on the Board, Board Committees and 22nd Annual General Meeting for the financial year ended 31 December 2020 are as follows:

Name of Directors	Meeting Attended/Held				
	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	8/8	5/5	5/5	–	1/1
Yeoh Siew Ming	8/8	5/5	5/5	4/4	1/1
Warren William Wilder	8/8	5/5	–	4/4	1/1
Dr Zafar Abdulmajid Momin	8/8	5/5	5/5	4/4	1/1
Non-Independent Non-Executive Directors					
Noor Ilias Mohd Idris	8/8	–	–	4/4	1/1
Freida Amat	8/8	5/5	–	–	1/1

2020 saw the Board and Board Committees spent a total of approximately 125 hours in discharging its key fiduciary duties and oversight function and responsibilities.

BOARD	37 hours 10 mins
BAC	20 hours 45 mins
NRC	12 hours 45 mins
BRC	11 hours 05 mins
BSC	42 hours 45 mins

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 TOR.

The Chairman of all the Committees will report to the Board on the decision or outcome of the Committee meetings.

The reports of the NRC, BAC and BRC are set out on pages 34-46 of Governance and Financial Report 2020.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Board Strategic Conversation (BSC)

During the year under review, five sessions of BSC with the Management Committee of PCG was successfully held. The Board was provided with updates on market outlook and external environment analysis that facilitated the Board's deliberation on the Group's strategies and future growth plans.

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 facilitates 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 2020 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	
1 Group strategic initiatives and plans	The Board deliberated on portfolio review and strategic initiatives; providing the relevant feedback and directions for PCG to remain agile and competitive in navigating business' new norms. The Board also oversaw the conduct of the Company's business and execution of the initiatives against the 2020 target.
2 Progress of growth projects	The Company's strategic direction, achievements and challenges in pursuing 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 of way forward. During the year, the Company had successfully achieved three Final Investment Decision projects, namely to establish a silicone blending facility in Gebeng; expand a DVG plant in the Netherlands; and develop a partnership for liquid chemical distribution in Indonesia.
3 Innovation &Technology projects	The Board provided guidance and endorsed the research approach and method of execution, to bring the research and development projects towards technology maturity and commercialisation.
4 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. Our strategic targets and KPIs of our 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Key focus areas	Description
Financial	
1 Group's performance on Quarterly basis	The business performance report is mandatory to be reported at quarterly board meeting. Performance is measured and tracked against the approved KPIs. The CEO and Key Management's KPI 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 quarterly basis, the Board was updated on the performance against the business plan targets.
Risk	
1 Management of principal risks	The Board deliberated and approved PCG critical risks that may significantly impact PCG business goals and targets. The Board constantly monitors the agreed mitigations to manage or reduce the likelihood and impact of these critical 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 critical risks under the PCG Corporate Risk Profile. To ensure risks undertaken in pursuit of business objectives are within Board acceptable level, the Board approved PCG risk appetite which sets its key operational boundaries. Any breach of risk appetite may jeopardise PCG 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. To protect PCG from corporate liability under Section 17A of MACC Act 2009, the Board deliberated and approved PCG Adequate Procedures Implementation Plan.
Corporate Governance and Compliance	
1 Implementation and monitoring of succession planning	The Board ensures that there is an appropriate succession plan for members of the Board. During the year, the Board has approved the revision to Board Succession Planning Framework (Framework) which include: (a) Enhancement of the existing Process Flow on the Appointment of Director and Board Selection Criteria under the Framework; (b) The requirement to undertake background check on the candidates for Directors; (c) Addition to new skills and experience such as risk management and sustainability under the Board Selection Criteria; and (d) Revision of cooling-off period for the appointment of Independent Director and specific person including an existing or former officer, adviser or transacting party of PCG.
2 Reviewed and monitored the performance of Related Party	The Board reviewed the performance of the related party vendors in respect of the work or services performed during the period from 1 January 2019 until 31 December 2019. A total of 27 assessments were conducted by PCG on all appointed related party vendors within the PCG Group.
3 RPT/RRPT	The Board reviewed the Related Party Transactions and Recurrent Related Party Transaction within the PCG Group as to ensure all transactions 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 2020 until 31 December 2020, a total of ten RRPTs papers were reviewed and approved by the Board.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

OVERVIEW OF VARIOUS AGENDA ITEMS ON THE BOARD AND BOARD COMMITTEES MEETINGS 2020

Agenda & Areas of Focus

F Financial | S Strategy | R Risk | C Corporate Governance and Compliance

Board | Board Audit Committee | Board Risk Committee | Nomination and Remuneration Committee

Jan
- FY2019 Performance of Chief Internal Audit
- C FY2019 Performance Planning and KPI for MD/CEO and Key Senior Management
- Directors' Training

Feb
- F Q42019 Business Performance and Audited Financial Statements
- Second Interim Dividend for FY2019
- S Update/Approval on various PCG Projects
- R Corporate Risk Profile and Risk Appetite Monitoring for Q42019
- C 2019 Integrated Report Statements
- Deliberation on RPT for various transactions
- Board Effectiveness Evaluation FY2019
- AGM Matters
- Litigation/Arbitration Report
- Directors' Shareholding, Directorship and Movement in Substantial Shareholding
- R Corporate Risk Profile and Risk Appetite Monitoring for Q42019
- S PCG Growth Project
- C 2019 Integrated Report
- Revision of Manpower Cost for PCG's MD/CEO FY2019
- Status Update on Related Party Transactions (RPT) & Recurrent Related Party Transactions (RRPT)

Mar
- S Update/Approval on various PCG Projects

Apr

May
- F Q12020 Business Performance and Quarterly Report
- Project Funding
- S Update/Approval on various PCG Projects
- PCG Growth Project
- R Corporate Risk Profile and Risk Appetite Monitoring for Q12020
- Crisis and Business Continuity Implementation in PCG
- C Deliberation on RPT for various transactions
- Directors' Shareholding, Directorship and Movement in Substantial Shareholding
- F Statutory Audit and Half Yearly Limited Review Fees for FY2020 to FY2022
- R Corporate Risk Profile and Risk Appetite Monitoring for Q12020
- C Status Update on RPT & RRPT for the Quarter Ended 31 March 2020
- Performance of RPT/RRPT Vendors for year 2019

Jun

Jul

Aug
- F Q22020 Business Performance and Quarterly Report
- First Interim Dividend for the Financial Year ending 31 December 2020
- S Update/Approval on various PCG Projects
- R Corporate Risk Profile and Risk Appetite Monitoring for Q22020
- C Implementation of Adequate Procedures for Corporate Liability
- Deliberation on RPT for various transactions
- Directors' Shareholding, Directorship and Movement in Substantial Shareholding
- F Audit Plan for the year ending 31 December 2020
- F Transfer Pricing Process
- R Implementation of Adequate Procedures for Corporate Liability
- Corporate Risk Profile and Risk Appetite Monitoring for Q22020
- Deliberation on RPT for various transactions
- C Appointment of Head of Internal Audit
- Status Update on RPT & RRPT for the Quarter Ended 30 June 2020

Sep
- S Update/Approval on various PCG Projects

Oct
- C Change of Chief Financial Officer

Nov
- F Q32020 Business Performance and Quarterly Report
- Equity Funding for Joint Venture incorporation and Subsidiary
- PCG Plans & Budget 2021-2025
- S Update/Approval on various PCG Projects
- Closure of BASF PETRONAS Chemicals Sdn. Bhd. Butanediol Complex
- R Corporate Risk Profile and Risk Appetite Monitoring for Q32020
- C Revision of Board Succession Planning Framework
- Directors' Shareholding, Directorship and Movement in Substantial Shareholding
- Deliberation on RPT for various transactions
- F Annual Audit Plan & Budget 2021
- Key Observations on The Effectiveness of Internal Audit Function of Listed Issuers
- S PCG Growth Project
- R Corporate Risk Profile and Risk Appetite Monitoring for Q32020
- C Annual Board Effectiveness Evaluation: Questionnaires
- Update on List of Training Attended by Directors
- Status Update on RPT & RRPT for the Quarter Ended 30 September 2020

Dec
- S Update/Approval on various PCG Projects
- C Revision to Disclosure Format of Board Skills and Experience Matrix
- Succession Planning for Key Management Positions

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 Plan Framework to assist them in particular, the NRC, in ensuring the orderly identification and selection of new Non-Executive 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, 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 receive 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, and the corporate governance framework within the Group. 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.

In line with Paragraph 15.08 of the MMLR, the Directors acknowledged the importance and value of attending conferences, training programmes and seminars in order to keep themselves abreast of the development and changes in the industry, as well as to update themselves on new statutory and regulatory requirements. During the year under review, the Directors attended and participated in programmes, conferences and forums that covered the areas of 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 8.5 of MCCG 2017 by attending the relevant accounting and auditing standards.

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	Development Programme Attended	Organiser	Date
1	**Datuk Md Arif Mahmood**	• Raising Defences: Section 17A, MACC Act	ASB/ICLIF	9-10 June 2020
		• Invest Malaysia 2020 – "Economic Recovery: Policies & Opportunities"	Bursa Malaysia	7 July 2020
		• Maxis Business Spark 2020 Series #1 – Embracing Forced Disruption	Maxis Berhad	11 August 2020
		• Consilium@BCG	Boston Consulting Group	16 October 2020
		• Advanced 1 Programme: Best Practices For Board Excellence	PETRONAS	19-20 October 2020
		• Bain Virtual Roundtable: Doing Agile Right, Kuala Lumpur	Bain & Company	21 October 2020
		• TED@BCG 2020	Boston Consulting Group	21 October 2020
		• Cybersecurity-Switch, PETRONAS	PETRONAS	Online Training Course
		• E-Learning Module for 5 Critical Laws	PETRONAS	Online Training Course
		• E-Learning on Export Control	PETRONAS	Online Training Course

CORPORATE GOVERNANCE OVERVIEW STATEMENT

No.	Director	Development Programme Attended	Organiser	Date
2	**Datuk Sazali Hamzah**	• Raising Defences: Section 17A, MACC Act	ASB/ICLIF	9-10 June 2020
		• KPMG's CEO Webinar Series Captains' Forum: Transformation towards recovery (as Speaker)	KPMG	9 October 2020
		• Advanced 1 Programme: Best Practices For Board Excellence	PETRONAS	19-20 October 2020
		• Technology Forum 2020	PETRONAS	22 October 2020
		• Cybersecurity-Switch, PETRONAS	PETRONAS	Online Training Course
		• E-Learning Module for 5 Critical Laws	PETRONAS	Online Training Course
		• E-Learning on Export Control	PETRONAS	Online Training Course
3	**Datuk Toh Ah Wah**	• Malaysia Tax Policy Forum 2020 - Strengthening Malaysia's Fiscal Future	International Strategy Institute	9 January 2020
		• PETRONAS' Preparedness for Corporate Liability under S17A MACC Act 2009 (Amendment 2018)	PETRONAS	10 February 2020
		• Raising Defences: Section 17A, MACC Act	ASB/ICLIF	9-10 June 2020
		• Chemicals and Transformation, Challenges and Opportunities	KPMG	25 August 2020
		• Directors' Training – Optimising Risk & Resilience Planning to Manage Disruptions	Tricor	18 September 2020
		• E-Learning – Anti-Bribery and Corruption	Carlsberg Brewery	22 September 2020
		• KPMG's CEO Webinar Series Captains' Forum: Transformation Towards Recovery	KPMG	9 October 2020
		• Directors' Training – Amendments to Listing Requirements 2019/2020 and Analysis of Corporate Governance Report 2019/2020	Tricor	16 October 2020
		• Advanced 1 Programme: Best Practices for Board Excellence	PETRONAS	19-20 October 2020
		• Fraud Risk Management Workshop	PwC	25 November 2020
		• Continuous Professional Development in Accounting and Auditing for Board Audit Committee	KPMG	30 November 2020
		• E-Learning Module for 5 Critical Laws	PETRONAS	Online Training Course
4	**Yeoh Siew Ming**	• PETRONAS' Preparedness for Corporate Liability under S17A MACC Act 2009 (Amendment 2018)	PETRONAS	10 February 2020
		• FIDE | Understanding the Evolving Cybersecurity Landscape	ASB/ICLIF	11 February 2020
		• Raising Defences: Section 17A, MACC Act	ASB/ICLIF	9-10 June 2020
		• Impact of the Current Pandemic MFRS 16	Deloitte	19 August 2020
		• MFRS 9 Financial Instruments & MFRS 7 Financial Instruments Disclosure	Deloitte	24 August 2020
		• MFRS 136 Impairment of Assets MFRS 110 Event after Reporting Period	Deloitte	2 September 2020
		• MFRS 15, 119, 120 and 137	Deloitte	3 September 2020
		• Advanced 1 Programme: Best Practices for Board Excellence	PETRONAS	19-20 October 2020

CORPORATE GOVERNANCE OVERVIEW STATEMENT

No.	Director	Development Programme Attended	Organiser	Date
4	**Yeoh Siew Ming (continued)**	• Continuous Professional Development in Accounting and Auditing for Board Audit Committee	KPMG/PETRONAS	30 November 2020
		• Online Global Petrochemical Industry	Nexant Training	Online Training Course
		• E-Learning Module for 5 Critical Laws	PETRONAS	Online Training Course
		• E-Learning on Export Control	PETRONAS	Online Training Course
5	**Warren William Wilder**	• Raising Defences: Section 17A, MACC Act	ASB/ICLIF	9-10 June 2020
		• Advanced 1 Programme: Best Practices for Board Excellence	PETRONAS	19-20 October 2020
		• E-Learning Module for 5 Critical Laws	PETRONAS	Online Training Course
6	**Dr Zafar Abdulmajid Momin**	• PETRONAS' Preparedness for Corporate Liability under S17A MACC Act 2009 (Amendment 2018)	PETRONAS	10 February 2020
		• FIDE | Understanding the Evolving Cybersecurity Landscape	ASB/ICLIF	11 February 2020
		• Raising Defences: Section 17A, MACC Act	ASB/ICLIF	9-10 June 2020
		• Chemicals and Transformation, Challenges and Opportunities	KPMG	25 August 2020
		• Advanced 1 Programme: Best Practices for Board Excellence	PETRONAS	19-20 October 2020
		• Continuous Professional Development in Accounting and Auditing for Board Audit Committee	KPMG/ PETRONAS	30 November 2020
		• Online Global Petrochemical Industry	Nexant Training	Online Training Course
		• E-Learning Module for 5 Critical Laws	PETRONAS	Online Training Course
7	**Freida Amat**	• PETRONAS' Preparedness for Corporate Liability under S17A MACC Act 2009 (Amendment 2018)	PETRONAS	10 February 2020
		• Raising Defences: Section 17A, MACC Act	ASB/ICLIF	9-10 June 2020
		• Continuous Professional Development in Accounting and Auditing for Board Audit Committee	KPMG/PETRONAS	30 November 2020
		• Cybersecurity-Switch, PETRONAS	PETRONAS	Online Training Course
		• E-Learning Module for 5 Critical Laws	PETRONAS	Online Training Course
		• E-Learning on Export Control	PETRONAS	Online Training Course
8	**Noor Ilias Mohd Idris**	• PETRONAS' Preparedness for Corporate Liability under S17A MACC Act 2009 (Amendment 2018)	PETRONAS	10 February 2020
		• GPD: Analytics Translator Program	PETRONAS	15 April 2020
		• Panel Speaker for Operational Excellence Forum and Award 2020 (OEFA) Panel Session (Strengthening Focused Execution to Deliver Sustainable Business Excellence)	PETRONAS	19 October 2020
		• Speaker for Technology Forum 2020 SPOT & AISC – Ensuring Project Safety in the New Normal Through Technology	PETRONAS	22 October 2020
		• Cybersecurity-Switch, PETRONAS	PETRONAS	Online Training Course
		• E-Learning Module for 5 Critical Laws	PETRONAS	Online Training Course
		• E-Learning on Export Control	PETRONAS	Online Training Course

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Qualified and Competent Company Secretaries

The Company has two company secretaries who are qualified to act as company secretary in accordance with Section 235 of the CA 2016. The Secretaries of the Company are Hasnizaini Mohd Zain and Kang Shew Meng. Both act as advisors to the Board, particularly with regard to the Company's Constitution, policies and procedures and its compliance with regulatory requirements, codes, guideline 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 Board is satisfied with the performance and support rendered by the Company Secretaries to the Board in discharging their functions in the financial year under review.

The Company Secretaries constantly keep abreast with 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
Hasnizaini Mohd Zain	Provision of Financial Assistance & Related Party Transactions	CKM Advisory Sdn Bhd	8 May 2020
	Group Legal e-Learning modules on 5 critical laws (5 online training modules)	PETRONAS	June 2020
	Listing Requirements on Corporate Governance Reporting (Corporate Governance Series)	Securities Industry Development Corporation	14 July 2020
	Cybersecurity-Switch, PETRONAS	PETRONAS	Online Training Course
Kang Shew Meng	Workshop on Corporate Liability and Establishing Adequate Procedures for Small Medium Enterprises	SSM	7-8 October.2020
	Corporate Tea Talk: Cessation of Companies, Asset Management of Dissolved Companies & Corporate Rescue Mechanisms	SSM	12 November 2020
	Guidelines for the Reporting Framework for Beneficial Ownership of Legal Persons – A practical guide for companies and CLBG	In House Training	16 November 2020

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:

(a) The Board as a whole and the Board Committees
(b) Contribution of each individual Director
(c) Independence of Independent Directors

The BEE was conducted internally through an online platform, focuses on maximising the effectiveness and performance of the Board and its Committees in the best interests of the Company. The Board will be engaging the services of an external consultant to perform the BEE exercise every five years beginning 2021.

Board and Board Committees Effectiveness Evaluation 2020

The Board, through the NRC reviewed the outcome of the 2020 BEE and noted the findings and areas that require further improvements. The results of the assessment also revealed 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Directors' Remuneration

Our approach for 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 22nd AGM until the forthcoming AGM was tabled for shareholders' approval:

	Director's Fee (per annum) (RM)	Attendance Fee (per meeting)		Fuel (per annum) (RM)
		BOD (RM)	Committee (RM)	
Chairman	288,000	3,500	3,500	N/A
NINED	144,000	3,500	3,500	N/A
INED	144,000	3,500	3,500	6,000
INED (Special Skill	144,000	3,500 + (Special Fee = Between 1 to 5 times multiple of meeting attendance fee)		6,000

The Director's fees and meeting allowances for NINEDs who are also 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 CG Report, which is accessible to the public at PCG's corporate website, www.petronaschemicals.com.

Datuk Sazali Hamzah, the MD/CEO and Executive Director of the Company is not entitled to receive directors' fee or meeting allowances. During the year, he was remunerated an amount of RM1,584,096 as MD/CEO of PCG.

Senior Management's Remuneration

The remuneration philosophy reflects the Group's commitment to be compliant with 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 Principles

Competitive and differentiated remuneration to attract & retain talents to drive business needs

1. Pay for Job & Performance
2. Competitive within the Relevant Industry
3. Internal Equity
4. Conformance to Statutory Requirements
5. Affordability of the Company

The Senior Management are employees of PETRONAS and seconded to the Company. Their remuneration has been benchmarked with the industry and is aligned with the market.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

ACCOUNTABILITY AND AUDIT

Financial Reporting

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.

The Statement of Responsibility by Directors in respect of preparation of the annual audited financial statements is set out on page 61.

Risk Management and Internal Control

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 47-58.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

COMMUNICATING EFFECTIVELY WITH STAKEHOLDERS AND INVESTORS

The Board recognises the importance of conducting regular and effective dialogue with shareholders and investors. The two-way communication with our shareholders enables us to evaluate views and feedback that are incorporated into our decision making process. Our annual investor relations engagement program ordinarily includes one-to-one meetings, plants or site visits, analysts' briefings, the Annual General Meeting as well as participation in conferences and non-deal roadshows. Due to the unexpected COVID-19 containment measures in 2020, most of the Group's physical engagement activities were called off. Nevertheless we were able to carry on some activities virtually through available interactive online platforms. For instance, the AGM for the 2019 financial year was conducted virtually, using Remote Participation Voting (RPV) platform and was attended by 499 number of shareholders. In the past year, the MD/CEO, Chief Financial Officer and other members of Senior Management hosted four Analyst Briefings for our financial results, during which, participants were updated on our operational, commercial and financial performance. In addition, they were briefed on the progress of our growth projects & plans, COVID-19 impact and business continuity measures as well as the Group's sustainability pillars.

The Board believes its practices in this area are consistent with both the MCCG 2017's provisions concerning dialogue with shareholders and with good governance.

IR activities 2020

Quarterly Analyst briefings:

4Q
Event
2019 Financial Results
Date
27 February 2020

1Q
Event
2020 Financial Results
Date
20 May 2020

2Q
Event
2020 Financial Results
Date
19 August 2020

3Q
Event
2020 Financial Results
Date
18 November 2020

Investor Engagement & Corporate events:

Event	Organiser	Date	Venue
1. CGS-CIMB 12th Annual Corporate Day	CGS-CIMB	6 January 2020	Kuala Lumpur
2. UBS OneASEAN Virtual Conference 2020	UBS	29 September 2020	Virtual
3. Malaysia Corporate Day 2020	Nomura	7 October 2020	Virtual

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Investor Relations (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 petronaschemicals_ir@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

PETRONAS CHEMICALS GROUP BERHAD
Tower 1, PETRONAS Twin Towers, Kuala Lumpur City Centre, 50088 Kuala Lumpur

In addition, matters of concern to the Group from shareholders or other stakeholders can be addressed to the Senior Independent Director, 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

PETRONAS CHEMICALS GROUP BERHAD
Tower 1, PETRONAS Twin Towers, Kuala Lumpur City Centre, 50088 Kuala Lumpur

Annual General Meeting (AGM)

The AGM is the principal forum of open dialogue with shareholders. The notice and agenda of our 22nd AGM together with Forms of Proxy were given to shareholders 30 days before the AGM, which gives 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 AGM was convened on 16 June 2020 fully virtually which is in line with the Securities Commission Guidance Note on the Conduct of General Meetings for Listed Issuers issued on 18 April 2020 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 change of the conduct of the AGM to a fully virtual meeting via the RPV application, together with the instructions in the Administrative Details on 22 May 2020. 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 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.

The Company received 53 live questions and 17 pre-submitted questions from shareholders. The responses for the remaining questions were published in the Company's 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 22nd AGM, PCG has 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. A total number of shareholders and proxies logged in through RPV was 499, which represented a total of 1,452,277,462 shares.

The minutes of the AGM are accessible to the public on PCG's corporate website at www.petronaschemicals.com.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 Policy (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 and communication campaign for all staff in the period of 2020. It was attended by 1,700 participants. Among the topics discussed at the refresher training were Integrity, Industrial Relations at Workplace and CoBE.

For more information 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 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. Further details on the Whistleblowing Policy can be found on page 57 under the Statement on Risk Management and Internal Control.

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 conducted a workshop on 10 February 2020 to brief on the adequate procedures that have been put in place by the Company, and to equip the Directors with the relevant understanding on the liability and penalty imposed for the offences under Section 17A of the MACC Act 2009.

The staff of the Group also completed e-learning modules based on the five critical areas of laws namely Data Privacy, Third-Party Risk Management (TPRM), Sanctions, Anti-Bribery and Corruption (ABC) manual and Competition. The same modules were also completed by the Directors.

Trading on Insider Information

The Board and Principal Officers of PCG are prohibited from trading in securities based on price sensitive information and knowledge acquired by virtue of their positions, which has not been publicly announced. Notices on the closed period for trading in PCG's shares are sent to the Directors and Principal Officers on a quarterly basis as a reminder to trade during the identified timeframe.

None of the Directors and Principal Officers breached the above ruling during the financial under review.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 is 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 Committee 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 steps 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 page 47 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 financial year to review the scope and adequacy of the Group's audit process, financial results, annual financial statements and audit findings. The BAC also met the external auditors twice during the year under review without the presence of the Management. At the meeting, 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 61.

Details of the Company and the Group's financial statements for the financial year ended 31 December 2020 are set-out on pages 67-145.

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 2017, Corporate Governance Guide – 3rd edition issued by Bursa Malaysia Berhad and other applicable laws and regulations throughout the financial year ended 31 December 2020.

The Board is also satisfied that the Company has adopted the practices and has applied the key Principles of the MCCG 2017 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 2020 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 23 February 2021.

DATUK MD ARIF MAHMOOD
Chairman

NOMINATION AND REMUNERATION COMMITTEE REPORT

DATUK TOH AH WAH | Chairman

"THE NRC IS MANDATED BY THE BOARD TO OVERSEE ALL ASPECTS OF SUCCESSION PLANNING, REMUNERATION AND PERFORMANCE OF DIRECTORS AND SENIOR MANAGEMENT."

Members and their attendance

1	**Datuk Toh Ah Wah** *Chairman,* *Senior Independent Director (SID)*	Number of Meetings Attended: **5/5**
2	**Yeoh Siew Ming** *Independent Non-Executive Director*	Number of Meetings Attended: **5/5**
3	**Dr Zafar Abdulmajid Momin** *Independent Non-Executive Director*	Number of Meetings Attended: **5/5**

TERMS OF REFERENCE

The Nomination and Remuneration Committee (NRC) is governed by its Terms of Reference (TOR), which are in line with the requirements of the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Malaysia) and Malaysian Code on Corporate Governance 2017 (MCCG 2017). The TOR of the NRC are accessible to the public on PCG'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 composition also observed the recommendations of Practice 4.7 of MCCG 2017, where the NRC is chaired by a SID or an Independent Director. In the case of PCG, the NRC is chaired by a SID.

The NRC was established to enhance the efficiency and transparency of the Company's governance process 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 for 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 NRC is responsible for regularly reviewing and making recommendations to the Board on the structure, size and composition of the Board. The NRC furthermore ensures that an appropriate balance exists between Executive, Non-Executive and Independent Directors. It assists with the identification and nomination of new directors and appointment by the Board and/or shareholders and oversees the training of Directors.

MEETINGS AND ATTENDANCE

NRC convened five meetings during the financial year 2020. The manner on how the NRC conducts its meeting has also changed due to COVID-19 pandemic, whereby most of the meetings were held via online platform. During the year under review, three out of five meetings were held virtually. The 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 2020 were pre-scheduled in November 2019, 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

NOMINATION AND REMUNERATION COMMITTEE REPORT

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 facilitates the NRC members to read and review documents or communicate with other NRC members at any time.

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.

FUNCTIONS OF THE NRC AND RELATED ACTIVITIES IN 2020

Succession Plan and Appointment/Re-election of Directors

The NRC has the responsibility in ensuring appropriate succession planning of 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.

During the year under review, the NRC conducted the relevant process in assessing and nominating potential candidates as to increase number of Independent Directors. A vigorous screening exercise was undertaken to ensure the candidate possessed the relevant qualification, skills and experience, particularly in risk management and sustainability to be considered for the position as Independent Director. However, in view of the need for some internal alignment on the sustainability agenda, the Board decided to defer the appointment of additional INED.

MD/CEO and Senior Management Succession Plan

The NRC is tasked with 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 assessment for the positions. The NRC is satisfied that there is sufficient talent pool as 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 on the importance of an effective human capital planning and management which are vital in delivering 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.

In line with Article 107 of the Constitution, Datuk Sazali Hamzah, Warren William Wilder and Dr Zafar Abdulmajid Momin are the Directors representing one-third and have been longest in office since their last election. They shall all retire at the forthcoming 23rd AGM of the Company and eligible for re-election. These Directors are recommended for re-election by the NRC and they have given their consent for the re-election at the AGM.

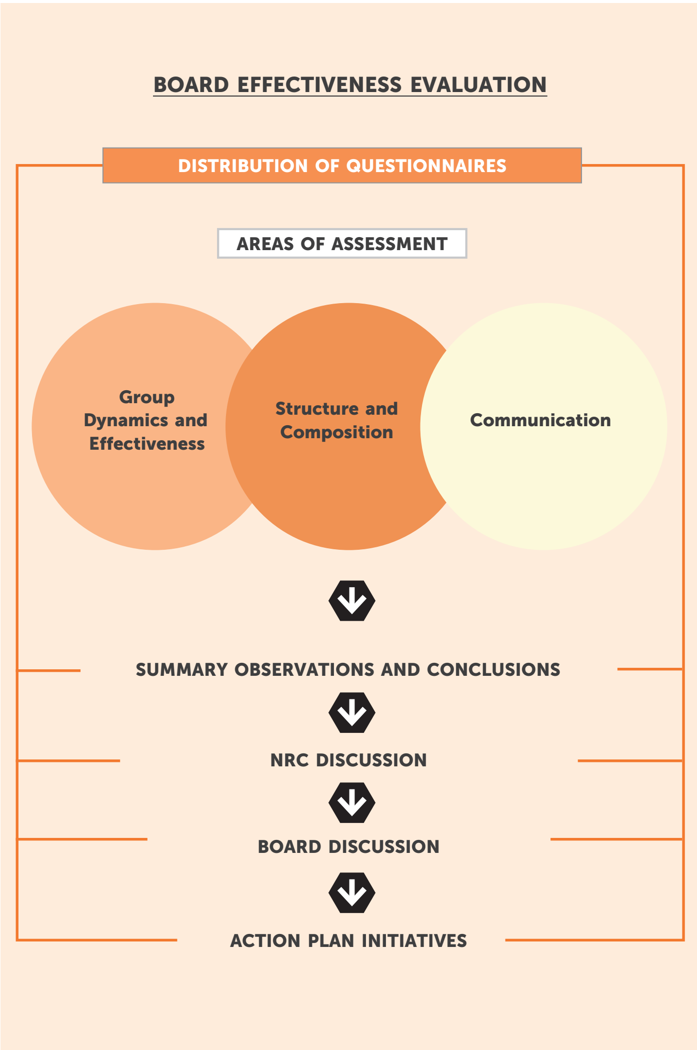
MD/CEO and Senior Management Performance Appraisal

During the year under review, the NRC deliberated on the MD/CEO and the following Senior Management's 2020 scorecard and their performance against the set targets:

- Chief Financial Officer;
- Chief Manufacturing Officer;
- Chief Commercial Officer; and
- Head, Strategic Planning & Ventures

Board Effectiveness Evaluation (BEE)

During the year under review, the questionnaires of the BEE were circulated through a digital platform in November 2020. The questionnaires on the BEE incorporated applicable best practices. 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 ratings.



NOMINATION AND REMUNERATION COMMITTEE REPORT

Areas for Board Evaluation

Group Dynamics and Effectiveness

- Overall Board Effectiveness
- Organisation of the Board
- Composition of the Board
- Looking Forward (Succession Planning & Development)
- Communications with Shareholders

Board/Board Committee Effectiveness

- Board Chairman Evaluation
- MD/CEO Evaluation
- Board Audit Committee
- Nomination and Remuneration Committee
- Board Risk Committee

Director Self/Peer Evaluation

Knowledge and Understanding on

- Role that a Board plays in governance and as Company Director
- Mission and Vision
- 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

Skills and Experience

- Analytical skills
- Relevant functional insights
- Relevant industry insights

Preparation for Board Meetings

- Time commitment
- Contribution
- Pre-reading of all board papers

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

- On-going training and education

Board Effectiveness Evaluation 2020

The NRC reviewed the outcome of the 2020 BEE and noted that the Board is committed to the highest standards of good governance and continues to be seen as an excellent Board with strong support from the Management.

The 2020 BEE 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.

NRC's Effectiveness Review and Performance

Based on the 2020 BEE findings, the Board believes that the NRC has effectively performed its duties and function 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 2020:

(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 2019 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) Reviewed the manpower cost for MD/CEO;

(f) Reviewed the succession planning for the CEO and Senior Management;

(g) Reviewed the Board Succession Planning Framework and revised cooling-off period for the appointment of Independent Director and specific person including an existing or former officer, adviser or transacting party of the listed issuer or its related corporation;

(h) Reviewed and revised the disclosure on the Directors' Skills and Experience Matrix;

(i) Reviewed the change of Chief Financial Officer; and

(j) Reviewed the Performance Planning and Key Performance Indicators for the MD/CEO and his direct reports.

DATUK TOH AH WAH
Chairman,
Nomination and Remuneration Committee

BOARD AUDIT COMMITTEE REPORT

YEOH SIEW MING | Chairman

"THE FUNDAMENTAL ROLE OF THE 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."

Members and their attendance

1	**Yeoh Siew Ming** *Chairman,* *Independent Non-Executive Director*	Number of Meetings Attended: **5/5**
2	**Datuk Toh Ah Wah** *Senior Independent Non-Executive Director*	Number of Meetings Attended: **5/5**
3	**Dr Zafar Abdulmajid Momin** *Independent Non-Executive Director*	Number of Meetings Attended: **5/5**
4	**Freida Amat** *Non-Independent Non-Executive Director*	Number of Meetings Attended: **5/5**

TERMS OF REFERENCE

The TOR of the Board Audit Committee (BAC) sets out the authority, duties and responsibilities of the BAC and are accessible on PCG's corporate website at www.petronaschemicals.com. The TOR was revised during the year following the establishment of BRC, whereby the BAC's functions on risk management were carved out and placed under the purview of the BRC while other parts were also amended to fill any gaps or areas for improvement based on the latest corporate governance requirements.

COMPOSITION

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.

The BAC consists of four members including its Chairman. The composition is in compliance with Paragraph 15.09(1)(b) of the Main Market Listing Requirements (MMLR), where all four BAC members are Non-Executive Directors including three Independent Directors, who fulfil the criteria of independence as defined in the MMLR.

MEETINGS AND ATTENDANCE

The BAC conducted five meetings during the financial year 2020. The manner on how the BAC conducts its meeting has also changed due to COVID-19 pandemic, whereby most of the meetings were held via online platform. During the year under review, three out of five meetings were held virtually. The BAC meetings for the financial year 2020 were pre-scheduled in November 2019 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, attendance at all BAC meetings met the requisite quorum as stipulated in the BAC TOR.

By invitation, the 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 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 met with the external auditors twice during the year under review (i.e. on 24 February 2020 and 17 August 2020), without the presence of the Management.

BOARD AUDIT COMMITTEE REPORT

The agenda and meeting papers encompassing qualitative and quantitative information relevant to the business of the meetings distributed to the BAC members via a secured collaborative software no less than five business days prior to the date of each meeting. The BAC's Circular Resolution were also circulated to the BAC members via this software for approval. Deliberations during the BAC meetings included 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 acknowledged 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 8.5 of MCCG 2017.

BAC'S ACTIVITIES IN 2020

1. Financial Reporting

(a) Reviewed the quarterly results for announcements to Bursa Malaysia before recommending the same for approval by the Board 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 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 include 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. • This includes 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 in deriving the recoverable amount). There was continued impairment indication assessments conducted in view of unprecedented market environment as a result of COVID-19 pandemic. This includes the review of Management's impairment assessment on Pengerang Petrochemical Company.
2	Finalisation of Purchase Price Allocation (PPA) for acquisition of Da Vinci Group (DVG). • Pursuant to the acquisition of DVG on 12 September 2019, it has become a wholly-owned subsidiary of the Group. The net identifiable assets and goodwill disclosed in the Audited Financial Statements for the year ended 31 December 2019 were based on provisional figures which were finalised during the year. The BAC reviewed and deliberated the assumptions on the recognition of formulae as part of PCG Group's Intangible Asset.
3	Recognition of deferred tax assets and the probability of future utilisation
4	Carrying values of inventories and any write-off thereon
5	New legislation and regulations impact
6	Pronouncement effective FY2020
7	Revenue and expenses recognition
8	Update on Amendments on MFRS for FY2021
9	Enhancement to PCG Corporate Financial Policy

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 had frequent engagements with the external auditors in improving the internal control processes for the Group.

BOARD AUDIT COMMITTEE REPORT

BAC'S ACTIVITIES IN 2020 (CONTINUED)

2. Internal Control

(a) Reviewed the effectiveness of the system of internal controls, taking into account the findings from internal and external audit reports.

(b) Reviewed the transfer pricing process for intercompany arrangements in order to ensure that they are transacted at arm's length.

3. Corporate Governance

(a) Reviewed the Corporate Governance Overview Statement, BAC Report including the Statement on Risk Management and Internal Control (SORMIC) for inclusion in the 2019 Integrated Report.

4. Internal Audit

(a) Reviewed and approved the risk based Annual Audit Plan and budget to ensure comprehensiveness of audit coverage, resource and competencies to execute the internal audit functions effectively.

(b) Reviewed and deliberated on audit reports which include opinion on the adequacy and effectiveness of PCG's governance, risk management and internal controls, audit finding's root cause, 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.

(c) Monitored the implementation of the agreed corrective actions on audit issues taken by Management until duly resolved on quarterly basis. The BAC also deliberated on the justifications given by Management for extension of timeline and approved such request where the justifications were acceptable.

(d) Reviewed the performance of IAD for FY2019 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 Indicator of IAD for FY2020.

(e) Reviewed IAD's Quality Assurance and Improvement Program activities and deliberated the results of Internal Quality Assessment Review.

(f) Reviewed the findings from the review on the Internal Audit function of selected listed issuers conducted by Bursa Malaysia and Institute of Internal Auditors Malaysia. The BAC also reviewed results of benchmark against current practices by the Company's Internal Audit.

(g) 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 and any related matters.

(h) Reviewed and endorsed the appointment of Dewi Izza Suhana Radin Amir as the new Head, Internal Audit in place of Mohd Effendi Mohd Nawi effective 2 October 2020.

5. RPTs 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 quarterly basis.

(c) Reviewed and deliberated performance of RPTs/RRPTs vendors for 2019.

6. 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 2020.

(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 no impairment of independency or objectivity. In relation to this, the BAC noted the assurance provided by the external auditors confirming their independence throughout the financial year under review.

(e) During the year, PCG engaged the external auditors for certain non-audit services. Total fees paid to the external auditors are detailed out in the next page:

BOARD AUDIT COMMITTEE REPORT

	2020		2019	
	Group RM'000	**Company RM'000**	**Group RM'000**	**Company RM'000**
KPMG				
Audit Fees paid/payable				
Statutory Audit	**1,435**	**162**	1,437	162
Non-audit Fees				
Regulatory-related				
Half-yearly Limited Review	**180**	**180**	180	180
Review of Statement on Risk Management and Internal Control (SORMIC)	**25**	**25**	25	25
Review of the quarterly Consolidated Results Report for anouncement to Bursa Malaysia	**30**	**30**	30	30
Review of MFRS 9 Financial Instruments	**–**	**–**	48	3
Review of MFRS 16 Leases	**–**	**–**	280	55
Review of application for Investment Tax Allowance of PC Fertiliser Sabah	**20**	**–**	23	–
Audit of non-financial information for Integrated Report	**113**	**113**	–	–
IFRS convergence from Dutch Generally Accepted Accounting Principles (GAAP) for Da Vinci Group	**410**	**–**	–	–
Non-regulatory related				
Review on divestment of equity in a subsidiary	**–**	**–**	100	100
	778	**348**	686	393
Other Auditors				
Audit Fees paid/payable				
Statutory audit	**1,963**	**27**	1,463	15
Non-Audit Fees				
Regulatory-related				
Half-yearly Limited Review	**34**	**7**	5	5
Audit of report required for application of Government incentive in Netherlands for Da Vinci Group	**1,459**	**–**	–	–
Review of MFRS 9 Financial Instruments	**–**	**–**	55	–
Review of MFRS 16 Leases	**–**	**–**	145	–
Review of transfer pricing documentation	**12**	**–**	44	–
Tax services for Da Vinci Group and its subsidiaries	**466**	**–**	–	–
Tax services for PC Marketing Kimia Indonesia	**34**	**–**	33	–
Tax services for PC Marketing Thailand	**29**	**–**	27	–
Non-regulatory related				
Review on acquisition of Da Vinci Group	**–**	**–**	1,075	1,075
	2,034	**7**	1,384	1,080
Total Statutory Audit Fees	**3,398**	**189**	2,900	177
Total Non-audit Fees	**2,812**	**355**	2,070	1,473
% of Non-audit Fees over Statutory Audit Fees	**83%**	**>100%**	71%	>100%

BOARD AUDIT COMMITTEE REPORT

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 2020 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, the IAD, to undertake independent, objective assurance and consulting function designed to add value and improved PCG's operations. The IAD performs a systematic and disciplined approach to evaluate and improve the design as well as effectiveness of governance, risk management and internal control processes within the Group. The Head of IAD reports directly to the BAC and administratively to the MD/CEO to ensure impartiality and independence in execution of the role.

The IAD is currently headed by Dewi Izza Suhana Radin Amir effective 2 October 2020, succeeding Mohd Effendi Mohd Nawi who has been given a new career opportunity within PETRONAS Group. Dewi Izza is a Fellow Chartered Accountant of the Institute of Chartered Accountants in England and Wales (ICAEW) and holds a Bachelor of Arts in Accounting, Financial Management and Economics from the University of Sheffield, United Kingdom.

The IAD function is guided by its Audit Charter which is aligned with the International Professional Practices Framework (IPPF) and approved by the BAC. The Audit Charter defines IAD's responsibilities, authority and scope of work within the Group. In performing the audit engagements, the IAD adopts the five components of Committee of Sponsoring Organisations of The Treadway Commission (COSO) Internal Control Integrated Framework and adheres to the IPPF standards together with IAD's established procedures and guidelines. The five COSO components are as below:

- 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 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. 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 BAC, Management and external auditors.

The IAD continuously assessed emerging risks or areas that warrant an audit and changes to the Annual Audit Plan during the year were presented to the BAC for approval.

BOARD AUDIT COMMITTEE REPORT

During the year, the IAD performed audit engagements as per the approved Annual Audit Plan and presented the following reports to the BAC:

1. Audit on PCG Extended Value Chain Projects: Project Eagle & Project Cinnamon
2. Audit on PRefChem Packages – Project Closure of PETRONAS Refinery and Petrochemical Corporation
3. Audit on Polymer Commercial RAPID Operationalisation
4. Audit on Commercial Methanol, Aromatics & MTBE
5. Audit on Merger & Acquisition Process of Project Kipping
6. Audit on Innovation & Technology Roles in Supporting PCG Growth Strategy
7. Shareholders' Audit on BASF PETRONAS Chemicals Sdn Bhd's Management of Change Project Lemongrass 2.0
8. Audit on Risk Management Department in Managing PETRONAS Resiliency Model Activities in PCG
9. Audit on Overall Governance, Customer Complaints Management and New Business Operating Model of PT PCM Kimia Indonesia
10. Audit on Implementation and Effectiveness of Corporate Liability Training and Communication Across PCG
11. Audit on Operations Management of PC LDPE Sdn Bhd
12. Audit on HSE Occupational Health & Industrial Hygiene Management Across PCG
13. Audit on PETRONAS Cybersecurity Programme and Activities
14. Baseline Assessment on the Implementation of Third Party Risk Management Activities in Relation to PCG Suppliers

BOARD AUDIT COMMITTEE REPORT

The internal audit reports highlighted to the BAC the opinion on the adequacy and effectiveness of PCG's governance, risk management and internal controls, audit finding's root cause, 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 monthly basis until duly resolved. All agreed corrective actions status was 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 assessed the efficiency and effectiveness of the IAD processes and opportunities for continuous improvement through internal and external assessments. The results and updates of QAIP were reported to the BAC.

The IAD has adequate and sufficient resources to implement its Approved Audit Plan. There is 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:

Qualification	**No. of Certifications**
ICAEW/ACCA/MICPA-CAANZ	5
Masters	1
Certified Internal Auditor	1
COSO certification	7
Engineer's Certificate of Competency (Steam), DOSH	2
Certified Environmental Professional in the Operation of Industrial Effluent Treatment System, DOE	1
TOTAL	17

Note:
- *Association of Chartered Certified Accountants (ACCA)*
- *The Malaysian Institute of Certified Public Accountants and Chartered Accountants Australia and New Zealand (MICPA-CAANZ)*
- *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 subject matter experts and resources from PETRONAS Group, specifically on IT, project management, risk management and technical 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 act 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 2020 was RM5.14 million.

RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST SITUATIONS

During the year under review, the BAC reviewed all RPTs/RRPTs and 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.

BOARD AUDIT COMMITTEE REPORT

Due to the integrated nature of PCG's business operations with 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 2020 RM'000
PCG Group and PETRONAS and its subsidiaries (PETRONAS Group)	**INTEGRATED OPERATIONS OF OUR GROUP**	
	i. Supply of fuel and feedstock (such as ethane, propane, butane, dry gas, naphtha, natural gas) by PETRONAS Group	3,899,689
	ii. Supply of utilities, electricity and water by PETRONAS Group	160,108
	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	4,521
	v. Provision of operating and maintenance services by PETRONAS Group	11,412
	vi. Purchase of marine diesel oil from PETRONAS Group	11,257
	SERVICES RENDERED WITHIN THE PETRONAS GROUP	
	vii. Provision of vessel screening services by MISC Maritime Services Sdn Bhd	564
	viii. Provision of freight, transportation and warehousing services by MISC Berhad and its subsidiaries (MISC Group)	Nil
	OTHERS	
	ix. Sales of petrochemical products and other related products to PETRONAS Group	460,268
	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

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

WARREN WILLIAM WILDER | Chairman

Members and their attendance

1	**Warren William Wilder** *Chairman, Independent Non-Executive Director*	Number of Meetings Attended: **4/4**
2	**Yeoh Siew Ming** *Independent Non-Executive Director*	Number of Meetings Attended: **4/4**
3	**Dr Zafar Abdulmajid Momin** *Independent Non-Executive Director*	Number of Meetings Attended: **4/4**
4	**Noor Ilias Mohd Idris** *Non-Independent Non-Executive Director*	Number of Meetings Attended: **4/4**

The Board Risk Committee (BRC) was established on 25 February 2019 in line with the Step-Up Practice 9.3 of the Malaysian Code on Corporate Governance 2017 (MCCG 2017). The BRC is to assist the Board in ensuring the Company has in place sound and robust risk management framework and such framework has been effectively implemented to enhance the Company's ability to achieve its strategic objectives especially in pursuing its growth agenda.

In carrying out its oversight responsibilities, each BRC member is to provide individual independent opinions to the fact-finding, analysis and decision making process of the BRC, based on their expertise, experience and industrial knowledge.

TERMS OF REFERENCE

The Terms of Reference (TOR) of the BRC sets out the authority, duties and responsibilities of the BRC and are accessible on PCG's corporate website at www.petronaschemicals.com.

COMPOSITION

The BRC consists of four members whereby all are Non-Executive Directors including three Independent Directors. Members of the BRC shall possess sound judgment, objectivity, independent attitude, management experience, professionalism, integrity and knowledge of the industry.

MEETINGS AND ATTENDANCE

The BRC conducted four meetings during the financial year 2020. The manner on how the BRC conducts its meeting has also changed due to COVID-19 pandemic, whereby most of the meetings were held via online platform. During the year under review, three out of four meetings were held virtually. Aside from the said meetings, urgent decisions were also approved via a BRC Circular Resolution. The BRC meetings for the financial year 2020 were pre-scheduled in November 2019 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 BRC meets quarterly in a year preceding 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 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 also 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 BRC Circular Resolutions were also circulated to the BRC members via this software for approval.

Minutes of the BRC meeting are tabled for confirmation at the next BRC meeting, after which they are presented to the Board for notation.

BOARD RISK COMMITTEE REPORT

BRC's ACTIVITIES 2020

For the financial year 2020, the BRC had performed its oversight roles in the following key activities:

1. **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.

   The BRC endorsed 15 risks out of which seven are identified as critical risks.

2. **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 had deliberated and recommended four emerging risks to the Board namely; Cybersecurity, War on Plastic, Pandemic COVID-19 and Corruption.

3. **Risk Appetite**

   Deliberated and endorsed the development of risk appetite and its thresholds. 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, in order to assess the feasibility and commerciality of these projects and investments. For the financial year 2020, the BRC had reviewed eight proposals with high business impact.

5. **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.

6. **Implementation of Adequate Procedures for Corporate Liability**

   Reviewed the Adequate Procedures Master Plan and its implementation to address corporate liability under Section 17A of MACC Act 2009.

ANNUAL REPORTING

The BRC reviewed BRC Report and Statement on Risk Management and Internal Control for the financial year ended 31 December 2020 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 a 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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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 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 opportunity for growth.

We believe our control systems are appropriate for the Group given the size, diversity and complexity of our operations. Our Board Committees and Board 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 a robust risk management practice for good corporate governance with the objective of safeguarding the shareholders' investment and the Group's assets. It 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 the risk management and internal controls. The Management formulates and endorses the risk management policy, frameworks and guidelines including their implementations across the Group. They review 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 as well as ensures all the necessary resources are efficiently allocated to manage risks.

1. RISK MANAGEMENT

The unprecedented COVID-19 pandemic has had a significant impact on people and economies worldwide including Malaysia and where we are operating. The extensive and recurring lockdowns and movement control orders imposed across the globe have curtailed business activities and dampened revenues. These dynamic challenges escalated the market volatility and business uncertainties that require rigorous monitoring and effective risk management practices to cushion its impact on our operations and business sustainability.

We need to be agile in adapting to dynamic change with comprehensive and integrated processes in order to identify all potential risks and then, either minimise, accept, transfer or avoid them. 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 has 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

2. 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 as well as 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 practices	
OPERATIONAL LEVEL	**MANUFACTURING** Responsible for the manufacturing risk management	**COMMERCIAL** Responsible for the commercial risk management

Risk Oversight deliberation conducted regularly 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 to the Risk Management Committee 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 Line 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)

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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).

ENTERPRISE RISK MANAGEMENT (ERM)

To reduce the likelihood and impact of all identified risks in order to enhance the organisation's ability to achieve its strategic objectives.

CRISIS MANAGEMENT (CM)

To prepare the organisation to respond and manage crises in the risk areas in order to protect and save people, environment, asset and reputation.

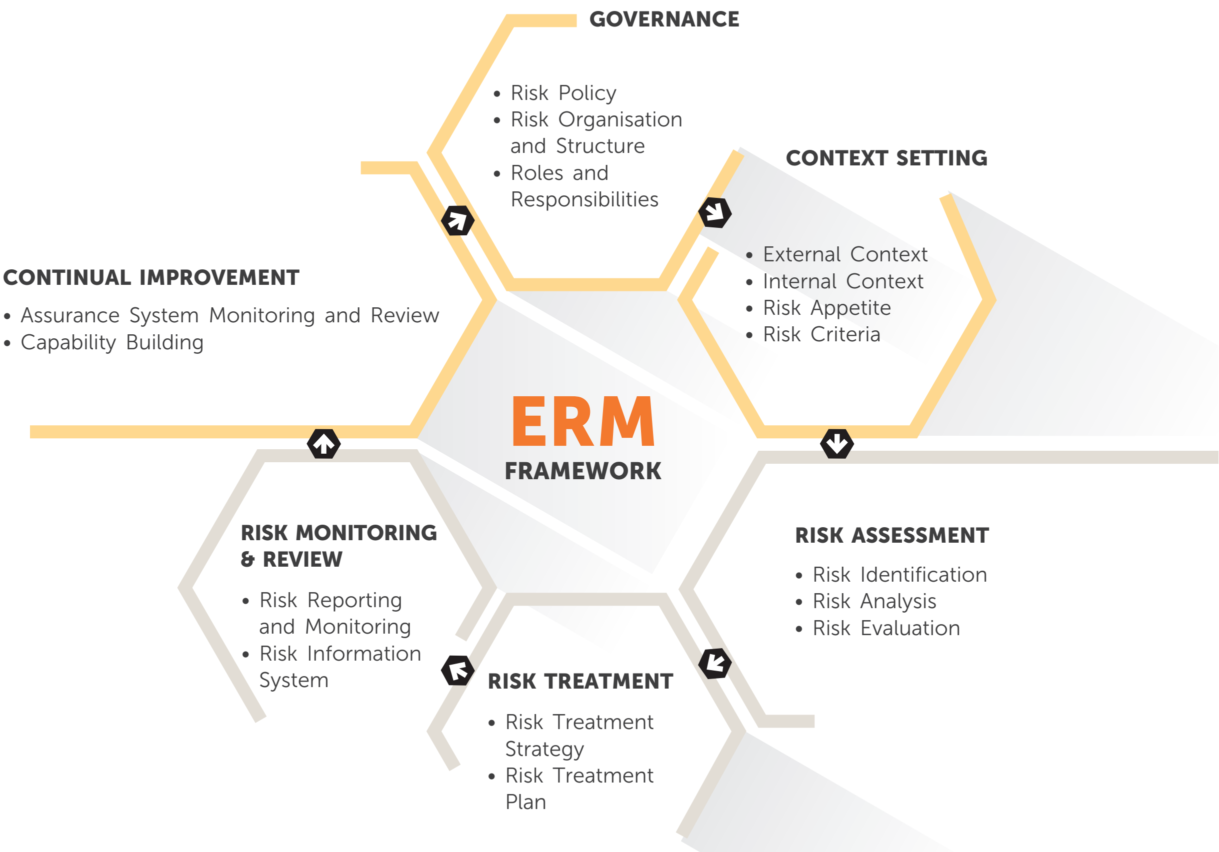
BUSINESS CONTINUITY MANAGEMENT (BCM)

To recover and continue delivery of products or services at acceptable predefined levels following a prolonged disruptive incident.

Over the years, we continue to enhance our risk management practices and intensify our efforts to be a risk resilient organisation to safeguard our business through embedding risks in all our decision making within the set boundaries, to better suit our various ever-changing business complexity 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.

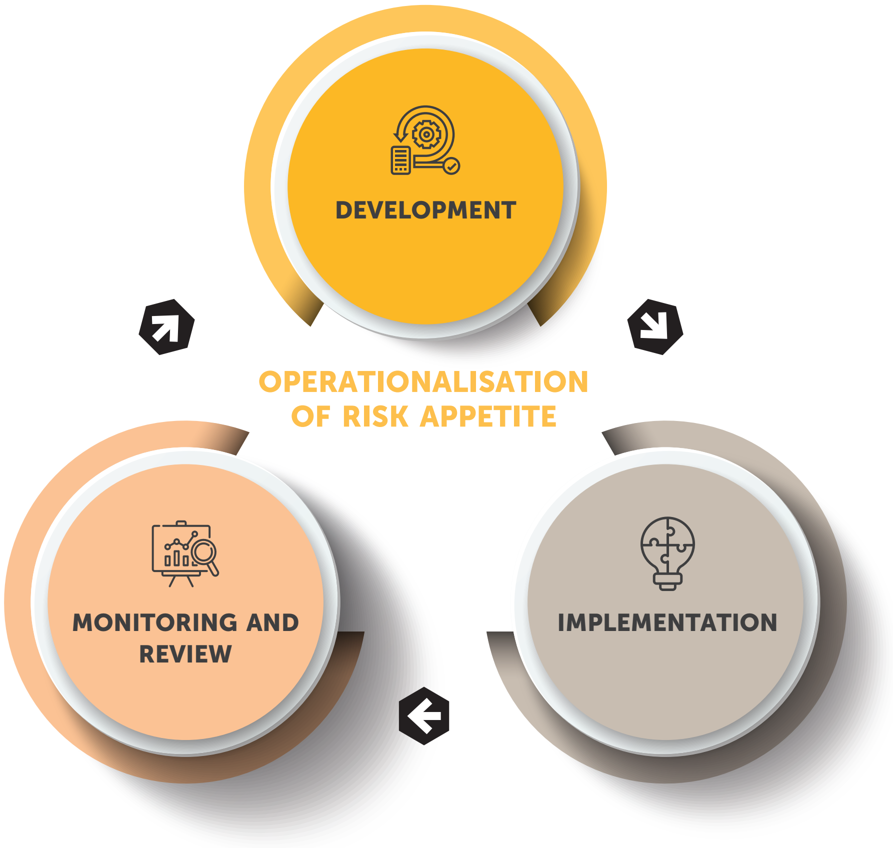


STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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 follow:



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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

PCG Risk Appetite Focus Areas and Risk Tolerance

Implementation

Clear roles and responsibilities of relevant parties in implementing Risk Appetite was established to ensure clear accountability. The Risk Appetite shall 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 timely basis to trigger deliberation for specific action or decision.

Risk Profiling Process

Our Corporate Risk Profile (CRP) is developed based on Enterprise Risk Management Process Guideline (ERMPG) and is reviewed quarterly.

Our structured risk profiling process is set out as below:

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The status of the PCG CRP including key risk indicators (KRIs) and mitigation plans of critical risks are deliberated at RMC, BRC and Board of Directors 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 quarterly 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 at management and Board level. 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. Under year of review, PCG have escalated 4 emerging risks namely War on Plastics, Cyber Security, Pandemic COVID-19 and Corruption Risk as critical risks in PCG CRP 2020.

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 Corporate Financial Policy and PETRONAS Credit Guidelines Each counterparty shall be subjected to TPRM due diligence and is assigned credit ratings which 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 is 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 to 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 are 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 decision making, considering 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, BRC deliberated risks related to key growth projects and its mitigations prior to approval by the Board.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Corporate Liability

PCG is exposed to corporate liability under Section 17A of Malaysian Anti-Corruption Commission Act (2009) that penalises commercial organisation for failure to prevent bribery and corruption, effective from 1 June 2020. The sole defense available to protect the commercial organisation is through the implementation of Prime Minister Office (PMO)'s Guidelines on Adequate Procedures based on 5 principles known as TRUST:

- Top Level Commitment
- Risk Assessment
- Undertake Control Measure
- Systematic Review, Monitoring and Enforcement
- Training and Communication

We have developed Adequate Procedures Implementation Plan and monitored it under our Corporate Risk Profile (CRP) to ensure we are protected from liability under Section 17A of MACC Act (2009).

5. CRISIS MANAGEMENT

PCG is exposed to potential crisis events of varying severity 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.

Crisis Management Plan (CMP) has also been established to provide a strategic support to control and mitigate the crisis including detailed 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.

Note:
Further details on crisis management can be found on page 55 of our standalone Sustainability Report, which is available online at www.petronaschemicals.com

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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 below diagram.

PCG has established BCP for Products Supply to address abrupt and prolonged outage of the products supply that could affect products delivery to customers. Additionally, the Group has developed BCP for PETRONAS Twin Towers to cater for inaccessibility of workplace, failure of critical ICT systems and prolonged unavailability of key personnel.

BRPs for PCG plants and facilities and overseas subsidiaries were also developed and tested and the reports presented to management for tracking and monitoring. Findings and feedback gathered post-testing were analysed for continual improvement. The reports were also presented to the various oversight 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.

7. CONTINUAL IMPROVEMENT UNDER OUR 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 control 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

All PCG subsidiaries apart from Da Vinci Group B.V. (DVG), the newly acquired subsidiary, have performed self-assessment and validation on their compliance to the requirement stipulated under risk frameworks and proposed gap closure actions, if any. For DVG, the exercise shall be completed within Q1 2021. PCG Risk Management Department also performed validation 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 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.

For 2020, PCG Internal Audit also performed audit on risk management practices in PCG to evaluate and determine PCG's compliance to risk management frameworks and guidelines.

8. INTERNAL CONTROL

Management is primarily responsible for the design, implementation and maintenance of internal control, while the Board and the Board Audit Committee oversee the actions of Management and monitor the effectiveness of the 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 effective internal control practices.

Assessment on the adequacy, efficiency and effectiveness of the internal control of 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 Group 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 provides an independent, objective assurance and consulting function that helps PCG to achieve its objectives. The IAD performs a systematic and disciplined approach in evaluating and improving the design and effectiveness of the PCG's governance, risk management and internal control processes. The IAD maintains its impartiality, proficiency and due professional care by having its plans and reports directly under the purview of the Board Audit Committee of PCG (BAC).

The IAD reviews the governance, risk management and internal control of key activities of the Group's businesses based upon an annual internal audit plan which is presented to the BAC for approval. The annual audit plan is established primarily on a risk-based approach. The BAC reviews IAD audit reports which include 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.

The IAD's processes and activities are guided by the approved Internal Audit Charter and aligned with the International Professional Practices Framework issued by the Institute of Internal Auditors. In evaluating the state of PCG's internal control, IAD adopts the five components of COSO Internal Control Integrated Framework.

In 2020, IAD is staffed by 18 individuals with relevant experience and qualifications. Currently, the IAD is headed by Dewi Izza Suhana Radin Amir, a Fellow Chartered Accountant of the Institute of Chartered Accountants in England and Wales.

Other Key Elements of Internal Control Systems

In furtherance to 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 is 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 results 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 year-end 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, the BAC was updated on developments in MMLR of Bursa Malaysia, 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 can be found on pages 38-40

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

- **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 Managing Director/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 Control Framework**

  The Group has implemented a Financial Control Framework to ensure key internal control systems are adequate and effective at all times. The framework mandates strict processes to be adhered to ensure the reliability of financial reporting and disclosure so as to protect stakeholders from the possibility of inaccurate accounting. Key components of the Financial Control Framework are:

  - Reasonable assurance on the reliability of the reported financial statements by Management
  - Establishment of adequate internal control and reporting methods as well as proper documentation of all processes
  - Mandatory self and inter-departmental test of controls
  - Identification of the control gaps and the required mitigation action

- **Limits of Authority**

  The Group has established Limits of Authority (LOA) which defines the appropriate approving authority and decision-making limits to govern and manage business decision process. The LOA sets out a clear line of accountability and responsibility which serves as a reference in identifying the approving authority for various transactions including matters that require Board's approval.

  It provides a framework of authority and accountability within the Group and facilitates decision-making at the appropriate level in the Group's hierarchy.

- **Group Policies**

  The Group has in place policies which govern the day-to-day workings of the business such as HSE, plant operations, human resource management and related party transactions. The Group has also adopted the PETRONAS Corporate Financial Policy which sets forth the policy for financial management activities embedding the principles of financial risk management. The Corporate Financial Policy governs financial risk management practices across the Group. It prescribes a framework in which financial risk exposure is identified and managed.

- **Operating Procedures and Guidelines**

  The Group has developed operating procedures and guidelines which cover 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 KPIs against which the overall performance of the Group, including the respective performance of business segments and companies within the Group, can be measured and evaluated. 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 taking into account 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. Operation 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 the guideline 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 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

- **Tender Committee**

  Tender Committees which comprise cross functional representatives have been established to carry out independent review on tender proposals and provide the oversight function on tendering activities for major purchases, ensuring activities are carried out in accordance with the established procedures and guidelines as well as approval by the relevant approving authorities as set out by the LOA.

- **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 as provided 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 PETRONAS' Whistleblowing Committee. The policy and procedures are accessible to the public for reference on the Company's official 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 said 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 authority 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 transaction and approval/mandate mechanism, monitoring and reporting principles, and renewal or changes in the terms or termination of such transactions. In principle, the said 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 approval 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 2020, 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:

a) 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 23 February 2021.

WARREN WILLIAM WILDER
Chairman,
Board Risk Committee

APPROACHING OUR FINANCIAL REPORT

FINANCIAL STATEMENTS DECODED

The purpose of financial statements is to communicate the Group's financial information to its stakeholders, especially shareholders, investors and lenders. In this section, we try to help readers who are not familiar with accounting rules and financial expressions to understand our financial information, by explaining the functions and relationships between the essential financial statements: the statement of profit or loss and other comprehensive income, the statement of financial position and the statement of cash flows. For comprehensive and authoritative definitions and explanations, readers should turn to the relevant accounting standards, but we hope this section offers useful guidance.

Statement of Profit or Loss and Other Comprehensive Income

This statement comprises (a) profit or loss and (b) other comprehensive income (OCI). The objective of this statement is to present all income or expenses (transactions with non-owners) in a performance statement. OCI represents certain income and expenses which are not recognised in profit or loss as required or permitted by the relevant accounting standard. Transactions with owners such as dividends are presented in the statement of changes in equity.

“Financial performance measured by recording the flow of resources over a period of time”

Statement of Financial Position

This statement sums up the Group's economic resources (total assets), obligations (debts and other liabilities) and owners' equity at a particular point of time, in this case, our year end at 31 December 2020. It also shows how the economic resources contributed by lenders and shareholders are used in the business. In the past, we used to call this statement a "balance sheet" because at any given time, assets must equal liabilities plus owners' equity (in other words, be in balance). The current name reflects its function more accurately.

“A snapshot, taken at a point in time, of all the assets the company owns and all the claims against those assets”

Statement of Cash Flows

This statement divides the cash flows into operating, investing and financing cash flows. While the operating profit underlies the operating cash flows, certain non-cash charges or credits, such as depreciation and amortisation, are adjusted for, thus the operating cash flows and the operating profit are different. Investing cash flows are the cash flows arising from the purchase or disposal of non-current assets. Financing cash flows represent the cash flows between its shareholders and lenders.

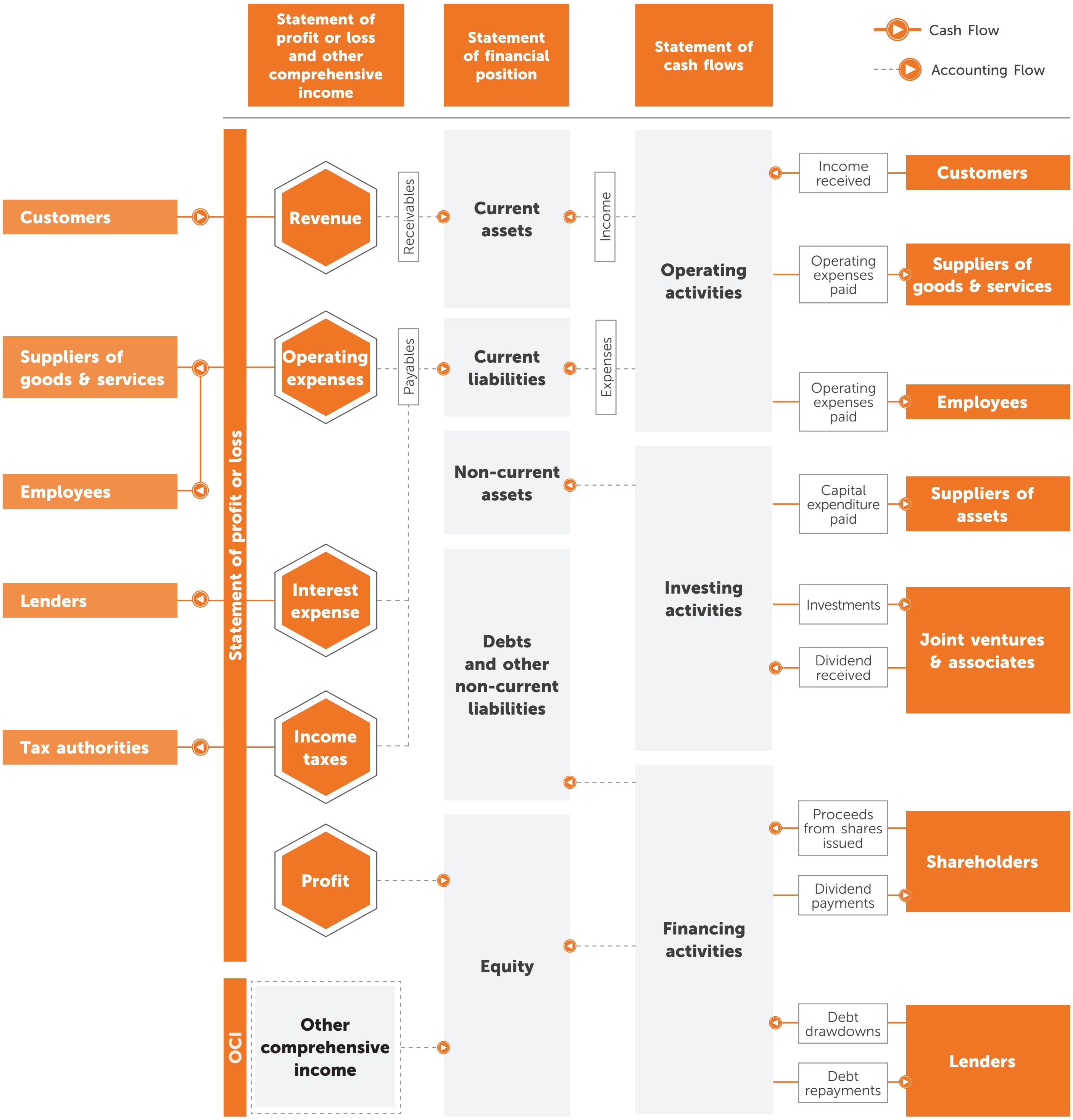
“Where the company gets its cash and how it spends it”

APPROACHING OUR FINANCIAL REPORT

Financial Statements Illustrated

The diagram below illustrates the relationships between the statement of profit or loss and other comprehensive income, the statement of financial position and the statement of cash flows, as well as their links with the Group's stakeholders.

On one hand, the Group earns revenue from customers through the deployment of assets. On the other hand, it pays operating expenses mainly relating to supply of goods and services, staff costs as well as invests in additional non-current assets. The net balance of revenue and operating expenses is the operating profit. After deducting payment to lenders, this profit is available for payment to tax authorities and for distribution to shareholders in return for their contribution of funds to the Group.



STATEMENT OF DIRECTORS' RESPONSIBILITY

(in relation to the Financial Statements)

The financial statements of the Group and of the Company as set out on pages 67 to 145 of this Annual Report are properly drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2020 and of the results of its operations and cash flows for the year ended on that date.

The Directors consider the following in preparing the financial statements of the Group and of the Company:-

- appropriate accounting policies have been used and consistently applied;
- reasonable and prudent judgments and estimates have been made;
- all Malaysian Financial Reporting Standards and the Companies Act 2016 in Malaysia have been followed; and
- prepared on a going concern basis.

The Directors are responsible for ensuring that the accounting and other records and registers required by the Companies Act, 2016 in Malaysia to be retained by the Group have been properly kept in accordance with the provisions of the said Act.

The Directors also have general responsibilities for taking such steps that are reasonably available to them to safeguard the assets of the Group and of the Company and to prevent and detect fraud and other irregularities.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The principal activity of the Company in the course of the financial year remained unchanged as investment holding.

In the preparation of the financial statements of the Company, as required by MFRS 11 *Joint Arrangements*, the Company recognises its share of assets held and liabilities incurred jointly in a joint operation company as disclosed in Note 28 to the financial statements.

The principal activities of subsidiaries, and nature of relationship of joint ventures and associates are stated in Note 25, Note 26 and Note 27 to the financial statements respectively and the Board of Directors deem such information included in the Company's Directors' Report by such reference and shall form part of the Company's Directors' Report.

ULTIMATE HOLDING COMPANY

The holding and ultimate holding company is Petroliam Nasional Berhad (PETRONAS), a company incorporated in Malaysia.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 25 to the financial statements.

RESULTS

	Group	Company
	RM Mil	**RM Mil**
Profit for the year	**1,586**	**693**
Attributable to:		
Shareholders of the Company	**1,628**	**693**
Non-controlling interests	**(42)**	**–**

DIVIDENDS

During the financial year, the amount of dividends paid by the Company were as follows:

(i) In respect of the financial year ended 31 December 2019 as reported in the Directors' Report of that year, a second interim dividend of 7 sen per ordinary share amounting to RM560 million was declared on 26 February 2020 and was paid on 27 March 2020; and

(ii) In respect of the financial year ended 31 December 2020, a first interim dividend of 5 sen per ordinary share amounting to RM400 million was declared on 19 August 2020 and was paid on 25 September 2020.

The Directors have declared a second interim dividend of 7 sen per ordinary share amounting to RM560 million in respect of the financial year ended 31 December 2020 which is payable on 25 March 2021. The dividend will be recognised and accounted for in equity as an appropriation of retained profits in the subsequent financial year.

RESERVES AND PROVISIONS

There were no material movements to and from reserves and provisions during the year other than as disclosed in the financial statements.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

DIRECTORS

Directors who served during the financial year until the date of this report are:

Datuk Md Arif bin Mahmood
Datuk Sazali bin Hamzah
Datuk Toh Ah Wah
Yeoh Siew Ming
Warren William Wilder
Dr Zafar Abdulmajid Momin
Noor Ilias bin Mohd Idris
Freida binti Amat

In accordance with Article 107 of the Company's Constitution, Datuk Sazali bin Hamzah, Warren William Wilder and Dr. Zafar Abdulmajid Momin are due for retirement by rotation at the forthcoming Annual General Meeting (AGM) of the Company, and being eligible, offer themselves for re-election at the forthcoming AGM.

The Company has been granted a relief order pursuant to Section 255(1) of the Companies Act, 2016 relieving the Company's Directors from full compliance to the requirements under Section 253(2) of the Companies Act, 2016.

The names of Directors of subsidiaries are available on the Company's corporate website and the Board of Directors deem such information included in the Company's Directors' Report by such reference and shall form part of the Company's Directors' Report.

DIRECTORS' INTERESTS

The Directors in office at the end of the year who have interests and deemed interests in the shares of the Company and of its related corporations other than wholly-owned subsidiaries (including the interests of the spouses and/or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

		Number of ordinary shares in the Company			
Name		**Balance at 1.1.2020**	**Bought**	**Sold**	**Balance at 31.12.2020**
Datuk Md Arif bin Mahmood	– own	**20,000**	**–**	**–**	**20,000**
	– child	**–**	**300**	**300**	**–**
Datuk Sazali bin Hamzah	– spouse	**–**	**10,000**	**–**	**10,000**
	– child	**–**	**6,000**	**–**	**6,000**
Datuk Toh Ah Wah		**–**	**30,000**	**–**	**30,000**
Freida binti Amat		**6,000**	**–**	**–**	**6,000**
Noor Ilias bin Mohd Idris		**6,000**	**–**	**–**	**6,000**

None of the other Directors holding office as at 31 December 2020 had any interest in the shares of the Company and of its related corporations during the financial year.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than the benefits included in the aggregate amount of remuneration received or due and receivable by the Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of the related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

ISSUE OF SHARES

There were no changes in the issued and paid up capital of the Company during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

INDEMNITY AND INSURANCE COSTS

During the financial year, PETRONAS and its subsidiaries (hereinafter referred to as "PETRONAS Group"), including the Company, maintained a Directors' and Officers' Liability Insurance in accordance with Section 289 of the Companies Act, 2016. The total insured limit for the Directors and Officers Liability Insurance effected for the Directors and Officers of PETRONAS Group was RM1,290 million (2019: RM1,290 million) per occurrence and in the aggregate. The insurance premium for the Group and the Company are RM46,527 (2019: RM46,527) and RM25,224 (2019: RM25,224).

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

(i) necessary actions had been taken in relation to the writing off of bad debts and the provisioning of doubtful debts and satisfied themselves that all known bad debts have been written off and adequate provision made for doubtful debts, and

(ii) any current assets which were unlikely to be realised in the ordinary course of business, their values as shown in the accounting records of the Group and of the Company, had been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

(i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or

(ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

(iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

(iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

(ii) any material contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

OTHER STATUTORY INFORMATION (CONTINUED)

No material contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2020 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

In respect of the Directors or past Directors of the Company:

(i) the amount of fees and other benefits paid to or receivable by them from the Company or its subsidiaries as remuneration for their services to the Company or its subsidiaries; and

(ii) the estimated money value of any other benefits received or receivable by them otherwise than in cash from the Company or from any of its subsidiaries

are disclosed in Note 30 to the financial statements.

There were no amounts paid to or receivable by any third party in respect of the services provided to the Company or any of its subsidiaries by any Director or past Director of the Company.

SIGNIFICANT EVENT

The significant event is as disclosed in Note 38 to the financial statements.

AUDITORS

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 19 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Datuk Md Arif bin Mahmood
Director

Datuk Sazali bin Hamzah
Director

Kuala Lumpur,
Date: 23 February 2021

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 67 to 145, are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2020 and of their financial performance and cash flows for the financial year then ended on that date.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Datuk Md Arif bin Mahmood
Director

Datuk Sazali bin Hamzah
Director

Kuala Lumpur,
Date: 23 February 2021

STATUTORY DECLARATION

I, Mohd Azli bin Ishak, the officer primarily responsible for the financial management of PETRONAS Chemicals Group Berhad, do solemnly and sincerely declare that the financial statements set out on pages 67 to 145 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Mohd Azli bin Ishak (MIA Membership Number 22217) at Kuala Lumpur in Wilayah Persekutuan on 23 February 2021.

Before me:

Zainul Abidin Bin Ahmad
Commissioner of Oaths (No. W790)

Malaysia
Date: 23 February 2021

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

		Group		Company	
	Note	2020 RM Mil	2019 RM Mil	2020 RM Mil	2019 RM Mil
ASSETS					
Property, plant and equipment	3	**20,987**	20,482	**6,385**	5,670
Investments in subsidiaries	4	**–**	–	**20,940**	21,824
Investments in joint ventures and associates	5	**722**	1,058	**1,218**	1,204
Intangible assets	6	**744**	584	**–**	–
Deferred tax assets	7	**879**	971	**–**	–
TOTAL NON-CURRENT ASSETS		**23,332**	23,095	**28,543**	28,698
Trade and other inventories	8	**1,806**	1,658	**27**	12
Trade and other receivables	9	**1,938**	1,994	**106**	130
Tax recoverable		**46**	71	**7**	–
Cash and cash equivalents	11	**12,707**	12,045	**3,523**	3,221
TOTAL CURRENT ASSETS		**16,497**	15,768	**3,663**	3,363
TOTAL ASSETS		**39,829**	38,863	**32,206**	32,061
EQUITY					
Share capital	12	**8,871**	8,871	**8,871**	8,871
Reserves	13	**21,575**	21,062	**19,855**	20,128
Total equity attributable to shareholders of the Company		**30,446**	29,933	**28,726**	28,999
Non-controlling interests	14	**563**	605	**–**	–
TOTAL EQUITY		**31,009**	30,538	**28,726**	28,999
LIABILITIES					
Borrowings	15	**1,994**	1,875	**1,845**	1,875
Lease liabilities		**908**	627	**468**	396
Provisions	16	**247**	110	**79**	34
Other long term liabilities	16	**1,434**	1,589	**–**	–
Deferred tax liabilities	7	**993**	906	**–**	–
TOTAL NON-CURRENT LIABILITIES		**5,576**	5,107	**2,392**	2,305
Borrowings	15	**198**	–	**148**	–
Lease liabilities		**80**	78	**4**	6
Trade and other payables	17	**2,893**	3,063	**936**	751
Taxation		**73**	77	**–**	–
TOTAL CURRENT LIABILITIES		**3,244**	3,218	**1,088**	757
TOTAL LIABILITIES		**8,820**	8,325	**3,480**	3,062
TOTAL EQUITY AND LIABILITIES		**39,829**	38,863	**32,206**	32,061

The notes set out on pages 74 to 145 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

		Group		Company	
	Note	2020 RM Mil	2019 RM Mil	2020 RM Mil	2019 RM Mil
Revenue	18	**14,362**	16,370	**878**	997
Cost of revenue		**(10,837)**	(11,914)	**–**	–
Gross profit		**3,525**	4,456	**878**	997
Selling and distribution expenses		**(967)**	(878)	**–**	–
Administration expenses		**(718)**	(754)	**(266)**	(302)
Other expenses		**(68)**	(107)	**(64)**	(52)
Other income		**428**	523	**165**	234
Operating profit	19	**2,200**	3,240	**713**	877
Financing costs	20	**(27)**	(31)	**(4)**	(7)
Share of loss of equity-accounted joint ventures and associates, net of tax	38	**(316)**	(54)	**–**	–
Profit before taxation		**1,857**	3,155	**709**	870
Tax expense	21	**(271)**	(360)	**(16)**	(16)
Profit for the year		**1,586**	2,795	**693**	854
Other comprehensive (loss)/income					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation differences		**(165)**	(112)	**(6)**	(9)
Share of other comprehensive income of equity-accounted joint ventures and associates		**10**	6	**–**	–
Total other comprehensive loss for the year		**(155)**	(106)	**(6)**	(9)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,431**	2,689	**687**	845
Profit/(Loss) attributable to:					
Shareholders of the Company		**1,628**	2,811	**693**	854
Non-controlling interests		**(42)**	(16)	**–**	–
PROFIT FOR THE YEAR		**1,586**	2,795	**693**	854
Total comprehensive income/(loss) attributable to:					
Shareholders of the Company		**1,473**	2,705	**687**	845
Non-controlling interests		**(42)**	(16)	**–**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,431**	2,689	**687**	845
Basic earnings per ordinary share (sen)	22	**20.4**	35.1	**–**	–

The notes set out on pages 74 to 145 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Attributable to shareholders of the Company							
	Non-distributable				*Distributable*			
Group	**Share capital (Note 12) RM Mil**	**Foreign currency translation reserve (Note 13) RM Mil**	**Merger reserve (Note 13) RM Mil**	**Other reserve (Note 13) RM Mil**	**Retained profits RM Mil**	**Total RM Mil**	**Non-controlling interests RM Mil**	**Total equity RM Mil**
Balance at 1 January 2020	**8,871**	**(185)**	**(204)**	**987**	**20,464**	**29,933**	**605**	**30,538**
Foreign currency translation differences	–	(165)	–	–	–	(165)	–	(165)
Share of other comprehensive income of equity-accounted joint ventures and associates	–	–	–	10	–	10	–	10
Total other comprehensive (loss)/income for the year	–	(165)	–	10	–	(155)	–	(155)
Profit for the year	–	–	–	–	1,628	1,628	(42)	1,586
Total comprehensive (loss)/income for the year	–	(165)	–	10	1,628	1,473	(42)	1,431
Additional shares issued to a non-controlling interest	–	–	–	–	–	–	4	4
Dividends to shareholders of the Company (Note 23)	–	–	–	–	(960)	(960)	–	(960)
Dividends to non-controlling interests	–	–	–	–	–	–	(4)	(4)
Others	–	–	–	4	(4)	–	–	–
Total transactions with owners of the Group	–	–	–	4	(964)	(960)	–	(960)
Balance at 31 December 2020	**8,871**	**(350)**	**(204)**	**1,001**	**21,128**	**30,446**	**563**	**31,009**

The notes set out on pages 74 to 145 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

Group	Attributable to shareholders of the Company						Non-controlling interests RM Mil	Total equity RM Mil
	Non-distributable				Distributable			
	Share capital (Note 12) RM Mil	Foreign currency translation reserve (Note 13) RM Mil	Merger reserve (Note 13) RM Mil	Other reserve (Note 13) RM Mil	Retained profits RM Mil	Total RM Mil		
Balance at 1 January 2019	8,871	(77)	(204)	604	20,359	29,553	683	30,236
Foreign currency translation differences	–	(108)	–	(4)	–	(112)	–	(112)
Share of other comprehensive income of equity-accounted joint ventures and associates	–	–	–	6	–	6	–	6
Total other comprehensive (loss)/income for the year	–	(108)	–	2	–	(106)	–	(106)
Profit for the year	–	–	–	–	2,811	2,811	(16)	2,795
Total comprehensive (loss)/income for the year	–	(108)	–	2	2,811	2,705	(16)	2,689
Redemption of redeemable preference shares in subsidiaries	–	–	–	381	(381)	–	–	–
Additional shares issued to a non-controlling interest	–	–	–	–	–	–	5	5
Additional equity interest in a subsidiary	–	–	–	–	(5)	(5)	(5)	(10)
Dividends to shareholders of the Company (Note 23)	–	–	–	–	(2,320)	(2,320)	–	(2,320)
Dividends to non-controlling interests	–	–	–	–	–	–	(68)	(68)
Total transactions with owners of the Group	–	–	–	381	(2,706)	(2,325)	(68)	(2,393)
Acquisition of a subsidiary	–	–	–	–	–	–	6	6
Balance at 31 December 2019	8,871	(185)	(204)	987	20,464	29,933	605	30,538

The notes set out on pages 74 to 145 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Attributable to shareholders of the Company					
	Non-distributable				*Distributable*	
Company	**Share capital (Note 12) RM Mil**	**Foreign currency translation reserve (Note 13) RM Mil**	**Merger relief (Note 13) RM Mil**	**Other reserve (Note 13) RM Mil**	**Retained profits RM Mil**	**Total equity RM Mil**
Balance at 1 January 2020	**8,871**	**5**	**7,176**	**(4)**	**12,951**	**28,999**
Foreign currency translation differences	**–**	**(6)**	**–**	**–**	**–**	**(6)**
Profit for the year	**–**	**–**	**–**	**–**	**693**	**693**
Total comprehensive (loss)/income for the year	**–**	**(6)**	**–**	**–**	**693**	**687**
Dividends to shareholders of the Company (Note 23)	**–**	**–**	**–**	**–**	**(960)**	**(960)**
Balance at 31 December 2020	**8,871**	**(1)**	**7,176**	**(4)**	**12,684**	**28,726**
Balance at 1 January 2019	8,871	10	7,176	–	14,417	30,474
Foreign currency translation differences	–	(5)	–	(4)	–	(9)
Profit for the year	–	–	–	–	854	854
Total comprehensive (loss)/income for the year	–	(5)	–	(4)	854	845
Dividends to shareholders of the Company (Note 23)	–	–	–	–	(2,320)	(2,320)
Balance at 31 December 2019	8,871	5	7,176	(4)	12,951	28,999

The notes set out on pages 74 to 145 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Group 2020 RM Mil	Group 2019 RM Mil	Company 2020 RM Mil	Company 2019 RM Mil
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation		**1,857**	3,155	**709**	870
Adjustments for:					
– amortisation of deferred income		**(151)**	(125)	**–**	–
– depreciation and amortisation		**1,670**	1,659	**1**	2
– dividend income		**–**	–	**(878)**	(997)
– financing costs		**27**	31	**4**	7
– interest income		**(224)**	(377)	**(80)**	(165)
– share of loss of equity-accounted joint ventures and associates, net of tax		**316**	54	**–**	–
– other non-cash items		**50**	101	**39**	44
Operating profit/(loss) before changes in working capital		**3,545**	4,498	**(205)**	(239)
Change in trade and other inventories		**(143)**	181	**(15)**	(11)
Change in trade and other receivables		**58**	803	**(42)**	120
Change in trade and other payables		**(465)**	26	**(6)**	49
Cash generated from/(used in) operations		**2,995**	5,508	**(268)**	(81)
Interest income received		**224**	377	**80**	165
Taxation paid		**(204)**	(341)	**(23)**	(15)
Net cash generated from/(used in) operating activities		**3,015**	5,544	**(211)**	69
CASH FLOWS FROM INVESTING ACTIVITIES					
Dividends received from:					
– subsidiaries		**–**	–	**830**	873
– joint ventures and associates		**50**	126	**48**	124
Financial assistance to a subsidiary		**–**	–	**(14)**	(20)
Investments in:					
– subsidiaries		**–**	–	**(336)**	(1,341)
– joint ventures		**(18)**	–	**(14)**	–
Payment of deferred consideration		**(2)**	–	**–**	–
Payment for acquisition of a subsidiary, net of cash acquired	37	**–**	(769)	**–**	–
Payment for transaction cost for acquisition of a subsidiary*		**–**	(30)	**–**	–
Payment for settlement of forward foreign exchange contract		**–**	(902)	**–**	(902)
Proceeds from settlement of forward foreign exchange contract		**–**	898	**–**	898
Proceeds from disposal of property, plant and equipment		**2**	1	**–**	–
Purchase of property, plant and equipment	(i)	**(1,476)**	(2,351)	**(380)**	(756)
Redemption of preference shares in subsidiaries		**–**	–	**1,220**	381
Net cash (used in)/generated from investing activities		**(1,444)**	(3,027)	**1,354**	(743)

* This includes among others, fees for professional services in respect of the acquisition transaction.

The notes set out on pages 74 to 145 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Group		Company	
		2020 RM Mil	2019 RM Mil	2020 RM Mil	2019 RM Mil
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid to:					
– PETRONAS		**(618)**	(1,493)	**(618)**	(1,493)
– others (third parties)		**(342)**	(827)	**(342)**	(827)
– non-controlling interests		**(4)**	(68)	**–**	–
Drawdown of:					
– term loans, net of transaction cost		**298**	1,895	**162**	1,895
– revolving credit		**113**	–	**–**	–
Repayment of borrowings:					
– principal		**(74)**	(2,071)	**–**	(2,071)
– interest		**(46)**	(58)	**(44)**	(58)
Payment to non-controlling interests on additional equity interest		**–**	(10)	**–**	–
Proceeds from shares issued to non-controlling interests		**4**	5	**–**	–
Payment of lease liabilities:					
– principal		**(50)**	(81)	**(4)**	(4)
– interest		**(73)**	(50)	**(34)**	(29)
Net cash used in financing activities	24	**(792)**	(2,758)	**(880)**	(2,587)
Net cash flows from operating, investing and financing activities		**779**	(241)	**263**	(3,261)
Effect of foreign currency translation differences		**(25)**	(5)	**39**	21
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**754**	(246)	**302**	(3,240)
NET FOREIGN EXCHANGE DIFFERENCES ON CASH HELD		**(92)**	(38)	**–**	(1)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**12,045**	12,329	**3,221**	6,462
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	11	**12,707**	12,045	**3,523**	3,221

Total cash outflows for leases for the Group and the Company comprise payment of lease liabilities, short-term lease, low-value assets and variable lease payments amounting to RM152 million (2019: RM162 million) and RM40 million (2019: RM33 million) respectively.

(i) Acquisition of property, plant and equipment

During the financial year, the Group and the Company acquired property, plant and equipment with an aggregated cost of RM1,858 million (2019: RM2,355 million) and RM676 million (2019: RM877 million) respectively. Reconciliation of the acquisition cost in the property, plant and equipment as disclosed in Note 3 and Statements of Cash Flows is as follows:

	Note	Group		Company	
		2020 RM Mil	2019 RM Mil	2020 RM Mil	2019 RM Mil
Addition of property, plant and equipment excluding right-of-use assets	3	**1,858**	2,355	**676**	877
Adjustment for non-cash items:					
Accruals movement		**(251)**	110	**(199)**	(15)
Interest on term loan capitalised	3	**(44)**	(58)	**(44)**	(58)
Interest on lease liabilities capitalised	3	**(58)**	(32)	**(34)**	(29)
Depreciation on right-of-use assets capitalised	3	**(22)**	(19)	**(12)**	(14)
Others		**(7)**	(5)	**(7)**	(5)
Purchase of property, plant and equipment		**1,476**	2,351	**380**	756

The notes set out on pages 74 to 145 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

1.1 Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad.

As of 1 January 2020, the Group and the Company had adopted amendments to MFRSs (pronouncements) that have been issued by the Malaysian Accounting Standards Board (MASB) as described fully in Note 33.

MASB has also issued revised pronouncements which are not yet effective for the Group and the Company and therefore, have not been adopted in these financial statements. These pronouncements including their impact on the financial statements in the period of initial application are set out in Note 34. New and revised pronouncements that are not relevant to the operations of the Group and of the Company are set out in Note 35.

These financial statements were approved and authorised for issue by the Board of Directors on 23 February 2021.

1.2 Basis of measurement

The financial statements of the Group and of the Company have been prepared on historical cost basis except for certain items which are measured at fair value, as disclosed in accounting policies below.

1.3 Functional and presentation currency

The individual financial statements of each entity in the Group are prepared using the currency of the primary economic environment in which the entity operates (the functional currency). The Group's and the Company's financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency. All financial information is presented in Ringgit Malaysia and have been rounded to the nearest million, unless otherwise stated.

1.4 Use of estimates and judgments

The preparation of financial statements in conformity with MFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future years affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following Notes:

(i) Note 2.13 : Taxation;

(ii) Note 3 : Property, plant and equipment;

(iii) Note 6 : Intangible assets; and

(iv) Note 16 : Provisions and other long term liabilities.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been applied consistently by the Group and the Company, unless otherwise stated.

2.1 Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date that control commences until the date that control ceases.

Subsidiaries that were acquired from PETRONAS upon Initial Public Offering (IPO) are consolidated using the merger method of accounting. Other subsidiaries are consolidated using the acquisition method of accounting.

Under the merger method of accounting, the results of entities or businesses under common control are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented, or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts in the consolidated statements of financial position. The difference between the cost of acquisition and the nominal value of the shares acquired are taken to merger reserve (or adjusted against any suitable reserve in the case of debit differences). The other components of equity of the acquired entities are added to the same components within the Group.

All intercompany transactions are eliminated on consolidation and revenue and profits relate to external transactions only. Unrealised losses resulting from intercompany transactions are also eliminated unless cost cannot be recovered.

Business combinations

A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses. Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group. The identifiable assets acquired and the liabilities assumed are measured at their fair values at the acquisition date. The cost of the acquisition is measured as the aggregate of the fair value of the consideration transferred and the amount of any non-controlling interest in the acquiree. Non-controlling interests are stated either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

When a business combination is achieved in stages, the Group remeasures its previously held non-controlling equity interest in the acquiree at fair value at the acquisition date, with any resulting gain or loss recognised in the profit or loss. Increase in the Group's ownership interest in an existing subsidiary is accounted for as equity transactions with differences between the fair value of consideration paid and the Group's proportionate share of net assets acquired recognised directly in equity.

The Group measures goodwill as the excess of the cost of an acquisition and the fair values of any previously held interest in the acquiree over the fair value of the identifiable assets acquired and liabilities assumed at the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Transaction costs, other than those associated with the issuance of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of consolidation (continued)

(i) Subsidiaries (continued)

Non-controlling interests

Non-controlling interests at the end of reporting period, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated statements of financial position and statements of changes in equity within equity, separately from equity attributable to the shareholders of the Company. Non-controlling interests in the results of the Group are presented in the consolidated statements of profit or loss and other comprehensive income as an allocation of the profit or loss and total comprehensive income for the financial year between the non-controlling interests and shareholders of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid is adjusted to or against Group reserves.

Loss of control

Upon loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statements of financial position except when the retained interest is a joint operation where the Group's retained interest in the assets and liabilities of the former subsidiary are not derecognised. Any surplus or deficit arising on the loss of control is recognised as other income or other expense respectively in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost except when the retained interest is a joint operation where such interest is measured at its carrying amount. Subsequently, it is accounted for as an equity-accounted investee, joint operation or as fair value through comprehensive income financial asset depending on the level of influence retained.

(ii) Joint arrangements

Joint arrangements are arrangements in which the Group or the Company has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

A joint arrangement is classified as either a joint operation or a joint venture. A joint arrangement is classified as joint operation when the Group or the Company has rights to the assets and obligations for the liabilities relating to an arrangement. The Group and the Company account for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation. A joint arrangement is classified as joint venture when the Group or the Company has rights only to the net assets of the arrangement. The Group accounts for its interest in the joint venture using the equity method as described in Note 2.1 (iii).

(iii) Associates

Associates are entities in which the Group has significant influence including representation on the Board of Directors, but not control or joint control, over the financial and operating policies of the investee company.

Associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The consolidated financial statements include the Group's share of post-acquisition profit or loss and other comprehensive income of the equity-accounted associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

The Group's share of post-acquisition reserves and retained profits less losses is added to the carrying value of the investment in the consolidated statements of financial position. These amounts are taken from the latest audited financial statements or management financial statements of the associates.

When the Group's share of post-acquisition losses exceeds its interest in an equity-accounted associate, the carrying amount of that interest (including any long term investments such as loans and advances) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of consolidation (continued)

(iii) Associates (continued)

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that associate, with the resulting gain or loss being recognised in the profit or loss. Any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset.

When the Group's interest in an associate decreases but does not result in loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets and liabilities.

Unrealised profits arising from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses on such transactions are also eliminated partially, unless cost cannot be recovered.

2.2 Property, plant and equipment and depreciation

Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Projects-in-progress is stated at cost less accumulated impairment losses, if any, and is not depreciated.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the costs of materials and direct labour, any other costs directly attributable to bringing the assets to working condition for their intended use, and the costs of dismantling and removing the assets and restoring the site on which they are located. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on financing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company and its cost can be measured reliably. The carrying amount of the replaced item of property, plant and equipment is derecognised with any corresponding gain or loss recognised in the profit or loss accordingly. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

Depreciation

Depreciation for property, plant and equipment other than projects-in-progress, is recognised in the profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Property, plant and equipment are not depreciated until the assets are ready for their intended use.

Buildings are depreciated over their useful lives or over the remaining land lease period, whichever is shorter.

The estimated useful lives for the current and comparative years are as follows:

Buildings	14 – 66 years
Plant and equipment	3 – 67 years
Office equipment, furniture and fittings	5 – 7 years
Computer software and hardware	5 years
Motor vehicles	3 – 5 years

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Property, plant and equipment and depreciation (continued)

The depreciable amount is determined after deducting residual value. The residual value, useful life and depreciation method are reviewed at the end of each reporting period to ensure that the amount, period and method of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in the profit or loss.

2.3 Leases

Definition of lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for a consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group and the Company assess whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. The customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

At inception or on reassessment of a contract that contains a lease component, the Group and the Company allocate the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

Recognition and initial measurement

The Group and the Company recognise a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate is used. Generally, the Group entities use their incremental borrowing rate as the discount rate.

(i) As a lessee

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; and
- penalties for early termination of a lease unless the Group and the Company are reasonably certain not to early terminate the contract.

The Group and the Company exclude variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Leases (continued)

(i) As a lessee (continued)

The Group and the Company assess at lease commencement whether it is reasonably certain to exercise the extension options in determining the lease term.

The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group and the Company recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group and the Company present right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'lease liabilities' in the statement of financial position.

Subsequent measurement

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Depreciation of certain right-of-use assets are subsequently capitalised into carrying amount of other assets whenever they meet the criteria for capitalisation. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's and the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Group and the Company change its assessment of whether it will exercise purchase, extension or termination option. The Group and the Company will reassess whether it is reasonably certain to exercise the extension option if there is a significant change in circumstances within its control.

When the lease liability is remeasured as described in the above paragraph, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

When there is lease modification due to increase in scope of lease by adding the right-to-use one or more underlying assets, the Group or the Company assess whether the modification is accounted for as a separate lease or similar to reassessment of lease liability. The Group or the Company account for lease modification as a separate lease when the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments.

When there is lease modification due to decrease in scope, the Group or the Company decrease the carrying amount of the right-of-use asset and remeasure the lease liability to reflect the partial or full termination of the lease. The corresponding gain or loss shall be recognised in profit or loss. Lease liabilities are remeasured for all other lease modifications with corresponding adjustments to the right-of-use asset.

The Group and the Company have applied the amendment to MFRS 16 *Leases (COVID-19 Related Rent Concessions)* whereby rent concessions received as a direct consequence of the COVID-19 pandemic are not assessed as a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

If the above conditions are met, rent concession are treated as variable lease payments and impact will be recognised in the profit or loss for the year.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Leases (continued)

(ii) As a lessor

Recognition and initial measurement

When the Group or the Company act as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group and the Company make an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group and the Company apply MFRS 15 *Revenue from Contracts with Customers* to allocate the consideration in the contract based on the stand-alone selling price.

The Group and the Company recognise assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease. The Group and the Company use the interest rate implicit in the lease to measure the net investment in the lease.

When the Group or the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group or the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

Subsequent measurement

The Group and the Company recognise lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

The Group and the Company recognise finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the Group's and the Company's net investment in the lease. The Group and the Company aim to allocate finance income over the lease term on a systematic and rational basis. The Group and the Company apply the lease payments relating to the period against the gross investment in the lease to reduce both the principal and the unearned finance income. The net investment in the lease is subject to impairment requirements in MFRS 9 *Financial Instruments* (see Note 2.8).

2.4 Investments

Long term investments in subsidiaries, joint ventures and associates are stated at cost less impairment losses, if any, in the Company's financial statements, unless the investments are classified as held for sale or distribution. The cost of investments includes transaction costs.

The carrying amount of these investments includes fair value adjustments on shareholder's loans and advances, if any (Note 2.6 (i)).

2.5 Intangible assets

(i) Goodwill

Goodwill arising from business combinations is initially measured at cost as described in Note 2.1 (i). Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

(ii) Formulae, patent and trademark

Formulae relate to product formulation for specialty chemicals acquired in a business combination is measured at fair value as at the date of acquisition. Patent and trademark are measured on initial recognition at cost.

The estimated useful life for the formulae, patent and trademark for the current and comparative year is 20 years.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Intangible assets (continued)

(iii) Other intangible asset

Other intangible asset comprises license from third party is measured on initial recognition at cost. The estimated useful life for the license from third party for the current and comparative year is 10 years.

Following initial recognition, intangible assets with finite useful life are carried at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation for intangible assets with finite useful life are recognised in the profit or loss on a straight-line basis over the estimated economic useful life. The amortisation method and the useful life are reviewed at each reporting date. Intangible assets with finite useful life are assessed for impairment whenever there is an indication that it may be impaired.

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognised in profit or loss as incurred.

2.6 Financial instruments

A financial instrument is recognised in the statements of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

(i) Financial assets

Recognition and initial measurement

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus or minus, in the case of a financial asset not at fair value through profit or loss, any directly attributable transaction cost incurred at the acquisition of the financial asset. A trade receivable that does not contain a significant financing component is initially measured at the transaction price.

Regular way purchases or sales of financial assets (purchases or sales under a contract whose terms require delivery of financial assets within a time frame established by regulation or convention in the marketplace concerned) are recognised on the trade date i.e. the date that the Group or the Company commits to purchase or to sell the financial assets.

Fair value adjustments on shareholders' loans and advances at initial recognition, if any, are added to the carrying value of investments in the Company financial statements.

Classification and subsequent measurement

Financial assets are classified as measured at fair value through profit or loss (FVTPL) and amortised cost, as appropriate.

The Group and the Company determine the classification of financial assets at initial recognition and are not subsequently reclassified unless the Group and the Company change its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

Fair value through profit or loss

All financial assets not classified as measured at amortised cost as described below are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a financial guarantee contract as per Note 2.6 (iii)). On initial recognition, the Group may irrevocably designate a financial asset, which otherwise meets the requirements to be measured at amortised cost or at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses recognised in the profit or loss. The methods used to measure fair value are stated in Note 2.7.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Financial instruments (continued)

(i) Financial assets (continued)

Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method (Note 2.6 (vi)). Interest income and foreign exchange gains and losses are recognised in profit or loss.

Amortised cost financial assets are subject to impairment as stated in Note 2.8 (i).

(ii) Financial liabilities

Recognition and initial measurement

Financial liabilities are recognised initially at fair value plus or minus, in the case of financial instrument not at fair value through profit or loss, any directly attributable transaction costs incurred at the acquisition or issuance of financial instrument.

The Group's and the Company's financial liabilities include borrowings, trade and other payables, lease liabilities and derivative financial instruments.

Classification and subsequent measurement

Financial liabilities are classified as measured at fair value through profit or loss (FVTPL) and amortised cost, as appropriate.

Fair value through profit or loss

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and the Company recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

Amortised cost

Subsequent to initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest method (see Note 2.6(vi)).

Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15 *Revenue from Contracts with Customers*.

Liabilities arising from financial guarantees are presented together with other provisions.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Financial instruments (continued)

(iv) Hedge accounting

Cash flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect the profit or loss. In a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion is recognised in profit or loss.

Subsequently, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss in the same period or periods during which the hedged forecast cash flows affect profit or loss. If the hedge item is a non-financial asset or liability, the associated gain or loss recognised in other comprehensive income is removed from equity and included in the initial amount of the asset or liability. However, loss recognised in other comprehensive income that will not be recovered in one or more future periods is reclassified from equity into profit or loss.

Cash flow hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective, the forecast transaction is no longer expected to occur or the hedge designation is revoked. If the hedge is for a forecast transaction, the cumulative gain or loss on the hedging instrument remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, any related cumulative gain or loss recognised in other comprehensive income on the hedging instrument is reclassified from equity into profit or loss.

(v) Derivative financial instruments

The Group uses derivative financial instruments such as forward rate contracts to manage certain exposures to fluctuations in foreign currency exchange rates.

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

Derivative financial instruments are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivative financial instruments during the financial year, other than those accounted for under hedge accounting as described in Note 2.6 (iv) are recognised in the profit or loss.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

In general, contracts to sell or purchase non-financial items to meet expected own use requirements are not accounted for as financial instruments. However, contracts to sell or purchase commodities that can be net settled or which contain written options are required to be recognised at fair value, with gains and losses recognised in the profit or loss.

(vi) Effective interest method

Amortised cost was computed using the effective interest method. This method used effective interest rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument to the net carrying amount of the financial instrument. Amortised cost takes into account any transaction costs and any discount or premium on settlement.

(vii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Financial instruments (continued)

(viii) Amortised cost of financial instruments

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets where the effective interest rate is applied to the amortised cost (see Note 2.8(i)).

(ix) Derecognition of financial instruments

Financial assets

A financial asset is derecognised when the rights to receive cash flows from the asset have expired or, the Group or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement without retaining control of the asset or substantially all the risks and rewards of the asset.

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liabilities extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the profit or loss. In the case of waiver of debt from owners, the gain is recognised in equity as other reserve.

2.7 Fair value measurement

Fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

(i) Financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the end of reporting date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis or other valuation models.

(ii) Non-financial assets

For non-financial assets, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group or the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identifiable assets or liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable input).

The Group and the Company recognise transfer between levels of fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment

(i) Financial assets

The Group and the Company recognise loss allowances for expected credit losses (ECL) on financial assets measured at amortised cost.

The Group and the Company measure loss allowances on debt securities and cash and cash equivalent at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date. Other debt securities for which credit risk has not increased significantly since initial recognition are measured as 12-month expected credit loss.

Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

The Group and the Company assume that the credit risk on a financial asset has increased significantly if it is past due.

The Group and the Company consider a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument, while 12 months expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group is exposed to credit risk.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of asset is reduced through the use of an allowance account.

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through other comprehensive income, are subject to impairment.

(ii) Other assets

The carrying amounts of other assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. The carrying amounts are reviewed more frequently if events or changes in circumstances indicate that the carrying value may be impaired, as described in the respective assets' accounting policies.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the profit or loss.

A cash-generating unit is the smallest identifiable asset group that generates cash flows from continuing use that are largely independent from other assets and groups.

An impairment loss recognised in respect of a cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to reduce the carrying amounts of the other assets in the unit on a pro-rata basis.

The recoverable amount is the greater of the asset's fair value less costs of disposal and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment (continued)

(ii) Other assets (continued)

For goodwill, the recoverable amount is estimated each period at the same time.

An impairment loss in respect of goodwill is not reversed in the subsequent period. In respect of other assets, impairment losses are reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Reversals of impairment losses are credited to the profit or loss in the financial year in which the reversals are recognised.

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes raw material costs and production overheads and is determined on a weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Cost of stores, spares and others consists of the invoiced value from suppliers and import duty charges and is determined on a weighted average basis.

2.10 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and bank balances, deposits with licensed financial institutions and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and deposits restricted, if any.

2.11 Provisions

A provision is recognised if, as a result of a past event, the Group or the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Future operating losses are not provided for. Provisions are determined by discounting the expected future net cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the accretion in the provision due to the passage of time is recognised as finance cost.

The amount recognised as a provision is the best estimate of the net expenditure required to settle the present obligation at the reporting date. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group, are not recognised in the financial statements but are disclosed as contingent liabilities unless the possibility of an outflow of economic resources is considered remote.

2.12 Employee benefits

(i) Short term employee benefits

Wages and salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and the Company.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund (EPF).

Some of the Group's foreign subsidiaries make contributions to their respective countries' statutory pension schemes and certain other independently-administered funds which are defined contribution plans.

Such contributions are recognised as an expense in the profit or loss as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Taxation

Tax on the profit or loss for the financial year comprises current and deferred tax. Income tax is recognised in the profit or loss.

(i) Current tax

Current tax expense is the expected tax payable on the taxable income for the financial year, using the statutory tax rates at the reporting date, and any adjustment to tax payable in respect of previous financial years.

(ii) Deferred tax

Deferred tax is provided for, using the liability method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets for all deductible temporary differences, unabsorbed capital allowances, unused reinvestment allowances, unused investment tax allowances, unused tax losses and other unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unabsorbed capital allowances, unused reinvestment allowances, unused investment tax allowances, unused tax losses and other unused tax credits can be utilised.

Tax incentives with the features similar to government grant are recognised to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilised, as deferred tax assets with a corresponding deferred income. Subsequently, the deferred income is amortised to profit or loss as other income on a systematic basis over the periods in which the related costs, for which the tax incentives are intended to compensate, are expensed to profit or loss. The Group continues to account for tax incentives that do not have features similar to government grant as tax credits.

Deferred tax is not recognised for the initial recognition of goodwill and the initial recognition of an asset or liability in a transaction which is not a business combination and that affects neither accounting nor taxable profit nor loss.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, where they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax asset is reviewed at the end of each reporting date and is reduced to the extent that it is no longer probable that the future taxable profit will be available against which the related tax benefit can be realised.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Foreign currency transactions

In preparing the financial statements of individual entities in the Group, transactions in currencies other than the entity's functional currency (foreign currencies) are translated to the functional currencies at rates of exchange ruling on the transaction dates.

Monetary assets and liabilities denominated in foreign currencies at the reporting date have been retranslated to the functional currency at rates ruling on the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies which are measured at fair value are retranslated to the functional currency at the foreign exchange rates ruling at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in foreign currency are not retranslated at the reporting date.

Gains and losses on exchange arising from retranslation are recognised in the profit or loss.

On consolidation, the assets and liabilities of subsidiaries or at the separate financial statements of the Company, the assets and liabilities of joint operation with functional currencies other than Ringgit Malaysia are translated into Ringgit Malaysia at the exchange rates ruling at reporting date.

The income and expenses are translated at the exchange rates at the dates of the transactions or an average rate that approximates those rates. Foreign currency differences are recognised in other comprehensive income and accumulated impact are recognised in the foreign currency translation reserve within equity.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to the Group's foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are reclassified to other comprehensive income and presented under foreign currency translation reserve in equity. Upon disposal of the investment, the cumulative exchange differences previously recorded in equity are reclassified to the consolidated profit or loss.

2.15 Revenue

Revenue is measured based on the consideration specified in a contract with a customer and exclude amounts collected on behalf of third parties. The Group or the Company recognises revenue from sales of petrochemical products when or as it transfers control over a product or service to customer. Control of a product is transferred when it is delivered at an agreed delivery point, upon which revenue is recognised at a point in time.

Dividend income is recognised on the date the right to receive payment is established.

Other revenue comprises revenue from sales of specialty chemicals which is recognised when or as it transfers control over a product or service to customer and revenue from port services rendered which is recognised based on the actual and estimated throughput volume and port charges.

2.16 Interest income

Income arising from assets yielding interest is recognised on a time proportion basis that takes into account the effective yield on the assets.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Financing costs

Financing costs comprise interest payable on borrowings and lease liabilities as well as any accretion in provision due to the passage of time.

All interest and other costs incurred in connection with borrowings are expensed as incurred, other than borrowing costs attributable to the acquisition, construction or production of qualifying assets (assets that necessarily take a substantial period of time to get ready for their intended use or sale), which are capitalised as part of the cost of those assets.

The interest component of finance lease payment is accounted for in accordance with policy set out in Note 2.3.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the assets is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is the weighted average of borrowings that are outstanding during the year, other than borrowings made specifically for the purpose of financing a specific qualifying asset, in which the actual borrowing cost incurred on that borrowing less any investment income on the temporary investment of that borrowings, will be capitalised. Borrowing costs incurred subsequent to the completion of a specific qualifying asset are included in the determination of the capitalisation rate.

2.18 Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issuance expenses

Costs directly attributable to the issuance of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

2.19 Basic earnings per ordinary share

The Group presents basic earnings per share data for its ordinary shares.

Basic earnings per share is calculated by dividing the profit and loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the financial year.

2.20 Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses that relate to transactions with any of the components of the Group, and for which discrete financial information is available) whose operating results are reviewed regularly by the chief operating decision maker, which in this case is the Managing Director/Chief Executive Officer (MD/CEO), to make decisions about resources to be allocated to the segments and to assess the performance of the Group.

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT

Group 2020	At 1.1.2020 RM Mil	Additions RM Mil	Disposals/ write-offs RM Mil	Transfers RM Mil
At cost:				
Own use				
Buildings	1,918	–	(2)	15
Plant and equipment	28,623	34	(223)	385
Office equipment, furniture and fittings	353	11	(10)	3
Computer software and hardware	362	–	(8)	39
Motor vehicles	36	–	(1)	–
Projects-in-progress	7,174	1,813	–	(442)
	38,466	1,858	(244)	–
Right-of-use				
Leasehold land	560	133	–	–
Buildings	1	51	–	–
Plant and equipment	1,097	309	(261)	–
Motor vehicles	14	3	(5)	–
Vessels	98	–	–	–
	1,770	496	^(266)	–
	40,236	2,354	(510)	–

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Group 2020	At 1.1.2020 RM Mil	Charge for the year RM Mil	Disposals/ write-offs RM Mil
Accumulated depreciation and impairment losses:			
Own use			
Buildings	757	48	(2)
Plant and equipment	17,692	1,434	(220)
Office equipment, furniture and fittings	187	40	(10)
Computer software and hardware	278	35	(8)
Motor vehicles	30	2	(1)
	18,944	1,559	(241)
Right-of-use			
Leasehold land	123	14	–
Buildings	–	1	–
Plant and equipment	666	55	(261)
Motor vehicles	4	10	(5)
Vessels	17	20	–
	810	100	^(266)
	19,754	1,659	(507)

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^ Relates to derecognition of right-of-use assets in accordance with MFRS 16 *Leases* following end of lease of contracts.

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group 2020	**Translation exchange difference RM Mil**	**At 31.12.2020 RM Mil**
At cost:		
Own use		
Buildings	**2**	**1,933**
Plant and equipment	**4**	**28,823**
Office equipment, furniture and fittings	**2**	**359**
Computer software and hardware	**(1)**	**392**
Motor vehicles	**–**	**35**
Projects-in-progress	**(168)**	**8,377**
	(161)	**39,919**
Right-of-use		
Leasehold land	**(4)**	**689**
Buildings	**(2)**	**50**
Plant and equipment	**(18)**	**1,127**
Motor vehicles	**–**	**12**
Vessels	**(1)**	**97**
	(25)	**1,975**
	(186)	**41,894**

continued from previous page

Group 2020	**Translation exchange difference RM Mil**	**At 31.12.2020 RM Mil**
Accumulated depreciation and impairment losses:		
Own use		
Buildings	**1**	**804**
Plant and equipment	**2**	**18,908**
Office equipment, furniture and fittings	**1**	**218**
Computer software and hardware	**(1)**	**304**
Motor vehicles	**–**	**31**
	3	**20,265**
Right-of-use		
Leasehold land	**–**	**137**
Buildings	**–**	**1**
Plant and equipment	**(1)**	**459**
Motor vehicles	**–**	**9**
Vessels	**(1)**	**36**
	(2)	**642**
	1	**20,907**

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Included in the accumulated depreciation and impairment losses of property, plant and equipment are impairment losses carried forward of RM266 million (2019: RM266 million).

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group 2019	At 1.1.2019 RM Mil	Acquisition of a subsidiary (Note 37) RM Mil	Additions RM Mil	Disposals/ write-offs RM Mil
At cost:				
Own use				
Buildings	1,872	34	2	(1)
Plant and equipment	27,834	21	52	(3)
Office equipment, furniture and fittings	348	1	–	(3)
Computer software and hardware	346	–	4	(14)
Motor vehicles	40	–	–	(4)
Projects-in-progress	5,716	3	2,297	(2)
	36,156	59	2,355	(27)
Right-of-use				
Leasehold land	561	–	–	–
Buildings	1	–	–	–
Plant and equipment	771	–	330	–
Motor vehicles	8	–	6	–
Vessels	–	–	99	–
	1,341	–	435	–
	37,497	59	2,790	(27)

continue to next page

Group 2019	At 1.1.2019 RM Mil	Charge for the year RM Mil	Disposals/ write-offs RM Mil
Accumulated depreciation and impairment losses:			
Own use			
Buildings	705	46	6
Plant and equipment	16,243	1,459	(9)
Office equipment, furniture and fittings	151	39	(3)
Computer software and hardware	260	32	(14)
Motor vehicles	30	4	(4)
Projects-in-progress	2	–	–
	17,391	1,580	(24)
Right-of-use			
Leasehold land	103	20	–
Buildings	–	–	–
Plant and equipment	610	56	–
Motor vehicles	–	4	–
Vessels	–	18	–
	713	98	–
	18,104	1,678	(24)

continue to next page

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group 2019	**Transfers RM Mil**	**Translation exchange difference RM Mil**	**At 31.12.2019 RM Mil**
At cost:			
Own use			
Buildings	12	(1)	1,918
Plant and equipment	720	(1)	28,623
Office equipment, furniture and fittings	7	–	353
Computer software and hardware	26	–	362
Motor vehicles	–	–	36
Projects-in-progress	(765)	(75)	7,174
	–	(77)	38,466
Right-of-use			
Leasehold land	–	(1)	560
Buildings	–	–	1
Plant and equipment	–	(4)	1,097
Motor vehicles	–	–	14
Vessels	–	(1)	98
	–	(6)	1,770
	–	(83)	40,236

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Group 2019	**Impairment write-back RM Mil**	**Translation exchange difference RM Mil**	**At 31.12.2019 RM Mil**
Accumulated depreciation and impairment losses:			
Own use			
Buildings	–	–	757
Plant and equipment	–	(1)	17,692
Office equipment, furniture and fittings	–	–	187
Computer software and hardware	–	–	278
Motor vehicles	–	–	30
Projects-in-progress	(2)	–	–
	(2)	(1)	18,944
Right-of-use			
Leasehold land	–	–	123
Buildings	–	–	–
Plant and equipment	–	–	666
Motor vehicles	–	–	4
Vessels	–	(1)	17
	–	(1)	810
	(2)	(2)	19,754

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NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT

Company 2020	At 1.1.2020 RM'000	Additions RM'000	Disposals/ write-offs RM'000
At cost:			
Own use			
Office equipment, furniture and fittings	792	–	(150)
Computer software and hardware	18,678	–	–
Motor vehicles	308	–	–
Projects-in-progress	5,274,580	676,114	–
	5,294,358	676,114	(150)
Right-of-use			
Leasehold land	78,789	61,191	–
Plant and equipment	326,351	89,403	–
	405,140	150,594	–
	5,699,498	826,708	(150)

continue to next page

Company 2020	At 1.1.2020 RM'000	Charge for the year RM'000	Disposals/ write-offs RM'000
Accumulated depreciation:			
Own use			
Office equipment, furniture and fittings	608	74	(145)
Computer software and hardware	14,697	1,268	–
Motor vehicles	225	77	–
	15,530	1,419	(145)
Right-of-use			
Leasehold land	2,865	1,988	–
Plant and equipment	11,477	10,081	–
	14,342	12,069	–
	29,872	13,488	(145)

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NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company 2020	Transfers RM'000	Translation exchange difference RM'000	At 31.12.2020 RM'000
At cost:			
Own use			
Office equipment, furniture and fittings	128	–	770
Computer software and hardware	22	–	18,700
Motor vehicles	–	–	308
Projects-in-progress	(160)	(91,351)	5,859,183
	(10)	(91,351)	5,878,961
Right-of-use			
Leasehold land	–	(1,315)	138,665
Plant and equipment	–	(5,453)	410,301
	–	(6,768)	548,966
	^(10)	(98,119)	6,427,927

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^ Relates to certain office renovation cost being expensed off during the year.

Company 2020	Translation exchange difference RM'000	At 31.12.2020 RM'000
Accumulated depreciation:		
Own use		
Office equipment, furniture and fittings	–	537
Computer software and hardware	(2)	15,963
Motor vehicles	–	302
	(2)	16,802
Right-of-use		
Leasehold land	(50)	4,803
Plant and equipment	(199)	21,359
	(249)	26,162
	(251)	42,964

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NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company 2019	**At 1.1.2019 RM'000**	**Additions RM'000**	**Disposals/ write-offs RM'000**	**Transfers RM'000**
At cost:				
Own use				
Office equipment, furniture and fittings	749	43	–	–
Computer software and hardware	17,933	20	(189)	917
Motor vehicles	677	–	(369)	–
Projects-in-progress	4,453,467	877,235	–	(7,843)
	4,472,826	877,298	(558)	(6,926)
Right-of-use				
Leasehold land	79,612	–	–	–
Plant and equipment	–	329,360	–	–
	79,612	329,360	–	–
	4,552,438	1,206,658	(558)	^(6,926)

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^ This is in relation to software development expenditure back charged to subsidiaries.

Company 2019	**At 1.1.2019 RM'000**	**Charge for the year RM'000**	**Disposals/ write-offs RM'000**
Accumulated depreciation and impairment losses:			
Own use			
Office equipment, furniture and fittings	455	153	–
Computer software and hardware	13,248	1,639	(189)
Motor vehicles	517	77	(369)
	14,220	1,869	(558)
Right-of-use			
Leasehold land	–	2,865	–
Plant and equipment	–	11,477	–
	–	14,342	–
	14,220	16,211	(558)

continue to next page

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company 2019	**Translation exchange difference RM'000**	**At 31.12.2019 RM'000**
At cost:		
Own use		
Office equipment, furniture and fittings	–	792
Computer software and hardware	(3)	18,678
Motor vehicles	–	308
Projects-in-progress	(48,279)	5,274,580
	(48,282)	5,294,358
Right-of-use		
Leasehold land	(823)	78,789
Plant and equipment	(3,009)	326,351
	(3,832)	405,140
	(52,114)	5,699,498

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Company 2019	**Translation exchange difference RM'000**	**At 31.12.2019 RM'000**
Accumulated depreciation and impairment losses:		
Own use		
Office equipment, furniture and fittings	–	608
Computer software and hardware	(1)	14,697
Motor vehicles	–	225
	(1)	15,530
Right-of-use		
Leasehold land	–	2,865
Plant and equipment	–	11,477
	–	14,342
	(1)	29,872

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NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Group	
	2020 RM Mil	**2019 RM Mil**
Carrying amount		
Own use		
Buildings	**1,129**	1,161
Plant and equipment	**9,915**	10,931
Office equipment, furniture and fittings	**141**	166
Computer software and hardware	**88**	84
Motor vehicles	**4**	6
Projects-in-progress	**8,377**	7,174
	19,654	19,522
Right-of-use		
Leasehold land	**552**	437
Buildings	**49**	1
Plant and equipment	**668**	431
Motor vehicles	**3**	10
Vessels	**61**	81
	1,333	960
	20,987	20,482

	Company	
	2020 RM'000	**2019 RM'000**
Carrying amount		
Own use		
Office equipment, furniture and fittings	**233**	184
Computer software and hardware	**2,737**	3,981
Motor vehicles	**6**	83
Projects-in-progress	**5,859,183**	5,274,580
	5,862,159	5,278,828
Right-of-use		
Leasehold land	**133,862**	75,924
Plant and equipment	**388,942**	314,874
	522,804	390,798
	6,384,963	5,669,626

For the Group and the Company, the land lease right amounting to RM64 million (2019: RM76 million) is pledged as a security for loan facility as set out in Note 15 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Project-in-progress

The additions to project-in-progress during the financial year include the following:

	Group		Company	
	2020 RM Mil	**2019 RM Mil**	**2020 RM Mil**	**2019 RM Mil**
Interest on term loan	**44**	58	**44**	58
Interest on lease liabilities	**58**	32	**34**	29
Depreciation of right-of-use assets	**22**	19	**12**	14
Amortisation of transaction cost	**7**	–	**7**	–
	131	109	**97**	101

The capitalisation rates used to determine the amount of the borrowing cost eligible for capitalisation for the Group and the Company are 3.54% (2019: 3.94%) and 3.27% (2019: 4.00%) per annum respectively.

As a lessee

Right-of-use assets

Depreciation of right-of-use assets

	Group		Company	
	2020 RM Mil	**2019 RM Mil**	**2020 RM Mil**	**2019 RM Mil**
Capitalised in property, plant and equipment	**22**	19	**12**	14
Recognised in profit or loss	**78**	79	**–**	–
Total depreciation	**100**	98	**12**	14

Extension options

Certain lease contracts contain extension options exercisable by the Group before the end of the non-cancellable contract period. Where practicable, the Group includes extension options in leases contracts to provide operational flexibility.

In the previous year, the discounted potential future lease payments arising from extension options in certain lease contracts were not included in the lease liabilities due to the uncertainties in the terms of the extension as the Group was still in the midst of negotiating the terms. During the year, the terms of the contracts were concluded and the future contract payments are not accounted for leases under MFRS 16 *Leases* as payments relate to provision of warehouse and transportation services.

4. INVESTMENTS IN SUBSIDIARIES

	Company	
	2020 RM Mil	**2019 RM Mil**
Investments in unquoted shares, at cost	**21,566**	22,436
Less: Impairment losses	**(626)**	(612)
	20,940	21,824

Summarised financial information of non-controlling interests has not been included as the non-controlling interests of the subsidiaries are not individually material to the Group.

Details of subsidiaries are stated in Note 25.

NOTES TO THE FINANCIAL STATEMENTS

5. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

	Group		Company	
	2020 RM Mil	2019 RM Mil	2020 RM Mil	2019 RM Mil
Investments in unquoted shares, at cost	**1,093**	1,073	**1,218**	1,204
Share of post-acquisition profit or loss and reserves	**(371)**	(15)	**–**	–
	722	1,058	**1,218**	1,204

Summarised financial information has not been included as the joint ventures and associates are not individually material to the Group.

The current year share of post-acquisition profit or loss and reserves include the impact of significant event disclosed in Note 38.

Details of joint ventures and associates are stated in Note 26 and Note 27 respectively.

6. INTANGIBLE ASSETS

Group 2020	**At 1.1.2020 RM Mil**	**Effect upon finalisation of purchase price allocation (Note 37) RM Mil**	**Translation exchange difference RM Mil**	**At 31.12.2020 RM Mil**
At cost:				
Goodwill	**583**	**(356)**	**15**	**242**
Formulae, patent and trademark	**1**	**496**	**39**	**536**
Others	**23**	**–**	**–**	**23**
	607	**140**	**54**	**801**

Group 2020	**At 1.1.2020 RM Mil**	**Charge for the year RM Mil**	**Translation exchange difference RM Mil**	**At 31.12.2020 RM Mil**
Accumulated amortisation and impairment losses:				
Formulae, patent and trademark	**–**	**33**	**1**	**34**
Others	**23**	**–**	**–**	**23**
	23	**33**	**1**	**57**

6. INTANGIBLE ASSETS (CONTINUED)

Group 2019	At 1.1.2019 RM Mil	Additions RM Mil	At 31.12.2019 RM Mil
At cost:			
Goodwill	–	^583	583
Patent and trademark	–	1	1
Others	23	–	23
	23	584	607

Group 2019	At 1.1.2019 RM Mil	Charge for the year RM Mil	At 31.12.2019 RM Mil
Accumulated amortisation and impairment losses:			
Patent and trademark	–	–	–
Others	23	–	23
	23	–	23

	Carrying amount	
	2020 RM Mil	**2019 RM Mil**
Goodwill	**242**	583
Formulae, patent and trademark	**502**	1
Others	**–**	–
	744	584

^ Goodwill relates to the acquisition of Da Vinci Group (Da Vinci) in the previous year which was subsequently revised to RM227 million upon finalisation of purchase price allocation as disclosed in Note 37.

Impairment review of goodwill

For the purpose of impairment testing, goodwill is allocated to specialty chemicals cash-generating unit which represent the lowest level within the Group and at which the goodwill is monitored for internal management purposes.

In performing the impairment assessment for goodwill, the carrying amount of the cash-generating unit (including goodwill) is compared with the recoverable amount of the cash-generating unit.

The recoverable amount for the specialty chemicals cash-generating unit was based on fair value less costs to sell, which is estimated using income approach. The fair value measurement was categorised as a Level 3 fair value.

The recoverable amount of specialty chemicals cash-generating unit was determined by discounting the future amounts of cash flows incorporating current market expectations about the future amounts.

The cash flow was projected based on plans and forecast approved by management for the next 10 years. For the period thereafter, a terminal value was calculated using perpetuity growth rate of 2.1% based on external macroeconomics and industry specific sources. The future cash flow was discounted using discount rate at about 8%.

NOTES TO THE FINANCIAL STATEMENTS

6. INTANGIBLE ASSETS (CONTINUED)

Impairment review of goodwill (continued)

Based on the above, the recoverable amount of the unit was determined to be higher than its carrying amount and therefore, no impairment loss was recognised.

The above estimates are sensitive in the following areas:

(i) A decrease of 0.5 percentage point in perpetuity growth rate used would have reduced the recoverable amount by approximately RM95 million.

(ii) An increase of 0.5 percentage point in discount rate used would have reduced the recoverable amount by approximately RM158 million.

7. DEFERRED TAX

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
Group	**2020 RM Mil**	**2019 RM Mil**	**2020 RM Mil**	**2019 RM Mil**
Property, plant and equipment	**63**	62	**(2,280)**	(2,264)
Unused tax losses	**17**	14	**–**	–
Unabsorbed capital allowances	**503**	461	**–**	–
Unused investment tax allowances	**1,659**	1,762	**–**	–
Intangible assets	**–**	–	**(125)**	–
Others	**50**	41	**(1)**	(11)
Tax assets/(liabilities)	**2,292**	2,340	**(2,406)**	(2,275)
Set off tax	**(1,413)**	(1,369)	**1,413**	1,369
Net tax assets/(liabilities)	**879**	971	**(993)**	(906)

continue below

	Net	
Group	**2020 RM Mil**	**2019 RM Mil**
Property, plant and equipment	**(2,217)**	(2,202)
Unused tax losses	**17**	14
Unabsorbed capital allowances	**503**	461
Unused investment tax allowances	**1,659**	1,762
Intangible assets	**(125)**	–
Others	**49**	30
Tax (liabilities)/assets	**(114)**	65
Set off tax	**–**	–
Net tax (liabilities)/assets	**(114)**	65

continued from above

7. DEFERRED TAX (CONTINUED)

The components and movements of deferred tax liabilities and assets during the year prior to offsetting are as follows:

Group 2020	**At 1.1.2020 RM Mil**	**Effect upon finalisation of purchase price allocation (Note 37) RM Mil**	**Credited/ (charged) to profit or loss RM Mil**	**Translation exchange difference RM Mil**	**At 31.12.2020 RM Mil**
Deferred tax assets					
Property, plant and equipment	**62**	**–**	**1**	**–**	**63**
Unused tax losses	**14**	**–**	**3**	**–**	**17**
Unabsorbed capital allowances	**461**	**–**	**42**	**–**	**503**
Unused investment tax allowances	**1,762**	**–**	**(103)**	**–**	**1,659**
Others	**41**	**–**	**9**	**–**	**50**
	2,340	**–**	**(48)**	**–**	**2,292**
Deferred tax liabilities					
Property, plant and equipment	**(2,264)**	**–**	**(16)**	**–**	**(2,280)**
Intangible assets	**–**	**(124)**	**8**	**(9)**	**(125)**
Others	**(11)**	**–**	**10**	**–**	**(1)**
	(2,275)	**(124)**	**2**	**(9)**	**(2,406)**
	65	**(124)**	**(46)**	**(9)**	**(114)**

Group 2019	**At 1.1.2019 RM Mil**	**(Charged)/ credited to profit or loss RM Mil**	**Addition RM Mil**	**At 31.12.2019 RM Mil**
Deferred tax assets				
Property, plant and equipment	64	(2)	–	62
Unused tax losses	25	(11)	–	14
Unabsorbed capital allowances	540	(79)	–	461
Unused reinvestment allowances	1	(1)	–	–
Unused investment tax allowances	581	(54)	1,235	1,762
Others	101	(60)	–	41
	1,312	(207)	1,235	2,340
Deferred tax liabilities				
Property, plant and equipment	(2,383)	119	–	(2,264)
Others	(9)	(2)	–	(11)
	(2,392)	117	–	(2,275)
	(1,080)	(90)	^1,235	65

^ This is in relation to recognition of investment tax allowance with a corresponding deferred income at a subsidiary upon approval granted from the authority.

NOTES TO THE FINANCIAL STATEMENTS

7. DEFERRED TAX (CONTINUED)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	Group	
	2020 RM Mil	**2019 RM Mil**
Unused tax losses	**1,612**	1,444
Unused reinvestment allowances	**27**	27
	1,639	1,471

In accordance with the provision of Finance Act 2018 requirement, the unused tax losses and unused reinvestment tax allowances are available for utilisation in the next seven years from when it was incurred, for which, any excess at the end of the seventh year, will be disregarded. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the subsidiaries can utilise the benefits.

The unrecognised deferred tax above will expire earliest in year 2025.

	Company		
2020	**At 1.1.2020 RM Mil**	**(Credited)/ charged to profit or loss RM Mil**	**At 31.12.2020 RM Mil**
Deferred tax liabilities			
Others	**–**	**–**	**–**

	Company		
2019	**At 1.1.2019 RM Mil**	**Charged/ (credited) to profit or loss RM Mil**	**At 31.12.2019 RM Mil**
Deferred tax liabilities			
Others	1	(1)	–

8. TRADE AND OTHER INVENTORIES

	Group		Company	
	2020 RM Mil	**2019 RM Mil**	**2020 RM Mil**	**2019 RM Mil**
Petrochemical products				
– Raw materials	**18**	16	**–**	–
– Finished goods	**549**	471	**–**	–
Stores, spares and others	**1,239**	1,171	**27**	12
	1,806	1,658	**27**	12
Recognised in profit or loss:				
Inventories recognised as cost of sales	**10,785**	11,858	**–**	–

9. TRADE AND OTHER RECEIVABLES

	Note	Group		Company	
		2020 RM Mil	2019 RM Mil	2020 RM Mil	2019 RM Mil
Trade receivables	9.1	**1,392**	1,464	**–**	–
Other receivables, deposits and prepayments	9.2	**269**	182	**71**	97
Amount due from holding company	9.3				
– Non-trade		**23**	24	**–**	–
Amount due from subsidiaries					
– Non-trade	9.4	**–**	–	**28**	28
Amount due from associates and joint ventures	9.4				
– Trade		**194**	203	**–**	–
– Non-trade		**7**	5	**7**	5
Amount due from related companies	9.4				
– Trade		**45**	105	**–**	–
– Non-trade		**5**	4	**–**	–
Derivative assets	10	**3**	7	**–**	–
		1,938	1,994	**106**	130

9.1 Included in trade receivables is an amount due from a corporate shareholder of a subsidiary of RM36 million (2019: RM47 million).

9.2 Included in other receivables of the Group and the Company are expenses due from a joint operator amounting to RM59 million (2019: RM62 million). The amount is receivable on demand.

9.3 Included in amount due from holding company is Goods and Services Tax (GST) recoverable of RM22 million (2019: RM22 million).

9.4 Trade amount is unsecured and under normal trade terms. Non-trade amount is unsecured and receivable on demand.

There were no trade receivables and trade payables that were set off for presentation purposes.

10. DERIVATIVE ASSETS/(LIABILITIES)

	Note	Group	
		2020 RM Mil	2019 RM Mil
Derivative assets			
Current			
Forward foreign exchange contracts		**3**	7
Included within:			
Trade and other receivables	9	**3**	7
Derivative liabilities			
Current			
Forward foreign exchange contracts		**(4)**	(7)
Included within:			
Trade and other payables	17	**(4)**	(7)

In the normal course of business, the Group and the Company enter into derivative financial instruments to manage its normal business exposures in relation to foreign currency exchange rates in accordance with the Group's and the Company's risk management policies and objectives.

NOTES TO THE FINANCIAL STATEMENTS

11. CASH AND CASH EQUIVALENTS

	Group		Company	
	2020 RM Mil	**2019 RM Mil**	**2020 RM Mil**	**2019 RM Mil**
Cash with PETRONAS Integrated Financial Shared Services Centre (IFSSC)				
– Conventional	**9,988**	9,934	**1,131**	1,431
– Islamic	**2,388**	1,588	**2,388**	1,588
Cash and bank balances	**331**	523	**4**	202
	12,707	12,045	**3,523**	3,221

The Group's and the Company's cash and bank balances are held in the In-House Account (IHA) managed by PETRONAS IFSSC to enable more efficient cash management for the Group and the Company.

Included in cash with PETRONAS IFSSC and cash and bank balances of the Group and the Company are interest-bearing balances amounting to RM12,526 million (2019: RM11,871 million) and RM3,523 million (2019: RM3,221 million) respectively.

12. SHARE CAPITAL

		Group and Company	
	Note	**2020 RM Mil**	**2019 RM Mil**
Issued and fully paid:			
8,000,000,000 ordinary shares with no par value		**8,871**	8,871

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

13. RESERVES

Merger reserve

Group

Merger reserve arose from the differences between the nominal value and share premium of ordinary shares issued by the Company as consideration for the acquisition of companies that are accounted using the merger method of accounting and the nominal value of ordinary shares and share premium of the companies.

Company

Merger relief of the Company is premium arising from issuance of shares for the acquisition of wholly-owned subsidiaries.

Foreign currency translation reserve

Foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of subsidiaries and joint operation whose functional currencies are not Ringgit Malaysia, and the Group's net investment in foreign operations.

Other reserves

Other reserves comprise primarily reserve created upon redemption of preference shares, gain or loss on the hedging instrument in the cash flow hedge that is determined to be an effective hedge and the Group's share of its joint venture and associate companies' reserves.

14. NON-CONTROLLING INTERESTS

This consists of the non-controlling interests' proportion of share capital and reserves of partly-owned subsidiaries.

15. BORROWINGS

	Group		Company	
	2020 RM Mil	**2019 RM Mil**	**2020 RM Mil**	**2019 RM Mil**
Non-current				
Term loans – secured	**1,718**	1,875	**1,718**	1,875
Term loan – unsecured	**276**	–	**127**	–
	1,994	1,875	**1,845**	1,875
Current				
Term loans – secured	**148**	–	**148**	–
Revolving credit – unsecured	**50**	–	**–**	–
	198	–	**148**	–
	2,192	1,875	**1,993**	1,875

		Group		Company	
	Denominated currency	**2020 RM Mil**	**2019 RM Mil**	**2020 RM Mil**	**2019 RM Mil**
Secured term loan					
Term loans	USD	**464**	457	**464**	457

The secured term loans relate to 50% share of project financing facility of a joint operation company. The loans bear interest margin above 6-month LIBOR ranging from 0.80% to 1.74% per annum and is repayable on various dates between 2021 and 2034.

The loans are secured in the following manner:

(i) Completion guarantee from the ultimate holding company, PETRONAS on several and not joint basis which will be uplifted and terminated upon meeting all project completion requirements;

(ii) Cross-guarantee arrangement under an integrated borrowing structure due to the nature of the project with a related party as disclosed in Note 32; and

(iii) Charge over ordinary shares and the land lease rights of the said joint operation company.

		Group		Company	
	Denominated currency	**2020 Mil**	**2019 Mil**	**2020 Mil**	**2019 Mil**
Unsecured term loans and revolving credit					
Term loan	USD	**31**	–	**31**	–
Term loan	EUR	**30**	–	**–**	–
Revolving credit	EUR	**10**	–	**–**	–

Unsecured USD term loan is pursuant to the co-borrowing agreement between the joint operation company and a related party under an integrated borrowing structure. The loan bears nil interest and has been fair valued at an effective interest rate of 2.17% per annum with a final repayment date being 12 months following the final discharge of the project financing.

The EUR term loan bears interest of 0.71% per annum and is repayable in 2025.

The EUR revolving credit bears interest margin of 0.79% above EURIBOR.

NOTES TO THE FINANCIAL STATEMENTS

16. PROVISIONS AND OTHER LONG TERM LIABILITIES

16.1 Provisions

		Group		Company	
	Note	2020 RM Mil	2019 RM Mil	2020 RM Mil	2019 RM Mil
Non-current		**247**	110	**79**	34
Current	17	**12**	8	**19**	16
		259	118	**98**	50

The movements of provisions are as follows:

	Group	Company
	RM Mil	RM Mil
At 1 January 2020	**118**	**50**
Provisions made	**139**	**60**
Provision utilised	**(2)**	**(14)**
Unwinding of discount	**8**	**4**
Translation exchange difference	**(4)**	**(2)**
At 31 December 2020	**259**	**98**

The Group's provisions comprise:

(i) Provisions for decommissioning activities in relation to the discontinuation of the Group's vinyl businesses which includes dismantling/demolishing and removal of equipment, structures and foundation as well as site remediation.

The provisions have been made based on present value of estimated decommissioning amount payable over a period of 10 years (2019: 11 years) using discount rate of 2.7% (2019: 8.6%).

(ii) Provision for decommissioning of property, plant and equipment in relation to certain subsidiaries' and a joint operation company's obligation to decommission and remove all property, plant and equipment, and to restore land subleased to its original condition upon expiry between 2040 to 2076.

The provision has been made based on present value of estimated decommissioning amount using discount rates ranging from 3.5% to 4.1% (2019: 4.8%).

The Company's provision comprises:

(i) Provision for financial assistance in relation to subscription of redeemable preference shares in a subsidiary to meet the subsidiary's obligation in respect of decommissioning activities and other related expenses.

The provision has been made based on present value of estimated funding requirements for decommissioning costs and settlement of onerous contracts over a period of 10 years (2019: 11 years) using a discount rate of 8.4% (2019: 8.6%).

(ii) Provision for decommissioning of property, plant and equipment in relation to joint operation company's obligation to decommission and remove all property, plant and equipment, and to restore land subleased to its original condition upon expiry in 2076.

The provision has been made based on present value of estimated decommissioning amount using a discount rate of 4.1%.

The corresponding asset of an amount equivalent to the provision is also created and will be depreciated in accordance with the policy set out in Note 2.2. The increase in the present value of the provision for the expected cost due to the passage of time is included within finance costs.

16. PROVISIONS AND OTHER LONG TERM LIABILITIES (CONTINUED)

16.2 Other long term liabilities

	Group	
	2020 RM Mil	**2019 RM Mil**
Deferred income	**1,345**	1,484
Deferred consideration	**52**	81
Other payables	**37**	24
	1,434	1,589

(i) The Group's deferred income relates to tax incentives with the features similar to government grant.

(ii) The Group's deferred consideration relates to the acquisition of a subsidiary as disclosed in Note 37 where final payment is expected to be paid in 2022.

17. TRADE AND OTHER PAYABLES

		Group		Company	
	Note	**2020 RM Mil**	**2019 RM Mil**	**2020 RM Mil**	**2019 RM Mil**
Trade payables		**75**	140	**–**	–
Other payables	17.1	**1,342**	1,358	**236**	278
Amount due to holding company	17.2				
– Trade		**127**	125	**–**	–
– Non-trade		**129**	150	**25**	20
Amount due to subsidiaries	17.2				
– Non-trade		**–**	–	**4**	4
Amount due to related companies	17.2				
– Trade		**610**	726	**–**	–
– Non-trade		**594**	543	**652**	433
Amount due to joint ventures and associates	17.2				
– Trade		**–**	4	**–**	–
– Non-trade		**–**	2	**–**	–
Provisions	16.1	**12**	8	**19**	16
Derivative liabilities	10	**4**	7	**–**	–
		2,893	3,063	**936**	751

17.1 Included in other payables for the Group is the current portion of deferred income as per Note 16.2 amounting to RM140 million (2019: RM152 million).

17.2 Trade amount is unsecured and under normal trade terms. Non-trade amount is unsecured and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

18. REVENUE

	Group		Company	
	2020 RM Mil	**2019 RM Mil**	**2020 RM Mil**	**2019 RM Mil**
Sales of petrochemical products, net	**13,505**	16,112	**–**	–
Dividend income	**–**	–	**878**	997
Others	**857**	258	**–**	–
	14,362	16,370	**878**	997

Disaggregation of revenue by geographical location and by segment is as disclosed in Note 31.

Nature of goods

Nature of goods	Timing of recognition and method used to recognise revenue	Significant payment terms
Petrochemical products	Revenue is recognised at a point in time upon transfer of control as per INCOTERM	Average credit term of 45 days

There are no variable elements in consideration, obligation for returns or refunds nor warranty in substantially all of the contracts for the provision of goods by the Group.

Transaction price allocated to remaining performance obligations

Most of the Group's contracts are based on master service agreements whereby the contracted volumes are agreed on annual basis. An insignificant amount of contracts have original contract period of more than one year.

The future revenue of the Group is dependent on the market price movement of the products, the prevailing exchange rate on the transaction date as well as production volume which is dependent on feedstock availability and plant utilisation.

NOTES TO THE FINANCIAL STATEMENTS

19. OPERATING PROFIT

	Note	Group 2020 RM Mil	Group 2019 RM Mil	Company 2020 RM Mil	Company 2019 RM Mil
Included in operating profit are the following charges:					
Auditors' remuneration*		**6**	5	**1**	2
Amortisation of other intangible assets	6	**33**	–	**–**	–
Depreciation of property, plant and equipment	3	**1,637**	1,659	**1**	2
Inventories:					
– write down to net realisable value		**1**	13	**–**	–
– written off		**–**	34	**–**	–
Net loss on foreign exchange		**58**	39	**71**	35
Staff costs:					
– contributions to Employees Provident Fund		**123**	123	**21**	20
– wages, salaries and others		**926**	1,021	**123**	149
and credits:					
Amortisation of deferred income		**151**	125	**–**	–
Dividend income					
– subsidiaries		**–**	–	**830**	873
– joint ventures and associates		**–**	–	**48**	124
Interest income					
– others		**224**	377	**80**	165
Management fee		**–**	–	**54**	62

* The auditors' remuneration includes the following:

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Statutory audit fees				
– KPMG PLT	**1,286**	1,298	**162**	162
– Overseas affiliate of KPMG PLT	**149**	139	**–**	–
– Other auditors	**1,963**	1,463	**27**	15
Non-statutory audit fees				
– KPMG PLT	**368**	686	**348**	393
– Overseas affiliate of KPMG PLT	**410**	–	**–**	–
– Other auditors	**2,034**	1,384	**7**	1,080
	6,210	4,970	**544**	1,650

KPMG PLT and other member firms of KPMG International Limited are separate and independent legal entities.

NOTES TO THE FINANCIAL STATEMENTS

20. FINANCING COSTS

	Group		Company	
	2020 RM Mil	**2019 RM Mil**	**2020 RM Mil**	**2019 RM Mil**
Recognised in profit or loss:				
Interest expense on lease liabilities	**15**	18	**—**	—
Unwinding of discount factor for other long term liabilities and provisions	**10**	10	**4**	4
Interest expense on term loan	**2**	—	**—**	—
Financial guarantee fee on term loan	**—**	3	**—**	3
	27	31	**4**	7
Capitalised into qualifying assets:				
– Interest expense on term loan	**44**	58	**44**	58
– Interest expense on lease liabilities	**58**	32	**34**	29
– Amortisation of transaction cost	**7**	—	**7**	—
	109	90	**85**	87
	136	121	**89**	94

21. TAX EXPENSE

	Group		Company	
	2020 RM Mil	**2019 RM Mil**	**2020 RM Mil**	**2019 RM Mil**
Current tax expenses				
Current year	**226**	268	**17**	19
(Over)/under provision in prior year	**(1)**	2	**(1)**	(2)
	225	270	**16**	17
Deferred tax expenses				
Origination and reversal of temporary differences	**31**	88	**–**	(1)
Under provision in prior year	**15**	2	**–**	–
	46	90	**–**	(1)
	271	360	**16**	16

21. TAX EXPENSE (CONTINUED)

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate is as follows:

	Group			
	%	**2020 RM Mil**	**%**	**2019 RM Mil**
Profit before taxation		**1,857**		3,155
Taxation at Malaysian statutory tax rate	**24**	**446**	24	757
Non-deductible expenses, net of non-assessable income	**1**	**25**	2	52
Tax exempt income and incentives	**(2)**	**(41)**	(2)	(62)
Effect of lower tax rate under Global Incentive for Trading (GIFT)	**(17)**	**(324)**	(14)	(441)
Effect of net deferred tax benefits not recognised	**2**	**40**	—	11
Derecognition of previously recognised tax losses and reinvestment allowance	**—**	**—**	—	13
Effect from share of loss from joint ventures and associates	**4**	**76**	—	13
Others	**2**	**35**	—	13
	14	**257**	10	356
Under provision in prior years		**14**		4
Tax expense		**271**		360

	Company			
	%	**2020 RM Mil**	**%**	**2019 RM Mil**
Profit before taxation		**709**		870
Taxation at Malaysian statutory tax rate	**24**	**170**	24	209
Non-deductible expenses	**8**	**57**	8	66
Tax exempt income	**(30)**	**(210)**	(30)	(257)
	2	**17**	2	18
Over provision in prior years		**(1)**		(2)
Tax expense		**16**		16

NOTES TO THE FINANCIAL STATEMENTS

22. BASIC EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share was based on the profit attributable to shareholders of the Company and number of ordinary shares of the Company as follows:

	2020	2019
In RM million		
Profit for the year attributable to shareholders	**1,628**	2,811
In millions of shares		
Number of shares issued at 31 December	**8,000**	8,000
In sen		
Basic earnings per ordinary share	**20.4**	35.1

Diluted earnings per ordinary share

No diluted earnings per share is disclosed in these financial statements as there is no dilutive potential ordinary share.

23. DIVIDENDS

	Company		
	Sen per share	Total amount RM Mil	Date of payment
2020			
Second interim dividend for financial year ended 31 December 2019	7	**560**	27 March 2020
First interim dividend for financial year ended 31 December 2020	5	**400**	25 September 2020
		960	
2019			
Second interim dividend for financial year ended 31 December 2018	18	1,440	27 March 2019
First interim dividend for financial year ended 31 December 2019	11	880	13 September 2019
		2,320	

After the financial year end, the following dividend was approved by the Board of Directors:

	Sen per share	Total amount RM Mil
Second interim dividend for financial year ended 31 December 2020	**7**	**560**

The dividend will be recognised and accounted for in equity as an appropriation of retained profits in the subsequent financial year.

24. NET CASH USED IN FINANCING ACTIVITIES

Reconciliation of movement of liabilities to cash flows arising from financing activities:

Group 2020	Borrowings RM Mil	Lease liabilities RM Mil	Dividend payable RM Mil
At 1.1.2020	**1,875**	**705**	**–**
Changes from financing cash flows			
Dividends paid to:			
– PETRONAS	–	–	(618)
– others (third parties)	–	–	(342)
– non-controlling interest	–	–	(4)
Repayment of borrowings:			
– principal	(74)	–	–
– interests	(46)	–	–
Payment of lease liabilities:			
– principal	–	(50)	–
– interests	–	(73)	–
Drawdown of term loans, net of transaction costs	298	–	–
Drawdown of revolving credit	113	–	–
Total changes from financing cash flows	**291**	**(123)**	**(964)**
Other changes			
Acquisition of new leases	–	351	–
Fair value gain	(18)	–	–
Amortisation of transaction costs	7	–	–
Financing costs	46	73	–
Effect of foreign currency translation difference	(9)	(18)	–
Dividends declared	–	–	964
Total other changes	**26**	**406**	**964**
At 31.12.2020	**2,192**	**988**	**–**

NOTES TO THE FINANCIAL STATEMENTS

24. NET CASH USED IN FINANCING ACTIVITIES (CONTINUED)

Reconciliation of movement of liabilities to cash flows arising from financing activities: (continued)

Group 2019	**Borrowings RM Mil**	**Lease liabilities RM Mil**	**Dividend payable RM Mil**
At 1.1.2019	2,072	355	–
Changes from financing cash flows			
Dividends paid to:			
– PETRONAS	–	–	(1,493)
– others (third parties)	–	–	(827)
– non-controlling interest	–	–	(68)
Repayment of term loans:			
– principal	(2,071)	–	–
– interests	(58)	–	–
Payment of lease liabilities:			
– principal	–	(81)	–
– interests	–	(50)	–
Drawdown of term loans, net of transaction costs	1,895	–	–
Total changes from financing cash flows	(234)	(131)	(2,388)
Other changes			
Acquisition of new leases	–	435	–
Financing costs	58	50	–
Effect of foreign currency translation difference	(21)	(4)	–
Dividends declared	–	–	2,388
Total other changes	37	481	2,388
At 31.12.2019	1,875	705	–

NOTES TO THE FINANCIAL STATEMENTS

24. NET CASH USED IN FINANCING ACTIVITIES (CONTINUED)

Reconciliation of movement of liabilities to cash flows arising from financing activities: (continued)

Company 2020	**Borrowings RM Mil**	**Lease liabilities RM Mil**	**Dividend payable RM Mil**
At 1.1.2020	**1,875**	**402**	**–**
Changes from financing cash flows			
Dividends paid to:			
– PETRONAS	**–**	**–**	**(618)**
– others (third parties)	**–**	**–**	**(342)**
Repayment of term loans:			
– interests	**(44)**	**–**	**–**
Payment of lease liabilities:			
– principal	**–**	**(4)**	**–**
– interests	**–**	**(34)**	**–**
Drawdown of term loan	**162**	**–**	**–**
Total changes from financing cash flows	**118**	**(38)**	**(960)**
Other changes			
Acquisition of new leases	**–**	**82**	**–**
Fair value gain	**(18)**	**–**	**–**
Financing costs	**44**	**34**	**–**
Amortisation of transaction costs	**7**	**–**	**–**
Effect of foreign currency translation difference	**(33)**	**(8)**	**–**
Dividends declared	**–**	**–**	**960**
Total other changes	**–**	**108**	**960**
At 31.12.2020	**1,993**	**472**	**–**

NOTES TO THE FINANCIAL STATEMENTS

24. NET CASH USED IN FINANCING ACTIVITIES (CONTINUED)

Reconciliation of movement of liabilities to cash flows arising from financing activities: (continued)

Company 2019	**Borrowings RM Mil**	**Lease liabilities RM Mil**	**Dividend payable RM Mil**
At 1.1.2019	2,072	80	–
Changes from financing cash flows			
Dividends paid to:			
– PETRONAS	–	–	(1,493)
– others (third parties)	–	–	(827)
Repayment of term loans:			
– principal	(2,071)	–	–
– interests	(58)	–	–
Payment of lease liabilities:			
– principal	–	(4)	–
– interests	–	(29)	–
Drawdown of term loan	1,895	–	–
Total changes from financing cash flows	(234)	(33)	(2,320)
Other changes			
Acquisition of new leases	–	329	–
Financing costs	58	29	–
Effect of foreign currency translation difference	(21)	(3)	–
Dividends declared	–	–	2,320
Total other changes	37	355	2,320
At 31.12.2019	1,875	402	–

NOTES TO THE FINANCIAL STATEMENTS

25. SUBSIDIARIES AND ACTIVITIES

Name of company	Effective ownership interest and voting interest (%) 2020	2019	Country of incorporation	Principal activities
Subsidiaries of the Company				
PETRONAS Chemicals Ammonia Sdn. Bhd.	**100**	100	Malaysia	Processing of feedstock into ammonia, syngas and carbon monoxide.
PETRONAS Chemicals Derivatives Sdn. Bhd.	**100**	100	Malaysia	Processing of feedstock into ethylene oxide derivatives, propylene derivatives products and related chemical product.
PETRONAS Chemicals Fertiliser Kedah Sdn. Bhd.	**100**	100	Malaysia	Processing of feedstock into urea, ammonia and methanol.
PETRONAS Chemicals Fertiliser Sabah Sdn. Bhd.	**100**	100	Malaysia	Production and sale of ammonia and urea.
PETRONAS Chemicals Glycols Sdn. Bhd.	**100**	100	Malaysia	Processing of feedstock into ethylene oxide, ethylene glycol and other related by-products.
PETRONAS Chemicals Isononanol Sdn. Bhd.	**100**	100	Malaysia	Production and sale of processed chemicals and all petrochemicals and chemicals products. The company has not commenced operation during the financial year.
PETRONAS Chemicals LDPE Sdn. Bhd.	**100**	100	Malaysia	Processing of feedstock into low-density polyethylene.
PETRONAS Chemicals Marketing Sdn. Bhd.	**100**	100	Malaysia	Investment holding company.
PETRONAS Chemicals Methanol Sdn. Bhd.	**100**	100	Malaysia	Processing of feedstock into methanol.
PETRONAS Chemicals MTBE Sdn. Bhd.	**100**	100	Malaysia	Processing of feedstock into methyl tertiary butyl ether (MTBE), propylene and n-butane.
PETRONAS Chemicals Olefins Sdn. Bhd.	**100**	100	Malaysia	Processing of feedstock into ethylene, propylene and other hydrocarbon by-products.
PETRONAS Chemicals Polyethylene Sdn. Bhd.	**100**	100	Malaysia	Processing of ethylene into polyethylene.
PRPC Elastomers Sdn. Bhd.	**100**	100	Malaysia	The company had ceased operation and remained dormant thereafter.
Kertih Port Sdn. Bhd.	**100**	100	Malaysia	Owning, operating and managing Kertih Marine Facilities.
Polypropylene Malaysia Sdn. Bhd.	**100**	100	Malaysia	Manufacturing and selling of propylene. The Company has ceased operations and is currently engaged in investment holding activity.
Vinyl Chloride (Malaysia) Sdn. Bhd.	**100**	100	Malaysia	Manufacturing and sales of vinyl chloride monomer and polyvinyl chloride. The Company ceased operations and is currently under going decommissioning activities.
PETRONAS Chemicals International B.V.**	**100**	100	Netherlands	Investment holding company.
PETRONAS Chemicals Ethylene Sdn. Bhd.	**87.50**	87.50	Malaysia	Processing of ethane into ethylene.
PETRONAS Chemicals Aromatics Sdn. Bhd.	**70**	70	Malaysia	Production and sale of paraxylene, benzene and other by-products.

NOTES TO THE FINANCIAL STATEMENTS

25. SUBSIDIARIES AND ACTIVITIES (CONTINUED)

Name of company	Effective ownership interest and voting interest (%) 2020	2019	Country of incorporation	Principal activities
Subsidiaries of the Company (continued)				
ASEAN Bintulu Fertilizer Sdn. Bhd.	**63.47**	63.47	Malaysia	Processing of natural gas into urea and ammonia.
PCM Chemical India Private Limited*	**^^0.01**	^^0.01	India	Marketing and business promotional services. The company had ceased operation and remained dormant thereafter.
Subsidiaries of PETRONAS Chemicals Marketing Sdn. Bhd.				
PETRONAS Chemicals Marketing (Labuan) Ltd.	**100**	100	Malaysia	Marketing and trading of petrochemical products.
PCM (China) Company Limited*	**100**	100	China	Marketing of petrochemical products.
PCM (Thailand) Company Limited*	**^99.99**	^99.99	Thailand	Marketing of petrochemical products.
PT PCM Kimia Indonesia*	**^99.67**	^99.67	Indonesia	Marketing of petrochemical products.
Subsidiary of PETRONAS Chemicals International B.V.				
Da Vinci Group B.V.*	**100**	100	Netherlands	Own-brand reselling, formulating and manufacturing of silicones, lube oil additives and chemicals.
Subsidiaries of Da Vinci Group B.V.				
BRB SIL Invest B.V. (formerly known as BRB Invest B.V.)*	**100**	100	Netherlands	Investment holding company.
BRB LAC Invest B.V.*	**100**	100	Netherlands	Real estate company.
Subsidiary of BRB SIL Invest B.V. (formerly known as BRB Invest B.V)				
Karan B.V.*	**#–**	100	Netherlands	Real estate company.
BRB International B.V.*	**100**	100	Netherlands	Own-brand reselling, formulating and manufacturing of silicones, lube oil additives and chemicals.
Subsidiaries of BRB International B.V.				
BRB North America, Inc.*	**100**	100	USA	Own-brand reselling of silicones.
BRB Silicones South Africa Pty Ltd.*	**100**	100	South Africa	Own-brand reselling of silicones.
BRB South America Representacao*	**100**	100	Brazil	Financial services.
BRB Central Eastern Europe Sp. z.o.o*	**100**	100	Poland	Own-brand reselling of silicones, lube oil additives and chemicals.
BRB ST Kimyasal Sanayi ve Ticaret A.S.*	**100**	100	Turkey	Own-brand reselling of silicones.

NOTES TO THE FINANCIAL STATEMENTS

25. SUBSIDIARIES AND ACTIVITIES (CONTINUED)

Name of company	Effective ownership interest and voting interest (%) 2020	2019	Country of incorporation	Principal activities
Subsidiaries of BRB International B.V.				
BRB Real Estate Canada Inc.*	**100**	100	Canada	Real estate company.
BRB Singapore Pte. Ltd.*	**100**	100	Singapore	Own-brand reselling, formulating and manufacturing of silicones, lube oil additives and chemicals.
CSL Silicones Inc.**	**100**	100	Canada	Own-brand reselling, formulating and manufacturing of silicones, lube oil additives and chemicals.
Subsidiaries of BRB Singapore Pte. Ltd.				
BRB Malaysia Sdn. Bhd.*	**100**	100	Malaysia	Formulating and manufacturing of silicones.
Qingdao BRB Trading Co. Ltd.*	**100**	100	China	Own-brand reselling of silicones, lube oil additives and chemicals.
BRB Hong Kong Limited*	**100**	100	Hong Kong	Own-brand reselling of silicones, lube oil additives and chemicals.
Subsidiary of BRB LAC Invest B.V.				
BRB Lube Oil Additives & Chemicals B.V.*	**100**	100	Netherlands	Own-brand reselling, formulating and manufacturing of silicones, lube oil additives and chemicals.
Subsidiaries of BRB Lube Oil Additives & Chemicals B.V.				
BRB LAC Singapore Pte. Ltd.*	**100**	100	Singapore	Own-brand reselling, formulating and manufacturing of silicones, lube oil additives and chemicals.
Viscotech Asia Pte. Ltd.*	**65**	65	Singapore	Own-brand reselling, formulating and manufacturing of silicones, lube oil additives and chemicals.

* Audited by firms of auditors other than KPMG PLT.

** Audited by a member firm of KPMG International Limited.

^ Wholly-owned subsidiary of the Group as the remaining shareholding is also held by other subsidiary of the Company.

^^ Although the Group has less than 50% of the ownership in the equity interest of PCM Chemical India Private Limited, the Group has determined that it has control through representation on the subsidiary's Board of Directors.

During the year, Karan B.V. has merged with BRB Invest B.V., now known as BRB SIL Invest B.V.

NOTES TO THE FINANCIAL STATEMENTS

26. JOINT VENTURES AND NATURE OF RELATIONSHIP

The Group includes the following joint ventures:

Name of company	Effective ownership interest and voting interest (%) 2020	2019	Country of incorporation	Nature of relationship
Viscotech GmbH	**50**	50	Germany	Own-brand reselling, formulating and manufacturing of silicones, lube oil additives and chemicals.
PCC Oxyalkylates (M) Sdn. Bhd.	**50**	–	Malaysia	Manufacturing and marketing of inorganic compounds, basic organic chemicals and wholesale of industrial chemicals. The Company has not commenced operation during the financial year.
PT Anugerah Kimia Indonesia	**49**	–	Indonesia	Wholesale trading of basic chemicals material and goods.
Kertih Terminals Sdn. Bhd.	**40**	40	Malaysia	Provides bulk chemical storage and handling services to the Group.
BP PETRONAS Acetyls Sdn. Bhd.	**30**	30	Malaysia	Purchase carbon monoxide feedstock from the Group for production and sale of acetic acid.

27. ASSOCIATES AND NATURE OF RELATIONSHIP

The Group includes the following associates:

Name of company	Effective ownership interest and voting interest (%) 2020	2019	Country of incorporation	Nature of relationship
BASF PETRONAS Chemicals Sdn. Bhd.	**40**	40	Malaysia	Purchases propylene and n-butane feedstock from the Group for production, marketing and sale of acrylic, oxo and butanediol products.
Idemitsu SM (Malaysia) Sdn. Bhd.	**30**	30	Malaysia	Purchases ethylene feedstock from the Group for production, marketing and sale of styrene monomer.
Malaysian NPK Fertilizer Sdn. Bhd.	**20**	20	Malaysia	Purchases urea feedstock and utilities from the Group for production and sale of NPK fertiliser products.

28. INTEREST IN JOINT OPERATION

The Group's investment in Pengerang Petrochemical Company Sdn. Bhd. (PPC), jointly held with Aramco Overseas Company B.V. with equal shareholdings is accounted for as a joint operation in accordance with MFRS 11 *Joint Arrangements*.

PPC's principal place of business is in Malaysia. The intended principal activity of PPC is sales of products within ethane, propane chains and ethane derivatives to the joint operators. PPC has not commenced operation during the financial year.

29. CAPITAL COMMITMENTS

Outstanding commitments in respect of capital expenditure not provided for in the financial statements at the end of the financial year are:

	Group		Company	
	2020 RM Mil	**2019 RM Mil**	**2020 RM Mil**	**2019 RM Mil**
Property, plant and equipment				
Approved and contracted for	**475**	604	**252**	–
Approved but not contracted for	**1,734**	1,748	**1,067**	334
	2,209	2,352	**1,319**	334
Investment in shares				
Approved but not contracted for	**–**	–	**19**	132
	2,209	2,352	**1,338**	466

30. RELATED PARTY DISCLOSURES

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Company and certain members of senior management of the Group.

The Group's and the Company's related parties include subsidiaries, associates, joint ventures as well as the holding company and its related entities. The Group's and the Company's related parties also include the Government of Malaysia and its related entities as the holding company is wholly-owned by the Government of Malaysia.

(a) Key management personnel compensation

	Group and Company	
	2020 RM'000	**2019 RM'000**
Directors remuneration:		
Benefit-in-kind	**18**	24

In addition to Directors' compensation paid as above, the Company reimbursed the holding company for payroll related costs and benefits of key management personnel as well as fees for Directors who are appointees of the holding company as disclosed in Note 30 (b).

NOTES TO THE FINANCIAL STATEMENTS

30. RELATED PARTY DISCLOSURES (CONTINUED)

(b) Significant transactions with related parties

In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

Group	Note	2020 RM Mil	2019 RM Mil
PETRONAS:			
Fees for representation on the Board of Directors	30.1	**(1)**	(1)
Reimbursement of key management personnel costs and benefits	30.2	**(13)**	(11)
Centralised management services		**(110)**	(92)
Information, communication and technology charges		**(61)**	(70)
Interest income from PETRONAS IFSSC		**218**	371
Purchase of processed gas and natural gas		**(1,131)**	(1,376)
Subsidiaries of PETRONAS:			
Pengerang Gas Solution Sdn. Bhd.			
Purchase of utilities		**(142)**	(71)
Pengerang Power Sdn. Bhd.			
Purchase of electricity and utilities		**(115)**	(90)
PETRONAS Energy and Gas Trading Sdn. Bhd.			
Purchase of processed gas and natural gas		**(2,735)**	(2,802)
PETRONAS Gas Berhad			
Purchase of utilities, materials and supplies		**(1,054)**	(975)
PETRONAS Refinery & Petrochemical Corporation Sdn. Bhd.			
Project expenses		**(84)**	(173)
PETRONAS Technical Services Sdn. Bhd.			
Technical retainer fee		**(68)**	(60)
PETCO Trading Labuan Company Ltd.			
Purchase of heavy naphtha		**(1,319)**	(1,741)
Sale of petrochemical products		**400**	807
PRPC Utilities and Facilities Sdn. Bhd.			
Purchase of utilities		**(222)**	(98)
Joint ventures of PETRONAS:			
Pengerang Refining Company Sdn. Bhd.			
Project expenses		**(310)**	(230)
Purchase of petrochemical products		**(144)**	(82)
Joint ventures and associates of the Group:			
BASF PETRONAS Chemicals Sdn. Bhd.			
Sale of petrochemical products		**1,105**	1,300
BP PETRONAS Acetyls Sdn. Bhd.			
Sale of petrochemical products		**308**	299
Idemitsu SM (Malaysia) Sdn. Bhd.			
Sale of petrochemical products		**243**	299
Kertih Terminals Sdn. Bhd.			
Purchase of warehouse and transportation services		**(166)**	(170)
Corporate shareholder of the Group:			
MJPX Co. Ltd.			
Sale of petrochemical products		**401**	625
Government related entities:			
Pertubuhan Peladang Kebangsaan			
Sale of petrochemical products		**147**	177
Tenaga Nasional Berhad			
Purchase of electricity		**(73)**	(80)

NOTES TO THE FINANCIAL STATEMENTS

30. RELATED PARTY DISCLOSURES (CONTINUED)

(b) Significant transactions with related parties (continued)

Company	Note	2020 RM'000	2019 RM'000
PETRONAS:			
Fees for representation on the Board of Directors	30.1	**(744)**	(685)
Reimbursement of key management personnel costs and benefits	30.2	**(2,590)**	(2,276)
Interest income from PETRONAS IFSSC		**79,681**	162,501
Subsidiaries:			
PETRONAS Chemicals Ammonia Sdn. Bhd.			
Dividend income		**120,000**	70,000
PETRONAS Chemicals Derivatives Sdn. Bhd.			
Dividend income		**25,104**	63,421
PETRONAS Chemicals Ethylene Sdn. Bhd.			
Dividend income		**30,625**	35,218
PETRONAS Chemicals Glycols Sdn. Bhd.			
Dividend income		**70,171**	89,963
PETRONAS Chemicals LDPE Sdn. Bhd.			
Dividend income		**60,000**	66,000
PETRONAS Chemicals Marketing Sdn. Bhd.			
Dividend income		**277,492**	–
PETRONAS Chemicals Methanol Sdn. Bhd.			
Dividend income		**30,000**	–
PETRONAS Chemicals Olefins Sdn. Bhd.			
Dividend income		**150,402**	54,808
Kertih Port Sdn. Bhd.			
Dividend income		**52,000**	48,000
Subsidiaries of PETRONAS:			
Pengerang Gas Solution Sdn. Bhd.			
Purchase of utilities		**(131,206)**	(70,758)
Pengerang Power Sdn. Bhd.			
Purchase of electricity and utilities		**(94,403)**	(89,562)
PETRONAS Refinery & Petrochemical Corporation Sdn. Bhd.			
Project expenses		**(41,234)**	(99,089)
PRPC Utilities and Facilities Sdn. Bhd.			
Purchase of utilities		**(177,218)**	(98,385)
Joint ventures of PETRONAS:			
Pengerang Refining Company Sdn. Bhd.			
Project expenses		**(301,656)**	(230,177)
Pengerang Terminal (Two) Sdn. Bhd.			
Rendering of port services		**(35,453)**	(30,844)
Joint ventures and associates:			
Kertih Terminals Sdn. Bhd.			
Dividend income		**48,000**	52,000

NOTES TO THE FINANCIAL STATEMENTS

30. RELATED PARTY DISCLOSURES (CONTINUED)

(b) Significant transactions with related parties (continued)

30.1 Fees for representation on the Board of Directors paid directly to holding company relate to payment of fees for Directors who are appointees of the holding company.

30.2 Reimbursement of key management personnel costs and benefits paid to holding company relate to payroll related costs and benefits payment for services of certain key management personnel.

Information regarding outstanding balances arising from related party transactions as at 31 December 2020 are included in Notes 9, 11, 15 and 17. Related party balances on lease liabilities are as follows:

	Group		Company	
	2020 RM Mil	**2019 RM Mil**	**2020 RM Mil**	**2019 RM Mil**
Subsidiaries of PETRONAS	**180**	124	**69**	78
Joint ventures of PETRONAS	**611**	323	**402**	323
Joint ventures of the Group	**8**	45	**–**	–
	799	492	**471**	401

The Directors of the Company are of the opinion that the above transactions have been entered into in the normal course of business and have been established on a commercial basis.

Other related party transactions have not been included as the transactions are not significant to the Group and the Company.

31. OPERATING SEGMENTS

For management purposes, the Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. The following summary describes the operations in each of the Group's reportable segments:

- Olefins and Derivatives – activities include manufacturing and marketing of a wide range of olefin and polymer products, which are used as basic feedstock for other products, to intermediate products including basic and high performance chemicals.

- Fertilisers and Methanol – activities include manufacturing and marketing methanol and a range of nitrogen, phosphate and compound fertilisers.

Management monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and performance assessment.

Performance is measured based on segment profit after tax as included in the internal management reports that are reviewed by the MD/CEO, who is the Group's chief operating decision maker. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of the segments relative to other entities that operate within these industries.

Intersegment pricing is established on commercial basis.

Other non-reportable segment comprises operations related to investment holding company and port services which provide product distribution infrastructure to the Group as well as activities related to specialty chemicals.

NOTES TO THE FINANCIAL STATEMENTS

31. OPERATING SEGMENTS (CONTINUED)

Segment assets

The total of segment assets are measured based on all assets of a segment, as included in the internal management reports that are reviewed by the MD/CEO. Segment total assets are used to measure the return of assets of each segment.

Segment liabilities

The Group segment liabilities are measured and managed on a group basis and are not allocated to operating segments.

2020	Olefins and Derivatives RM Mil	Fertilisers and Methanol RM Mil	^Others RM Mil	Elimination and adjustment RM Mil	Total RM Mil
Segment profit	302	1,356	(72)	–	1,586
Included in the measure of segment profit are:					
Revenue from external customers	8,194	5,311	857	–	14,362
Inter-segment revenue	14	–	46	(60)	–
Depreciation and amortisation	(784)	(819)	(67)	–	(1,670)
Interest income	59	71	177	(83)	224
Financing costs	(11)	(12)	(4)	–	(27)
Share of (loss)/profit of equity accounted joint ventures and associates	(377)	19	42	–	(316)
Tax expense	(69)	(172)	(30)	–	(271)
Segment assets	15,602	12,503	11,739	(15)	39,829
Included in the measure of segment assets are:					
Investments in joint ventures and associates	495	155	72	–	722
Additions to non-current assets other than financial instruments and deferred tax assets	1,851	446	197	–	2,494

^ Includes unallocated assets.

NOTES TO THE FINANCIAL STATEMENTS

31. OPERATING SEGMENTS (CONTINUED)

2019	Olefins and Derivatives RM Mil	Fertilisers and Methanol RM Mil	^Others RM Mil	Elimination and adjustment RM Mil	Total RM Mil
Segment profit	1,176	1,690	(71)	–	2,795
Included in the measure of segment profit are:					
Revenue from external customers	9,947	6,165	258	–	16,370
Inter-segment revenue	13	–	44	(57)	–
Depreciation and amortisation	(794)	(830)	(35)	–	(1,659)
Interest income	106	107	253	(89)	377
Financing costs	(12)	(12)	(7)	–	(31)
Share of (loss)/profit of equity accounted joint ventures and associates	(115)	14	47	–	(54)
Tax expense	(166)	(159)	(35)	–	(360)
Segment assets	14,847	12,932	11,095	(11)	38,863
Included in the measure of segment assets are:					
Investments in joint ventures and associates	861	135	62	–	1,058
Additions to non-current assets other than financial instruments and deferred tax assets	2,355	334	744	–	3,433

^ Includes unallocated assets.

NOTES TO THE FINANCIAL STATEMENTS

31. OPERATING SEGMENTS (CONTINUED)

Geographical information

Geographical revenue is determined based on location of customers. The amounts presented in non-current assets are based on the geographical location of the assets and do not include financial instruments (including long term receivables, investments in joint ventures and associates) and deferred tax assets.

	Group	
2020	**Revenue RM Mil**	**Non-current assets RM Mil**
Malaysia	**4,280**	**20,900**
Asia:		
– China	**2,654**	**–**
– Indonesia	**1,528**	**2**
– Thailand	**1,539**	**4**
– Others	**2,652**	**–**
Rest of the world	**1,709**	**825**
	14,362	**21,731**

	Group	
2019	**Revenue RM Mil**	**Non-current assets RM Mil**
Malaysia	6,431	20,426
Asia:		
– China	2,244	1
– Indonesia	2,029	1
– Thailand	1,444	–
– Others	3,391	–
Rest of the world	831	638
	16,370	21,066

Major customers

None of the customers individually contributes to more than 10% of the Group's revenue.

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL INSTRUMENTS

Categories of financial instruments

The following tables provide an analysis of financial instruments categorised as follows:

i. Amortised cost (AC); and

ii. Fair value through profit or loss (FVTPL)

– Mandatorily required by MFRS 9 *Financial Instruments*

2020	Note	Group AC RM Mil	Group FVTPL RM Mil	Group Total carrying amount RM Mil
Financial assets				
Trade and other receivables*		**1,723**	**3**	**1,726**
Cash and cash equivalents	11	**12,707**	**–**	**12,707**
		14,430	**3**	**14,433**
Financial liabilities				
Other long term liabilities*		**(55)**	**–**	**(55)**
Borrowings	15	**(2,192)**	**–**	**(2,192)**
Trade and other payables*		**(2,704)**	**(4)**	**(2,708)**
		(4,951)	**(4)**	**(4,955)**

2019	Note	Group AC RM Mil	Group FVTPL RM Mil	Group Total carrying amount RM Mil
Financial assets				
Trade and other receivables*		1,872	7	1,879
Cash and cash equivalents	11	12,045	–	12,045
		13,917	7	13,924
Financial liabilities				
Other long term liabilities*		(95)	–	(95)
Borrowings	15	(1,875)	–	(1,875)
Trade and other payables*		(2,890)	(7)	(2,897)
		(4,860)	(7)	(4,867)

* These balances exclude non-financial instruments balances.

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL INSTRUMENTS (CONTINUED)

Categories of financial instruments (continued)

		Company	
2020	**Note**	**AC RM Mil**	**Total carrying amount RM Mil**
Financial assets			
Trade and other receivables*		**103**	**103**
Cash and cash equivalents	11	**3,523**	**3,523**
		3,626	**3,626**
Financial liabilities			
Borrowings	15	**(1,993)**	**(1,993)**
Trade and other payables		**(913)**	**(913)**
		(2,906)	**(2,906)**

		Company	
2019	**Note**	**AC RM Mil**	**Total carrying amount RM Mil**
Financial assets			
Trade and other receivables*		124	124
Cash and cash equivalents	11	3,221	3,221
		3,345	3,345
Financial liabilities			
Borrowings	15	(1,875)	(1,875)
Trade and other payables*		(732)	(732)
		(2,607)	(2,607)

* These balances exclude non-financial instruments balances.

Financial risk management

The Group and the Company are exposed to various financial risks that are particular to its core business of petrochemical. These risks, which arise in the normal course of the Group's and the Company's business, comprise credit risk, liquidity risk and market risk relating to interest rates, foreign currency exchange rates and prices.

The Group has policies and guidelines in place that sets the foundation for a consistent approach towards establishing an effective financial risk management across the Group.

Risk taking activities are undertaken within acceptable level of risk or risk appetite, whereby the risk appetite level reflects business considerations and capacity to assume such risks. The risk appetite is established at Board of Directors level, where relevant, based on defined methodology and translated into operational thresholds.

The Group's and the Company's goal in risk management is to ensure that the management understands, measures and monitors the various risks that arise in connection with their operations. Policies and guidelines have been developed to identify, analyse, appraise and monitor the dynamic risks facing the Group and the Company. Based on this assessment, each business unit/Company adopts appropriate measures to mitigate these risks in accordance with the business unit's/Company's view of the balance between risk and reward.

32. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk

Credit risk is the potential exposure of the Group and the Company to losses in the event of non-performance by counterparties. The Group's and the Company's exposures to credit risk arise principally from its receivables from customers and intercompany loans and advances. Credit risks are managed by individual subsidiaries in line with PETRONAS' policies and guidelines.

Intercompany loans and advances

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly. As at the end of the reporting period, the maximum exposure to credit risk arising from intercompany loans and advances is represented by their carrying amounts in the statements of financial position.

Receivables

The Group minimises credit risk by ensuring that all potential third party counterparties are subject to credit assessment and approval prior to any transaction being concluded. Existing third party counterparties are also subject to regular reviews, including re-appraisal and approval of granted limits. The creditworthiness of counterparties is assessed based on an analysis of all available quantitative and qualitative data regarding business risks and financial standing, together with the review of any relevant third party and market information. Reports are prepared and presented to the management that cover the Group's and the Company's overall credit exposure against limits and securities, exposure by segment and overall quality of the portfolio.

Depending on the types of transactions and counterparty creditworthiness, the Group further mitigates and limits risks related to credit by requiring collateral or other credit enhancements such as cash deposits, letter of credit or bank guarantees.

Exposure to losses increases with concentrations of credit risk which may exist when a number of counterparties are involved in similar activities or operate in the same industry sector or geographical area, which may result in their ability to meet contractual obligations being impacted by changes in economic, political or other conditions.

The Group's significant concentration of credit risk for receivables at the end of the reporting date by segment is as follows:

	Group	
	2020 RM Mil	**2019 RM Mil**
Olefins and Derivatives	**1,208**	1,282
Fertilisers and Methanol	**229**	128
Others	**286**	462
	1,723	1,872

The Group uses ageing analysis to monitor the credit quality of trade receivables.

The Group performs credit rating assessment of all its counterparties in order to measure ECLs of trade receivables for all segments using the PETRONAS Credit Risk Rating System. This credit rating assessment considers quantitative assessment using the counterparties' customer's financial statements or a qualitative assessment of the counterparties customer, which includes but is not limited to their customer's reputation, competitive position, industry and geopolitical outlook.

In determining the ECL, the Group considers the loss given default and the probability of default assigned to each counterparty customer. The probability of default is based on their individual credit rating. This probability of default is derived by benchmarking against available third party and market information, which also incorporates forward looking information.

Loss given default is the assumption of the proportion of financial asset that cannot be recovered by conversion of collateral to cash or by legal process, and is assessed based on the Company's historical experience.

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

32. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (continued)

Receivables (continued)

Evidence that a financial asset is credit-impaired includes the following observable data:

(i) significant financial difficulty of the customer;

(ii) a breach of contract such as a default; and

(iii) it is probable that the customer will enter bankruptcy or other financial reorganisation

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances.

The gross carrying amounts of credit impaired trade receivables are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

As at the reporting period, the maximum exposure to credit risk arising from receivables is equal to the carrying amount.

The ageing of trade receivables and amount due from holding company, related companies and associates which are trade in nature as at the end of the financial year is analysed below:

	Group	
	2020 RM Mil	**2019 RM Mil**
At net		
Current	**1,601**	1,748
Past due 1 to 30 days	**30**	22
Past due 31 to 60 days	**–**	2
	1,631	1,772

With respect to the Group's trade receivables, there are no indications as of the reporting date that the debtors will not meet their payment obligations.

Financial guarantee

The Company provides unsecured financial guarantee to a bank in respect of banking facility granted to an associate. The Company monitors on an ongoing basis, the results of the associate and repayments made by the associate.

The maximum exposure to credit risk is amounting to RM379 million (2019: RM539 million), which represents the outstanding banking facility of the associate as at reporting date. As at reporting date, there was no indication that the associate would default on repayment.

In connection to the project financing facility undertaken by the joint operation company under an integrated borrowing structure with a related party (the Borrowers) as disclosed in Note 15, the Borrowers provide cross-guarantee to the project financing lenders on each other's loan being the loan amount excluding any transaction costs. Upon failure to pay by a Borrower, the project financing lenders would have primary recourse to that Borrower as well as to the other Borrower under the cross-guarantee.

The Group's and the Company's share of maximum exposure to credit risk relating to the cross-guarantee provided by the joint operation company to the related party amounts to RM16,688 million (2019: RM16,897 million) which represents the outstanding loans of the related party as at financial year end. Similarly, the cross-guarantee provided by the related party to the joint operation company as at financial year end is RM1,965 million (2019: RM1,983 million), being the Group's and the Company's share in the joint operation company.

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises principally from its trade and other payables and borrowings. In managing its liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's and the Company's operations and to mitigate the effects of fluctuations in cash flows.

Maturity analysis

The table below summarises the maturity profile of the Group's and Company's financial liabilities as at the reporting date based on undiscounted contractual payments:

	Group		
2020	**Carrying amount RM Mil**	**Contractual interest/ profit rates per annum %**	**Contractual cash flows RM Mil**
Financial liabilities			
Borrowings	2,192	2.70	2,632
Lease liabilities	988	6.91	2,497
Other long term liabilities	55	1.30	56
Trade and other payables	2,704	–	2,704
Net derivative liabilities			
– inflow	(3)	–	(517)
– outflow	4	–	518
Financial guarantee			
– associate	–	–	379
– related party	–	–	16,688
	5,940		24,957

continue below

	Group			
2020	**Within 1 year RM Mil**	**1-2 years RM Mil**	**2-5 years RM Mil**	**More than 5 years RM Mil**
Amortised cost:				
Financial liabilities				
Borrowings	232	158	575	1,667
Lease liabilities	141	123	238	1,995
Other long term liabilities	–	56	–	–
Trade and other payables	2,704	–	–	–
Net derivative liabilities				
– inflow	(517)	–	–	–
– outflow	518	–	–	–
Financial guarantee				
– associate	379	–	–	–
– related party	*16,688	–	–	–
	20,145	337	813	3,662

continued from above

32. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk (continued)

Maturity analysis (continued)

	Group		
2019	**Carrying amount RM Mil**	**Contractual interest/ profit rates per annum %**	**Contractual cash flows RM Mil**
Amortised cost:			
Financial liabilities			
Borrowings	1,875	2.95	2,452
Lease liabilities	705	6.16	1,399
Other long term liabilities	95	8.40	113
Trade and other payables	2,890	–	2,890
Net derivative liabilities			
– inflow	(7)	–	(1,302)
– outflow	7	–	1,302
Financial guarantee			
– associate	–	–	539
– related party	–	–	16,897
	5,565		24,290

continue below

	Group			
2019	**Within 1 year RM Mil**	**1-2 years RM Mil**	**2-5 years RM Mil**	**More than 5 years RM Mil**
Amortised cost:				
Financial liabilities				
Borrowings	57	206	494	1,695
Lease liabilities	125	171	169	934
Other long term liabilities	9	60	44	–
Trade and other payables	2,890	–	–	–
Net derivative liabilities				
– inflow	(1,302)	–	–	–
– outflow	1,302	–	–	–
Financial guarantee				
– associate	539	–	–	–
– related party	*16,897	–	–	–
	20,517	437	707	2,629

continued from above

* This relates to project financing facility undertaken by the joint operation company as disclosed in Note 15 and page 133 on Financial guarantee.

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk (continued)

Maturity analysis (continued)

	Company		
2020	**Carrying amount RM Mil**	**Contractual interest/ profit rates per annum %**	**Contractual cash flows RM Mil**
Financial liabilities			
Borrowings	1,993	2.95	2,430
Lease liabilities	472	7.02	1,528
Trade and other payables	913	–	913
Financial guarantee			
– associate	–	–	379
– related party	–	–	16,688
	3,378		21,938

continue below

	Company			
2020	**Within 1 year RM Mil**	**1-2 years RM Mil**	**2-5 years RM Mil**	**More than 5 years RM Mil**
Amortised cost:				
Financial liabilities				
Borrowings	182	158	423	1,667
Lease liabilities	37	37	110	1,344
Trade and other payables	913	–	–	–
Financial guarantee				
– associate	379	–	–	–
– related party	*16,688	–	–	–
	18,199	195	533	3,011

continued from above

32. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk (continued)

Maturity analysis (continued)

2019	Company Carrying amount RM Mil	Company Contractual interest/ profit rates per annum %	Company Contractual cash flows RM Mil
Amortised cost:			
Financial liabilities			
Borrowings	1,875	2.95	2,452
Lease liabilities	402	5.00	907
Trade and other payables	732	–	732
Financial guarantee			
– associate	–	–	539
– related party	–	–	16,897
	3,009		21,527

continue below

2019	Company Within 1 year RM Mil	Company 1-2 years RM Mil	Company 2-5 years RM Mil	Company More than 5 years RM Mil
Amortised cost:				
Financial liabilities				
Borrowings	57	206	494	1,695
Lease liabilities	37	37	112	721
Trade and other payables	732	–	–	–
Financial guarantee				
– associate	539	–	–	–
– related party	*16,897	–	–	–
	18,262	243	606	2,416

continued from above

* This relates to project financing facility undertaken by the joint operation company as disclosed in Note 15 and page 133 on Financial guarantee.

Market risk

Market risk is the risk or uncertainty arising from changes in market prices and their impact on the performance of the business. The market price changes arising from financial instruments that the Group and the Company are exposed to include interest rates and foreign currency exchange rates that could affect the value of the Group's and the Company's financial assets, liabilities or expected future cash flows.

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (continued)

Interest rate risk

The Group's and the Company's variable rate instruments are exposed to a risk of change in cash flows due to changes in interest rates whilst fixed rate instruments are exposed to a risk of change in their fair value due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

All interest rate exposures are monitored and managed proactively in line with PETRONAS' policies and guidelines. The Group enters into hedging transactions with respect to interest rate on certain long term borrowings and other debts where necessary and appropriate, in accordance with policies and guidelines.

The interest rate profile of the Group's and the Company's interest-bearing financial instruments based on carrying amount as at reporting date is as follows:

	Group		Company	
	2020 RM Mil	**2019 RM Mil**	**2020 RM Mil**	**2019 RM Mil**
Fixed rate instruments				
Financial assets	**2,542**	1,941	**2,397**	1,794
Financial liabilities	**(1,264)**	(705)	**(599)**	(402)
	1,278	1,236	**1,798**	1,392
Floating rate instruments				
Financial assets	**9,984**	9,930	**1,126**	1,427
Financial liabilities	**(1,916)**	(1,875)	**(1,866)**	(1,875)
	8,068	8,055	**(740)**	(448)

The Group's and the Company's financial assets and liabilities are measured at amortised cost. Any reasonable possible change in interest rate is not expected to have material impact on the Group's and the Company's profit or loss.

Foreign exchange risk

The Group and the Company are exposed to varying levels of foreign exchange risk when they enter into transactions that are not denominated in the respective companies' functional currencies and when foreign currency monetary assets and liabilities are translated at the reporting date. The main underlying economic currencies of the Group's and the Company's cash flows are Ringgit Malaysia and US Dollar.

The Group's and the Company's foreign exchange management policies are to minimise economic and significant transactional exposures arising from currency movements.

The Group mainly relies on the natural hedge arising from most of its revenue and expenses being denominated in US Dollar. In addition, the Group, where deemed necessary and appropriate will enter into derivative financial instruments to hedge and minimise exposure to the foreign currency movement in respect of current and forecasted transactions.

32. FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (continued)

Foreign exchange risk (continued)

The Group's and the Company's significant exposure to foreign currency risk, based on carrying amounts as at the reporting date is as follows:

	2020			2019		
	Denominated in			Denominated in		
Group	**USD**	**THB**	**EURO**	**USD**	**IDR**	**EURO**
Financial assets						
Trade and other receivables*	**35**	**116**	**–**	177	44	99
Cash and cash equivalents	**–**	**61**	**–**	–	8	44
Financial liabilities						
Trade and other payables*	**(40)**	**(4)**	**(33)**	(23)	–	(3)
Net derivative liabilities at nominal value	**21**	**(71)**	**–**	(125)	(35)	(87)
Net exposure	**16**	**102**	**(33)**	29	17	53

* These amounts include foreign currency risk exposure arising from intra-group balances.

	Denominated in USD	
Company	**2020 RM Mil**	**2019 RM Mil**
Financial assets		
Trade and other receivables	**61**	62
Net exposure	**61**	62

Most of the Group's and the Company's foreign currency financial instruments are denominated in US Dollar and since the net exposure is not material, any reasonable possible change in the exchange rate is not expected to have a material impact on the Group's and the Company's profit or loss.

Price risk

The Group is exposed to price risks that include feedstock and product price risk and basis risk which may affect the value of the Group's assets, liabilities or expected future cash flows. Price risk is the risk of financial loss due to fluctuation and volatility of feedstock prices on purchases and product prices on trades. Basis risk, on the other hand, is the risk of financial loss as a result of different pricing term of trades.

The Group is guided by industry practices and minimises its price risk exposure by proactively and continuously identifying, measuring, monitoring, mitigating and reporting price risk within the context of a comprehensive risk management framework.

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value information

The carrying amounts of cash and cash equivalents, and short term receivables and payables reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

The following table analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value	Carrying amount	Nominal value
Group 2020	**Level 2 RM Mil**	**Level 3 RM Mil**	**Total RM Mil**	**Level 3 RM Mil**	**Total RM Mil**	**Total RM Mil**
Financial assets						
Forward foreign exchange contracts	**3**	**–**	**3**	**–**	**3**	**187**
Financial liabilities						
Forward foreign exchange contracts	**(4)**	**–**	**(4)**	**–**	**(4)**	**(334)**
Borrowings	**–**	**(127)**	**(127)**	**(2,065)**	**(2,192)**	

	Fair value of financial instruments carried at fair value		Fair value of financial instruments not carried at fair value		Carrying amount	Nominal value
Group 2019	**Level 2 RM Mil**	**Total RM Mil**	**Level 3 RM Mil**	**Total RM Mil**	**Total RM Mil**	**Total RM Mil**
Financial assets						
Forward foreign exchange contracts	7	7	–	–	7	467
Financial liabilities						
Forward foreign exchange contracts	(7)	(7)	–	–	(7)	672
Borrowings	–	–	(1,875)	(1,875)	(1,875)	

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value information (continued)

Company 2020	Fair value of financial instruments carried at fair value Level 3 RM Mil	Fair value of financial instruments not carried at fair value Level 3 RM Mil	Carrying amount Total RM Mil
Financial liabilities			
Borrowings	**(127)**	**(1,866)**	**(1,993)**

Company 2019	Fair value of financial instruments not carried at fair value Level 3 RM Mil	Total RM Mil	Carrying amount Total RM Mil
Financial liabilities			
Borrowings	(1,875)	(1,875)	(1,875)

Forward foreign exchange contracts

The fair value of forward foreign exchange contracts is based on the fair value difference between forward exchange rates and the contracted rates.

Borrowings

The fair value of borrowings is calculated based on the present value of the projected repayment of loans, discounted at the market rate of interest at the end of the reporting period.

Income/(expense), net gains and losses arising from financial instruments

	Group			
2020	**Interest income RM Mil**	**Interest expense RM Mil**	**Others RM Mil**	**Total RM Mil**
Financial assets at amortised cost	**224**	**–**	**21**	**245**
Financial liabilities at amortised cost	**–**	**(48)**	**(60)**	**(108)**
Financial liabilities at fair value through profit or loss:				
– Mandatorily required by MFRS 9	**–**	**–**	**(1)**	**(1)**
	224	**(48)**	**(40)**	**136**

	Group			
2019	**Interest income RM Mil**	**Interest expense RM Mil**	**Others RM Mil**	**Total RM Mil**
Financial assets at amortised cost	377	–	(26)	351
Financial liabilities at amortised cost	–	(65)	61	(4)
	377	(65)	35	347

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL INSTRUMENTS (CONTINUED)

Income/(expense), net gains and losses arising from financial instruments (continued)

	Company			
2020	**Interest income RM Mil**	**Interest expense RM Mil**	**Others RM Mil**	**Total RM Mil**
Financial assets measured at amortised cost	**80**	**–**	**(1)**	**79**
Financial liabilities measured at amortised cost	**–**	**(44)**	**(53)**	**(97)**
	80	**(44)**	**(54)**	**(18)**

	Company			
2019	**Interest income RM Mil**	**Interest expense RM Mil**	**Others RM Mil**	**Total RM Mil**
Financial assets measured at amortised cost	165	–	(35)	130
Financial liabilities measured at amortised cost	–	(62)	–	(62)
	165	(62)	(35)	68

Others relate to gains and losses arising from financial instruments such as impairment loss, realised and unrealised foreign exchange gains or losses, and fair value gains or losses.

33. ADOPTION OF REVISED PRONOUNCEMENTS

As of 1 January 2020 the Group and the Company adopted the following pronouncements that have been issued by the MASB and are applicable as listed below:

Effective for annual periods beginning on or after 1 January 2020

Amendments to MFRS 3	*Business Combinations (Definition of a Business)*
Amendments to MFRS 7	*Financial Instruments: Disclosures – Interest Rate Benchmark Reform*
Amendments to MFRS 9	*Financial Instruments*
Amendments to MFRS 16	*Leases (COVID-19 Related Rent Concessions)*
Amendments to MFRS 101	*Presentation of Financial Statements (Definition of Material)*
Amendments to MFRS 108	*Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Material)*
Amendments to MFRS 139	*Financial Instruments: Recognition and Measurement*

In June 2020, the Malaysian Accounting Standards Board has issued amendment to MFRS 16 *Leases (COVID-19 Related Rent Concessions)* in response to the COVID-19 pandemic. The amendment is effective for annual periods beginning on or after 1 June 2020 of which the Group has early adopted the amendments.

The initial application of the above pronouncements do not have any material impact to the consolidated financial statements of the Group.

NOTES TO THE FINANCIAL STATEMENTS

34. PRONOUNCEMENTS YET IN EFFECT

The following pronouncements that have been issued by the MASB will become effective in future financial reporting periods and have not been adopted by the Group and the Company in these financial statements:

Effective for annual periods beginning on or after 1 January 2021

Amendments to MFRS 9	*Financial Instruments*
Amendments to MFRS 139	*Financial Instruments: Recognition and Measurement*
Amendments to MFRS 7	*Financial Instruments: Disclosures*
Amendments to MFRS 16	*Leases (Interest Rate Benchmark Reform – Phase 2)*

Effective for annual periods beginning on or after 1 January 2022

Amendments to MFRS 9 — *Financial Instruments (Annual Improvements to MFRS Standards 2018-2020)*

Amendments to Illustrative Examples accompanying MFRS 16 *Leases (Annual Improvements to MFRS Standards 2018-2020)*

Amendments to MFRS 3	*Business Combinations (Reference to the Conceptual Framework)*
Amendments to MFRS 116	*Property, Plant and Equipment (Property, Plant and Equipment-Proceeds before Intended Use)*
Amendments to MFRS 137	*Provisions, Contingent Liabilities and Contingent Assets (Onerous Contracts-Cost of Fulfilling a Contract)*

Effective for annual periods beginning on or after 1 January 2023

Amendments to MFRS 101	*Presentation of Financial Statements (Classification of Liabilities as Current or Non-current)*

Effective for a date yet to be confirmed

Amendments to MFRS 10	*Consolidated Financial Statements: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
Amendments to MFRS 128	*Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and the Company are expected to apply the above-mentioned pronouncements beginning from the respective dates the pronouncements become effective. The initial application of the above-mentioned pronouncements are not expected to have any material impacts to the financial statements of the Group and the Company.

35. NEW AND REVISED PRONOUNCEMENTS NOT APPLICABLE TO THE GROUP AND THE COMPANY

The MASB has issued pronouncements which is not relevant to the Group and the Company and hence, no further disclosure is warranted.

Effective for annual periods beginning on or after 1 January 2021

Amendments to MFRS 4	*Insurance Contracts*

Effective for annual periods beginning on or after 1 January 2022

Amendments to MFRS 141	*Agriculture (Annual Improvements to MFRS Standards 2018-2020)*
Amendments to MFRS 1	*First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018-2020)*

Effective for annual periods beginning on or after 1 January 2023

MFRS 17	*Insurance Contracts*
Amendments to MFRS 17	*Insurance Contracts*

NOTES TO THE FINANCIAL STATEMENTS

36. CAPITAL MANAGEMENT

The Group defines capital as the total equity and debt of the Group. The objective of the Group's and the Company's capital management is to maintain an optimal capital structure and ensuring availability of funds in order to support its business and maximises shareholders value. As a subsidiary of PETRONAS, the Group adopts PETRONAS Group Corporate Financial Policy in managing its capital.

The Group monitors and maintains a prudent level of total debt to total assets ratio to optimise shareholders value and to ensure compliance with covenants.

There were no changes in the Group's and the Company's approach to capital management during the financial year.

37. FINALISATION OF PURCHASE PRICE ALLOCATION FOR ACQUISITION OF DA VINCI

Pursuant to the completion of acquisition of Da Vinci on 12 September 2019, Da Vinci has become a wholly-owned subsidiary of the Group. The net identifiable assets and goodwill disclosed in the Audited Financial Statements for the year ended 31 December 2019 were based on provisional figures which were expected to be finalised within twelve months from the acquisition date.

Upon finalisation of the purchase price allocation for the acquisition, fair value of the net assets and goodwill were updated based on final valuation of Da Vinci which also resulted in the recognition of intangible assets along with the corresponding deferred tax liabilities.

The intangible assets relate to the fair value of product formulation for the specialty chemicals whilst the goodwill reflects the synergy that Da Vinci will contribute to the Group.

The intangible assets were recognised based on fair value less costs to sell, which was estimated using income approach. The fair value measurement was categorised as a Level 3 fair value.

The fair value was determined by discounting the future amounts of cash flows arising only from application of the formulae for specialty chemicals incorporating current market expectations about the future amounts.

The cash flow was projected based on plans and forecast approved by management for the next 20 years and discounted to present value at 9.4%.

The rate used to discount the future cash flow to its present value is calculated using the weighted average cost of capital rate after tax, which is determined using the capital asset pricing model. It comprises a risk-free interest rate, a market risk premium, and a spread for credit risk based on the respective industry- specific peer group. The calculation also takes into account capital structure and the beta factor of the respective peer.

The fair value of the intangible assets are sensitive to discount rate where an increase of 0.5 percentage point in discount rate used would have reduced the fair value by approximately RM33 million.

37. FINALISATION OF PURCHASE PRICE ALLOCATION FOR ACQUISITION OF DA VINCI (CONTINUED)

Effects of the acquisition based on finalised fair value figures are as follows:

	Note	Fair Value RM Mil
Identified intangible assets	6	496
Non-current assets		62
Trade and other inventories		188
Trade and other receivables		134
Cash and cash equivalents		35
Other non-current liabilities		(2)
Deferred tax liability	7	(124)
Trade and other payables		(340)
Net identifiable assets		449
Less: Non-controlling interest		(6)
Add: Goodwill on acquisition	6	227
Purchase consideration		670
Add: Settlement of existing loans		231
Less: Deferred consideration		(97)
Payment for acquisition		804
Less: Cash and cash equivalents acquired		(35)
Payment for acquisition, net of cash acquired		769

38. SIGNIFICANT EVENT

On 18 November 2020, the Board has approved the cessation of Butanediol (BDO) Complex by an associate of the Group, BASF PETRONAS Chemicals Sdn. Bhd. (BPC) as part of portfolio realignment.

The cessation is part of the Group's ongoing review of its product portfolio focusing on long term sustainable growth and strengthening the Group's strategy to focus more on high-value chemicals portfolio. This is also aligned with the strategy undertaken by the Group's partner in BPC, i.e. BASF. In addition, the cessation is also due to significant overcapacities in the region as a result of recent investments in coal-based BDO production.

The impact to the Group's consolidated financial statements is USD56 million (RM232 million) being the Group's 40% share in BPC which mainly relates to write-off, impairment, provision for decommissioning, dismantling and personnel severance costs.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PETRONAS CHEMICALS GROUP BERHAD

(COMPANY NO. 199801003704 (459830-K))
(INCORPORATED IN MALAYSIA)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of PETRONAS Chemicals Group Berhad ("PCG"), which comprise the statements of financial position as at 31 December 2020 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 67 to 145.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment assessment on property, plant and equipment and intangible assets (i.e. goodwill and formulae)
Refer to Note 2.8(ii) – Significant accounting policy, Note 3 – Property, plant and equipment and Note 6 – Intangible assets of the financial statements.

There was a higher risk of impairment on property, plant and equipment and intangible assets (i.e. formulae) due to weak market outlook which led to lower profit margins of certain plants. The delay in the commissioning of a plant by a joint operation also triggered impairment concerns on the plant.

In addition, the Group was required to carry out an annual impairment assessment on a cash-generating unit of which goodwill was allocated to it.

These assessments are key audit matters because:

- there are inherent uncertainties and significant management judgment involved in the assessment of indicators of impairment, and forecasting future cash flows in the determination of recoverable values where impairment tests were required; and
- impairment assessment is complex and hence, it required significant involvement of our more experienced team members.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PETRONAS CHEMICALS GROUP BERHAD
(COMPANY NO. 199801003704 (459830-K))
(INCORPORATED IN MALAYSIA)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (continued)

Impairment assessment on property, plant and equipment and intangible assets (i.e. goodwill and formulae) (continued)

We performed the following, among others, audit procedures:

- evaluated assessments performed by the Group and the Company of impairment indicators to determine whether internal and external factors were considered;
- where impairment tests were performed and the recoverable values were determined by discounting future cashflows:
  - challenged the impairment models by comparing with market practices and the requirements of the accounting standard;
  - challenged and corroborated the key assumptions and discount rates by comparing them with internal and external sources of information, and market practices;
  - where a component auditor was involved in performing the audit, we assessed the competency of the auditor, interviewed the component auditor and read the audit workpapers prepared to determine whether sufficient and appropriate audit procedures had been performed by the component auditor; and
- determined the adequacy of the disclosures.

Purchase price allocation for acquisition of Da Vinci Group

Refer to Note 2.1(i) – Significant accounting policy, Note 2.5 – Intangible assets, Note 6 – Intangibles assets and Note 37 – Finalisation of purchase price allocation for acquisition of Da Vinci.

Pursuant to the acquisition of Da Vinci on 12 September 2019, Da Vinci has become a wholly-owned subsidiary of the Group. The net identifiable assets and goodwill disclosed in the Audited Financial Statements for the year ended 31 December 2019 were based on provisional figures which were finalised during the year. The finalisation of the acquisition accounting resulted in the recognition of intellectual properties (i.e. formulae) at their fair values of RM496 million as intangible assets.

The valuation of the intellectual properties at fair values on the date of acquisition is a key audit matter because:

- the measurement of the intangible assets is complex and hence, requires significant involvement of our valuation specialist and more experienced team members; and
- it involves significant judgement to determine the appropriateness of assumptions and data inputs.

We performed the following, among others, audit procedures:

- determined that the intellectual properties met the criteria of intangible asset recognition by comparing the Group's assessment with the requirements of MFRS 138, *Intangible assets*;
- challenged and evaluated the fair valuation model adopted by the Group by comparing the model with market practices and determined that the model met the requirements of MFRS 13, *Fair Value Measurement*;
- challenged the Group's assumptions and discount rate by comparing them with internal and external sources of information, and market practices; and
- determined the adequacy of the disclosures.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Directors' Report and Statement on Risk Management and Internal Control (but does not include the financial statements of the Group and of the Company and our auditors' report thereon), which we obtained prior to the date of this auditors' report, and the remaining parts of the Annual Report, which are expected to be made available to us after the auditors' report date.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PETRONAS CHEMICALS GROUP BERHAD
(COMPANY NO. 199801003704 (459830-K))
(INCORPORATED IN MALAYSIA)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information Other than the Financial Statements and Auditors' Report Thereon (continued)

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information identified above and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining parts of the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Company and take appropriate actions in accordance with approved standards on auditing in Malaysia and International Standards on Auditing.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit 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 audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PETRONAS CHEMICALS GROUP BERHAD
(COMPANY NO. 199801003704 (459830-K))
(INCORPORATED IN MALAYSIA)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 25 to the financial statements.

OTHER MATTER

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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

Thong Foo Vung
Approval Number 02867/08/2022 J
Chartered Accountant

Petaling Jaya, Selangor
Date: 23 February 2021

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