



PETRONAS

RESILIENCE. SUSTAINABLE GROWTH.

PETRONAS CHEMICALS GROUP BERHAD
INTEGRATED REPORT 2020

Dear Stakeholders,

We are glad to present to you our Integrated Report 2020. As a leading integrated chemicals producer in Malaysia, at PETRONAS Chemicals Group Berhad, we continue to demonstrate our ability to create value for you. During the reporting year, with our strong fundamentals; market presence in over 30 countries; vast industry experience; operational and commercial excellence; we remained resilient and committed to sustainable growth.

ABOUT THIS REPORT

INTEGRATED REPORTING APPROACH

As one of the largest companies on Bursa Malaysia Securities Berhad (Bursa Malaysia) by market capitalisation, our operations impact a network of diverse stakeholders. We strive to continuously deliver a coherent, transparent and credible assessment of our performance to these stakeholders. This is demonstrated in the PETRONAS Chemicals Group Berhad (PCG or the Group) Integrated Report 2020, in which we present our ability to utilise various capitals to create sustainable value to all stakeholders.

1 SCOPE AND BOUNDARY


This Integrated Report (IR) covers the reporting period of 1 January 2020 to 31 December 2020, unless otherwise stated. Information presented relates to the activities of the Group comprising our subsidiaries, joint operation, joint ventures and associates. Subsidiaries included are based on the Malaysian Financial Reporting Standards (MFRS) 10 Consolidated Financial Statements.

2 REPORTING FRAMEWORK

Our reporting process is guided by the International Integrated Reporting Framework (IIRF) of the International Integrated Reporting Council (IIRC) as well as the Main Market Listing Requirements (MMLR) of Bursa Malaysia, the Corporate Governance Guide (3rd Edition) issued by Bursa Malaysia, the Companies Act 2016 (CA 2016) and the Malaysian Code on Corporate Governance (MCCG 2017).

3 INDEPENDENT COMBINED ASSURANCE STATEMENT

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

 Read more on **pages 164-165** for the Non-financial Assurance Report

 Read more on **pages 146-149** for the Independent Auditors' Report

4 MATERIALITY

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

5 FORWARD-LOOKING STATEMENTS

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

6 BOARD RESPONSIBILITY STATEMENT







The Board of Directors (Board) acknowledges its responsibility in ensuring the integrity of this Integrated Report, which in the Board's opinion addresses all the issues that are material to the Group's ability to create value and fairly presents the integrated performance of PCG Group. This report has been prepared in accordance with the IIRC <IR> Framework. This report was approved by the Board on 23 February 2021.

Datuk Md Arif Mahmood
Chairman

Datuk Sazali Hamzah
Managing Director/
Chief Executive Officer

NAVIGATION ICONS

Our Capitals

-  Financial Capital
-  Manufactured Capital
-  Intellectual Capital
-  Human Capital
-  Social & Relationship Capital
-  Natural Capital

Material Matters

-  Innovation & Product Stewardship
-  Customer Relationship Management
-  GHG Emissions & Climate Adaptation
-  Talent Development
-  New Plastics Economy (NPE)
-  Workplace and Occupational Safety & Health (OSH)
-  Cost Management
-  Price Volatility
-  Human Rights & Fair Employment
-  Environmental Stewardship
-  Asset Reliability
-  Cybersecurity
-  Supply Chain Management
-  Market Volatility
-  Corporate Governance
-  Community Engagement

Our Strategic Thrusts

-  Operational Excellence
-  Commercial Excellence
-  Growth Delivery Excellence

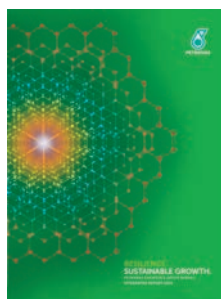


Further details of PETRONAS Chemicals Group Berhad can be found on www.petronaschemicals.com

OUR REPORTING SUITE

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

INTEGRATED REPORT (IR) 2020



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

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

Reporting Framework:

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

GOVERNANCE AND FINANCIAL REPORTS (GFR) 2020



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

Reporting Framework:

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

SUSTAINABILITY REPORT (SR) 2020



PCG's Sustainability Report provides a clear assessment of the Environmental, Social and Governance (ESG) impact. The report demonstrates our commitment to creating sustainable and responsible value that contributes to People, Planet and Profit.

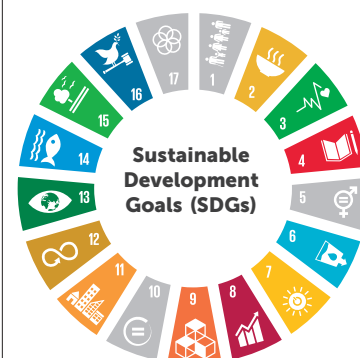
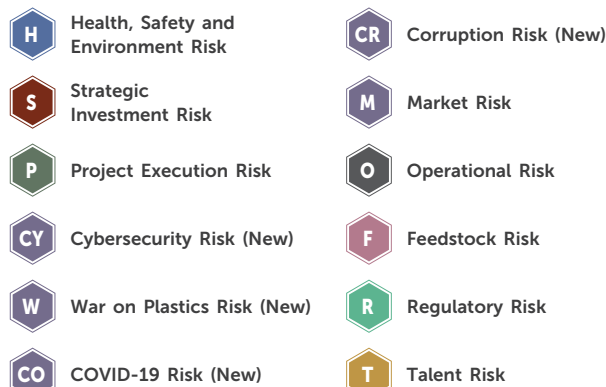
Reporting Framework:

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

Key Stakeholder Groups



Key Risks



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6

VISION

To be the preferred chemical
company providing innovative
customer solutions

LOYALTY

Loyal to corporation

INTEGRITY

Honest and upright

PROFESSIONALISM

Strive for excellence

COHESIVENESS

United, trust and respect for each other

SHARED VALUES

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

WHO WE ARE



PCG is the chemical arm of PETRONAS specialising in the manufacturing, marketing and selling of a diversified range of chemical products. Listed on 26 November 2010, we have a market capitalisation of RM59.4 billion as at 31 December 2020, positioning us among the top ten on Bursa Malaysia. We are also in the top quartile of the component stocks of FTSE4Good Bursa Malaysia Index.

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

The Group now has a total asset base of RM39.8 billion as at 31 December 2020 and a combined production capacity of 12.8 million tonnes per annum (million tpa) from 11 production sites in Malaysia, Netherlands, Canada, Singapore and Germany. Two of the sites in Malaysia are fully integrated chemicals complexes from feedstock to products.

Through Operational and Commercial Excellence, we manufacture, market and sell a diverse range of chemicals. At the same time, Growth Delivery Excellence enables the Group to move into segments with higher growth potentials to futureproof the business. Following our venture into specialty chemicals via the acquisition of Da Vinci Group (DVG) in 2019, we achieved Final Investment Decisions to build a silicone blending facility in Gebeng, Pahang and expand a DVG plant in the Netherlands. Additionally, we entered into a joint venture with PT AKR Corporindo Tbk to distribute chemicals across Indonesia. These partnerships further strengthen our growth agenda and propel our vision of becoming 'The Preferred Chemical Company Providing Innovative Customer Solutions'.

One of the
LARGEST
Integrated Chemicals Producer
in Southeast Asia*

LARGEST
MTBE, Butanol, BGE & EOA
Producer in Southeast Asia*

LARGEST
Methanol Producer in the
Asia Pacific & **4TH LARGEST**
in the World*

2ND LARGEST
Urea, Ammonia & Butyl Acetate
Producer in Southeast Asia*

3RD LARGEST
MEG, LDPE & Ethoxylates
Producer in Southeast Asia*

MORE THAN 4,700
Employees

* By capacity

2020 KEY HIGHLIGHTS

BUSINESS HIGHLIGHTS

World-Class Safety Performance (LTIF)*

0.14

2019: 0.08



Production Volume

10.7 million tpa

2019: 10.4 million tpa



Sales Volume

8.2 million tpa

2019: 8.4 million tpa



Growth

3 Final Investment Decisions

- Silicone blending facility in Gebeng, Pahang
- Expansion of a Da Vinci Group plant in the Netherlands
- Partnership for liquid chemical distribution in Indonesia



11 New Products
including

- PETRONAS Etilinas Alfatene PE3838MA
- PETRONAS Glyde™ CM302R
- PETRONAS Glyde™ CH201
- HC501
- BRB Fluid 1560
- BRB Siloen® MXP5



* Lost Time Injury Frequency

FINANCIAL HIGHLIGHTS

Revenue

RM14.4 billion

2019: RM16.4 billion



Profit After Tax

RM1.6 billion

2019: RM2.8 billion



EBITDA

RM3.5 billion

2019: RM4.4 billion



EBITDA Margin

24.5%

2019: RM27.2%



Total Dividend

RM1.0 billion

2019: RM1.4 billion



Total Assets

RM39.8 billion

2019: RM38.9 billion



SUSTAINABILITY HIGHLIGHTS

Corporate Social Responsibility Initiatives Reach

~70,000 people
2019: 20,000 people



KEY INITIATIVES

New Plastics Economy (NPE) Education Programme

An education programme supporting the NPE module 'Plastic, Sustainability & You' via a webinar series

1,300 teachers



Be Green

An environmental conservation and waste management conducted in collaboration with Malaysian Plastic Manufacturers Association, in line with NPE

Number of Reach

2,880
2019: 2,700



ecoCare

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

Number of Trees Planted

2,000
2019: 6,319



Number of Visitors

200
2019: 4,065

GHG Emissions Intensity

0.80 tonne CO₂e/tonne
2019: 0.83 tonne CO₂e/tonne



Energy Intensity

15.73 GJ/tonne
2019: 15.37 GJ/tonne



Freshwater Withdrawal Intensity

4.25 m³/tonne
2019: 4.37 m³/tonne



Waste Generation

27.0 kilotonne
2019: 25.5 kilotonne



Women Representation in Senior Management**

24%
2019: 25%



Number of Technical Professionals Developed

20
2019: 26



** Senior Manager and above

The environmental footprint intensity is calculated based on the overall production

AWARDS AND RECOGNITIONS

Royal Society for the Prevention of Accidents (RoSPA)

- RoSPA President's Award
- Silver Award

2019 ASEAN Corporate Governance Scorecard Awards by Minority Shareholders Watch Group (MSWG)

- Industry Excellence Award (Industrial Product & Services category)
- Excellence Award for Overall Corporate Governance & Performance (4th ranking)

Australasian Reporting Awards (ARA)

Gold Award

National Annual Corporate Reports Award (NACRA) 2020

Best Sustainability Reporting (Gold)

Prime Minister's Hibiscus Award 2019/2020

- Excellent Achievement Award in Environmental Performance
- Exceptional Achievement Award in Environmental Performance
- Notable Achievement Award in Environmental Performance
- Silver Award for Special Project

38th Malaysian Society for Occupational Safety & Health (MSOSH) OSH Award

- Grand Award
- Gold Merit Award

Institut Kimia Malaysia (IKM) Laboratory Excellence Award 2020

- Silver Award
- Excellent Award

IChemE Malaysia Awards 2020

- Highly commendable award for Sustainability category
-

Malaysia Productivity Corporation (MPC) – Annual Productivity & Innovation Conference and Exposition (APIC) 2020

- Industry 4.0 Award
- Overall Winner of Manufacturing Category
- Top 20 team in Manufacturing Sector
- Top 20 team in 5S Category
- 5 Star Award

MPC – Regional Innovation Showcase on Team Excellence (RISTEx)

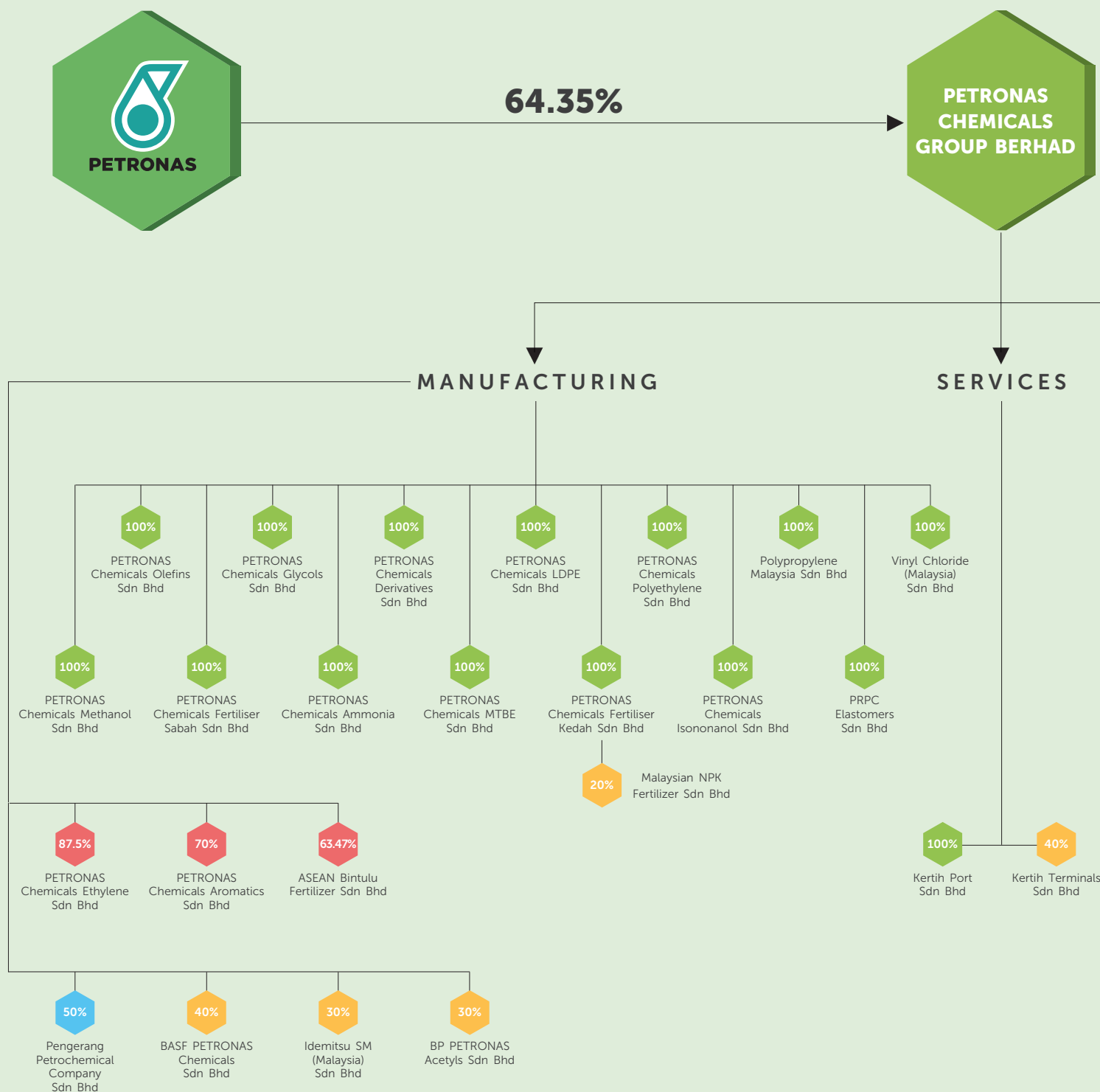
- Gold Award
- Industry 4.0 Award





Best Graduate Employer in Malaysia category Chemical Sector awarded by GRADUATES' CHOICE AWARD

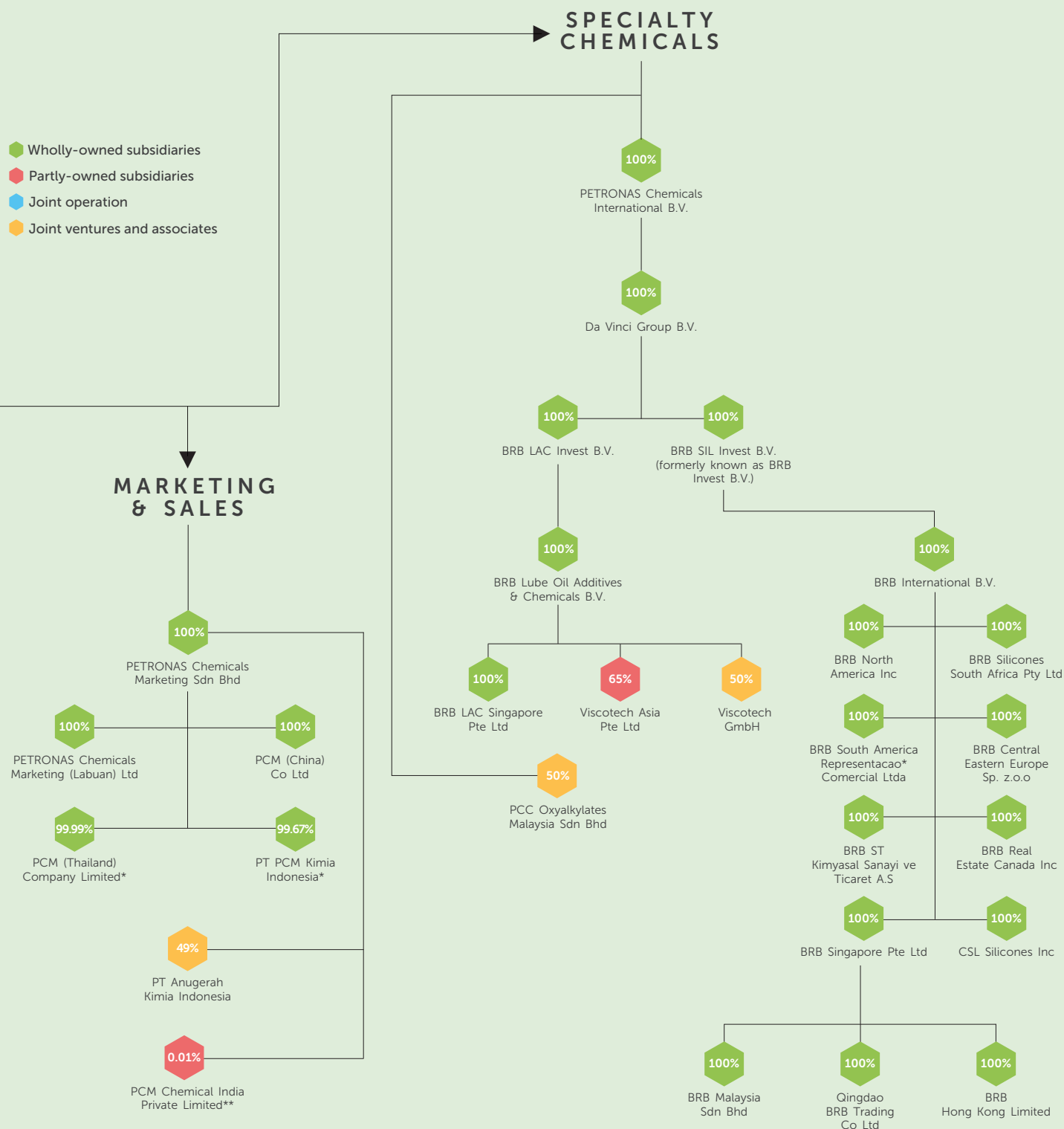


GROUP STRUCTURE

as at 1 March 2021



-  Wholly-owned subsidiaries
-  Partly-owned subsidiaries
-  Joint operation
-  Joint ventures and associates

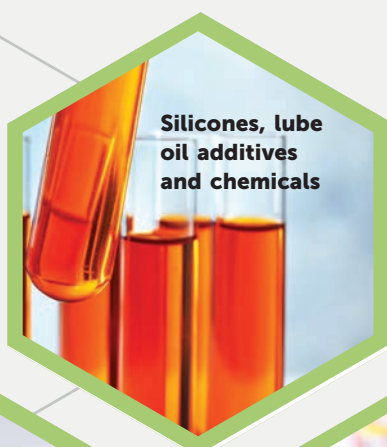


* Wholly-owned subsidiary as remaining shareholding is held through other subsidiaries within PCG

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

WHAT WE DO

P R O D U C T P O R T F O L I O



**Silicones, lube
oil additives
and chemicals**



Polymers



**Ammonia and
fertilisers**



**Products from
joint ventures
and associates**



Aromatics



**Methanol
and MTBE**



**Olefins, glycols
and derivatives**



Further details of our products can be found on
www.petronaschemicals.com

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

A P P L I C A T I O N S

Agriculture**Packaging****Oil and Gas****Textile****Personal care****Pharmaceutical****Construction****Automotive****Electrical & electronics**

OUR PRESENCE

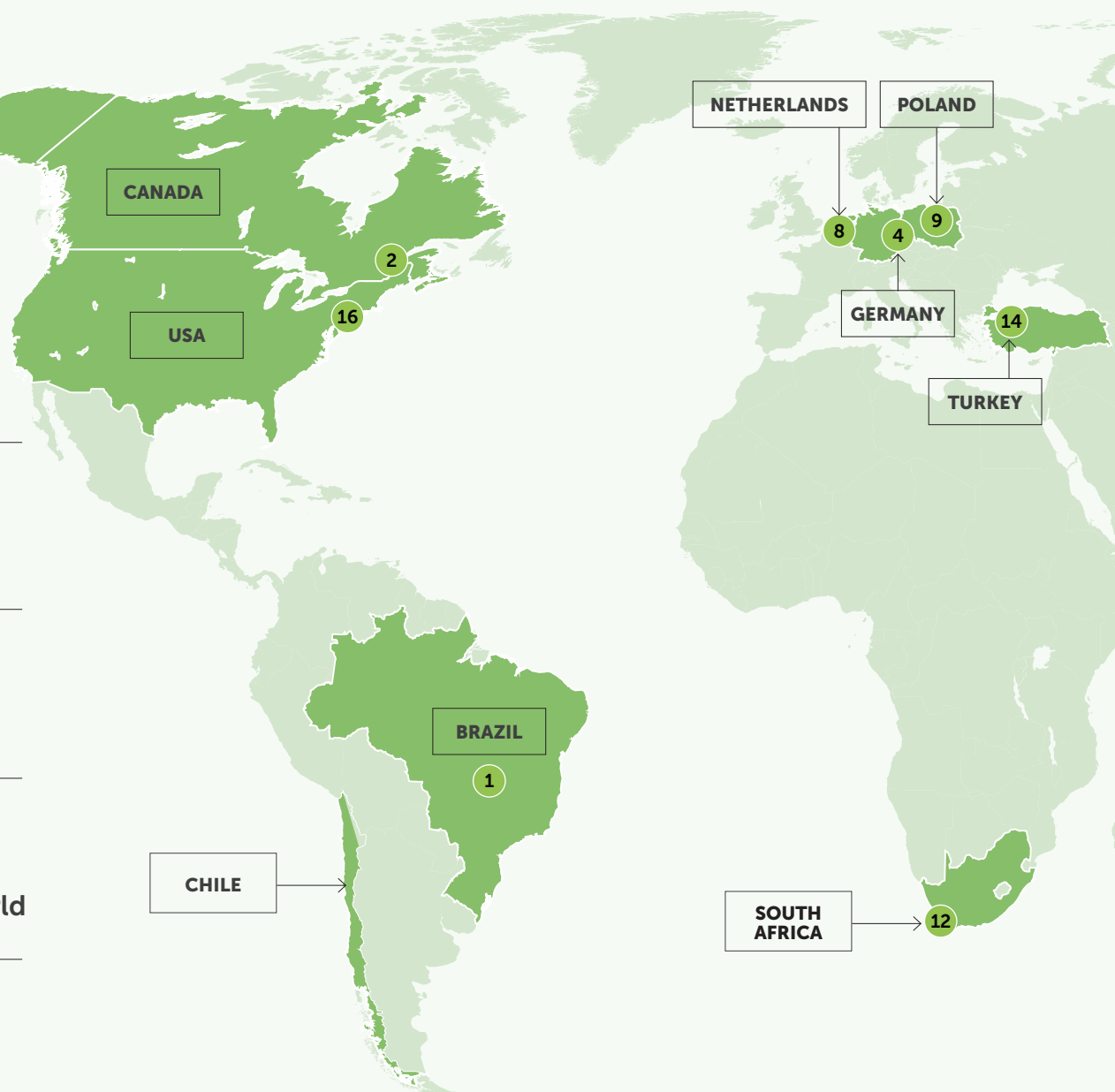
Sales By Markets







→ **29%**
Malaysia







→ **37%**
Southeast Asia

→ **22%**
Northeast Asia

→ **12%**
Rest of the World



- ① BRAZIL 
- ② CANADA 
- ③ CHINA 
- ④ GERMANY 
- ⑤ INDIA 
- ⑥ INDONESIA 

- ⑦ MALAYSIA 
- ⑧ NETHERLANDS 
- ⑨ POLAND 
- ⑩ PHILIPPINES 
- ⑪ SINGAPORE 
- ⑫ SOUTH AFRICA 

- ⑬ THAILAND 
- ⑭ TURKEY 
- ⑮ UAE 
- ⑯ USA 
- ⑰ VIETNAM 



Plant



Sales Office



Representative Office

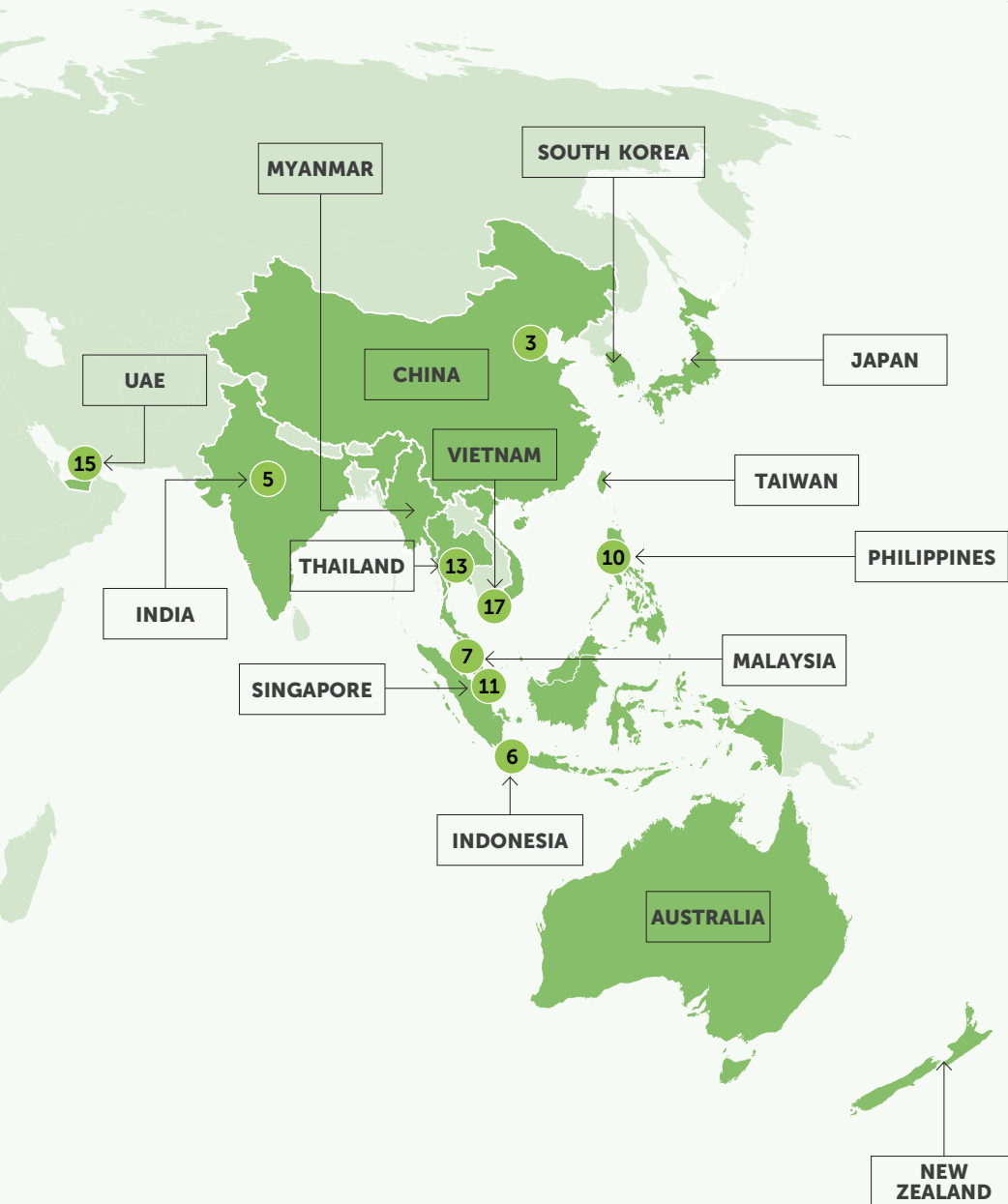


R&D Laboratory



Countries of Product Distribution

We have 11 production sites in Malaysia, the Netherlands, Canada, Singapore and Germany, as well as 4 Research and Development (R&D) laboratories in Malaysia and the Netherlands.



MALAYSIAN OPERATIONS

FEDERAL TERRITORY OF KUALA LUMPUR

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

TERENGGANU

Kertih Integrated Petrochemical Complex (KIPC)

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

PAHANG

Gebeng Integrated Petrochemical Complex

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

JOHOR

Pasir Gudang

- Styrene Monomer*

KEDAH

Gurun

- Ammonia
- Methanol
- Urea
- NPK Fertilisers*

FEDERAL TERRITORY OF LABUAN

- Methanol

SABAH

Sipitang

- Ammonia
- Urea

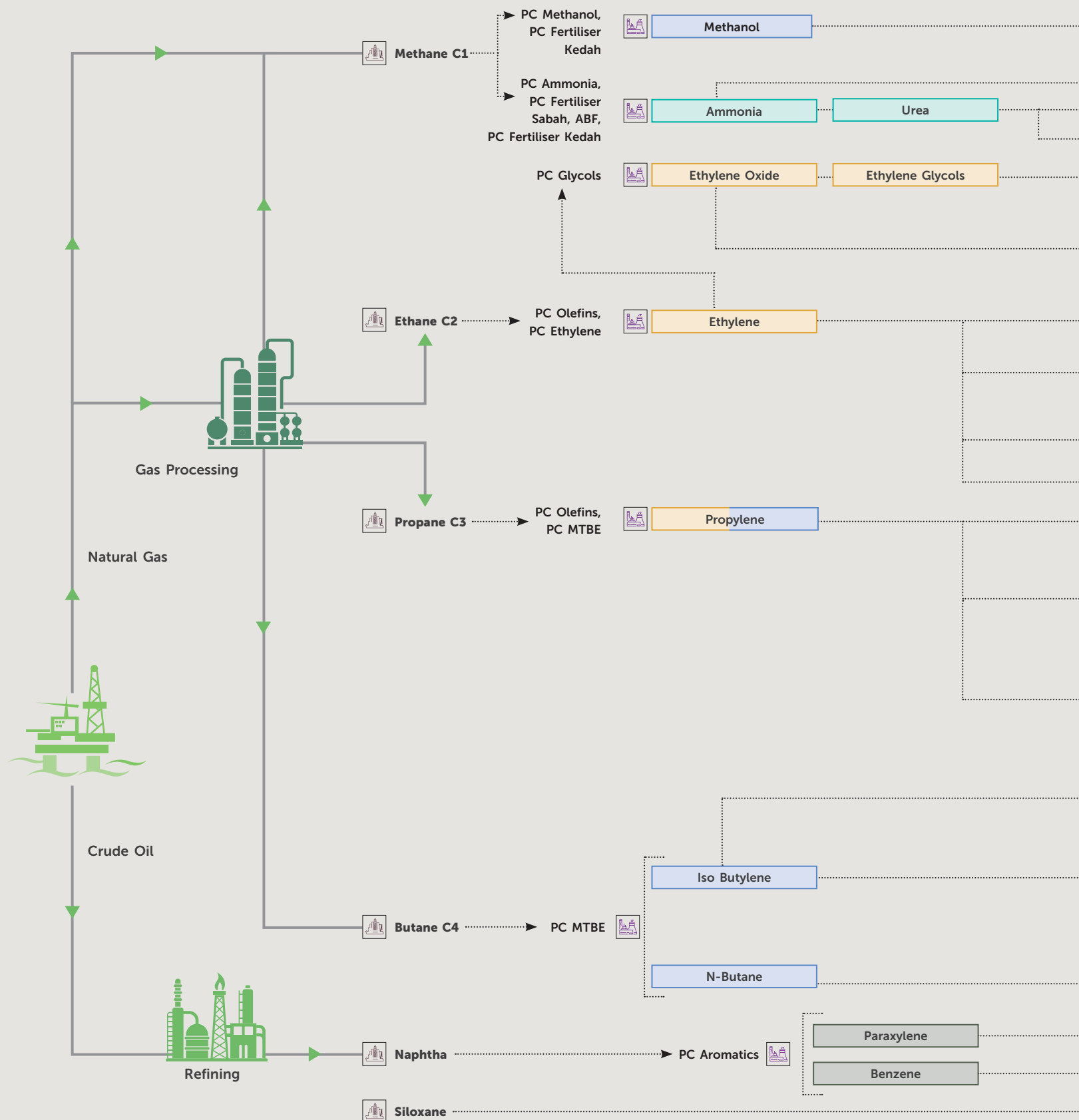
SARAWAK

Bintulu

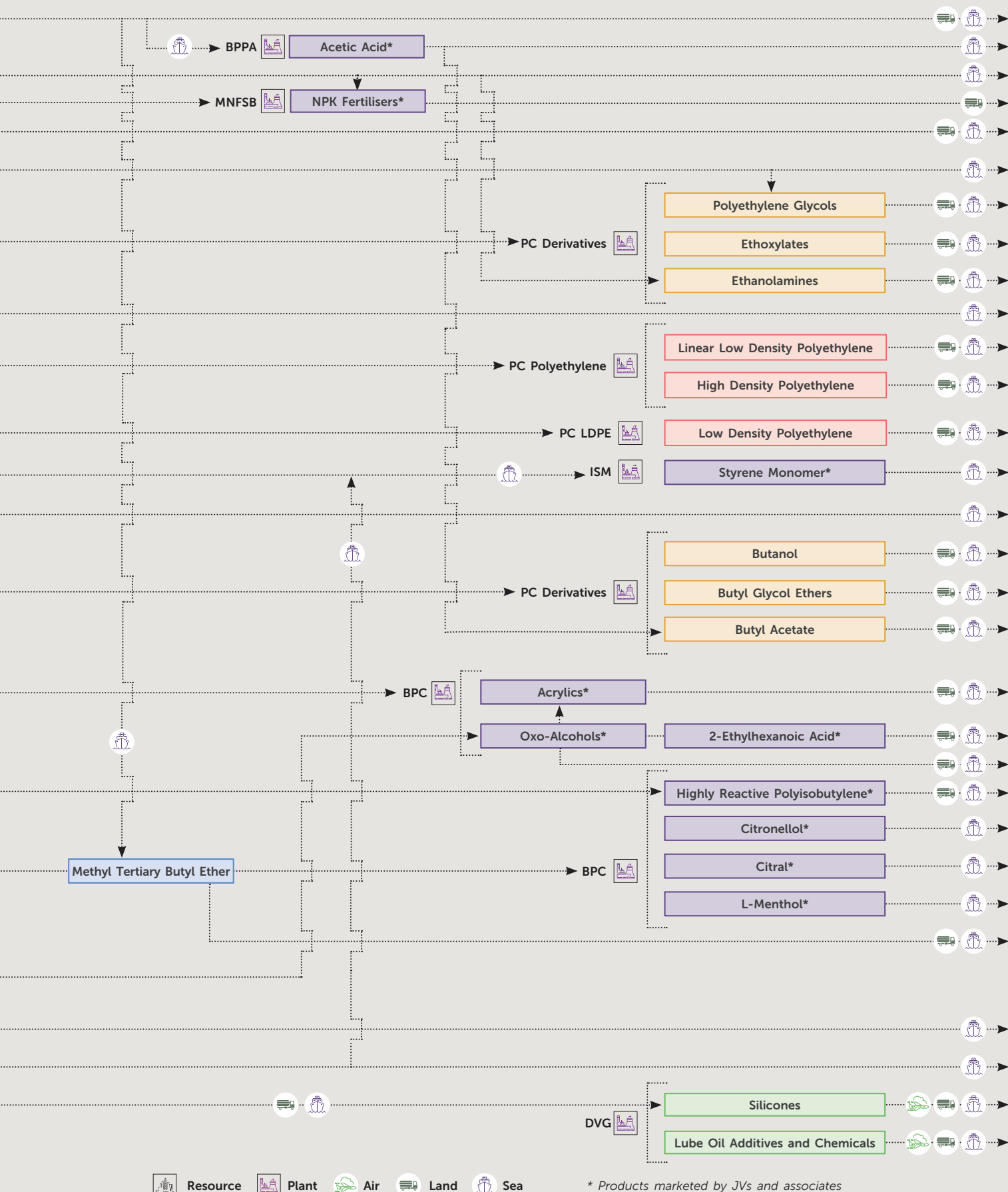
- Ammonia
- Urea

* Produced by joint ventures and associates

INTEGRATED PRODUCT VALUE CHAIN



▢ Olefins, Glycols and Derivatives
 ▢ Polymers
 ▢ Methanol and MTBE
 ▢ Ammonia and Fertilisers
▢ Aromatics
 ▢ Silicones, Lube Oil Additives and Chemicals
▢ Products from Joint Ventures (JVs) and Associates



Market

OVERVIEW OF PCG

KEY MESSAGES

VALUE CREATION

MANAGEMENT DISCUSSION & ANALYSIS

OUR LEADERSHIP

OTHER INFORMATION

OUR STRENGTHS



Our workforce remains resilient during challenging times

Our performance in recent years demonstrates our resilience as a leading regional chemical player. Our response to the COVID-19 pandemic is a testament to this resilience. Despite the challenges, we continue on a path of rapid growth to future-proof our business. In line with our Two-Pronged Strategy, we focus on developing our portfolio of derivatives and specialty chemicals to meet changing market needs. To ensure long-term growth, we seek to fast-track our sustainability agenda through innovative solutions that maximise social and environmental value. Furthermore, we create value for our shareholders and other stakeholders by consistently upholding the highest level of corporate governance.



INDEX REPRESENTATION

At PCG, we actively track our performance and progress to benchmark against local, regional and global market indices. We strive to improve transparency, empower investors with credible information to drive critical decisions, and demonstrate leadership to catalyse resilient growth.



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



- FBM Emas Shariah Index
- FBM KLCI



FTSE4Good

Bursa Malaysia FTSE4GOOD Index

STRATEGIC ALLIANCES

as at 1 March 2021

PARTNERS



Aramco



BASF SE



Mitsubishi Corporation



INEOS



ENEOS Corporation



Idemitsu Kosan Co.,Ltd.



Royal Vopak



DIALOG Group Berhad



PT AKR Corporindo Tbk



PCC SE



NAFAS



Ban Guan Chemical



SWD Lubricants

Over the years, we have formed strategic partnerships and joint ventures (JVs) to optimise our growth potential and expand our network of influence and value creation. Through these alliances, we leverage our mutual strengths, expertise and resources, towards diversifying risks, tapping new markets and achieving new levels of success.

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



Pengerang Petrochemical Company Sdn Bhd



BASF PETRONAS Chemicals Sdn Bhd



PETRONAS Chemicals Aromatics Sdn Bhd



BP PETRONAS Acetyls



BP PETRONAS Acetyls Sdn Bhd



Idemitsu SM (M) Sdn Bhd

Idemitsu SM (Malaysia) Sdn Bhd



PETRONAS Chemicals Ethylene Sdn Bhd



KERTIH TERMINALS

Kertih Terminals Sdn Bhd



PT Anugerah Kimia Indonesia



PCC Oxyalkylates Malaysia Sdn Bhd



Malaysian NPK Fertilizer Sdn Bhd



ASEAN Bintulu Fertiliser Sdn Bhd



PCM Chemical India Private Limited



Viscotech GmbH and Viscotech Asia Pte Ltd

KEY MILESTONES

Since our establishment in 1985, we have grown into the leading integrated chemicals producer in Malaysia and one of the largest regionally. Now, we are reinforcing our position as an industry leader by completing one of the world's biggest petrochemical complexes. Throughout our value creation story, we have made great strides and achievements in becoming The Preferred Chemical Company Providing Innovative Customer Solutions, as shown below.

1985

Commenced production of ammonia and urea in Bintulu, Sarawak

2000-2002

- Commenced production of acrylic acid at BASF PETRONAS Chemicals (BPC) in Gebeng, Pahang
- Commenced production of benzene, paraxylene, ammonia, vinyl chloride monomer, polyvinyl chloride, acetic acid, LDPE, olefins, glycols and derivatives at KIPC in Kertih, Terengganu
- Commenced production of PVC in Baria-Vung Tau, Vietnam

1992-1999

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

2004-2009

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

2010-2014

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



2017-2019

2015-2016

- Acquired 100% equity in Pengerang Petrochemicals Company Sdn Bhd (PPC) and PRPC Elastomers Sdn Bhd to undertake petrochemical projects as part of Pengerang Integrated Complex (PIC) in Pengerang, Johor
- Commenced production of 2-EHAcid at BPC in Gebeng, Pahang
- Sanctioned development and construction of HDPE project at PPC in Pengerang, Johor
- Incorporated an overseas marketing subsidiary, PT PCM Kimia Indonesia

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

2020

- Sanctioned the development and construction of a silicone blending facility in Gebeng, Pahang
- Sanctioned the expansion of DVG facility in the Netherlands
- Entered into a joint venture with PT AKR Corporindo Tbk to distribute chemical products across Indonesia







PROTECT YOUR PRODUCTS

A lightweight, durable and versatile packaging material, bubble wrap is a favourite of shippers everywhere. With e-commerce exploding in importance, bubble wrap has become even more essential in keeping fragile goods safe and secure during transit.

PETRONAS Etilinas Alfatene PE3838MA is a high-performance solution specially designed to produce high-stiffness bubble wrap that offers superior packaging protection features. Plus, bubble wrap is also a great stress reliever. Pop it to your heart's content!

KEY MESSAGES



our
CHAIRMAN
DATUK MD ARIF MAHMOOD



our
MD/CEO
DATUK SAZALI HAMZAH



our
CFO

MOHD AZLI ISHAK

“

The world has fundamentally changed, and we are ready to meet its demands. Together, we will forge ahead towards a sustainable tomorrow.”

DATUK MD ARIF MAHMOOD
Chairman

“

At PCG, as many industry players grappled with the disruption, we capitalised on our strengths. We have long-established strong fundamentals capable of weathering through any storm.”

DATUK SAZALI HAMZAH
Managing Director/Chief Executive Officer

“

Our strong balance sheet, healthy cash reserves, feedstock stability, commercial excellence and operational resilience made us one of the most formidable chemical players in the market.”

MOHD AZLI ISHAK
Chief Financial Officer

CHAIRMAN'S STATEMENT

DEAR STAKEHOLDERS,

To call 2020 a challenging year would be an understatement. The world grappled with an unprecedented health crisis, with social inequalities, economic insecurities and climate change issues coming to light. The difficulties faced this year is incomparable. But amidst the turmoil, we witnessed inherent resilience. Governments came together to protect its people; businesses swiftly transitioned into new working models; and the environment began to recover as human activities decreased. This gives hope to what we can achieve together.



DATUK MD ARIF MAHMOOD

Chairman

At PCG, we navigated the year doing just that – working together with employees, suppliers and the Government to safely deliver our essential commodities and services. As the challenges continued to escalate, we never lost sight of doing what's right for our stakeholders. This has always been our competitive advantage; and this is how we achieved growth within a difficult landscape. With that, we would like to assure stakeholders that we will continue to build on this resilience. The world has fundamentally changed, and we are ready to meet its demands. Together, we will forge ahead towards a sustainable tomorrow.

REFLECTING ON THE YEAR

Continuing with the chemical industry downcycle of the past two years, 2020 started as another year of low prices and suppressed market demand. But the year quickly escalated into an unprecedented crisis, significantly disrupting everything that we do. With over 1.8 million deaths globally in 2020, the impact of COVID-19 has been severe. Containment measures resulted in supply chain disruption and dampened global demand, causing a deep economic recession. Millions of businesses face an existential threat while billions of workers risk income loss.

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In response to the COVID-19 pandemic, we swiftly implemented a business continuity plan that minimised operational disruptions. Recovering from the oil price crisis of 2014/2015 had inadvertently prepared us for such shocks. Over the years, we prioritised strong stakeholder relationships, risk-based governance approach, and cost optimisation activities for the long-term survival of the business. So, amid the pandemic, our priority was to remain agile and effective in our response.

A key component of PCG's resiliency is our integrated business model. From manufacturing operations to our commercial business, our focus has been on strengthening our value creation capabilities. Our business model delivery hugely depends on our strong stakeholder relationships, particularly with authorities, suppliers and customers. This enables teamwork and a smooth transition towards the new normal. Also, the wide application of products in our portfolio helped defend our market position and identify emerging opportunities. Particularly relevant in 2020, the polymers we manufacture are used in critical products, such as Personal Protective Equipment gear. Through our strong regional footprint, we continued to deliver essential products to our frontliners.



PCG contributes polymer to produce face shield frames for frontliners

DELIVERING SUSTAINABLE VALUE

We have a long-held fundamental commitment to all our stakeholders, whereby we deliver value that extends beyond profits. The work we do is shaped by the needs of our shareholders, customers, employees, suppliers and communities, as well as the health of the physical environment. By considering a broader set of stakeholders in our decisions, we deliver sustainable value that does not short-change future generations. This protects the future success of our business, our communities, and the world at large.

As one of the largest integrated chemicals producer in Southeast Asia, we have a wide network of employees and suppliers that rely on us for their livelihoods. With the pandemic causing a drastic fall in employment worldwide, we focused on protecting our employees and suppliers' income. Despite the turmoil, we did not retrench our employees, and we retained 100% of vendor contracts across the market. Furthermore, we accelerated our efforts to engage with our employees and supply chain partners to help them navigate the health risks posed by the pandemic. We remained transparent in communicating the measures and impacts of the COVID-19 pandemic, thus keeping employees and suppliers continuously informed. They were also provided with a grievance channel to voice their concerns amid such challenging times.

CHAIRMAN'S STATEMENT



For shareholders, we do not limit our value creation by simply maximising the current share price. Instead, we strive to maximise shareholder value, today and into the future. Our forward-looking approach is supported by our dividend policy, which considers important factors such as Group earnings, capital requirements, general financial conditions, distributable reserves, shareholders' interests, and other relevant influences. For 2020, we are proud to declare a payout ratio of 59% of Group Profit After Tax and Non-Controlling Interests; ensuring a distribution that is beneficial to both shareholders and our cash position.

I would also like to take this opportunity to highlight how we created value for communities. With the unique challenges of the COVID-19 pandemic, we reshaped our community work. In addition to funding conventional Corporate Social Responsibility programmes, we directly used our products for the good of the community. We donated polypropylene to numerous institutions, which was used to produce more than 300,000 face shield frames for frontliners and others in need. We understand the severe difficulties faced by communities right now, and we are committed to playing our part. Our goal is simple: to alleviate the plight of those affected by the COVID-19 pandemic.

STRENGTHENING CORPORATE GOVERNANCE

During times of crisis, the role of the Board becomes more prominent. Strong leadership is crucial to effectively implement governance and risk models that can respond to the changing environment. 2020 acted as a stress test for our governance system, in which we prevailed. The Board deliberated and acknowledged the COVID-19 pandemic as a critical risk. We integrated the new risk into our risk mitigation plan, which is actively monitored at the Board level. As a result, we are well-equipped to manage the impacts of the COVID-19 pandemic on both our manufacturing and commercial activities.

The Board continues to build strategies for resilient growth and to capitalise on various opportunities from the changing business environment. This year, the Board held a series of strategic conversations around key topics, such as portfolio review, growth opportunities, emerging trends and business risks. The Board also deliberated on the implementation of adequate procedures to mitigate against the new Malaysian Anti-Corruption Commission's corporate liability provision, which came into effect in June 2020. The new law promotes integrity and good governance in organisations; emphasising on our accountabilities towards multiple stakeholders to business. Furthermore, the Board provided enhanced oversight on cybersecurity measures, which was particularly critical this year because of our accelerated digitalisation efforts during the COVID-19 pandemic.

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The Board also champions sustainability and responsible corporate action. We support the Group's commitment to the United Nations Sustainable Development Goals; notably in addressing global challenges related to poverty, inequality, climate change, health and well-being, environmental degradation and more. In tackling these issues, we are also aligned with PETRONAS' aspiration to achieve net-zero carbon emissions by 2050, progressively contributing to a sustainable future.

CLOSING REMARKS

While we see signs of recovery in 2021, the outlook remains uncertain. The economy will take time to fully bounce back, and until vaccines are widely distributed, the pandemic will continue to impact our lives. Nevertheless, I am confident in our ability to endure immediate adversities and ensure long-term business sustainability. As markets remain susceptible to repeated outbreaks, we are more resilient than ever. Our Operational and Commercial Excellence, as demonstrated in 2020, will continue to drive growth. We will strengthen our current commodities, further expand our specialty chemicals portfolio, and capitalise on added-value opportunities for our customers. The experiences of 2020 have prepared us for a better 2021.

Our strength lies in the trust of our stakeholders. So, on behalf of the Board, thank you all for the continued support. My deepest gratitude to our Managing Director/Chief Executive Officer, Datuk Sazali Hamzah, and the management team for their unwavering commitment to our Group's purpose. Also, to our employees, thank you for working tirelessly as we adapted to the new normal – you are the backbone of our success. Finally, my sincere appreciation to our shareholders, customers, suppliers and other stakeholders. We strive to always create value for you, despite the challenges ahead. With your support, we will continue to build our **Resilience for Sustainable Growth**.

DATUK MD ARIF MAHMOOD

Chairman

Awards & Recognitions for Governance

- 2019 ASEAN Corporate Governance Scorecard Awards by Minority Shareholders Watch Group (MSWG)
 - Industry Excellence Award (Industrial Product & Services category)
 - Excellence Award for Overall Corporate Governance & Performance (4th ranking)
- Australasian Reporting Awards (ARA) – Gold
- National Annual Reporting Awards (NACRA) 2020 – Best Sustainability Reporting (Gold)

MD/CEO's REVIEW



DATUK SAZALI HAMZAH

Managing Director/Chief Executive Officer

DEAR STAKEHOLDERS,

2020 was an exceptionally challenging year. We witnessed a life-threatening global pandemic disrupt our movements, demand-supply cycles, value chains, business opportunities and more. We had to quickly adapt and embrace change to achieve some semblance of the new normal, where businesses are able to optimise their potential and leverage on the market opportunities.

MD/CEO'S REVIEW



**Across the value chain,
our PCG communities demonstrated
resilience, recovery and most
importantly, growth.**



The new normal is all about the ability of leaders and businesses to embrace agile systems and processes, respond to emerging challenges effectively, create a safe and nurturing environment for people, integrate sustainability principles, and of course, deliver resilient and robust growth.

At PCG, as many industry players grappled with the disruption, we capitalised on our strengths. We have long-established strong fundamentals capable of weathering through any storm. With a formidable track record, cutting-edge technology, robust infrastructure, logistical advantages, portfolio composition, regional footprint, close network of stakeholders, and futureproof systems, we remained resilient. Amid the chaos, we saw an opportunity to continue distributing our essential products to support the COVID-19 pandemic mitigation and recovery efforts. We delivered on our commitments to our customers, employees, shareholders, suppliers, Government partners and society. Across the value chain, our PCG communities demonstrated resilience, recovery and, most importantly, growth.

THE OPERATING ENVIRONMENT

The year under review was shaped by the unprecedented COVID-19 pandemic. The world experienced disruptions to both supply and demand in an interconnected economy. Infection risks and social distancing impacted labour and productivity for the supply side, while job losses and the consequent economic downturn lowered consumption and investments. The situation was compounded by the collapse in crude oil prices, with the oil market facing its lowest demand in 25 years. ASEAN's economy was not spared from the knock-on effect of the crisis, although the degree of disruption and the ability to respond varied significantly within the region.

The crash in oil prices impacted the petrochemical industry, as petrochemical prices are strongly linked to the crude oil price. In the second quarter of 2020, sectorial demand dampened due to disruptions in manufacturing from COVID-19-related challenges. However, this settled once clear standard operating procedures and guidelines were put in place. Towards the end of 2020, in particular, there was a gradual rise in global demand for manufactured goods, which helped mitigate the decline from previous lockdowns.

MD/CEO's REVIEW



To that end, we achieved a Plant Utilisation (PU) of 94%, exceeding world-class PU rates of 90%. This enhanced operational efficiency contributed to a record-breaking production level of 10.7 million tonnes per annum (tpa).



The difficult operating landscape brought in entirely new challenges to PCG. We needed to maintain plant operations and production, which was particularly complicated during lockdowns, when non-essential businesses had to close. We rely on stakeholders, such as employees, suppliers and customers, to continuously operate. We mitigated the situation through close collaboration with suppliers, customers and relevant authorities, which enabled us to secure stable feedstock supply and maintain a high utilisation rate in our plants. Another challenge was to maintain sales volume amid lower demand. However, a good product portfolio mix, as well as a diverse market footprint, ensured consistent sales of our products. As a result of our relentless efforts, we reported steady profits since the first quarter of 2020, despite operating in an unprecedented environment.

OVERALL PERFORMANCE

Undeterred by the lockdowns and economic slowdown, our operations remained mostly uninterrupted. Through effective coordination and technology solutions, we managed to keep our plant running at the optimum level. To that end, we achieved a Plant Utilisation

(PU) of 94%, exceeding world-class PU rates of 90%. This enhanced operational efficiency contributed to a record-breaking production level of 10.7 million tonnes per annum (tpa). Moreover, our focus on culture, compliance and competency led to zero fatalities across our operations. We also recorded a Lost Time Injury Frequency of 0.14 per million man-hours, which is well below the industry benchmark of 0.26.

Given the challenging circumstances, we achieved a commendable financial performance. Our revenue remained strong at RM14.4 billion, even though it was 12% lower than the previous year, due to lower product prices. The Group's EBITDA and PAT of RM3.5 billion and RM1.6 billion, respectively, reduced by 21% and 43%, due to compressed margin. Our strong financial performance was supported by high plant utilisation rates, which lowered our unit cost amid other ongoing cost optimisation efforts. We also ensured the continuation of sales and timely delivery of products to navigate the impact of the COVID-19 pandemic. Throughout the year, we remained flexible and responsive to the constantly changing business environment while ensuring strict financial discipline.

Revenue

RM14.4 billion
2019: **RM16.4 billion**

PAT

RM1.6 billion
2019: **RM2.8 billion**

EBITDA

RM3.5 billion
2019: **RM4.4 billion**

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STRATEGIC PROGRESS & ACHIEVEMENTS

We continue our journey with PCG's Two-Pronged Strategy, which propels the Group towards achieving our vision of becoming 'The Preferred Chemical Company Providing Innovative Customer Solutions'. Aligned with PETRONAS Group's overall strategy, our flexible yet robust strategy has been key to our resilience and achievements in 2020. We have made notable progress in executing our Two-Pronged Strategy, which is summarised below in terms of the three strategic thrusts of excellence. For more information on our strategy, see page 89.

PCG's Two-Pronged Strategy

First-prong

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

Second-prong

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

Operational Excellence

We continued to push the boundaries of Operational Excellence. Although the pandemic threatened disruption to our manufacturing plants, our resiliency carried us through. The primary focus was to manage our human capital, particularly in regards to health and safety. The management team quickly enforced a new working model that enabled us to operate safely. Leveraging PETRONAS' digital infrastructure, we swiftly set up online platforms for employee interactions. We also accelerated our digital strategy to enhance plant reliability and efficiency. Through the use of digital solutions, such as PETRONAS Integrated Vision for Operational Excellence Transformation and Asset Performance Management, we optimised workforce and operational productivity. This includes utilising specific advanced analytical and artificial intelligence on critical equipment predictive maintenance, drones for plant inspections, maintenance, and safety surveillance. The enhanced efficiency and productivity associated with our digitalisation strategy contributed to substantial cost savings and improved reliability.

An integral component of PCG's Operational Excellence in 2020 was our strong stakeholder relationships. With containment measures disrupting operations, we relied on our social & relationship capital. We closely liaised with relevant authorities to comply with health and safety regulations to deliver essential products and services. Also, disruption in gas supply due to a landslide in Sabah impacted production in two of our plants for a month, which reinforced the need for strong collaborations with suppliers. Throughout 2020, we worked closely with our suppliers to ensure continuous feedstock supply and coordinated plant shutdowns. Through our agility and expertise, we achieved a record-breaking 10.7 million tpa in plant production.

MD/CEO's REVIEW



“ Our ability to diversify the market, leverage digital solutions, and engage with local and international stakeholders contributed to positive performance. ”

Commercial Excellence

The main focus of 2020 was to take care of our customers as well as our business. With the softening of prices, the commercial team applied prudent cost management and strict financial discipline across the Group. We optimised costs by incorporating various digital solutions into our commercial processes. Digitalisation also improved our customer-centricity. It allowed us to expedite product delivery through a seamless customer experience, kept at a safe distance. We also offered existing customers flexibility in their contracts to maximise term volume lifting and help those affected by the COVID-19 pandemic.

The main challenge faced by Commercial Excellence was to maintain sales volume amid a disrupted marketplace. When our core markets in Southeast Asia grappled with the pandemic in the second quarter of 2020, we quickly diverted our product volume to the Far East and China, which had bounced back from the crisis. Doing so enabled us to sustain plant production volumes and manage inventory. We also collaborated with key customers, local authorities and service providers to ensure supply chain continuity. Additionally, we expanded our portfolio with innovative product solutions that meet

a diverse range of customer needs. We developed value-added products following extensive market research and customer engagements. For example, our research and development team commercialised the PETRONAS Etilinas Alfatene PE3838MA, a high-performance solution designed to enhance bubble wrap stiffness for superior packaging protection. Through this solution, customers in the e-commerce space can better protect their products during delivery.

Although we had limited physical interactions with customers, we received 98% satisfaction level on our virtual international engagement survey. Additionally, we recorded fewer customer complaints compared to 2019, which further demonstrates our ability to meet customer expectations regardless of circumstance. Our ability to diversify the market, leverage digital solutions, and engage with local and international stakeholders contributed to positive performance. As a testament to our Commercial Excellence, we were able to recoup our volume plan and successfully achieved 97% in Order Fulfilment Reliability.

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Growth Delivery Excellence

With a healthy cash balance, we had the advantage of focusing on growth opportunities in 2020. Amid the challenges, there were investments and partnerships prospects available at competitive prices. Still, in light of emerging financial risks, we took the precaution of prioritising funds and exercising prudence in capital expenditure management. We capitalised on the unique circumstances of 2020 to stress test our economic model; drawing on more scenarios that will help manage and optimise costs.

The Group identifies opportunities through an assessment of global megatrends, market demands and prioritised end-markets. Our investments need to be market-based and economically attractive before we proceed. In 2020, we achieved Final Investment Decisions on three projects, namely establishing a silicone blending facility in Gebeng, Pahang; expanding a Da Vinci Group plant in the Netherlands; and entering a partnership for liquid chemical distribution in Indonesia. In regard to our sustainability commitments, we are actively pursuing a bio-agenda for future growth. We are investing in the world's first direct conversion technology, from biomass to a renewable product. This innovative technology uses agricultural by-product to produce a differentiated value-added product, Bio-MEG, enabling us to achieve our sustainability goals while at the same time strengthening our effort in stepping out and diversifying our portfolio into specialty chemicals. Through this innovation, we aspire to create sustainable solutions by closely working with our customers and tapping into attractive end-markets such as packaging, textile, automotive and electronics.

“

In regard to our sustainability commitments, we are actively looking at bio-agenda for future growth. We are investing in the world's first direct conversion technology, from agriculture biomass to renewable products.

”

We also conducted a rationalisation exercise to realign our product portfolio to focus on long-term growth. We assessed our investments according to its near-term returns and its viability in the long run. Following this, we discontinued our butanediol and derivatives plant in Kuantan, Pahang; one of the complexes in our joint venture company, BASF PETRONAS Chemicals Sdn Bhd. This decision resulted from significant overcapacities in the region. We are confident that the plant's discontinuation will have long-term strategic benefits for all parties involved.

Our growth ambition extends further downstream, as we venture into derivatives and specialty chemicals to cement our position as a regional chemical leader. This was the drive behind our Pengerang Integrated Complex (PIC), which is expected to start-up in the second half of 2021 subject to the satisfactory completion of the remaining project work. PIC will be a liquid-based production, taking feedstock from the naphtha cracker. This alternative reduces our reliance on gas feedstock. It provides molecules that are currently unavailable to our operations, such as butadiene, as well as molecules that strengthen our move into the specialty chemicals space. With PIC, we expect to increase our effective production capacity up to 14.6 million tpa.

MD/CEO's REVIEW



THE SUSTAINABILITY AGENDA

The onset of the COVID-19 pandemic has heightened the need to focus on long-term sustainability over short-term profits. It has proven the importance of environmental, social and governance factors in business performance. At PCG, we see sustainability as a licence to operate. Beyond corporate responsibility, sustainability makes business sense. It has contributed to our success for the past 35 years. Our sustainability strategy is shaped by our material matters, prioritising sustainable value for both stakeholders and business growth. We also align with the United Nation's Sustainable Development Goals (SDGs). While we support all 17 SDGs, we prioritise the 13 goals that we directly affect; maximising positive impact on global challenges. Our sustainability focus is inspired by the triple bottom line of sustainability: **People, Planet and Profit (3Ps)**.

'People' deals with our social responsibility. We always consider the best interest of people, including society at large, with every business decision. In close collaboration with Yayasan PETRONAS, we widen our reach to empower people across three areas – Environmental Awareness, Community Well-Being, and Education. We channelled funds and employee hours into community outreach programmes during the year, including the COVID-19 Relief Programme (CRP). Under CRP, we assisted

communities affected by the pandemic and utilised our polymer resin to produce face shield frames for the COVID-19 pandemic frontliners. Overall, we helped over 70,000 community members within the areas we operate, which brings us closer to our target of reaching more than 100,000 people by 2024.

'Planet' covers our environmental stewardship, particularly concerning resource efficiency. This goes hand-in-hand with our operational management. We are committed to supporting PETRONAS' new goal of achieving net-zero carbon emissions by 2050. It will not be an easy feat, but it is a crucial one. So, we strive to continuously reduce our footprint and play our part in combating climate change. This year, we made great strides in executing our Energy and Loss Management System initiatives, contributing 50% to our identified emissions reduction project. We are now on track to reduce 100,000 tonne of carbon emissions by 2024. Additionally, we significantly increased our waste recycling rate to 85%, the highest since our first reporting in 2014.

'Profit' refers to our business sustenance, which is driven by our Operational, Commercial, and Growth Delivery Excellence. Our emphasis is to maximise profitability in the long-term, which allows us to share the wealth generated with current and future stakeholders. Also, our assets act as an economic catalyst in our operating locations. For example, our world-class urea and ammonia plant in Sipitang, Sabah, created a spin-off effect for the local economy, with 78% of the plant's workforce and a substantial number of suppliers sourced from local communities. In 2020, we focused on generating responsible profits by addressing the most material stakeholder issues. For instance, we conducted product stewardship seminars to enable customers to maximise the value derived from our products, as well as ensure the products are used safely with minimal environmental impact.

NEW PLASTICS ECONOMY (NPE)

The versatility and low cost of plastics have contributed to significant socio-economic progress. It continues to play a vital role in so many industries. However, while plastic delivers many advantages, the current plastic life cycle is unsustainable. Aligned with our sustainability objective of providing innovative solutions that support business sustenance ('Profit'), we are committed to shifting the industry towards a circular economy approach, known as the NPE. Through this approach, plastics will never become waste. Instead, it will continue serving as a valuable resource, post-consumer usage, thereby avoiding the undesirable outcome of plastic waste for a cleaner environment. For PCG, we see NPE as the new future of plastics.

MD/CEO's REVIEW

Our NPE strategy is anchored by three key initiatives: ReDESIGN, ReGENERATE and ReNEWABLE. Through ReDESIGN, we aim to improve our polymer products' design to enhance recyclability and minimise waste. Next, with ReGENERATE, we optimise the value of plastic by regenerating waste into valuable products. Together with Plastic Energy Ltd, we are exploring a collaboration to build a chemical recycling plant with the capacity to process 25,000 tpa of plastic waste to naphtha, the first of its kind in Southeast Asia. Lastly, under ReNEWABLE, we are venturing into innovative solutions that produce plastics utilising renewable material as feedstock.

HUMAN CAPITAL DEVELOPMENT

Our employees are our most valuable assets. We rely on their skills, knowledge and dedication to drive our business objectives. In the chemical industry, we require a range of competencies to grow the business. Our workforce consists of entrepreneurial, techno-commercial, and solution-driven talents; working within an agile and customer-focused environment. There is inherent strength in diverse and inclusive work culture, as the different perspectives contribute to creativity and innovation. We prioritise diversity across all work levels, with 24% of senior management positions held by women.

As a people-centric organisation, we place utmost priority on occupational health and safety (OSH). We strive to address the prevention of work-related injuries and fatalities proactively. The unfortunate explosion at PIC's refining facility in March 2020 was a stark reminder of the importance of OSH. Following the incident, we conducted comprehensive reviews and assessments of the complex to ensure a safe and smooth start-up. Although this delayed the start-up, we did not compromise on safety and quality. As we move into the full-scale commercialisation of our PIC plant, we are working closely with PETRONAS and relevant authorities to ensure that such tragedies do not happen again.

Our strong track record in health, safety and environmental (HSE) excellence was put to the test with the COVID-19 pandemic outbreak. We quickly implemented new safety guidelines, including Work-from-Home guidelines for non-essential staff and Split-Working-Teams for essential employees.

We accelerated a company-wide digital transformation to enable remote working capabilities. To maintain employee morale and productivity during lockdowns, the management team conducted regular employee engagement events, such as virtual town halls and video conferencing sessions. Additionally, we held a series of mental health awareness programme and extensively promoted Employee Assistance Programme namely FRIENDS and NALURI to help employees deal with the stress of the drastic change.

With the rapidly evolving landscape, we focus on building future-ready talent capable of meeting the demands of tomorrow. Therefore, despite the adverse market conditions, we did not compromise on our human capital. We invested RM17.6 million in developing the competencies of our talent, with an average of 3.3 training man-days for each employee. We put more focus on self-directed virtual learning like Harvard Manage Mentor and other e-learning modules on HSE, cybersecurity, work-related processes, among others. Part of this includes our new Leadership Development Framework (LDF), which we rolled out in August 2020. The framework's objective is to develop future leaders during the early stages of an employee's career. Through LDF, we equip Potential Leaders (PL) with the necessary skills to thrive in the long-term. The PLs are given exposure in either operational, commercial and strategy training designed to develop their competencies and business savviness within the industry.

OUTLOOK

The year closed with positive news of a COVID-19 pandemic vaccine, along with indications of an economic recovery on the way. Nevertheless, the situation remains fragile. There are still many uncertainties, and until vaccines are widely distributed, we are susceptible to repeated outbreaks. For instance, Malaysia reinstated the Movement Control Order in January 2021 due to a new wave of infections. We are not out of the woods yet. However, I am cautiously optimistic as we have a better understanding of the situation. The Government, businesses and individuals can apply what we have collectively experienced in 2020 to improve 2021 outcomes.

For the chemicals industry, market prices have recovered, although its stability remains uncertain. Regardless of the situation, we will continue to practise prudent cost management. We also anticipate a rise in sustainable consumerism. Customers are increasingly prioritising sustainable products, so companies with a strong sustainability orientation will thrive. The sustainability movement brings new opportunities for us to tweak our product offerings for customers, as well as explore new investments in the circular economy. In the pipeline of our sustainability agenda, we will establish a plan to achieve net-zero carbon emissions by 2050; invest in more NPE projects; and strive to get listed in the Dow Jones Sustainability Indices.

In closing, we will approach the new year with the same vigour, determination and strategic direction as we had in 2020. We will navigate a post-pandemic world with more resilient fundamentals, thus creating sustainable growth and value. With that, I would like to express my profound gratitude to all our stakeholders for their relentless support amid such exceptional times. As we move into the new year together, we will remain **Resilient** and committed to **Sustainable Growth**.

DATUK SAZALI HAMZAH

Managing Director/Chief Executive Officer

CFO'S REVIEW

DEAR STAKEHOLDERS,

This is my first report as the Chief Financial Officer, and it gives me pleasure to present the 2020 financial performance of PCG. Firstly, I want to convey my appreciation to the Board and management for the opportunity to assume this position. As I embark on this role during a particularly challenging period given the unprecedented impacts of the COVID-19 pandemic, I am grateful to my predecessor, Rashidah Alias, for leaving behind a competent and experienced team for me to continue the journey.



MOHD AZLI ISHAK
Chief Financial Officer

CFO'S REVIEW

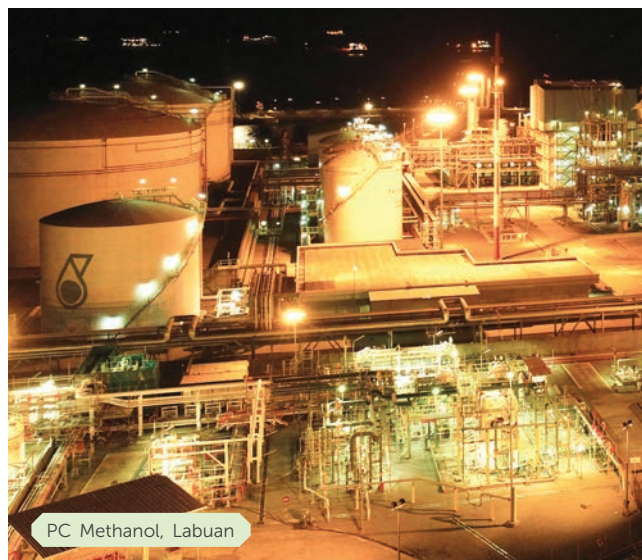
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Amidst the global turmoil, we delivered on our growth objective and achieved solid performance; this is a true testament to our resilience.”

Together, we endured the extraordinary challenges posed by the pandemic that tested our fundamentals, yet we persevered. Our strong balance sheet, healthy cash reserves, feedstock stability, commercial excellence and operational resilience made us one of the most formidable chemical players in the market. The experience we gained in dealing with previous challenges and industry downcycles had strengthened our financial discipline over the years, making us better-equipped and more responsive to weather this storm. Amidst the global turmoil, we delivered on our growth objective and achieved solid performance; this is a true testament to our resilience.

SOLID PERFORMANCE

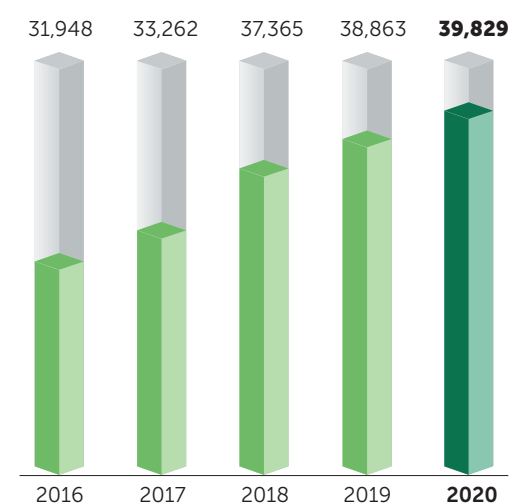
The dramatic spread of the COVID-19 pandemic destabilised the petrochemical industry where demand for petrochemical products was lower in the first half of the year. The significant reduction in oil prices compounded the impact, as it inadvertently dropped petrochemical prices as well. Although the landscape gradually improved towards the end of the year, the unprecedented challenges had impacted our revenue growth in 2020. The reduction in prices was, however, cushioned by a high Plant Utilisation rate of 94%, which was achieved via Operational Excellence, despite the challenging operating environment.



PC Methanol, Labuan

TOTAL ASSETS

RM million



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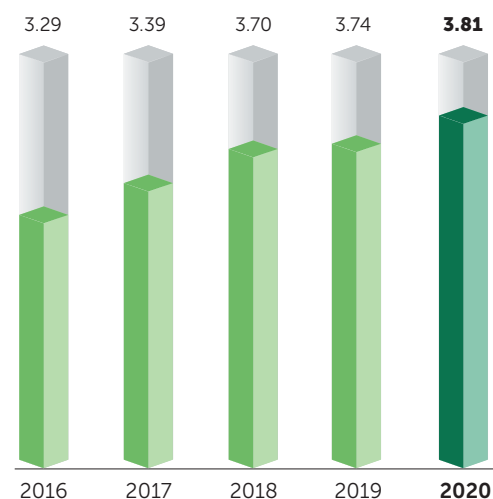
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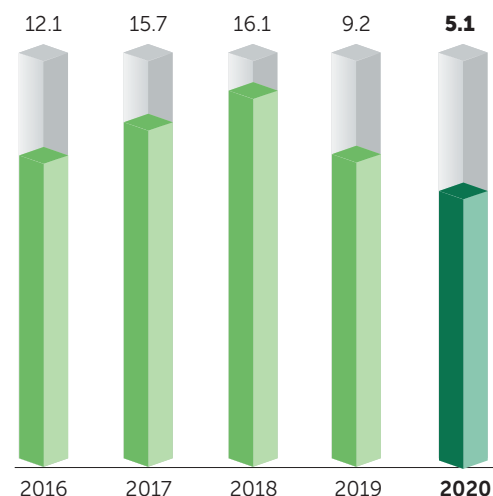
NET ASSETS PER SHARE

RM



RETURN ON EQUITY (ROE)

%



Against this backdrop, we recorded a strong revenue of RM14.4 billion, though it is 12% lower than RM16.4 billion in 2019. The revenue decline was mainly due to lower crude oil prices as well as softening demand amidst the COVID-19 pandemic. Our Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) reduced from RM4.4 billion to RM3.5 billion as a consequence of compressed margins, with an EBITDA margin of 24.5%.

Our Profit Before Tax (PBT) and Profit After Tax (PAT) fell by 41% and 43% respectively, which is in line with the lower EBITDA and the net share of loss from joint ventures and associates. The net share of loss arose from a portfolio rationalisation exercise at a butanediol (BDO) and derivatives plant at BASF PETRONAS Chemicals Sdn Bhd (BPC) in Kuantan, Pahang. Following the BDO plant's discontinuation, we expect stronger financial performance from BPC in the years to come.

ROBUST BALANCE SHEET

Our financial position remained robust, with total assets increased by RM1.0 billion to RM39.8 billion. The rise in assets was primarily due to increased capital investments, mainly at Pengerang Petrochemical Company Sdn Bhd and PETRONAS Chemicals Isononanol Sdn Bhd. Over the past five years, our total assets increased at a compounded annual growth rate (CAGR) of 5.3%. As at 31 December 2020, our cash balance stood at RM12.7 billion, which is higher than 2019's cash balance of RM12.0 billion.

The robust balance sheet allows us to weather this unprecedented downturn in the chemicals cycle, providing us with a strong foundation for growth. We are financially strong and well-positioned to pursue our second-prong strategy of diversifying into derivatives and specialty chemicals with healthy cash reserves, steady cash flow generation and ample credit headroom.

2020 KEY PRIORITIES

Post-Merger Integration of Da Vinci Group (DVG), Netherlands

We have completed an effective post-merger integration of DVG, enabling DVG's smooth and seamless transition into PCG Group. The process led to the realisation of additional EBITDA contribution by DVG to the Group.

Rigorous Cost Discipline and Optimisation

Cost discipline and optimisation are vital to our Operational and Commercial Excellence initiatives. During this challenging and unprecedented environment, we intensified our cost discipline effort through several cost optimisation initiatives. We optimised energy efficiency at our plants through the continued implementation of our Energy and Loss Management System.

Commercially, we focused on getting the best netback and best price advantage. We continued to reduce our cost to serve via innovative initiatives, such as introducing UV Additive Cost Optimisation for LLDPE RotoMolding, which optimises product costs. We also launched Flexitank, a new packaging alternative to ISO tank delivery that improves order lead time and reduces cost-to-serve.

Robust Management of Working Capital and Liquidity

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

Efficient inventory management was achieved through planning and proactive monitoring to ensure the timely monetisation of products, balanced with the availability of products to meet customers' requirements. Supported by the Bottom-Up Stock Target (BUST) measure, we were able to operate our plants with an optimal stock level, and simultaneously ensure supply continuity to our customers.

CFO'S REVIEW

FY2019

FY2020

OPERATING RESULTS

Revenue (RM million)	16,370	14,362
Profit After Tax (PAT) (RM million)	2,795	1,586
Dividends Per Share (sen)	18	12
Earnings Per Share (EPS) (sen)	35	20

We have a prudent credit risk policy to manage trade receivables by continuously assessing potential and existing counterparties as well as customers' creditworthiness. Customers were subjected to credit assessments prior to granting credit limits. Additionally, any overdue receivables were diligently tracked and monitored by our Credit Risk Management Committee (CRMC), ensuring the implementation of appropriate mitigation measures for potential credit risks.

Furthermore, we have detailed scrutiny of our payables' deadline and efficient payment process that ensured timely payments within the agreed terms, thus safeguarding our creditors.

Liquidity management also remained a key focus area, in which we prepared daily cash flow forecasts to maintain sufficient cash for day-to-day operations. Robust working capital management ensured readily available cash to fund our business operation requirements.

Heightened Risk Management and Governance

The Group faced dynamic and complex business environments in 2020 that posed significant risks to our operating costs, profitability and stakeholder returns. We regularly seek advice and guidance from the Board Risk Committee (BRC) to effectively navigate these risks to ensure achievement of business objectives with an appropriate level of risks.

BRC comprises mainly independent directors to oversee our risk management. They assist our Board in assessing the risks of high-impact business matters including proposals for acquisitions, divestments and joint ventures, cross-jurisdiction commercial transactions, key capital projects and new business ventures.



Efficient inventory management was achieved through planning and proactive monitoring to ensure the timely monetisation of products, balanced with the availability of products to meet customers' requirements.



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CFO'S REVIEW

**COVID-19 IMPACT & RESPONSE****Scenario Planning for the Uncertainties of the Market Environment**

When the COVID-19 pandemic hit, Government containment measures and lockdowns had impacted our key customer markets. In response, the management team applied scenario planning, utilising the enterprise optimisation model for financial forecasts, thus enabling swift decision-making to maximise value creation during this challenging period.

Intensifying Costs Efficiency and Discipline

The drop in crude oil prices and softer market demand resulted in lower petrochemical product prices, which subsequently compressed our margins. Therefore, we intensified our cost efficiency and discipline. The team further identified areas for cost optimisation and prioritisation. These costs were tracked on a regular basis as we continuously sought opportunities in cost optimisation. Our prudent financial discipline resulted in lower costs per metric tonne for the year.

Effective Monitoring of Trade Accounts Receivables

The Movement Control Order presented a risk of non-timely receipt of payments from our customers. To mitigate this, we engaged with our customers to understand their challenges in meeting payments, as well as closely monitoring our trade account receivables. As a result, we received timely payments from customers throughout the year.

CFO'S REVIEW



Through our efforts, we received two awards from the ASEAN Governance Awards by the Minority Shareholders Watch Group – Excellence in Overall Corporate Governance (4th ranking); and Industry Excellence Award (Industrial Product and Services category).



DIVIDEND PAYOUT

We maintained our commitment to a dividend payout ratio of around 50% of Group Profit After Tax and Non-Controlling Interests (PATANCI), as per our dividend policy. The policy ensures that we provide attractive returns that meet shareholders' expectations, while preserving enough cash to channel into growth investments. The Group declared two interim dividends of 5 sen and 7 sen per ordinary share during the year, representing a dividend payout of 59% of PATANCI amounting to RM1.0 billion.

INVESTOR ENGAGEMENT APPROACH

We strive to continuously support our investment community in making informed decisions. With this in mind, we regularly communicate with potential and existing investors to provide updates on business and operational performance, a balanced perspective on market trends, as well as our future growth plans. Over the years, we actively participate in various investor relations events such as roadshows and conferences. We also engage with investors on a one-to-one basis, and organise plant visits so they can better understand our operations and facilities.

In 2020, the COVID-19 pandemic had limited our participation in investor relation events and engagements. Nevertheless, we adopted virtual alternatives, such as teleconferencing and video conferencing, to continue our engagement sessions planned for the year. This enabled us to provide updates on our operational performance and communicate our response to the risks and impacts of the COVID-19 pandemic. Through our efforts, we received two awards from the ASEAN Governance Awards by the Minority Shareholders Watch Group – Excellence in Overall Corporate Governance (4th ranking); and Industry Excellence Award (Industrial Product and Services category).

OUTLOOK

2021 seems more promising than the year under review. However, there are still uncertainties and challenges ahead as the ongoing COVID-19 pandemic makes it difficult to predict how the situation will evolve. The economy will take time to recover, and it is unlikely that crude oil and product prices can sustain at pre-pandemic levels. Therefore, we are conscious of the need to stay prudent, with disciplined cost management and optimisation being our top priority. We will continue to maintain our strong financial position by balancing risk, growth and returns in all our decisions.

On the bright side, we enter 2021 with a strong balance sheet in place; enabling our ability and flexibility to stay on the growth trajectory. In the upcoming year, we expect to continue investing in growth projects for derivatives and specialty chemicals.

Regardless of what awaits, I am confident in our ability to forge ahead. As demonstrated, we have strong fundamentals to endure adversities. Most importantly, the continued support from our stakeholders will carry us through any difficulties. We view the turbulent times as an opportunity to create new value propositions; to build our **Resilience** and deliver **Sustainable Growth**.

MOHD AZLI ISHAK

Chief Financial Officer





MAKING A DIFFERENCE

Our products are all around us in the everyday items that help make life better. At home in Malaysia, we are doing our part to combat the COVID-19 pandemic. While we contribute only raw materials, those contributions are precisely what make the difference.

PETRONAS Propelinas PP H500NG is suitable for various applications including the production of protective gear for our frontliners.

HOW WE CREATE VALUE

– An Integrated Approach to Value Creation

At PCG, we strive to create sustainable value for all our stakeholders. Our value creation journey extends beyond 'business-as-usual'. Instead, we adopt a holistic view of the way we do business. Our ability to deliver stakeholder value and achieve long-term growth is based on our integrated approach to value creation.

CONDUCTING DUE DILIGENCE

OPERATING CONTEXT

[SEE PAGE 70](#)

The operating landscape of the petrochemical industry impacts our value creation abilities. We analyse the macro environment in the context of our business and operations to identify favourable trends and opportunities.

STAKEHOLDER ENGAGEMENT

[SEE PAGES 60-63](#)

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

PCG Key Stakeholders



Employees



Shareholders & Investment Community



Customers



Government & Regulators



Suppliers & Vendors



Communities



Business Partners



Media

RISKS AND OPPORTUNITIES

[SEE PAGES 81-88](#)

Our business intent and growth objectives remain susceptible to many external and internal risks and opportunities. We effectively navigate through the challenges, managing risks and optimising opportunities to ensure business continuity and growth.

SHAPING & EXECUTING OUR STRATEGY

MATERIAL MATTERS

[SEE PAGES 74-80](#)

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

Our Categorised Material Matters

- Business Operations
- Market Dynamics
- Customer Centricity
- Environment
- Social & Governance
- Health & Safety

STRATEGY

[SEE PAGE 89](#)

We are guided by our Two-Pronged Strategy and built upon three Strategic Thrusts towards positioning PCG as **'THE PREFERRED CHEMICAL COMPANY PROVIDING INNOVATIVE CUSTOMER SOLUTIONS'**.

First-prong
SUSTAIN
strength in basic
petrochemicals

**Two-Pronged
Strategy**

Second-prong
Selectively
DIVERSIFY into
derivatives, specialty
chemicals and
solutions

GOVERNANCE

Governance is not merely a matter of compliance for us. Rather, it is the golden thread that binds all the elements of our value creation story together. Governance is integrated into the way we think and thus the way we operate, ensuring we make choices aligned to our values and strategic objectives to enable long-term value creation while being transparent and accountable for our actions.

DELIVERING MEANINGFUL GROWTH

THE SIX CAPITALS

SEE PAGE 54

The execution of our strategy relies on the disciplined allocation of the following capitals:



Financial: The funds obtained through financing or generated by means of business activities



Manufactured: The physical assets and infrastructure needed to run our business



Intellectual: The intellectual properties and other intangibles associated with our brand, technical expertise and experience



Human: The skills and knowledge of our people, as well as their motivation and ability to fulfil their roles



Social & Relationship: The network of relationships between our business and stakeholders



Natural: The natural resources, such as water, fuel and materials, used by our operations

SEE PAGES 52-59

See pages 52-59 for full disclosure on how the capitals are fully utilised in Our Business Model

VALUE CREATION

SEE PAGES 52-53

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

OUR BUSINESS MODEL

Our business model demonstrates how we leverage our six capitals to create value in the form of outputs and outcomes and how we ensure the sustainability of our business for our stakeholders. Guided by our Two-Pronged Strategy, we strive for excellence in our core business of manufacturing, marketing and selling a diversified range of chemical products. Our actions are influenced by a robust governance framework which ensures we manage our material matters effectively, thus reducing our risks and maximising opportunities.

HOW WE CREATE VALUE

over the long-term,
through our resilient
Business Model.

OUR CAPITALS

CAPITAL INPUTS

FINANCIAL

As at 1 January 2020

- RM29.9 billion in shareholders' equity
- RM12.0 billion in cash and cash equivalents
- RM4.2 billion in free cash flow

RM0.5 billion in debt raised in 2020 to execute capital investment



MANUFACTURED

- 21 production plants owned
- 1 port owned
- Subsidiaries and representative offices in 17 countries



INTELLECTUAL

- 4 Research and Development (R&D) laboratories
- 48 Full-Time Equivalent employees in R&D
- 14 Product Stewardship and Technical Seminars in seven countries



HUMAN

- >4,700 total employees
- RM17.6 million invested in employee training



SOCIAL & RELATIONSHIP

- 685 volunteer hours invested in community development



NATURAL

- 857 ktpa heavy naphtha processed
- 110.01 million GJ energy consumed
- 4.28 million m³ water used



ENABLE VALUE-ADDING ACTIVITIES

OUR BUSINESS

VISION

The Preferred Chemical Company Providing Innovative Customer Solutions

BUSINESS ACTIVITIES

We produce a range of commodities and specialty chemicals that are used by customers from different sectors to manufacture essential daily items

TRENDS & OUTLOOK

- COVID-19 Pandemic
- Energy and Feedstock Prices
- Sustainability Agenda

KEY RISKS

- | | |
|--|---------------------------------|
| H Health, Safety and Environment Risk | CR Corruption Risk (New) |
| S Strategic Investment Risk | M Market Risk |
| P Project Execution Risk | O Operational Risk |
| CY Cybersecurity Risk (New) | F Feedstock Risk |
| W War on Plastics Risk (New) | R Regulatory Risk |
| CO COVID-19 Risk (New) | T Talent Risk |

MATERIAL MATTERS

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

GOVERNANCE Supported by strong governance and effective Board leadership – **Robust Corporate Governance Ecosystem**

Read more on pages 54-59 for Our Key Capitals

FINANCIAL OUTCOMES

REVENUE
RM14.4 billion
(2019: RM16.4 billion)

PAT
RM1.6 billion
(2019: RM2.8 billion)

EBITDA
RM3.5 billion
(2019: RM4.4 billion)

TOTAL ASSETS
RM39.8 billion
(2019: RM38.9 billion)

SHARED VALUES

LOYALTY | INTEGRITY | PROFESSIONALISM | COHESIVENESS

First-prong
SUSTAIN
strength in basic
petrochemicals

**Two-Pronged
Strategy**

Second-prong
Selectively
DIVERSIFY into
derivatives, specialty
chemicals and
solutions

OUR STRATEGIC THRUSTS

OE Operational Excellence

Sustain world-class manufacturing performance across all plants

Top key performance indicators:

- Lost Time Injury Frequency
- Production volume

CE Commercial Excellence

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

Top key performance indicators:

- Sales volume
- New products

GE Growth Delivery Excellence

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

Top key performance indicators:

- Number of Final Investment Decisions (FIDs)
- Execution of projects post-FID

OUTPUTS

PRODUCTION & SALES

- 10.7 million tpa production volume
- 8.2 million tpa sales volume
- 94% plant utilisation

INNOVATION & TECHNOLOGY

- 11 new products launched
- 21 co-created application solutions
- 545 technical solutions provided
- 620 proprietary chemical formulations owned

ENVIRONMENT

- 0.80 tonne CO₂e/tonne GHG emissions intensity
- 2.66 tonne/kilotonne of air emissions intensity
- 0.02 tonne/kilotonne of Chemical Oxygen Demand (COD) intensity

OUTCOMES CREATED FOR STAKEHOLDERS



FINANCIAL

- RM3.5 billion EBITDA
- RM1.0 billion dividend payout
- 5.1% Return on Equity



MANUFACTURED

- RM21.0 billion worth of property, plant and equipment



INTELLECTUAL

- 23 awards won, including:
 - IChemE Malaysia Awards 2020
 - Prime Minister's Hibiscus Award 2019/2020
 - 2019 ASEAN Corporate Governance Scorecard Awards by MSWG



HUMAN

- 3% employee attrition rate
- Zero fatalities or major safety incidents



SOCIAL & RELATIONSHIP

- 1,445 total number of suppliers
- ~70,000 community members reached



NATURAL

- 53,400 tonne CO₂e emissions saved due to green initiatives
- 85% waste recycling rate

RELATED STAKEHOLDERS



RELATED SDGS



PERFORMANCE BY CAPITALS

We rely on various capitals to achieve our Operational, Commercial and Growth Delivery Excellence. Our decisions are based on the interrelationships and trade-offs between these capitals, broadly categorised into Financial, Manufactured, Intellectual, Human, Social & Relationship and Natural Capitals.



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

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

Read more on pages 54-59 for Outcomes/Outputs by Capitals

ROE
5.1%
(2019: 9.2%)

DIVIDEND PAY-OUT RATIO
59.0%
(2019: 51.2%)

SHAREHOLDERS' EQUITY
RM30.4 billion
(2019: RM29.9 billion)

MARKET CAPITALISATION
RM59.4 billion
(2019: RM58.8 billion)

PERFORMANCE BY CAPITALS



FINANCIAL CAPITAL

Our pool of funds is generated from our operational earnings, investments, and equity. We responsibly channel our financial capital to pay relevant stakeholders and fund business growth.

1 INPUTS

As at 1 January 2020:

- RM29.9 billion in shareholder's equity
 - RM12.0 billion in cash and cash equivalents
 - RM4.2 billion in free cash flow
- RM0.5 billion in debt raised in 2020 to execute capital investment



EBITDA

RM3.5
BILLION



DIVIDEND PAYOUT

RM1.0
BILLION



SHAREHOLDERS' EQUITY

RM30.4
BILLION



ROE

5.1%



2 OUTPUTS / OUTCOMES

	2019	2020
Revenue (RM billion)	16.4	14.4
Profit After Tax (PAT) (RM billion)	2.8	1.6
Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) (RM billion)	4.4	3.5
Total assets (RM billion)	38.9	39.8
Dividend payout ratio (%)	51.2	59.0
Dividend payout (RM billion)	1.4	1.0
Net asset per share (RM)	3.74	3.81
Return on Equity (ROE) (%)	9.2	5.1
Shareholders equity (RM billion)	29.9	30.4
Market capitalisation (RM billion)	58.8	59.4
Earnings per share (RM)	35	20
Taxation paid (RM million)	341	204

3 ACTIONS TO ENHANCE OUTCOMES

- Strengthened our financial management system
- Implement stringent cost discipline and optimisation practices
- Actively review and assess funding alternatives
- Conduct efficient management of working capital
- Applied scenario planning for financial forecasts to enable swift decision-making and maximise value creation
- Assessed the risks of high-impact business matters to achieve business objectives with an appropriate level of risks

4 TRADE-OFFS

We continue to make important trade-offs between the short-term financial interests of the business with our longer-term growth objectives. Our Financial Capital was used to optimise all other capitals, which contributed to sustainable financial growth despite the challenging landscape. We also implemented cost optimisation and prioritisation to ensure efficient management of working capital.

PERFORMANCE BY CAPITALS

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MANUFACTURED CAPITAL

Our physical assets, namely the processing plants and equipment, enable us to create high-value products for our customers. We also own port and office buildings to run our operations.

TOTAL NO. OF PLANTS OWNED

21



SUBSIDIARIES AND REPRESENTATIVE OFFICES

17

COUNTRIES



TOTAL NO. OF PORT

1



CAPEX

RM1.5

BILLION



1 INPUTS

- 21 production plants owned
- 1 port owned
- Subsidiaries and representative offices in 17 countries
- RM21.0 billion carrying value for property, plant and equipment which include RM8.4 billion worth of assets under construction

2 OUTPUTS / OUTCOMES

	2019	2020
Depreciation & Amortisation (RM billion)	1.7	1.7
Production Volume		
– Olefins and Derivatives (O&D) (million tpa)	3.8	3.9
– Fertilisers and Methanol (F&M) (million tpa)	6.6	6.8
– Silicone (ktpa)*	1.6	6.8
– Lubricant additive chemicals (ktpa)*	3.8	13.7
Sales Volume		
– O&D (million tpa)**	3.0	2.9
– F&M (million tpa)**	5.4	5.2
– Silicone (ktpa)*	7.2	31.0
– Lubricant additive chemicals (ktpa)*	6.6	24.0
Property, Plant and Equipment (RM billion)	20.5	21.0
Operational CAPEX (RM billion)	2.4	1.5

* Post-acquisition volume

** Inclusive of trading volume

3 ACTIONS TO ENHANCE OUTCOMES

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

4 TRADE-OFFS

The development of Pengerang Integrated Complex lowered our near-term Financial Capital in 2020. Nevertheless, the 10% increase in production capacity will replenish our Financial Capital and return long-term value. It will strengthen our customer relationships and support other investments that contribute to Intellectual, Human and Social & Relationship capitals.



PERFORMANCE BY CAPITALS



INTELLECTUAL CAPITAL

Our strong partnership with customers, coupled with competencies in product and application technology drive us to innovatively co-create solutions for business growth.

R&D LABORATORIES

4

WITH 48 FTE
EMPLOYEES IN R&DNO. OF NEW PRODUCTS
LAUNCHED

11

NO. OF CO-CREATED
APPLICATION SOLUTIONS

21

NO. OF PROPRIETARY CHEMICAL
FORMULATIONS OWNED

620



1

INPUTS

- 4 Research and Development (R&D) laboratories
- 48 Full-Time Equivalent (FTE) employees in R&D
- 14 Product Stewardship and Technical Seminars in seven countries
- Digital solutions that enhance operations including drones and Artificial Intelligence (AI) technology

2

OUTPUTS / OUTCOMES

	2019	2020
Number of new products launched	6	11
Number of co-created application solutions	13	21
Number of technical solutions provided	183	545
Number of proprietary chemical formulations owned	587	620

3

ACTIONS TO ENHANCE OUTCOMES

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

4

TRADE-OFFS

We continued to uphold our commitment to timely deliver innovative products and application solutions to our customers amidst global challenges in combatting the COVID-19 pandemic. This has led to the satisfaction of our customers, hence contributing to an increase in Social & Relationship Capital, as well as improve our financial performance. We also invested in R&T towards championing the sustainability agenda as well as adopting new technology solutions to enhance our operations. While this impacted our Financial Capital, it will strengthen our competitive position in the long run when the technology potential is realised.



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HUMAN CAPITAL

Our skilled and dedicated employees ensure that we operate according to business objectives. We invest in attracting, developing and retaining the industry's top talent, as well as creating an innovative and high-performing work culture.

1 INPUTS

- More than 4,700* total employees
- 17% of employees are female
- 24%** of senior management roles held by women
- 25% of Board members are women
- RM17.6 million invested in employee training and development

* Inclusive of Da Vinci Group (DVG)

** Senior Manager and above



TOTAL NO. OF EMPLOYEES
TRAINED

4,408



LOST TIME INJURY
FREQUENCY (LTIF)

0.14



WOMEN IN LEADERSHIP

24%

OF SENIOR MANAGEMENT
ROLES



25%

OF BOARD MEMBERS



2 OUTPUTS / OUTCOMES

	2019	2020
Lost Time Injury Frequency (LTIF)	0.08	0.14
Tier-1 process safety events	2	3
Number of fatalities	0	0
Total Recordable Case Frequency (TRCF) (per million man-hours)	0.29	0.23
Attrition rate (%)	3.3	3.0
Salaries & benefits (RM billion)	1.1	1.0*
Number of employees trained	2,843	4,408
Average training per employee (man-days)	7.9	3.3
Number of Technical Professionals developed	26	20
Board members attendance rate (%)	100**	100

* Inclusive of DVG

** Based on the attendance of existing directors. This does not include the attendance of three resigned/retired directors during the period under review

3 ACTIONS TO ENHANCE OUTCOMES

- Enhance Generative Culture to further improve safety standards
- Deliver competitive remuneration and benefits to employees
- Offer staff development programmes that support employees life-long learning



Read more on **page 99** for Business Review

4 TRADE-OFFS

We needed to adapt quickly to the COVID-19 pandemic to smoothly transition employees towards a new working environment. This included investments in health and safety equipment as well as Work-from-Home digital platforms. We also continue to maintain training opportunities for employees, which is important for employee morale. Although this compromises our Financial Capital in the short-term, high-quality Human Capital generates value across all other capitals and results in greater financial returns over time.

PERFORMANCE BY CAPITALS



SOCIAL & RELATIONSHIP CAPITAL

Our strong network of stakeholder relationships enables us to perform in the best interest of everyone. We actively engage with our stakeholders to integrate value-based growth into our business decisions.

TOTAL NO. OF SUPPLIERS

1,445



NO. OF COMMUNITY MEMBERS REACHED

~70,000



MEDIA MILEAGE GAINED

RM4.9
MILLION

INVESTMENT IN COMMUNITY DEVELOPMENT

685

VOLUNTEER HOURS



1 INPUTS

- 685 volunteer hours invested in community development

2 OUTPUTS / OUTCOMES

	2019	2020
Total number of suppliers	1,608	1,445
Total number of locals suppliers from PETRONAS Vendor Development Programme	12	11
Total procurement spending on local suppliers (%)	68	60
Total procurement spending on international suppliers (%)	32	40
Number of Non-Governmental Organisations supported	1	1
Number of community members reached	19,582	~70,000
Number of key customer engagements	17	19
Number of shareholder engagements	260	200
Media mileage gained (RM million)	3.0	4.9

3 ACTIONS TO ENHANCE OUTCOMES

- Regularly engage with stakeholders to understand their evolving expectations
- Provide financial and non-financial support to address community development issues
- Prioritise underdeveloped businesses and communities as supply chain partners
- Invest in sustainable Corporate Social Responsibility programmes
- Maintain interactive communication with stakeholders to increase their confidence in the company as well as to understand their evolving expectations

4 TRADE-OFFS

During the COVID-19 pandemic, we mitigated potential supply chain disruptions by providing crucial support to our suppliers. Although this negatively impacted our Financial Capital, it was necessary to ensure business continuity. We also continued to invest in community development programmes, particularly for those affected by the COVID-19 pandemic. In doing so, we strengthened our branding as a responsible corporate citizen.



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NATURAL CAPITAL

Our operations rely on natural resources, such as hydrocarbons, electricity and water, to create value-added products for customers. We are disciplined and committed to minimising the environmental impact of our actions.

GHG EMISSIONS INTENSITY

0.80

TONNE CO₂e/TONNE

WATER WITHDRAWAL INTENSITY

4.25

M³/TONNE

WASTE RECYCLING RATE

85%



ENERGY INTENSITY

15.73

GJ/TONNE



1 INPUTS

- Natural gas processed:

Methane	110 million mmbtu
Ethane	1,153 ktpa
Propane	842 ktpa
Butane	319 ktpa

- 857 ktpa heavy naphtha processed
- 110.01 million GJ energy consumed
- 4.28 million m³ water used

2 OUTPUTS / OUTCOMES

	2019	2020
Total Greenhouse Gas (GHG) emissions intensity (tonne CO ₂ e/tonne)	0.83	0.80
Emissions avoided from green initiatives (tonne CO ₂ e/tonne) – accumulated	47,444	53,400
Chemical Oxygen Demand (COD) intensity (tonne/kilotonne)	0.02	0.02
Energy intensity (GJ/tonne)	15.37	15.73
Air emissions intensity (tonne/kilotonne)	3.48	2.67
Nitrogen oxides (kilotonne)	28.61	23.31
Sulphur oxides (kilotonne)	0.84	0.34
Waste recycling rate (%)	70	85
Waste generation (kilotonne)	25.5	27.0
Water withdrawal intensity (m ³ /tonne)	4.37	4.25

Note: Intensity is calculated based on overall production

3 ACTIONS TO ENHANCE OUTCOMES

- Adopt environmental best practices throughout our activities
- Enhance our waste recycling programme
- Implement Energy & Loss Management System to improve the energy efficiency of our operations

4 TRADE-OFFS

We continued to enhance our energy efficiency by optimising operational parameters to minimise energy loss and our environmental footprint. Although this required additional Financial Capital to improve our operations, we will save in costs annually due to lower consumption. We also continued to invest Financial Capital into New Plastics Economy, in which we aim to convert plastic waste into circular feedstock. This will reduce our reliance on hydrocarbons and improve sustainability across all capitals.



STAKEHOLDER ENGAGEMENT

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



**We are a people-centric organisation.
Our success is built on our ability to understand
and engage constructively with our key stakeholders.**

Our Valued Stakeholders

Relationships that we rely and build upon

EMPLOYEES

As our most valuable assets, our employees play a central role in our success, growth and sustainability

Number of Employees:
>4,700



SUPPLIERS & VENDORS

Mutually-beneficial relationships strengthen our value chain; helping us achieve our strategic objectives and long-term viability

Percentage of local suppliers and vendors:
72%



GOVERNMENT & REGULATORS

Positive relations with authorities enable us to navigate regulatory changes and uncertainties, ensure constant compliance and ethical business conduct, and attract Foreign Direct Investments

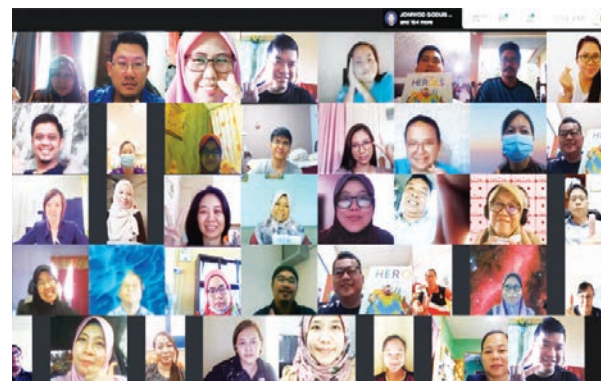
Number of Engagement Sessions:
96



SHAREHOLDERS & INVESTMENT COMMUNITY

Investors are an important source of financial capital. Active and regular engagements ensure access to funding for investments so shareholders can make informed investment decisions and that our share trades at a fair value

Number of Shareholders:
17,887
(as at 31 December 2020)



Each stakeholder group is important to us, as we seek to build a strong network of relationships based on trust, transparency and open communication. Through established engagement platforms, we keep our stakeholders updated on our operations, performance and direction, while understanding their needs, interests and expectations. Our strategies, plans and daily decisions are devised according to the feedback received from stakeholders.

BUSINESS PARTNERS

As we expand the business, new partnerships and joint ventures (JVs) with well-established players enable us to exchange insights and expertise in new growth areas

Number of new JVs:
2



CUSTOMERS

Customers are at the heart of everything we do. We deliver innovative products and solutions that meet their evolving needs, building long-term customer trust and loyalty

Reduction in customer complaints:
9%



COMMUNITIES

Our success depends on the well-being of the communities we serve. Community engagements provide meaningful and inclusive socio-economic growth for everyone

Number of volunteer hours:
685

MEDIA

Positive media interactions provide essential and transparent communication between our business and stakeholders, allowing us to protect stakeholders' perception from misinformation

Media mileage:
RM4.9 million

STAKEHOLDER ENGAGEMENT

At PCG, we understand and appreciate the important role that each stakeholder plays in our long-term success. Throughout the years, we actively engage with various stakeholder groups to keep them informed on our updates and, more importantly, to capture feedback on how we can better create value for them.

Frequency of Engagement

D

 Daily

M

 Monthly

Q

 Quarterly

BA

 Bi-Annually

BM

 Bi-Monthly

W

 Weekly

AM

 Alternate Month

A

 Annually

AR

 As Required

Quality of Engagement

★ ★ ★ ★ ★

 No existing relationship

★ ★ ★ ★ ★

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

★ ★ ★ ★ ★

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

★ ★ ★ ★ ★

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

★ ★ ★ ★ ★

 Strong relationship of mutual benefit

Employees

WHY WE ENGAGE

With over 4,700 employees, we rely on our skilled and committed workforce to drive world-class manufacturing operations and execute our business objectives.

ENGAGEMENT PLATFORM

Townhalls

Health, Safety & Environment (HSE) and cybersecurity campaigns

People Development Committee meeting

Intranet communication

Staff engagement

KEY CONCERNS

Health, safety and human rights

Career progression

Work-life balance

Cybersecurity

RESPONSE

Closely monitor and enhance employee welfare and well-being

Provide effective training and development programmes

Offer flexible working arrangements

Implement mandatory e-learning modules on cybersecurity

Customers

WHY WE ENGAGE

Our customers play a central role in our business growth. We need to understand their expectations in order to deliver value-added products that build customer loyalty.

ENGAGEMENT PLATFORM

Meetings with customers

Customer satisfaction surveys

Feedback management system

Customer appreciation programmes

Product stewardship and technical seminars

KEY CONCERNS

Product quality and delivery

Plastic and waste management

Product pricing and credit terms

RESPONSE

Design distinct value propositions for each customer segment

Integrate product stewardship into product Research and Development process to develop safe and sustainable products

Collaborate with strategic partners to develop high-performance and competitive products

STAKEHOLDER ENGAGEMENT

Suppliers & Vendors

WHY WE ENGAGE

Our suppliers deliver high-quality products and services that enable us to create value. At the same time, we provide suppliers with ongoing support and income to thrive in the market.

ENGAGEMENT PLATFORM

Regular meetings

Day-to-day interactions

Forums

Site visits

KEY CONCERNS

Health, safety and human rights

Ethical business practices

Sustainability in supply chain

RESPONSE

Implement stringent policies that protect suppliers' welfare and well-being

Provide robust grievance mechanisms for suppliers

Incorporate environmental and social standards in our procurement process

Conduct governance-related sharing sessions

Business Partners

WHY WE ENGAGE

We have business partnerships, through joint ventures, joint operations and associates, that provide mutually-beneficial support to the growth of our respective businesses.

ENGAGEMENT PLATFORM

Day-to-day interactions

Strategic dialogue

Conferences/forums

KEY CONCERNS

Company performance

Ethical business practices

Continuous value creation

RESPONSE

Closely monitor and enhance partnership benefits

Strengthen good governance of business partnerships

Provide a reliable supply of feedstock to partner ventures

Shareholders & Investment Community

WHY WE ENGAGE

Shareholders and investors provide the financial capital necessary for our sustainable growth. Therefore, we need to maintain their confidence in our ability to generate strong financial returns in a responsible manner.

ENGAGEMENT PLATFORM

Investors & analyst briefings

Site visits, meetings and conferences

Annual general meetings

Company website

KEY CONCERNS

Business sustainability

Market dynamics

Growth plans and project deliverables

Shareholder returns

Corporate governance

RESPONSE

Maintain business excellence across manufacturing and commercial operations to optimise financial performance

Enhance business continuity and crisis management plans

Integrate sustainability development objectives into long-term corporate strategy and decision-making process

Adopt corporate governance best practices

Ensure compliance with internal and external policies and regulations

Conduct governance-related training and awareness programmes for board members and employees

STAKEHOLDER ENGAGEMENT

OVERVIEW OF PCG

KEY MESSAGES

VALUE CREATION

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OUR LEADERSHIP

OTHER INFORMATION



Government & Regulators



WHY WE ENGAGE

The Government, through regulators, ensure that we operate within legal requirements. A strong relationship with government bodies allows us to stay ahead of changing regulations.

ENGAGEMENT PLATFORM

- Regular reporting to relevant agencies
- Plant visits by government agencies
- Regular meetings and briefings with agencies/regulators
- Joint working committee with state Governments

M

Q

Q

Q

KEY CONCERNS

- Regulatory compliance
- Environmental management
- Health, safety and human rights
- Ethical business practices

RESPONSE

- Strengthen governance policies, standards & frameworks and compliance towards regulation
- Regularly conduct internal and external audits
- Establish transparent communication with relevant bodies
- Collaborate with relevant agencies with common objectives



Communities



WHY WE ENGAGE

Communities may be directly or indirectly impacted by our operations, so it's important to understand their concerns. Community engagement also reflects our social citizenship and builds public trust.

ENGAGEMENT PLATFORM

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

M

W

KEY CONCERNS

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

RESPONSE

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



Media



WHY WE ENGAGE

The media presents an important communication link between our business and our stakeholders. They circulate important information that impacts our corporate brand reputation.

ENGAGEMENT PLATFORM

- Interviews with PCG management
- Media engagement
- Press releases

Q

Q

AR

KEY CONCERNS












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




RESPONSE

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

VALUE WE CREATE

Through our integrated approach, we ensure that the value we deliver extends to all stakeholders as well as our business performance. In doing so, we create a network of mutually-beneficial relationships built on trust and credibility, which ultimately contributes to sustainable growth.

 <h2>Employees</h2>	VALUE CREATED FOR PCG	RISKS	OPPORTUNITIES
	<ul style="list-style-type: none"> Engaged employees that deliver valuable contributions to our business strategy and growth An innovative and skilled workforce that ensures our relevancy in the long-term A high-performing and customer-centric work culture 	<ul style="list-style-type: none"> A disengaging work environment results in low employee retention and attraction Lack of leadership results in the slow adoption of company strategies and objectives by employees 	<ul style="list-style-type: none"> Strong employee engagement and development programmes attract top industry talent Digitisation of employee-related processes improves productivity and efficiency
	BUSINESS INITIATIVES	VALUE CREATION INDICATORS	
	<ul style="list-style-type: none"> Health and safety training initiatives Leadership development programmes Employee engagement programmes Flexible working arrangement policy 	<ul style="list-style-type: none"> Attrition rate PETRONAS Organisational Culture Survey results 	
	Capitals:	SDGs:	Material Matters:
	  	   	  

 <h2>Customers</h2>	VALUE CREATED FOR PCG	RISKS	OPPORTUNITIES
	<ul style="list-style-type: none"> Repeated sales and collaborations from satisfied and loyal customers Strong company brand due to positive endorsements Revenue growth from high sales 	<ul style="list-style-type: none"> Poor management of customer relationships may result in a loss of customer loyalty 	<ul style="list-style-type: none"> Reliable and timely delivery of products to customers promotes repeated purchases Strong engagement with customers enables a better understanding of their product expectations Collaborations with customers will result in new products or applications relevant to the current market
	BUSINESS INITIATIVES	VALUE CREATION INDICATORS	
	<ul style="list-style-type: none"> Customer Delivery Excellence (CDEx), a digital platform that provides visibility to customers on delivery updates Product co-creation opportunities with selected customers Customer-centric value propositions 	<ul style="list-style-type: none"> Sales revenue growth Customer retention rate Customer Satisfaction Survey results 	
	Capitals:	SDGs:	Material Matters:
	   	  	    

VALUE WE CREATE

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Suppliers & Vendors

- High-level of safety for suppliers due to the stringent health and safety guidelines
- Prioritisation and empowerment of local suppliers
- Protection of suppliers' employment rights via robust policies and frameworks

VALUE CREATED FOR PCG

- High-quality products and services that align with our brand promise
- Minimal operational disruptions due to an engaged and reliable supply chain
- Competitive prices and timely delivery of suppliers' products and services
- Lower safety incidents due to advanced digital analytics and higher health and safety standards

RISKS

- Operational and business disruptions due to supply chain issues
- Slow delivery or low-quality products and services from poorly managed suppliers

OPPORTUNITIES

- Better work performance from suppliers due to fair and safe working conditions
- Cost savings from the sustainable and efficient sourcing of products and services

BUSINESS INITIATIVES

- Supplier engagement programmes
- Vendor Development Programme
- Coordinated shutdowns with feedstock and utility suppliers
- PETRONAS' Supply Chain Management Policy
- Road Transport Operational Guidelines program for vendors
- PETRONAS Integrated Vision for Operational Excellence Transformation Transport Safety application

VALUE CREATION INDICATORS

- Contributions to local suppliers
- Supplier engagement survey results
- Total Vehicle Accident Rate

Capitals:



SDGs:



Material Matters:



Business Partners

- Reliable feedstock supply to business ventures
- Knowledge-sharing of expertise and best practices
- Minimised operational and business disruption for both parties

VALUE CREATED FOR PCG

- Collaborative, innovative solutions that better meet market needs
- Mutually-beneficial sharing of knowledge and expertise.
- Strong business development opportunities

RISKS

- Lack of communication with business partners can lead to business conflicts
- Poor decision-making by business partners creates liabilities for the business

OPPORTUNITIES

- Partnerships with complementary skills generate greater financial results
- Strong bonds between partners enable mutual support and motivation

BUSINESS INITIATIVES

- Continuous engagement with business partners on best practices
- Coordinated shutdowns of operations

VALUE CREATION INDICATORS

- Number of new business partners
- Number of new growth projects within joint ventures (JVs)
- Profitability of JVs

Capitals:



SDGs:



Material Matters:



VALUE WE CREATE



Shareholders & Investment Community

- Business excellence and growth performance
- Sustainable shareholder returns through dividend payments

VALUE CREATED FOR PCG

- Access to funding through established capital and financial markets
- Employing our financial resources effectively in pursuing our investment and growth plans

RISKS

- Loss of investor confidence due to poor performance
- Decline in market capitalisation
- Weakening of the Group's financial resilience

OPPORTUNITIES

- Strengthen ability to achieve expansion plans and growth targets
- Facilitates realisation of prioritised Sustainable Development Goals

BUSINESS INITIATIVES

- Timely, transparent and continuous corporate disclosures through various engagement platforms

VALUE CREATION INDICATORS

- Market capitalisation
- Dividend payout ratio
- Return on Equity
- Earnings per share
- Free cash flow per share

Capitals:



SDGs:



Material Matters:



Government & Regulators

- Consistent compliance with all relevant regulations
- Tax payments in all jurisdictions of our operations
- Promote foreign investments into Malaysia's chemical industry

VALUE CREATED FOR PCG

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

RISKS

- Regulatory non-compliance may lead to financial and non-financial penalties
- Lack of preparation against changing regulations/restrictions can increase operational costs

OPPORTUNITIES

- Engaging with relevant government bodies keeps us ahead of an evolving regulatory landscape
- Strategic collaborations with government bodies can accelerate business objectives

BUSINESS INITIATIVES

- Regular engagement with relevant bodies (i.e., Department of Environment, Department of Occupational Safety & Health)
- Collaborate with Malaysian authorities (i.e., Ministry of Environment and Water, Ministry of Housing and Local Government and Malaysia Sustainable Plastic Alliance)

VALUE CREATION INDICATORS

- Tax contributions
- Regulatory compliances
- Self-regulated management system
- New Plastics Economy progress

Capitals:



SDGs:



Material Matters:



VALUE WE CREATE

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Communities

- Empowerment of marginalised communities through community outreach
- Environmentally safe operations throughout the value chain
- Training and job opportunities for the chemicals industry
- Business prospects due to our socio-economic contributions

VALUE CREATED FOR PCG

- Positive brand reputation as a responsible corporate citizen
- Engaged communities who understand and support our business objectives

RISKS

- Loss of public confidence due to detrimental activities on surrounding communities/ environment
- Underdeveloped communities impact inclusive economic growth

OPPORTUNITIES

- Community outreach programmes improve our credibility as a responsible business
- Regular community engagements allow us to effectively address their concerns

BUSINESS INITIATIVES

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

VALUE CREATION INDICATORS

- Investments in community development
- Non-Governmental Organisations supported
- Community members reached

Capitals:



SDGs:



Material Matters:



Media

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

VALUE CREATED FOR PCG

- Strong networking and sharing of business information
- Increased public confidence and trust through open and transparent communication

RISKS

- Negative media exposure may tarnish our brand reputation

OPPORTUNITIES

- Good rapport with media increases our visibility to the public

BUSINESS INITIATIVES

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

VALUE CREATION INDICATORS

- Media mileage

Capitals:



SDGs:



Material Matters:



The background of the entire page is a photograph of a hand gripping a steering wheel. A large, semi-transparent green hexagon is centered over the steering wheel. Overlaid on the left side of the image is a complex, multi-colored molecular or network diagram consisting of numerous small dots (nodes) in yellow, blue, green, and white, connected by thin lines. The text is placed within the green hexagon.

GET A GRIP

A good steering wheel cover for gripping and comfort is a smart purchase. Synthetic leather is a product that looks and feels like the real thing, and it is durable, sustainable and easy to clean. A great choice for drivers everywhere.

BRB Fluid 1560 is a solution that incorporates silicone functionality into the polymer structure, resulting in various benefits, including better slip, surface smoothness, flexibility and hydrophobicity. This solution's applications include coatings, plastics, resins, and others, benefitting products such as textile fabric, natural and synthetic leather coating.



STRATEGIC REVIEW

OPERATING ENVIRONMENT AND OUTLOOK

As an integrated chemical company, our business growth is strongly linked to the macro environment. Factors such as supply-demand cycles, environmental stewardship and external shocks impact our capital movements and long-term profitability. Our ability to create value depends on our response to these external factors. Therefore, we closely monitor our operating context to stay abreast of potential implications to our strategy and long-term profitability.

COVID-19 PANDEMIC

Southeast Asia's economy fell by
4.1%
following the economic
shock of the COVID-19 pandemic

**ENERGY AND FEEDSTOCK PRICES**

Oil price collapsed
30%
due to OPEC+ fallout

**SUSTAINABILITY AGENDA**

Global ESG investment funds surpassed
USD1.0 trillion



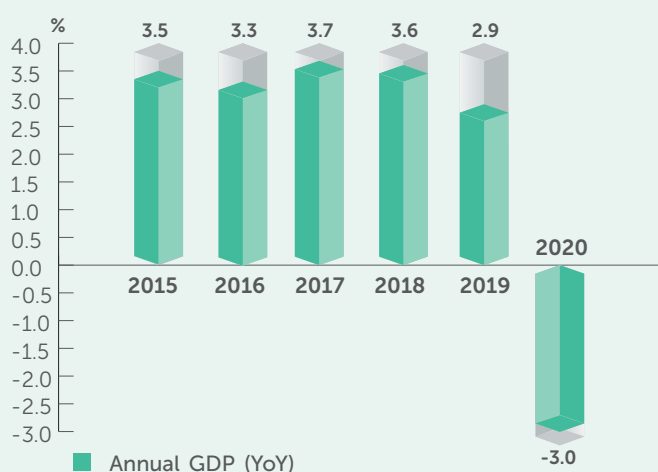
OPERATING ENVIRONMENT AND OUTLOOK

COVID-19 PANDEMIC

WHAT HAPPENED IN 2020

The global pandemic was first identified in December 2019 in Wuhan, China. By 31 December 2020, around 84 million cases had been confirmed, with more than 1.8 million deaths worldwide. Containment measures led to a global economic shock, with Southeast Asia's economy falling by 4.1%.

Global GDP Growth (2015 – 2020)



Source: International Monetary Fund (IMF)

In the first half of the year, demand for several petrochemical products collapsed with societal lockdowns. The easing of restrictions, economic recovery, and the prospect of vaccines caused petrochemical demand to gradually recover towards the end of 2020. Additionally, the demand for plastic raw materials significantly increased with the need to produce essential Personal Protective Equipment (PPE), such as single-use gowns, gloves, masks, face shields, etc.

IMPLICATIONS FOR OUR STRATEGY

The pandemic impacted the demand and prices for petrochemical products, which affected our profitability and growth.

ACTIONS & OUTCOMES

We diverted our products from markets affected by the COVID-19 pandemic to alternative markets, strengthening our regional positions. This allowed us to navigate worldwide lockdowns to sustain our business. As a result, we achieved growth despite the disruptions.

See page 104

WHERE WE ARE HEADED

The demand for plastic raw materials to produce essential PPE and packaging for e-commerce will remain strong in 2021. Economic recovery, easing of restrictions, and the roll-out of vaccines will continue to support petrochemical demand recovery and growth in 2021 and beyond.

The COVID-19 pandemic has likely altered some of the megatrends in packaging. For instance, e-commerce growth will accelerate as consumers become accustomed to purchasing their products online, while hygiene and food safety will become a higher priority among consumers.

In the longer term, petrochemical demand will continue to grow despite the shift to a circular economy and the altering impact of the COVID-19 pandemic. Growing populations, increasing median income, improving living standards, urbanisation and other socioeconomic factors will stimulate the sector's growth.

At PCG, we will apply what we learnt from the previous year to seize new opportunities. After securing our operational foothold in 2020, we will maximise our growth as economic confidence gradually recovers. To do so, we will expand our value chain; forge partnerships; invest in innovation; nurture our people; and create future-proof solutions.

Capitals:



Strategic Thrust:



Material Matters:



OPERATING ENVIRONMENT AND OUTLOOK

ENERGY AND FEEDSTOCK PRICES

WHAT HAPPENED IN 2020

Oil prices started to plunge in February 2020, when the OPEC failed to strike a deal with its allies on oil production cuts. Compounded by the COVID-19 pandemic, Brent crude oil price hit multi-year lows in April, crashing below USD20/barrel as demand collapsed with societal lockdowns.

Brent Crude Oil Prices (USD/barrel)



Source: Bloomberg 2020

The oil price collapse brought down petrochemical prices as well, which intensified competition between gas-based and naphtha-based producers. Towards the end of 2020, the gradual easing of restrictions, slight economic recovery, and OPEC's curtail of production caused prices to slowly recover to USD50/barrel.

IMPLICATIONS FOR OUR STRATEGY

The oil price collapse created a knock-on effect on petrochemical prices, which impacted our profitability. In addition, lower petrochemical prices hindered our competitive growth.

ACTIONS & OUTCOMES

We leveraged our integrated value chain to maintain competitive costs and maximise value. As a result, we have been able to maintain steady profits despite the drop in prices.

IR See **page 78**

WHERE WE ARE HEADED

Crude oil prices are expected to marginally climb in early 2021, continuing the momentum from the end of 2020. Later in the year, prices will quickly recover following widespread vaccinations, easing of restrictions, economic recovery, and OPEC+'s continuous curtail of production. However, this depends on the pandemic's containment, and continuing solidarity and cohesiveness in OPEC+. The revival of U.S. tight oil activities would cap oil price increase.

Learning from the oil market collapse, we will extend further in the downstream value chain by venturing into derivatives and specialty chemicals. With more specialty chemicals in our portfolio, we will continue to move into segments with higher growth potential and less volatility in relation to crude oil prices.

Capitals:



Material Matters:



Strategic Thrust:



OPERATING ENVIRONMENT AND OUTLOOK

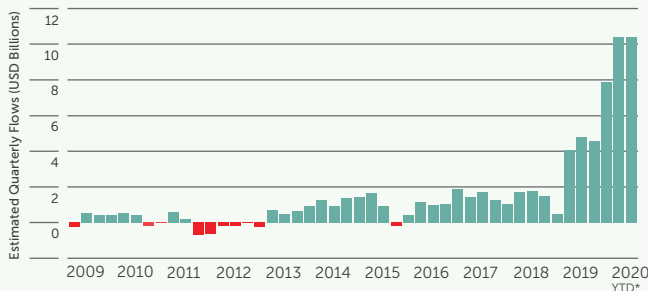
SUSTAINABILITY AGENDA

WHAT HAPPENED IN 2020

The need for sustainability orientation and sustainable practices increased in 2020. The environmental, social and governance (ESG) issues brought forth by the COVID-19 pandemic highlighted the urgency for sustainable practices. As Governments responded to the crisis, sustainability became a focal point. For example, the European Union announced that a quarter of its USD868 billion COVID-19 pandemic recovery fund has been earmarked for climate action. Also, Malaysia's Budget 2021 announced initiatives consistent with the United Nations' Sustainable Development Goals.

The Inflow of Sustainable Funds

U.S. Sustainable Funds Quarterly Flows



Data as at 6/30/2020. *YTD 2020
Includes ESG Integration, Impact, and Sustainable Sector funds as defined in Sustainable Fund U.S. Landscape Report, 2018. Includes funds that have been liquidated; does not include funds of funds

Source: Morningstar 2020

The rise in sustainable consumerism impacted investment decisions. Sustainable funds attracted record inflows in the first quarter of 2020 amid the market turmoil, and many of these funds outperformed the broader market for the year. Although plastic played a significant role in combating the COVID-19 pandemic, the demand for sustainable plastic solutions continued to grow. Representing over US\$418 trillion, over 30 asset managers and banks publicly endorsed the transition towards a circular economy, with more than USD1.0 trillion invested in sustainable funds.

IMPLICATIONS FOR OUR STRATEGY

The rising demand for sustainable practices continued to add pressure to our strategies and plans, as we became increasingly scrutinised by regulators, investors, customers and the general public.

ACTIONS & OUTCOMES

We channelled financial capital into initiatives that address rising sustainability concerns, such as carbon emissions management, New Plastics Economy (NPE), and community well-being. We aspire to be listed in the Dow Jones Sustainability Index in the near future to demonstrate our commitment to strong ESG practices throughout the Group.

See pages 76-77

WHERE WE ARE HEADED

The focus on sustainable development will provide new space for investments to spur economic recovery and growth, further catalysing the region's sustainability market. The expansion of ESG practices will be driven by new regulations, investor expectations, fiscal policies, consumer behaviour and sustainability reporting requirements.

At PCG, we will fast-track our sustainability journey to keep up with the rising demands. As we continue to operate in an environmentally and socially responsible manner, we will channel our capitals to accelerate our sustainability agenda. This includes assessing opportunities in bio-based chemicals, NPE, and climate change mitigation and adaptation.



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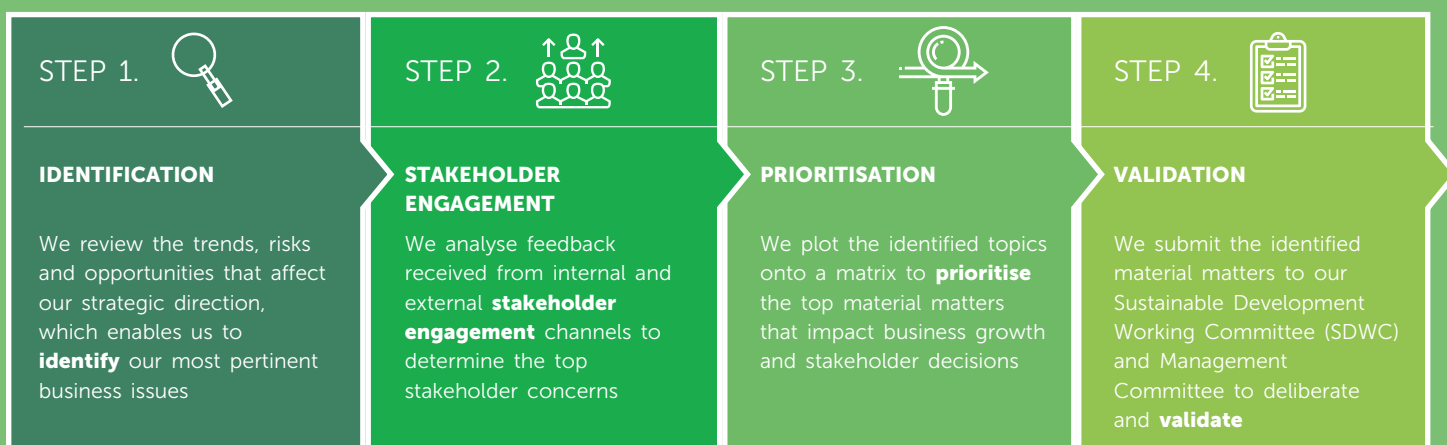
MATERIAL MATTERS

A firm understanding of industry trends, operating challenges and stakeholder expectations enables us to deliver long-term value. Therefore, we devise our strategies and business plans according to the most material aspects of business growth and stakeholder needs. These material matters influence how our Board and leadership team steer the company towards sustainable growth.

MATERIALITY ASSESSMENT

We conduct materiality assessments every two years to ensure that the material matters are timely and relevant, while also allowing time to incorporate the identified matters into our strategies. The material matters presented in this report are based on our most recent assessment, which was conducted in 2019. We apply the Global Reporting Initiative (GRI) Principles of Stakeholder Inclusiveness, Sustainability Context, Materiality and Completeness during our materiality process.

The materiality process comprises four key steps:

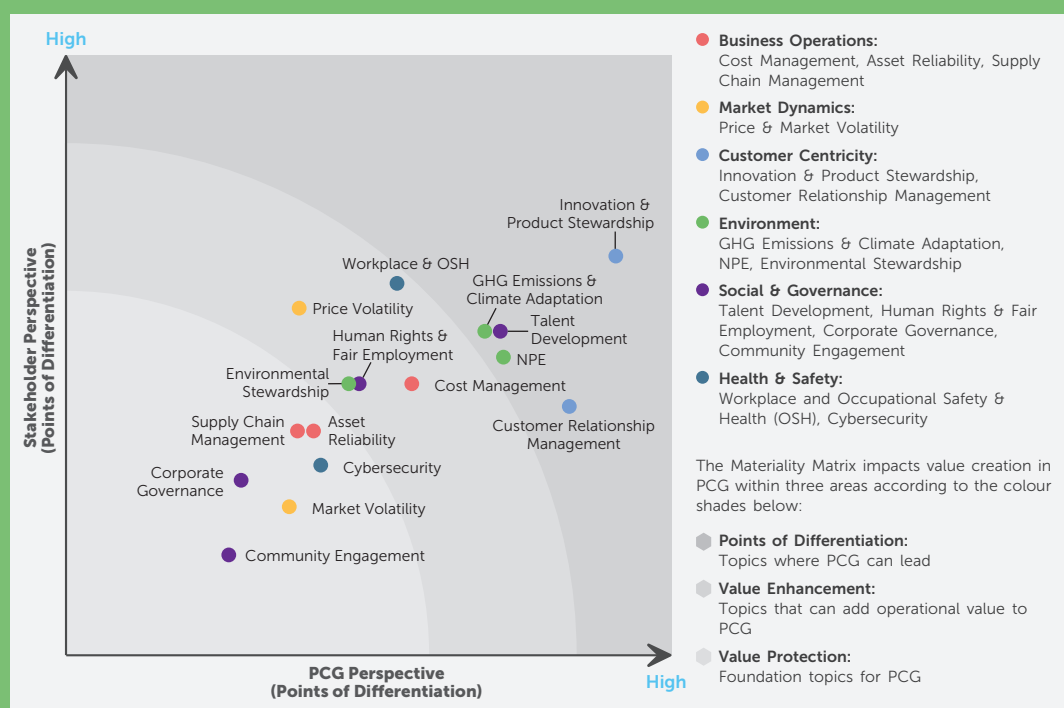


MATERIALITY MATRIX

Based on our materiality assessment, we identified 16 material matters that can either support or impede our growth. As shown in the materiality matrix, five of our material matters are of high priority:

- Innovation & Product Stewardship
- Customer Relationship Management
- Greenhouse Gas (GHG) Emissions & Climate Adaptation
- Talent Development
- New Plastics Economy (NPE)

We implement mitigation measures for all 16 of our material matters, as well as monitor relevant performance indicators for our top five high priority matters. Additionally, we categorise our material matters according to six broad groups for easy reference.



MATERIAL MATTERS

MANAGEMENT APPROACH TO MATERIAL MATTERS



Innovation & Product Stewardship

BUSINESS CONTEXT

Innovative product solutions that meet customer and societal needs act as a competitive advantage. Delivering high performance products in a safe and responsible manner is crucial in meeting our customer expectations.

RISKS

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

OPPORTUNITIES

- New and innovative products enable customers to penetrate new markets and grow their business
- Product usage in a safe and responsible manner allows customers to maximise value from our products

OUR APPROACH

- Collaborate with customers to co-create application solutions that meet their needs and push the boundaries of product performance
- Systematically execute Product Research and Development (R&D) programmes to create product solutions that address market risks and trends
- Expand into derivatives and specialty chemicals business through growth initiatives and Research & Technology programmes according to the rapid changes in market demand
- Integrate product stewardship into Product R&D process to ensure safe and sustainable development of differentiated and specialty chemicals
- Provide customers and relevant stakeholders with the skills and knowledge to handle and use our products safely

SR Read more on pages 32-35

INDICATORS	TARGET	RESULTS
Number of new products launched	5	11
Number of co-created application solutions	20	21
Number of technical solutions provided	350	545
Number of product stewardship and technical seminars	6	14



Capitals:

Strategic Thrusts:



Stakeholders:



Associated Risks:



SDGs:



Customer Relationship Management

BUSINESS CONTEXT

Collaborative and meaningful customer relationships keep us in business. By staying ahead of their expectations, we build long-term customer trust and loyalty.

RISKS

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

OPPORTUNITIES

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

OUR APPROACH

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

SR Read more on pages 36-37

INDICATORS	TARGET	RESULTS
Order Fulfilment Reliability (%)	95	97
Customer Feedback (sigma)	5.0	5.3
Total Vehicle Accident Rate	0.24	0.13



Capitals:

Strategic Thrusts:



Stakeholders:



Associated Risks:



SDGs:



MATERIAL MATTERS



GHG Emissions & Climate Adaptation

BUSINESS CONTEXT

Climate change poses direct and indirect threats to our profitability and sustainable growth. Mitigating and adapting to climate-related risks is crucial for our resilience and sustainable growth.

RISKS

- Reallocation of capitals to green investments by financial institutions impacts business funding
- Inability to meet new climate-related regulations causes non-compliances and financial costs

OPPORTUNITIES

- Effective emissions management improves stakeholder trust and public perception
- Lower resource consumption contributes to cost savings and better performance
- Conversion of CO₂ into chemicals

OUR APPROACH

- Identify, assess and prioritise climate-related risks pertinent to our operations, as guided by the PETRONAS Climate Change Framework
- Continuously improve energy efficiency according to our Energy & Loss Management System
- Initiated a Climate Adaptation Study to embark on Scenario Planning for climate change*

SR Read more on **pages 40-43**

* We had set a target for Q4 to undertake Scenario Planning for climate change but could not complete the exercise as scheduled. We are currently in the process of due diligence to support the Scenario Planning exercise.

INDICATORS

GHG emissions (million tonne CO₂e)

6.92 by 2024

7.10

Energy intensity reduction (from baseline year 2014) (%)

10

11

Capitals:



Strategic Thrusts:



Stakeholders:



Associated Risks:



SDGs:



Talent Development

BUSINESS CONTEXT

Employees drive our strategies forward. It is important to attract and retain the industry's top talent, as well as future-proof them with skills needed to thrive in the long-term.

RISKS

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

OPPORTUNITIES

- An inclusive and empowering work culture improves agility and efficiency
- Effective talent development programmes attract top-quality industry talent

OUR APPROACH

- Prioritise recruitment efforts for scarce or niche competencies needed to support business operations and growth
- Develop comprehensive and efficient succession plans to fill critical positions within the company
- Establish the PCG Leadership Development Framework
- Organise leadership sharing sessions with PCG Leaders ('Leaders Develop Leaders')
- Implement integrated development programmes that develop employees' functional and leadership competencies
- Integrate e-learning modules and other digital solutions into talent development programmes
- Deployment of Superior Managed Assessment to replace Accelerated Capability Development; a process that empowers superiors to manage employees' competency development, review, tracking, and analysis through an "Anytime, Anyway, Anywhere" approach
- Conduct staff engagement programmes with domestic and overseas subsidiaries

SR Read more on **pages 57-58**

INDICATORS

Ratio of ready talent to critical position

2.7:1

2.9:1

Capability Assessment implementation for Technical Executives (%)

80

95

Number of Technical Professionals developed

15

20

Average training days per staff

7

3.3

Training budget utilisation (RM million)

34

17.6

Attrition rate (%)

<3.0

3.0

Capitals:



Strategic Thrusts:



Stakeholders:



Associated Risks:



SDGs:



MATERIAL MATTERS

OVERVIEW OF PCG

KEY MESSAGES

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New Plastics Economy (NPE)

BUSINESS CONTEXT

The current linear economy is unsustainable to environmental and social health. Addressing the growing plastic waste problem requires a circular economy that ensures sustainable consumption and production of plastic.

RISKS

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

OPPORTUNITIES

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

OUR APPROACH

- Develop viable collaborations for innovative technology solutions that address plastic pollution (Innovation)
- Establish strategic partnerships to develop an effective sustainable waste recovery system (Infrastructure)
- Conduct awareness campaigns to address misconceptions and promote change in behaviour and culture (Education)
- Enhance awareness of caring for the environment through 3R education, CSR activities and green campaigns (Clean-Up)

SR Read more on **pages 44-45**

INDICATORS

Number of ongoing NPE projects
Number of educational module participants (teachers)
Number of Be Green programmes

TARGET

1
1,000
4

RESULTS

1
1,300
4

Capitals:



Strategic Thrusts:



Stakeholders:



Associated Risks:



SDGs:



Workplace and Occupational Safety & Health (OSH)

BUSINESS CONTEXT

As a responsible organisation, we need to always prioritise the health and safety of our people. In the conduct of business, OSH protects the company against financial, operational and legal ramifications.

RISKS

- Accidents and injuries result in regulatory penalties and fines as well as negative reputation
- Damaged assets impact operational continuity and financial loss

OPPORTUNITIES

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

OUR APPROACH

- Establish a stringent Health, Safety and Environment (HSE) framework to inculcate a culture of HSE excellence
- Implement a Mandatory Control Framework that focuses on best OSH and environmental practices
- Develop an HSE Management System that manages and prevents HSE incidents
- Adopt a Process Safety Management to identify and manage workplace chemical and process hazards effectively
- Establish an HSE Generative Culture to promote high standards of safety across work levels
- Develop Road Transport Operational Guidelines (RTOG) to enhance the safety of our logistical service providers

SR Read more on **pages 54-56**

Capitals:



Strategic Thrusts:



Stakeholders:



Associated Risks:



SDGs:



Cost Management

BUSINESS CONTEXT

Disciplined cost management frees up working capital, which can then be channelled into growth opportunities. Furthermore, minimising costs allow us to maximise shareholders value.

RISKS

- Lack of working capital restricts the ability to react to unexpected business risks
- High operational and commercial costs minimise shareholder returns

OPPORTUNITIES

- Cost-effective measures build shareholder and investor confidence
- Effective management of working capital enables greater investments for growth

OUR APPROACH

- Maintain a strong cost discipline through various cost optimisation initiatives across the value chain
- Ensure optimal efficiency in our plants, including during shutdowns and turnarounds

IR Read more on **page 44**

Capitals:



Strategic Thrusts:



Stakeholders:



Associated Risks:



SDGs:



MATERIAL MATTERS



Price Volatility

BUSINESS CONTEXT

Volatile commodity prices, particularly raw materials and feedstocks, impact our operational costs and influence our ability to strategically invest in new opportunities.

RISKS

- Increase in base costs affects our ability to expand in strategic investments
- Compressed margins directly impact our financial performance

OPPORTUNITIES

- Product optimisation and strong supply chain relationships build resilience against price shocks

OUR APPROACH

- Collaborate with feedstock suppliers to secure long-term supply of raw material at competitive prices
- Coordinate with suppliers to optimise our feedstocks to deliver higher-margin products

Capitals:



Strategic Thrusts:



Stakeholders:



Associated Risks:



SDGs:



Human Rights & Fair Employment

BUSINESS CONTEXT

Basic human rights and fair employment are fundamental aspects of any responsible business. Protecting these rights create a stable and inclusive operating environment in which all stakeholders can thrive.

RISKS


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

OPPORTUNITIES

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

OUR APPROACH

- Adhere to PETRONAS' Human Rights Commitment, which is in line with the UN's Guiding Principles on Business and Human Rights
- Apply our human rights commitment to all employees, contractors and any third party performing work on behalf of the Group
- Comply with all relevant labour laws that protect the right of employees, as well as provide competitive salaries and benefits

 Read more on pages 50-53

Capitals:



Strategic Thrusts:



Stakeholders:



Associated Risks:



SDGs:



Environmental Stewardship

BUSINESS CONTEXT

Responsible environmental practices not only protect society and the planet from pollution and degradation – it also protects our business from regulatory, reputational and operational costs.

RISKS


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

OPPORTUNITIES

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

OUR APPROACH

- Actively monitor and manage our air emissions through programmes such as Leak Detection and Repair
- Invest in technology that minimises material consumption and waste production

 Read more on pages 46-49

Capitals:



Strategic Thrusts:



Stakeholders:



Associated Risks:



SDGs:



MATERIAL MATTERS

OVERVIEW OF PCG

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OUR LEADERSHIP

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Asset Reliability

BUSINESS CONTEXT

Asset reliability is key to continuously generate maximum value for customers, shareholders and the business. Poor asset management impacts business continuity and consequently, our profitability and growth.

RISKS

- Equipment failures in plants impact operational continuity
- Disruptions in plant production create delays in customer deliveries

OPPORTUNITIES

- Regular asset maintenance ensures plant reliability
- Digitalisation of assets enhances efficiency and helps maintain a best-in-class safety culture

OUR APPROACH

- Develop a comprehensive asset performance management programme to ensure optimal performance
- Integrate predictive digital systems that prevent performance deterioration

Capitals:



Strategic Thrusts:



Stakeholders:



Associated Risks:



SDGs:



Cybersecurity

BUSINESS CONTEXT

As we enhance the digitalisation of systems and processes, we are increasingly exposed to cyberattacks and breaches. It is our corporate duty to protect the business and stakeholders from malicious cybercrime.

RISKS

- Network intrusion impacting operations, delays delivery of customer products
- Cybersecurity breaches and data loss lead to financial loss and reputational damage

OPPORTUNITIES

- Robust cybersecurity measures build stakeholder trust
- Safe use of technology protects critical data and business continuity

OUR APPROACH

- Implement our Cyber Security Strategy Deployment Programme to protect our systems and critical data
- Establish an Enterprise Security Management System to protect our data from spyware and virus attacks

Read more on **page 66**

Capitals:



Strategic Thrusts:



Stakeholders:



Associated Risks:



SDGs:



Supply Chain Management

BUSINESS CONTEXT

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

RISKS

- Disruptions in feedstock supply directly impact operational continuity and production volume
- Weak supply chain relationships result in unreliable service and supply from vendors

OPPORTUNITIES

- Strong partnerships with suppliers enhance downstream supply and productivity
- Relevantly skilled suppliers help maintain our standard of HSE performance

OUR APPROACH

- Adhere to PCG's Procurement Policy to ensure ethical and transparent treatment of suppliers by all employees
- Enforce PCG's policies and standards to suppliers to ensure they operate responsibly
- Prioritise local contractors and suppliers to support the development of the local chemicals industry
- Implement our RTOG to logistics service providers for the safe and timely delivery of products to customers

Read more on **pages 38-39**

Capitals:



Strategic Thrusts:



Stakeholders:



Associated Risks:



SDGs:



MATERIAL MATTERS



Market Volatility

BUSINESS CONTEXT

The chemicals market can be volatile. It often faces significant shifts in supply and demand, driven by various geopolitical and economic factors such as the global economy's health, production capacity and trade flows.

RISKS

- Low chemical prices result in compressed margins and lower profitability

OPPORTUNITIES

- Investments in specialty chemicals reduce exposures to market volatilities and increase margins

OUR APPROACH

- High percentage of products are on term contracts to ensure there is "home" for the volume, avoiding any disturbances that would affect operational continuity
- Diversify into specialty and bio-based chemicals to hedge against market volatility

Capitals:



Strategic Thrusts:



Stakeholders:



Associated Risks:



SDGs:



Corporate Governance

BUSINESS CONTEXT

Good corporate governance is central to sustainable growth. A robust governance system protects the best interest of both business and stakeholders.

RISKS

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

OPPORTUNITIES

- High transparency leads to the efficient execution of business plans and strategy
- Good governance creates a high-performance work environment

OUR APPROACH

- Adhere to the Malaysian Code on Corporate Governance 2017 and relevant guidelines in all other markets where we operate
- Actively work towards increasing the representation of Independent Directors of the Board
- Conduct our business according to PETRONAS' Code of Conduct and Business Ethics (CoBE)
- Ensure consistent compliance to CoBE via the PETRONAS Integrity Compliance Framework

SR Read more on pages 62-65

Capitals:



Strategic Thrusts:



Stakeholders:



Associated Risks:



SDGs:



Community Engagement

BUSINESS CONTEXT

Community engagement programmes create an ecosystem of trust and growth. By empowering communities where we operate, we reinforce our commitment to social development and corporate responsibility.

RISKS

- Business activities that negatively impact communities lead to loss of financing from investors
- Community-related disagreements or tensions may result in protests and boycotts

OPPORTUNITIES

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

OUR APPROACH

- Empower local communities through educational programmes and other activities that promote socio-economic development
- Protect biodiversity through the conservation, rehabilitation and preservation of the environment via education and awareness programmes

SR Read more on pages 59-61

Capitals:



Strategic Thrusts:



Stakeholders:



Associated Risks:



SDGs:



RISK OVERVIEW

As an integrated chemicals player, we face dynamic challenges to our strategy, performance and growth. In 2020, the unprecedented COVID-19 pandemic escalated our operational and business risks; calling for swift mitigation measures to cushion its impact. The pandemic highlighted the importance of enterprise-wide risk management, as well as the significance of sustainability in long-term value and business resiliency. At PCG, we navigated the year with our robust and well-established risk management framework, comprising Enterprise Risk Management (ERM), Crisis Management (CM) and Business Continuity Management (BCM) in various work processes. In other words, our existing approaches to manage the risks outlined in our Corporate Risk Profile (CRP) have proven effective during COVID-19.

However, based on our internal deliberations, we recognise that the economic and social risks as a result of the pandemic may be more pronounced with a snowball effect in the post-pandemic market. We, therefore, decided to include the COVID-19 pandemic as an additional risk in our CRP. Please refer to the CEO statement and Business Review sections, to know more about the positive and negative impacts of the COVID-19 pandemic, the strategies deployed and the results. As demonstrated this year, our risk management approach ensures agility and resiliency in managing unexpected events, and plays a central role in maximising shareholder and stakeholder value.

RISK OVERSIGHT

Our risk oversight takes place at Board and Management levels, whereby risk deliberations and updates are conducted regularly to integrate effective risk management into key business activities. We established a dedicated Board Risk Committee (BRC) in line with our growth strategy, comprising a majority of Independent Directors. BRC meets at least every quarter to deliberate on the risks and mitigations relating to CRP and high-impact business decisions, including mergers and acquisitions, divestment and capital projects.

RISK APPETITE AND TOLERANCE

We proactively manage our risks to ensure they remain within defined risk appetite and tolerance limits. We developed a comprehensive risk appetite, covering risk-focused areas namely; operational, financial sustainability, reputation and compliance for effective monitoring and reporting. For each area, we identify respective risk appetite statements, risk tolerances and risk thresholds. Additionally, we report on our risk appetites to the management quarterly, and any breaches are escalated to the BRC and the Board for further deliberation.

RISK IN STRATEGIC PLANNING AND DECISION-MAKING

We integrate risk management into our annual business planning exercise. During our 2020 business plan and budget session, we deliberated the associated risks on any business assumptions to ensure our key activities are robust.

It is also a requirement for the Board and Management to discuss risks and mitigations before making any decision. This ensures that decision-makers are fully informed of the risks associated with their decisions and put in place the necessary controls to achieve the desired business objectives.

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

RISK CULTURE AND CONTINUOUS IMPROVEMENT

We develop a strong risk culture and ownership by engaging with employees through risk management communication programmes. Furthermore, we continue to undertake risk assurance to ensure compliance of risk management, including crisis management and business continuity management.

RISK MANAGEMENT TOOLS

We periodically review our CRP. The CRP considers critical sources, such as our business key focus area, previous risk profile, risk monitoring and scanning reports, industry risk reports and audit findings.

Key risks are identified based on the following considerations:

- The complexity, hazards and integrated nature of our manufacturing process
- The market environment and the cyclical nature of the chemicals industry
- PCG's growth agenda
- Other external events that pose significant impacts on our business sustainability

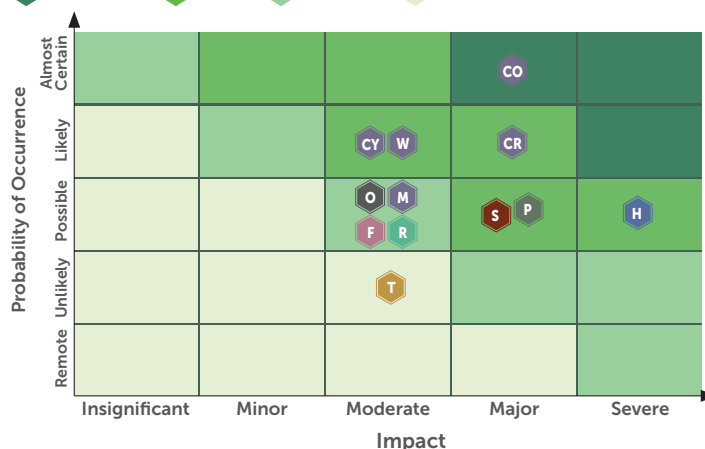
The identified risks are evaluated and rated based on their probability of occurrence and impact. We deliberate on specific mitigation plans to ensure that the identified risks are addressed and assigned to risk owners for implementation. Risks rated as either "very high" or "high" will be escalated to the Management and the Board every quarter, even if the probability of occurrence is low.

PCG Key Risks 2020:

H Health, Safety and Environment Risk	CR Corruption Risk (New)
S Strategic Investment Risk	M Market Risk
P Project Execution Risk	O Operational Risk
CY Cybersecurity Risk (New)	F Feedstock Risk
W War on Plastics Risk (New)	R Regulatory Risk
CO COVID-19 Risk (New)	T Talent Risk

Risk Rating:

VH Very High **H** High **M** Medium **L** Low



Details of our risk management framework and governance oversight structure can be found on **pages 47-58**, under the Statement on Risk Management and Internal Control (SORMIC) of our standalone GFR, available online: www.petronaschemicals.com.

RISK OVERVIEW

RISK IMPACT

VH Very High **H** High **M** Medium **L** Low

RISK MOVEMENT

ST Stable **IC** Increase **DC** Decrease **N** New

KEY RISK NO. 1

Health, Safety & Environment Risk

H

RISK EVALUATED

Exposure to Health, Safety & Environment (HSE) incidents is inherent in chemical manufacturing. Major HSE breaches in our plants may impact our people and business, with the highest impact arising from process safety incidents such as chemical spills and fire.

CAUSES

- Non-compliance with HSE framework and guidelines including, Process Safety Management
- Equipment failure due to ineffective maintenance
- Improper product handling

IMPACT ON VALUE

- Physical harm to employees, contractors and/or nearby communities
- Pollution and environmental degradation surrounding operations
- Asset damage that leads to plant slowdown or shutdown
- Legal litigation and stop-work orders by regulatory bodies
- High recovery costs from damages and accidents

MITIGATION MEASURES

- Tracked the compliance of Felt Leadership programme, including leaders' conversation to the masses
- Institutionalised Rakan HSE programme throughout the Group
- Reinforced land transport management through Road Transport Operational Guidelines
- Executed Balance of Consequences for HSE and Land Transport compliance and non-compliance
- Implemented Focused Learning on occupational safety and process safety at our plants

RISK MOVEMENTS

ST

HSE is a top priority at PCG, particularly in our operations and we continue to record improvements in some HSE performance indicators

Capitals:



Material Matters:



Strategic Thrusts:



Stakeholders:



KEY RISK NO. 2

Strategic Investment Risk

H

RISK EVALUATED

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

CAUSES

- Lack of agility in responding to changes
- Ineffective project management
- Unavailability of timely and adequate funding

IMPACT ON VALUE

- Diminishing financial capital and shareholder returns
- Unable to obtain margins as planned
- Missed business opportunities and loss of customers
- Inability to realise our business strategy to grow in specialty chemicals

MITIGATION MEASURES

- Ensured a sufficient pool of projects in the event the identified projects pursued become unfavourable
- Conducted prioritisation of portfolio for effective delivery of targeted value
- Monitored project execution, business and operation readiness for FID projects
- Enhanced project execution and Merger & Acquisition process for improved pace without compromising quality and governance

RISK MOVEMENTS

ST

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

Capitals:



Material Matters:



Strategic Thrusts:



Stakeholders:



RISK OVERVIEW

RISK IMPACT

VH Very High **H** High **M** Medium **L** Low

RISK MOVEMENT

ST Stable **IC** Increase **DC** Decrease **N** New

KEY RISK NO. 3

Project Execution Risk



RISK EVALUATED

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

CAUSES

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

IMPACT ON VALUE

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

MITIGATION MEASURES

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

RISK MOVEMENTS



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

Capitals:



Material Matters:



Strategic Thrusts:



Stakeholders:



KEY RISK NO. 4

Cybersecurity Risk



RISK EVALUATED

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

CAUSES

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

IMPACT ON VALUE

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

MITIGATION MEASURES

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

RISK MOVEMENTS



Cybersecurity is a new risk added in our Corporate Risk Profile and will be monitored and mitigated systematically

Capitals:



Material Matters:



Strategic Thrusts:



Stakeholders:



RISK OVERVIEW

RISK IMPACT

VH Very High **H** High **M** Medium **L** Low

RISK MOVEMENT

ST Stable **IC** Increase **DC** Decrease **N** New

KEY RISK NO. 5

War-on-Plastics Risk

H

RISK EVALUATED

Global awareness of plastic waste is increasingly shaping stakeholder expectations. Aggressive environmental push by policymakers and environmentalists against plastics may affect our business performance, reputation and long-term growth.

CAUSES

- Shift in consumers' or customers' preferences due to increased awareness of sustainability
- Advancement of new technology leading to product substitution
- Single-use plastic ban in Malaysia and internationally

IMPACT ON VALUE

- Diminishing interest from investors and other financiers
- Reputational damage and loss of stakeholder trust

MITIGATION MEASURES

- Developed and executed communication plans with internal and external stakeholders
- Delivered educational module on plastic and sustainability education for primary and secondary school in Malaysia
- Established partnerships and collaborations for an effective sustainable waste recovery system
- Collaborated with innovative technology solutions providers to address plastic pollution
- Enhanced awareness environment care through Reduce, Reuse, Recycle (3R) and Corporate Social Responsibility activities
- Effectively managed key stakeholders through circular economy initiatives

RISK MOVEMENTS

N

War-on-Plastics is a new risk added in our Corporate Risk Profile and will be monitored and mitigated systematically

Capitals:



Material Matters:



Strategic Thrusts:



Stakeholders:



KEY RISK NO. 6

COVID-19 Risk

VH

RISK EVALUATED

The prolonged COVID-19 pandemic jeopardises and delays the achievement of business targets. As the situation evolves, emerging issues and uncertainties may impact business continuity.

CAUSES

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

IMPACT ON VALUE

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

MITIGATION MEASURES

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

RISK MOVEMENTS

N

The COVID-19 pandemic is a new risk added in our Corporate Risk Profile and will be monitored and mitigated systematically

Capitals:



Material Matters:



Strategic Thrusts:



Stakeholders:



RISK OVERVIEW

RISK IMPACT

VH Very High **H** High **M** Medium **L** Low

RISK MOVEMENT

ST Stable **IC** Increase **DC** Decrease **N** New

KEY RISK NO. 7

Corruption Risk



RISK EVALUATED

As a multi-stakeholder organisation with an integrated value chain, we are exposed to risks of corruption and unethical behaviour. The new provision of the Malaysian Anti-Corruption Commission Act (2009) imposes corporate liability for any failure to prevent bribery and corruption.

CAUSES

- Inadequate implementation and awareness on policy, guidelines and procedures related to integrity, good governance and corruption

IMPACT ON VALUE

- Hefty penalties, summons and/or imprisonment
- Legal action from affected stakeholders
- Reputational damage and loss of stakeholder trust

MITIGATION MEASURES

- Implemented Guidelines on Adequate Procedures issued by the Prime Minister's Department based on **TRUST** principles:
 - Top-Level Commitment, including governance structure and top-level communications
 - Risk Assessment
 - Undertake Control Measures, such as due diligence, reporting channel and Third-Party Risk Management tools
 - Systematic Review, Monitoring & Enforcement
 - Training and Communication



Read more on **page 66** for Value Creation for Government & Regulators

RISK MOVEMENTS



Corruption is a new risk added in our Corporate Risk Profile and will be monitored and mitigated systematically.

Capitals:



Material Matters:



Strategic Thrusts:



Stakeholders:



KEY RISK NO. 8

Market Risk



RISK EVALUATED

The volatile chemicals market poses challenges to business sustainability. Adverse market conditions amidst lower global GDP growth, massive capacity addition and lower energy prices, coupled with political tension, result in significant compressed margins.

CAUSES

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

IMPACT ON VALUE

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

MITIGATION MEASURES

- Retained higher netback in the focused market
- Secured the volume through geographical sales mix and market segment
- Commercialised new products
- Value proposition for local distribution in Overseas Subsidiaries
- Optimised cost to serve



Read more on **page 80** for Market Volatility

RISK MOVEMENTS



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

Capitals:



Material Matters:



Strategic Thrusts:



Stakeholders:



RISK OVERVIEW

RISK IMPACT

VH Very High **H** High **M** Medium **L** Low

RISK MOVEMENT

ST Stable **IC** Increase **DC** Decrease **N** New

KEY RISK NO. 9

Operational Risk



RISK EVALUATED

Our highly-integrated operations expose our plants to an array of risks. If one or more plants in the value chain fail to operate reliably, it will create a knock-on effect that significantly interrupts our operations.

CAUSES

- Non-compliance with Equipment Reliability Strategy, inspection or maintenance programme
- Inherent hardware or software design deficiencies and equipment failure
- Ineffective Turnaround (TA) implementation

IMPACT ON VALUE

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

MITIGATION MEASURES

- Implemented effective Operation Management, Asset Life Management, Bad Actor Management and Plant Reliability Threat programmes to optimise asset reliability and equipment performance
- Conducted regular maintenance and inspection programmes to minimise the risk of equipment failure and unplanned shutdowns
- Executed intensified TA governance exercise
- Activated the BRP and BCP for cases with prolonged interruption

IR Read more on **page 79** for Asset Reliability

RISK MOVEMENTS



An effective reliability and turnaround execution strategy, coupled with improved feedstock and utility supply, resulted in sustained production volume and plant utilisation.

Capitals:



Material Matters:



Strategic Thrusts:



Stakeholders:



KEY RISK NO. 10

Feedstock Risk



RISK EVALUATED

Our production plants run on a reliable supply of feedstock and utilities. The continuity of our plants relies on sufficient volumes of feedstock and utilities secured in a timely manner.

CAUSES

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

IMPACT ON VALUE

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

MITIGATION MEASURES

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

RISK MOVEMENTS



Throughout the year, we received a reliable supply of feedstock and utilities.

Capitals:



Material Matters:



Strategic Thrusts:



Stakeholders:



RISK OVERVIEW

RISK IMPACT

VH Very High **H** High **M** Medium **L** Low

RISK MOVEMENT

ST Stable **IC** Increase **DC** Decrease **N** New

KEY RISK NO. 11

Regulatory Risk

M

RISK EVALUATED

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

CAUSES

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

IMPACT ON VALUE

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

MITIGATION MEASURES

- Conducted periodic engagements with local authorities, service providers and customers on laws and regulation updates
- Updated legal register to reflect new regulatory requirement
- Conducted regular communication on business conducts to ensure compliance
- Performed assurance on all overseas subsidiaries

 Read more on **page 66** for Value Creation for Government & Regulators

RISK MOVEMENTS

ST

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

Capitals:



Material Matters:



Strategic Thrusts:



Stakeholders:



KEY RISK NO. 12

Talent Risk

L

RISK EVALUATED

It is critical to have competent talents to execute strategies and sustain operations. Also, difficulties in recruiting talents with niche competencies required for future developments may impact our sustainable growth and performance.

CAUSES


- Unavailability of capable talents with niche competencies required to drive our business growth

IMPACT ON VALUE

- Low morale and motivation among employees
- Non-delivery of business growth and strategies
- High employee turnover
- Costs from talent acquisition

MITIGATION MEASURES

- Sourced and developed talent for commercial and marketing of specialty business

 Read more on **page 76** for Talent Development

RISK MOVEMENTS

ST

The effective implementation of risk mitigation measures to minimise talent risk.

Capitals:



Material Matters:



Strategic Thrusts:



Stakeholders:



RISK OVERVIEW

EMERGING RISKS

During the year, we also deliberated on various emerging risks, including the US-China trade war, COVID-19 pandemic, cybersecurity, corruption, and other critical challenges that could possibly impact our strategy and overall performance. Our proactive approach allows us to minimise the adverse effects or capitalise on the potential opportunities that an emerging risk may present. The Board and management team monitor and deliberate on the emerging risks. If an emerging risk evolves into a real threat, we integrate it into our CRP for appropriate response and mitigation plans.

We are currently monitoring the emerging risk below:

Risk Event and Description	Impact on Value Creation
<u>US-China Trade War</u> Since 2016, the U.S. and China have been engaging in a trade war with tariffs set to date, at USD550 billion worth of Chinese products and USD185 billion worth of U.S. goods. In January 2020, both parties signed "Phase 1" of the trade deal agreement, which comprised rollback on tariffs; expansion of trade purchases; and renewed commitments on intellectual property, technology transfer, and currency practices.	Escalation of the prolonged trade war may potentially impact the regional economy, affecting the demand for chemicals.

STRATEGIC REVIEW

OUR STRATEGY

Our Two-Pronged Strategy, which we set out in 2014, allows us to be competitive, agile and resilient to the rapidly changing landscape. The strategy was formulated by considering the external environment, risks and opportunities, material matters as well as our growth aspirations. Through this strategy, we are strongly oriented towards delivering sustainable value for all our stakeholders.

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TWO-PRONGED STRATEGY

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

1.

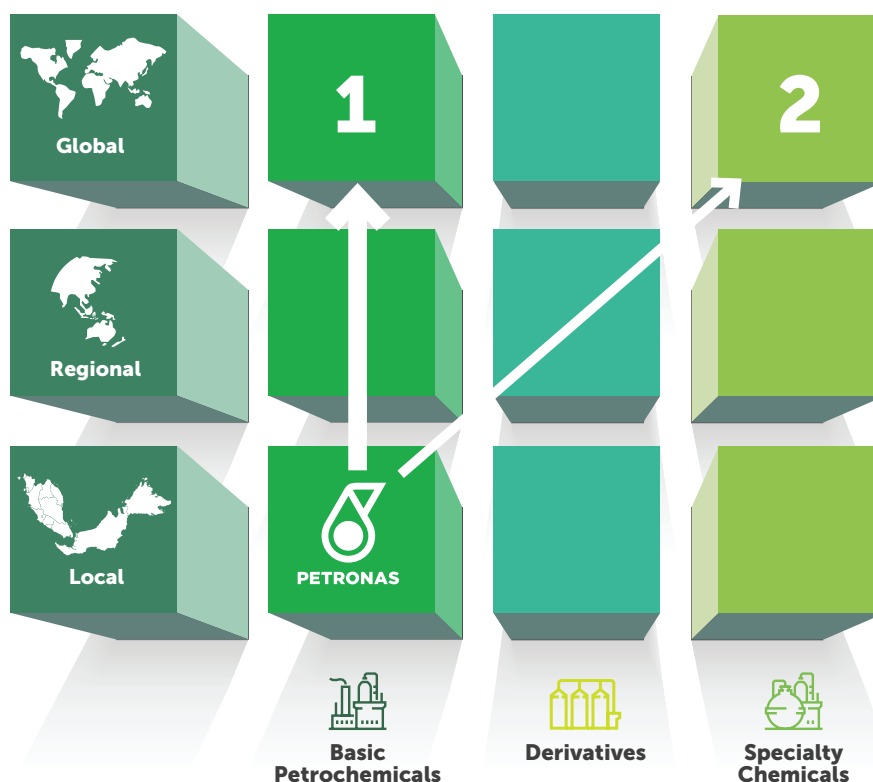
First-prong

Sustain strength in basic petrochemicals

2.

Second-prong

Selectively diversify into derivatives, specialty chemicals and solutions



Our business strategy will enable us to progressively move up the value chain, from basic petrochemicals into derivatives and specialty chemicals; further building resilience against market volatility and emerging risks. Our strategy's success depends on three strategic thrusts, supported by initiatives and associated performance targets.

OE OPERATIONAL EXCELLENCE

Achieve sustainable world-class plant performance focusing on:

- Plant reliability
- Turnaround management
- Supplier relationship management

CE COMMERCIAL EXCELLENCE

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

- Customer focus
- Sustain and enhance market position
- Marketing and sales capabilities
- Innovative solutions
- Innovation culture

GE GROWTH DELIVERY EXCELLENCE

Diversify petrochemicals into higher value-adding products focusing on:

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

STRATEGIC REVIEW

STRATEGIC PERFORMANCE



OPERATIONAL EXCELLENCE

Over the past three decades, we have established a strong track record in operational delivery. Our plants follow an operating model characterised by a constant commitment to minimising risks on human capital, the environment, and business continuity. We seek to maximise production at optimal costs, which increases our market competitiveness and margins. Our focus is to enhance reliability, efficiency and turnaround strategies to maintain our world-class operations. Through our focus on Operational Excellence, we build our resilience and create a strong foundation for us to advance on our sustainable growth agenda.

KEY AREAS OF FOCUS	ACHIEVEMENTS						
Health, Safety & Environment (HSE) Excellence	Headline KPI	2016	2017	2018	2019	2020	2020 Target
	Number of major safety incidents	2	1	1	0	0	0
	Number of major fire incidents	0	0	1	0	0	0
	Lost Time Injury Frequency (LTIF)	0.19	0.09	0.13	0.08	0.14	0.26
	Tier 1 process safety events	1	0	1	2	3	0
	GHG emissions (million tonne CO ₂ e)	6.00	7.09	7.08	7.02	7.10	6.92 by 2024
	Waste recycling rate (%)	82	82	79	70	85	82 by 2024
Plant Reliability & Efficiency	Headline KPI	2016	2017	2018	2019	2020	2020 Target
	Production volume (million tpa)	9.2	10.2	10.4	10.4	10.7	>10.0
	Plant Utilisation (PU) (%)	96	92	92	92	94	>90
Plant Turnaround (TA) Excellence	Headline KPI	2016	2017	2018	2019	2020	2020 Target
	LTIF during Turnaround (TA)	0.00	0.00	0.27	0.00	0.00	0.26
	Turnaround weighted days	8.9	10.3	23.0	14.1	2.3	11.8
Digital Transformation & Solutions (OE R2)	Headline KPI			2018	2019	2020	2020 Target
	OE R2 digital journey completion (%)			55	73	90	90
Note: The Operational Excellence Result 2 (OE R2) transformation journey began in 2018							

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

KEY INITIATIVES

- 1) Strengthen HSE culture
- 2) Improve asset reliability
- 3) Enhance turnaround execution
- 4) Integrate digital solutions

PROGRESS IN 2020

- 1) Implemented HSE Generative Culture programmes across relevant workstreams
- 2) Achieved a record-breaking production volume and sustained PU at above 90%
- 3) Executed turnaround activity in a safe and timely manner, despite the new norms
- 4) Deployed Asset Performance Management (APM) and PETRONAS Integrated Vision for Operational Excellence Transformation (PIVOT) Advanced Analytics (AA) solutions

PRIORITIES FOR 2021

- 1) Implement initiatives to enhance process safety culture
- 2) Sustain PU at above 90% level
- 3) Execute turnarounds in a safe and timely manner
- 4) Reduce maintenance costs by the deployment of APM and PIVOT AA

Capitals:



Material Matters:



Stakeholders:



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CE COMMERCIAL EXCELLENCE

Our Commercial Excellence anchors on a collaborative relationship with our customers. The aim is to deliver incremental value through the expansion of our product portfolio. We look through our customers' lens to create innovative solutions, products and applications that bring added value to their business. Our strong regional presence, coupled with a deep understanding of customers' expectations, act as clear differentiators in the marketplace; therefore, strengthening our reputation as a leading chemical player.

KEY AREAS OF FOCUS	ACHIEVEMENTS						
Sales Performance	Headline KPI	2016	2017	2018	2019	2020	2020 Target
	Sales volume (million tpa)	7.3	8.1	8.0	8.4	8.2	>8.0
	Order Fulfilment Reliability (OFR) (%)	95	94	93	97	97	95
Differentiated & Specialty Products	Headline KPI			2018	2019	2020	2020 Target
	Number of new products launched			1	6	11	5
	Number of co-created application solutions			10	13	21	20
	Number of technical solutions provided			53	183	545	350
Note: Data tracking began in 2018							
Digitalisation Journey	Headline KPI	2016	2017	2018	2019	2020	Targets
	Customer feedback (sigma)	4.9	5.2	5.0	4.7	5.3	5.0
Note: The improvement in customer feedback reflects their satisfaction with the digitalisation of customer processes							

KEY INITIATIVES

- 1) Sustain sales performance for existing business
- 2) Drive the expansion of differentiated and specialty products
- 3) Strengthen Commercial Excellence capabilities

PROGRESS IN 2020

- 1) Maintained high sales volume despite the market challenges
- 2) Launched new products and solutions that address customers' business needs
- 3) Developed a Capability Development Framework for specialty chemicals

PRIORITIES FOR 2021

- 1) Expand customer base with excellent service delivery and new product portfolio from Pengerang Integrated Complex
- 2) Complement existing business segment with a new range of products from acquisition of Da Vinci Group
- 3) Develop and strengthen expertise to drive commercial excellence in derivatives and specialty chemicals

Capitals:



Material Matters:



Stakeholders:



STRATEGIC REVIEW

GROWTH
DELIVERY
EXCELLENCE**AKBAR MD THAYOOB**

Head of Strategic Planning & Ventures

"Growth for us is both a business requirement and a responsibility towards our stakeholders. Our efforts are always focused on identifying and leveraging various opportunities for growth. In the process, we expand our value chain; we forge partnerships; we invest in innovation; we develop people; and above all we create future-proof solutions. Against the backdrop of a challenging year, we draw upon our growth-potential to consistently achieve Growth Delivery Excellence in all circumstances."

Our Two-Pronged Strategy as well as our orientation to the 3Ps – People, Planet and Profit in the conduct of our business is to catalyse growth that is meaningful for all our stakeholders. We believe in the leadership that understands growth in the context of stakeholder expectations, business priorities, and our ability to create value and positive impact – from both industry and the nation's perspectives. In 2020, despite the various impacts of the COVID-19 pandemic, we remained committed to our growth objectives and delivered positive performance.

HOW DO WE MEASURE GROWTH?

Key Drivers of Growth

Growth Indicators

Results

Key Drivers of Growth	Growth Indicators	Results
Expansion of the core business via the extension of the value chain	Number of Final Investment Decisions (FIDs) made	Three FIDs for: <ul style="list-style-type: none"> Silicone blending facility in Gebeng, Pahang Expansion of Da Vinci Group (DVG) facility in the Netherlands Liquid chemicals distribution in Indonesia
Stepping out into specialty chemicals	Number of specialty chemicals companies assessed for acquisition	60 potential acquisition targets assessed <ul style="list-style-type: none"> 5 specialty chemical companies examined
Execution of projects that have achieved FID	Number of joint venture (JV) companies incorporated	Two JV companies incorporated for: <ul style="list-style-type: none"> PCC Oxyalkylates Malaysia Sdn Bhd for specialty ethoxylates and specialty polyols PT Anugerah Kimia Indonesia (PT AKI) for liquid chemicals distribution project
	Number of Engineering, Procurement and Construction (EPC) contracts awarded	Two EPC contracts awarded for: <ul style="list-style-type: none"> Specialty ethoxylates and specialty polyols Silicone blending facility
Development of bio-based chemicals technology	Number of Engineering, Procurement, Construction and Commissioning (EPCC) contracts awarded	One EPCC contracts awarded for: <ul style="list-style-type: none"> Construction of our first bio-based chemicals pilot plant

GROWTH DELIVERY EXCELLENCE

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WHAT ARE THE CHALLENGES & OPPORTUNITIES TO GROWTH?

Challenges

GROWTH PRIORITY

Unprecedented risks and impacts of the COVID-19 pandemic, pushing us to evaluate various priorities and focus areas of business

EMPLOYEE PRODUCTIVITY

High-risks posed by the pandemic to the health and wellbeing of human capital slows down productivity, which hinders growth performance

BUSINESS PARTNERS' PRIORITIES

Disruptions and challenges faced by business partners impact the management and prioritisation of investment portfolio

Opportunities

- Reassess priorities based on the risks of execution at the project-level as well as identify a supplementary pool of projects in lieu of any non-performing projects
- Develop comprehensive marketing plans and progress on FIDs as well as continue building on JV projects and ventures
- Simplify processes and prioritise projects with lower complexity

- Introduce health and safety standard operating procedures (SOPs), supported by enabling digital platforms
- Offer alternative work arrangements and motivation to continue the pace and quality of performance

- Strengthen relationships across the value chain through a close and collaborative relationship with business partners
- Find alternative business partners to continue with investments

Capital Inputs / Outcomes



Our workforce contributes to PCG's growth by continuously delivering excellence

GROWTH DELIVERY EXCELLENCE

HOW DID WE ACHIEVE GROWTH DELIVERY EXCELLENCE IN 2020?

PRIORITY

Future-proof the business and maintain long-term stability by observing SOPs and creating a safe and secure work environment

Preserve value through cost and schedule optimisation to reduce the impact of declining market price amidst the COVID-19 pandemic

Review portfolio performance and identify solutions to optimise resource allocation and elevate performance

Accelerate efforts to integrate sustainability aspects into our growth strategies and approaches

DELIVERY ACTION

Performed detailed studies on technical and commercial feasibility of business opportunities

Leveraged PETRONAS' robust infrastructure to swiftly deploy digital platforms for all critical stakeholder communications and operational needs

Exercised prudence in managing costs i.e. CAPEX & OPEX, for ongoing growth projects

Reprioritised growth projects for the post-COVID era by assessing the future supply-demand shifts, pricing trends and market opportunities

Conducted an in-depth assessment of our investments and their near-term returns and long-term viability

Assessed the impact of the pandemic and sustainability on financial and non-financial aspects of business, alongside the need to focus on the end-market segment

ACHIEVEMENTS

Achieved FID on three projects as planned, 50% more than 2019, despite challenges faced from the COVID-19 pandemic restrictions

Increased number of in-house expertise for greater business opportunities and cost savings

Optimisation of growth project related cost leading to more than 10% of cost savings

Discontinued operations of butanediol plant, one of the complexes in our JV company, BASF PETRONAS Chemicals Sdn Bhd

Identified five key sustainability projects to be accelerated to fast-track our entry into focused market segment

GROWTH DELIVERY EXCELLENCE

WHAT ARE OUR NEAR-TERM AND MID-TERM APPROACHES TO GROWTH DELIVERY EXCELLENCE?

1. Expand the value of molecules from our existing business, including Pengerang Integrated Complex and DVG, into higher-margin products
2. Acquire specialty chemicals company as a platform for growth and future-proofing the business
3. Increase Research and Technology investments gradually and accelerate the outcomes to meet the growing (current and future) demand for sustainable products
4. Prioritise projects in hand with strategic advantages while monitoring the high-potential pipeline of projects with promising prospects in the mid-term
5. Evaluate shifts in demand-supply as well as the market conditions that severely impact our pricing considerations and strategies
6. Accelerate technology and sustainability integration into our operations and project delivery mechanisms making growth delivery seamless





A CLEANER WORLD

Household appliances such as washing machines and dishwashers are a great addition to any home. Whether it's cleaning the dishes or doing a load of laundry, surfactants make cleaners work better. With our tailor-made solution, washing becomes a breeze and our lives become a little easier.

HC501 is a low temperature stability surfactant that ensures excellent performance in household detergents due to its strong washing performance and foaming properties.



BUSINESS REVIEW

MANUFACTURING

MOHD KABIR NOORDIN
Chief Manufacturing Officer

"2020 was the ultimate stress-test for our manufacturing plants. The pandemic challenged the strength of our fundamentals. But, against all odds, we proudly delivered on our operational performance. Firstly, we leveraged our strong track record in Health, Safety and Environment (HSE) excellence to protect employees against the COVID-19 pandemic. Enhanced HSE guidelines were swiftly implemented to ensure business continuity. We then focused on maintaining operations at maximum capacity. This involved utilising integrated digital solutions to enhance plant reliability and efficiency. We also mobilised employees and suppliers to effectively manage various disruptions, ensuring quick turnarounds despite the new normal. Our overall efforts resulted in a record-breaking 10.7 million tpa in production volume. This reflects our ability to drive both business growth and socio-economic well-being of our people despite unfavourable circumstances."

WHAT WE DO

As the manufacturing division of PCG, we produce olefins and polymers used as the primary feedstock to intermediate products, including basic performance chemicals. We are also involved in the manufacturing of methanol, MTBE, aromatics as well as fertilisers such as urea and ammonia.

We operate 11 world-class chemical manufacturing plants across Malaysia. In manufacturing, the health and safety of our workers always come first. We have built a strong reputation as an HSE leader in the industry. We also strive to maximise production volume at the lowest cost, which increases our market competitiveness and margins. Through Operational Excellence, we ensure that our plants are consistently safe, reliable and efficient, positively contributing to growth.



MANUFACTURING

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KEY PRIORITIES & RESULTS

KEY PRIORITIES

HEALTH & SAFETY FIRST

- Implemented stringent COVID-related guidelines to ensure safe and seamless execution of operations
- Engaged with relevant authorities i.e., Department of Safety and Health (DOSH), Ministry of Health, Ministry of International Trade and Industry, for necessary permits and business continuity plans
- Maintained a high level of vigilance through regular briefings, health screenings and plant surveillance

Capitals Deployed:



Material Matters:



DIGITAL ACCELERATION

- Leveraged digital Enterprise Optimiser and PETRONAS Integrated Vision for Operational Excellence Transformation to drive the best values for molecules
- Installed advanced analytics and data-driven technology that can pre-empt and prevent equipment failures
- Finalised Operational Excellence Result 2 (OE R2) Asset Performance Management to digitalise critical data for improved plant efficiency
- Employed drones to safely monitor our equipment and operations at higher elevations

Capitals Deployed:



Material Matters:



PEOPLE PERFORMANCE

- Embarked on OE R2 to optimise manpower productivity, flexibility and technical capabilities
- Conducted regular virtual meetings with business heads to identify and implement best-value decisions
- Engaged with onsite workers regularly to maintain their motivation and performance during the Movement Control Order (MCO)

Capitals Deployed:



Material Matters:



TURNAROUND EXCELLENCE

- Worked with feedstock and utility suppliers to coordinate and plan plant shutdowns
- Embarked on activities to fulfill Special Scheme of Inspection requirement by DOSH to optimise statutory shutdown activities and frequency

Capitals Deployed:



Material Matters:



RESULTS

- Recorded zero fatalities and fire incidents across the plants, as well as operated to full capacity despite the lower number of physical workers
- Continued to bring-to-market our essential products and services, especially to support the COVID-19 pandemic mitigation efforts (e.g., polymers that are ingredients for face shield frames etc.)
- Promoted a culture of safety, cooperation and positive morale to keep human and plant productivity high
- Recorded a Lost Time Injury Frequency (LTIF) of 0.14 and Total Recordable Case Frequency (TRCF) of 0.23, both of which are better than the industry benchmarks of 0.26 and 0.99, respectively

- Increased Overall Equipment Effectiveness (OEE) from 90.1% to 90.6%, and sustained plant reliability above 96%
- Completed Advanced Analytics for Critical Machines at six plants, resulting in RM12 million in cost avoidance from preventing plant interruptions/incidences
- Digitalised 14,236 equipment strategy data, 163,138 risk data, and 301,837 mitigation actions data
- Reduced manual supervision and the need for dedicated manpower for monitoring

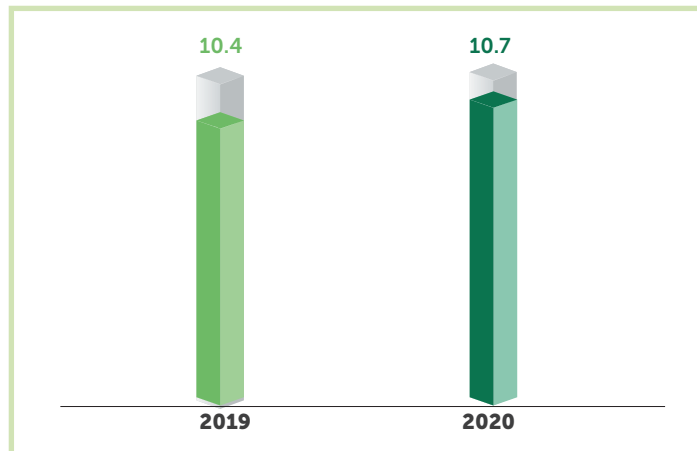
- Ensured strong leadership at plants via 63 manufacturing leadership team meetings
- Sustained collaboration with feedstock suppliers through eight gas supply planning and coordination meetings with Upstream and Gas business
- Maintained employee morale and motivation through 18 engagement sessions with manufacturing plants across the group

- Safely executed statutory turnaround two days ahead of schedule, with a total of 1.1 million man-hours and peak manning of 4,120 people

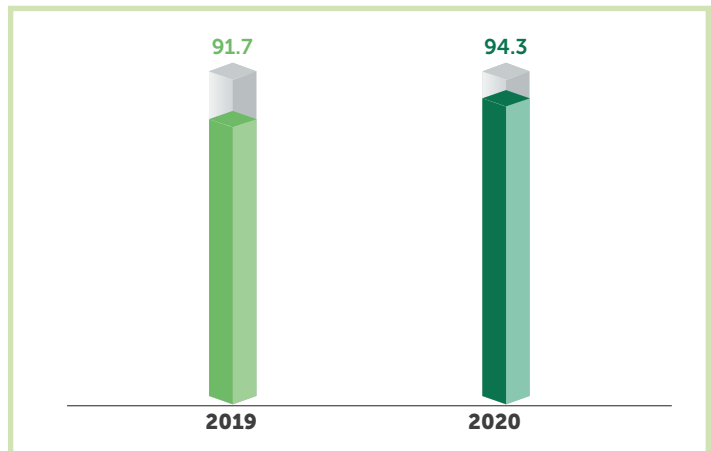
MANUFACTURING

PERFORMANCE HIGHLIGHTS & ACHIEVEMENTS

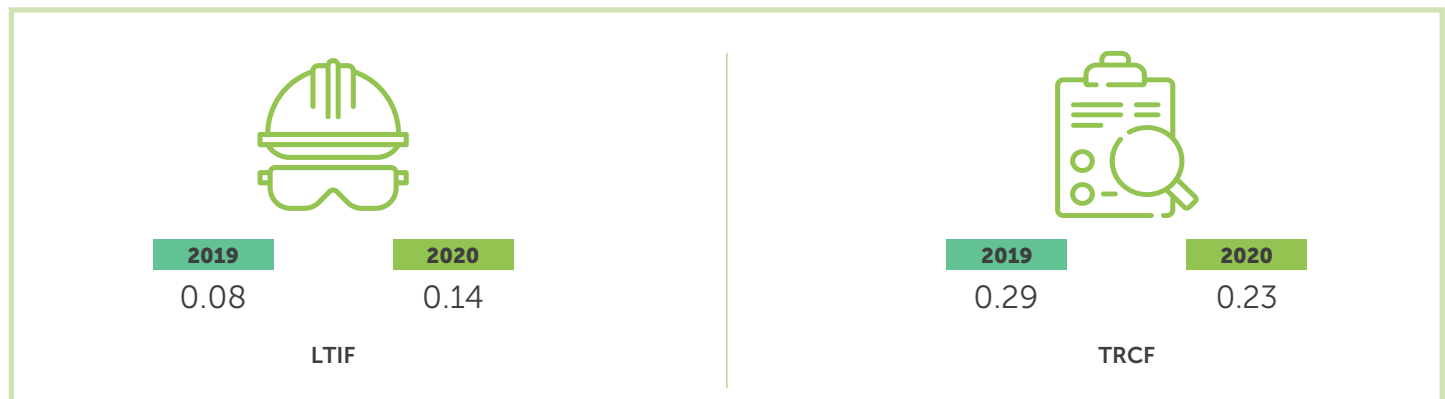
Production Volume (million tpa)



Plant Utilisation (%)



Health & Safety Incidents



COVID-19 IMPACT & RESPONSE

COVID-19 Impact




Our Response

Results

COVID-19 Impact	Our Response	Results
Government's containment measures required the closure of plants during the MCO	Engaged with relevant agencies to position the need to produce and supply our essential commodities and services to the marketplace	Received Government's approval to continue running all our plants
Only essential employees and contractors were allowed to work in the plants, with only 30% of management working on site	Closely monitored the manning level and other risks related to manpower reduction	Continued to run the plants with a 100% manning level sustained for essential employees and contractors
Distancing requirements made it challenging to manage the manpower needed during the statutory turnaround	Implemented safety guidelines as well as digital technologies to comply with distancing standard operating procedures, while operating at full capacity	Executed the statutory turnaround in a safe and timely manner with zero COVID-19 cases reported

MANUFACTURING

RISKS & MITIGATION

Challenges	Mitigation Actions	Results
HEALTH & SAFETY Physical and chemical hazards expose plant workers to potential injuries or death risks Risk: 	Institutionalised safety excellence through policies and programmes that promote safety culture, compliance and competency	Achieved LTIF and TRCF of 0.14 and 0.23 respectively, which are well below the industry benchmark of 0.26 and 0.99
PRODUCTION RELIABILITY Unreliable production impacts sales volume and revenue growth Risk: 	Utilised advanced analytics to improve plant reliability and minimise disruptions	Maintained plant reliability above 96%, with an OEE of 90.6%
FEEDSTOCK RELIABILITY Gas curtailment and unplanned equipment downtime disrupt feedstock supply Risk: 	Collaborated with suppliers to secure feedstock availability and maintain plant operations	Reduced ethane curtailment from -50 tonne/hour to -20 tonne/hour, and shortened the rectification of pipeline incident in Sabah from five to three weeks

MOVING FORWARD

In the year ahead, we remain cautiously optimistic as gas prices rise and the market gradually recovers. We will focus on supporting our Two-Pronged Strategy by sustaining high plant utilisation, delivering safe and timely plant shutdown and turnaround, accelerating digital adoption, and driving cost optimisation.

The challenges of COVID-19 will remain. We will need to continue the measures taken to drive our success in 2020, as well as reflect on how we can gradually improve our processes to serve the new norms of business and trade.

Needless to say, in the post-pandemic landscape, we will continue to put people first. We will increase employees' technical capabilities to enable them to excel in the long-term. Additionally, we will continue to aggressively progress with our digital journey. By establishing a robust digital foundation, we can better protect the reliability of equipment, efficiency of operations, and safety of our people.

BUSINESS REVIEW

COMMERCIAL

SHAKEEL AHMAD KHAN
Chief Commercial Officer

"In 2020, the chemical industry faced a supply-demand imbalance where demand was affected due to the COVID-19 pandemic while supply remained unchanged. As a result, prices substantially dropped and was further exacerbated by a volatile oil market. With compressed margins, we exercised prudence in managing costs across the board, particularly our cost-to-serve. We worked closely with our customers and other critical stakeholders to remain agile and responsive to the unprecedented changes in both the workplace and marketplace. For instance, when the pandemic was escalating in our core Southeast Asia markets, we promptly diverted our product volume to China, which by then had sprung back to action post-crisis. Our ability to diversify our risks across markets and our robust network of domestic and international value chain partners created all the difference. We were able to recoup our volume plan, and successfully achieve 97% in Order Fulfilment Reliability (OFR). Our achievements in 2020 have proven that we are agile, adept and resilient."

WHAT WE DO

Our commercial team markets and sells integrated chemical solutions, including specialty products and chemical derivatives of the future. We deliver best-in-class commercial value to customers globally, particularly in Southeast Asia and the Asia Pacific. Besides Malaysia, our primary markets include Singapore, Indonesia, Thailand, the Philippines and Vietnam.

Over the years, we have gained prominence as a reliable and credible partner in providing innovative chemical products and solutions. Our strategy involves looking through our customers' lens to better understand their needs. This enables us to develop bespoke solutions that address customer pain points and support their business needs. We focus on delivering innovative, value-added solutions to customers, while maximising our business growth.



KEY PRIORITIES & RESULTS

KEY PRIORITIES

TRANSPORTATION SAFETY

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

Capitals Deployed:



Material Matters:



INNOVATIVE PRODUCT SOLUTIONS

- Commercialised PETRONAS Etilinas Alfatene PE3838MA, an innovative solution designed to enhance protective packaging for e-commerce and courier services
- Introduced a new surfactant grade HC501 – a low-temperature stability surfactant that allows detergent customers to expand into colder-climate markets
- Introduced two new grades for Oil & Gas application, PETRONAS Glyde™ CM302R and PETRONAS Glyde™ CH201, which expand support for customers' demands in various drilling environments.
- Launched BRB Fluid 1560, a solution that incorporates silicone functionality into polymer structure and reactive with epoxides, isocyanates, carboxylic acid and esters
- Launched BRB Siloen® MXP5, a highly effective water repellent additive in powder form for use in cementitious construction material

Capitals Deployed:



Material Matters:



CUSTOMER-CENTRIC SOLUTIONS

- Collaborated with customers to co-create application solutions that address their evolving business needs and aspirations
- Launched Customer Delivery Excellence, a digital platform that simplifies and optimises product delivery to customers
- Commissioned two Flexitank facilities at Kertih Terminals Sdn Bhd and PC Derivatives Sdn Bhd. Flexitank is a packaging alternative to ISO tank delivery that improves order lead time and lowers service cost

Capitals Deployed:



Material Matters:



PRODUCT STEWARDSHIP AND TECHNICAL SEMINARS

- Conducted Product Stewardship and Technical Seminars for all stakeholders who manage our products. The seminars raise awareness on the safe handling and use of our products, as well as train customers on how to maximise the value derived from our products and applications

Capitals Deployed:



Material Matters:



RESULTS

- Covered six RTOG training sessions for all Malaysian service providers, where 150 participants comprising management members and drivers were trained on road safety guidelines to meet our Health, Safety & Environment (HSE) standards
- Enhanced safety performance with 100% of contracted drivers utilising the PIVOT Transport Safety Application.
- Lowered the overall Total Vehicle Accident Rate to 0.13 against an industry benchmark of 0.16, with zero fatalities recorded since 2019

- Pioneered a solution that develops high-performance bubble wrap, in which we have marketed more than 310 MT of the product
- Recorded 100% customer acceptance based on product trials, signalling the market's potential and a positive endorsement of the product value
- Met the required technical specifications during lab trials. Geared for commercialisation to potentially improve our Oil & Gas product portfolio
- Offered a solution that enhances the coating polymer's surface and physical properties, resulting in various benefits, including better slip, anti-blocking, mar resistance, surface smoothness, flexibility, and hydrophobicity. This solution's applications include coatings, plastics, resins and others, benefitting products such as textile fabric, natural and synthetic leather coating
- Provided an innovative solution that enhances the performance of construction materials, such as premixed plasters and mortars, for long-lasting protection and quality

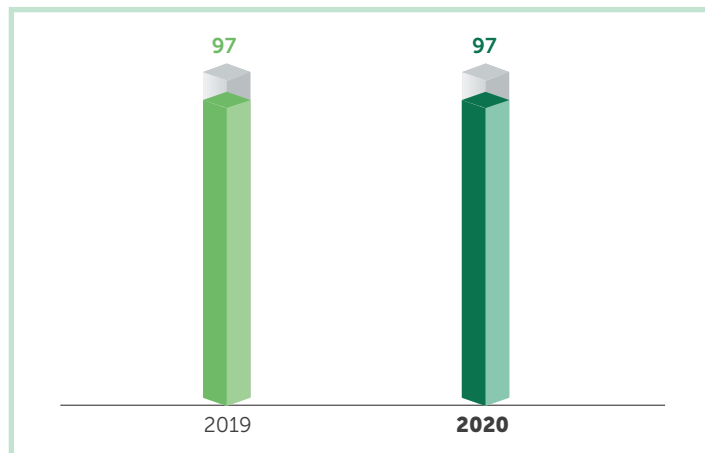
- Co-created 21 customised application solutions that help customers overcome their limitations and unlock their business potential
- Received 311 positive responses from customers on the platform's convenience, visibility and effectiveness
- Delivered added value to customers by switching to Flexitank, with more competitive price from lower delivery costs and faster delivery lead time by 30%

- Conducted 14 seminars for 997 participants from Malaysia, Singapore, Thailand, the Philippines, Indonesia, Vietnam and China

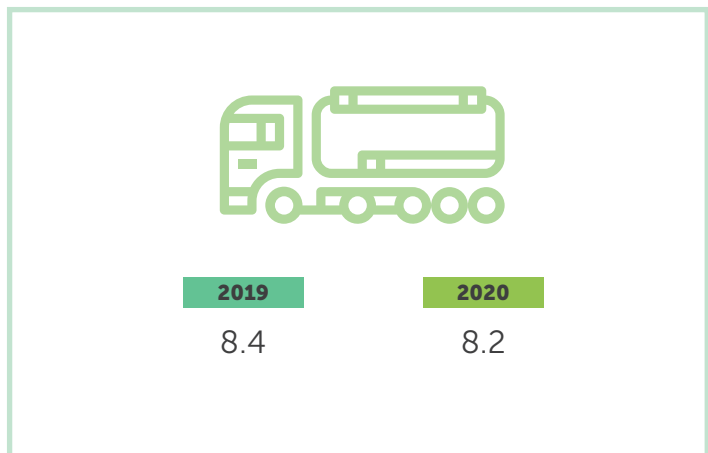
COMMERCIAL

PERFORMANCE HIGHLIGHTS & ACHIEVEMENTS

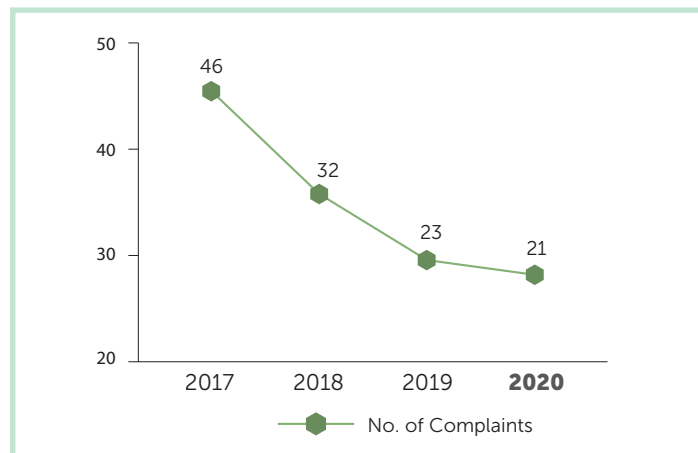
Order Fulfilment Reliability (OFR) (%)



Total Sales Volume (million tpa)



Customer Feedback



COVID-19 IMPACT & RESPONSE

COVID-19 Impact

Our Response

Results

COVID-19 Impact	Our Response	Results
Lockdowns in key markets in Southeast Asia impacted sales volume	Diverted our product sales to countries that were less affected by the COVID-19 pandemic or in partial recovery mode	Maintained plant production volumes, with manageable inventories
Government's containment measures restricted customers' business operations	Forged close collaborations with the Ministry of International Trade and Industry and other industry associations to enable customers and the industry to move forward and operate efficiently	Enabled customers to continue their operations with minimal restrictions
Affected customers reduced the normal offtakes of product volume	Maximised volume lifting for customers with term contracts	Minimised loss of sales and product inventory
Lack of access to authorities in international markets made it difficult to operate during movement restrictions	Solicited active intelligence from overseas subsidiaries and representative offices, that regularly engaged with relevant local authorities	Effectively managed operations at international markets
Deferred plant turnaround during the Movement Control Order resulted in higher saleable volume than planned	Actively explored alternative markets to expand the existing customer base	Minimised sales loss and inventory, ensuring continued production

COMMERCIAL

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RISKS & MITIGATION

Challenges

FLUCTUATING OIL PRICES

Bearish crude oil prices lead to thinning of margins, which impacts profitability

Risk: 

Mitigation Actions

- Ensured product volumes are sold to the highest netback country based on our portfolio mix
- Leveraged our integrated value chain to maintain a competitive cost
- Co-created innovative application solutions to meet customers' evolving needs whilst maintaining high-quality products
- Continued to implement Commercial Excellence initiatives to deliver cost-effective products to customers
- Strengthened networking and Customer Relationship Management programme to understand customers' needs and establish customer loyalty

Result

- Maintained our competitive cost and maximised our value
- Minimised impact on revenue due to increased customers' confidence and loyalty
- Improved our brand and reputation by continuously meeting customers' expectations

TRADE RISKS

Restrictions on international cargo movements lower the offtake volume of products

Risk:  

- Collaborated with strategic customers to help offtake sizeable volume

- Minimised sales loss and inventory to sustain production levels

SUPPLY CHAIN DISRUPTIONS

Disruptions in the supply chain impact sales production and business continuity

Risk:  

- Proactively engaged with supply chain partners and relevant authorities to ensure smooth operations

- Maintained production levels and efficiencies for uninterrupted sales

MOVING FORWARD

Although the chemicals market will take time to recover, we will continue building on our growth momentum. Our expanding customer base, coupled with excellent service delivery and a rapidly growing portfolio of products, put us on a stronger footing to manage the volatile and unpredictable landscape. With a more resilient commercial foundation, we are well-positioned to support the Group's growth with the coming onstream of Pengerang Integrated Complex (PIC) and further expanding into derivatives and specialty chemicals.

Southeast Asia will continue to be a predominant export market, as we leverage our competitive edge in this region. At the same time, we will explore other customer markets such as China, given the sheer size of this single market, especially with new volumes coming from PIC. We will gain a greater geographical presence by expanding our product portfolio. The development of new products and solutions will enable us to expand our market reach into uncharted territories with minimal investment; leveraging internal technical expertise through cross collaborations with customers.

Following the acquisition of Da Vinci Group, we are actively exploring the synergies that we will gain from integrating such substantial commercial operations. This includes adding an entirely new category in our product portfolio to complement our existing offerings with similar applications, such as paints, coatings and personal care products. This will further open the Group to a new vista of customers with greater international reach.

The background of the entire page is a photograph of a person's arm and hand applying a thick layer of white plaster to a wall. The wall has a faint, repeating geometric pattern. Overlaid on the left side of the image is a complex, multi-colored network of lines and dots, resembling a molecular or digital structure. Two large, semi-transparent orange hexagons are positioned behind the text blocks.

VERSATILITY AT ITS BEST

When it comes to building up your interior walls, nothing is more versatile or long-lasting than plaster. A durable material that has been trusted for generations, it's the perfect choice for home improvement projects.

BRB Siloen® MXP5 is a highly effective water repellent additive used in cementitious construction material. The solution is designed to enhance the performance of construction materials such as premixed plasters and mortars, giving it a long-lasting protection.



FINANCIAL REVIEW

GROUP FINANCIAL
RESULTS AND POSITION

TWO-PRONGED STRATEGY

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

In 2019, we grew our business by acquiring Da Vinci Group (DVG), our first foray into specialty chemicals via acquisition. USD1.0 billion financing had been procured to fund our growth via Pengerang Petrochemicals Company (PPC). We entered 2020 with healthy cash reserves, strong cash flow generation and ample credit headroom.

HOW WELL WE PERFORMED

With the unprecedented impact of the COVID-19 pandemic on the product prices and softened market, EBITDA for both segments dropped due to lower spread. This was cushioned by higher plant utilisation rate achieved via operational excellence and further supported by commercial excellence initiatives. Costs efficiency and discipline efforts were intensified to mitigate the market effect.

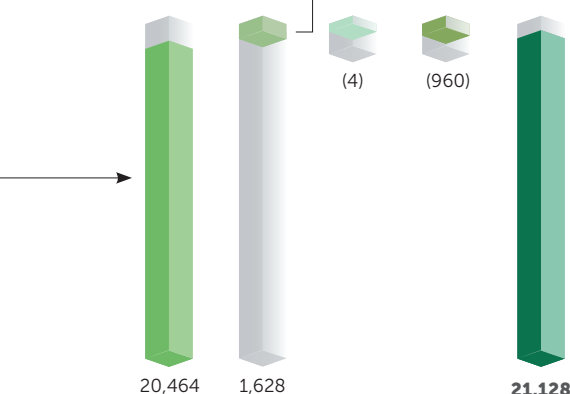
DVG, a silicones player with high-growth end markets such as personal care, paints and coatings, and construction has contributed additional revenue for the Group during the year.

Last Year's Statement of Financial Position

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

Consolidated Statement of Profit or Loss

In RM Million	Year ended 31 December	
	2019	2020
Revenue	16,370	14,362
Cost of revenue	(11,914)	(10,837)
Gross profit	4,456	3,525
Selling and distribution expenses	(878)	(967)
Administration expenses	(754)	(718)
Other expenses	(107)	(68)
Other income	523	428
Operating profit	3,240	2,200
Financing costs	(31)	(27)
Share of loss of equity-accounted joint ventures and associates, net of tax	(54)	(316)
Profit before taxation	3,155	1,857
Tax expense	(360)	(271)
PROFIT FOR THE YEAR	2,795	1,586
Profit/(loss) attributable to:		
Shareholders of the Company	2,811	1,628
Non-controlling interests	(16)	(42)
PROFIT FOR THE YEAR	2,795	1,586

Retained Profits
RM Million

- Balance as at 31 December 2019
- Earnings attributable to shareholders
- Dividends paid
- Balance as at 31 December 2020
- Other movements

GROUP FINANCIAL RESULTS AND POSITION

SUFFICIENT RESOURCES GENERATED – TO REMAIN RESILIENT TO ACHIEVE OUR STRATEGY

By maintaining a robust cash flows and cash reserve through cost efficiency and cash management, we were able to sustain our business amidst the pandemic coupled with soft market environment.

Free cash flow denotes the availability of cash in a company after considering its operational requirements. It is a strong indicator of the company's business sustainability – its financial capacity for business expansion, as well as availability of cash for distribution to debt holders and shareholders.

Despite challenges, we have generated free cash flow of RM1.9 billion to support our existing business and growth opportunities.

WHERE WE STAND

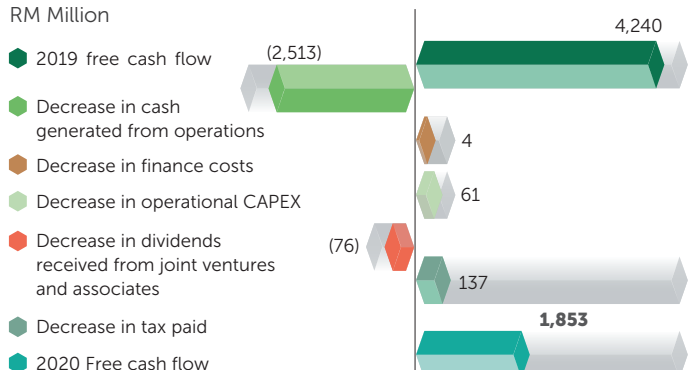
- Robust financial position with additional capital investment and strong cash balances at RM12.7 billion
- Registered EBITDA of RM3.5 billion in 2020 on the back of a challenging market environment and compressed margin
- Provided RM964 million in total shareholder returns via dividend payments
- Effective cost management resulting in lower unit cost

Consolidated Statement of Cash Flows

In RM Million	2019	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	3,155	1,857
Adjustments for non-cash items	1,343	1,688
Changes in working capital	1,010	(550)
Cash generated from operations	5,508	2,995
Interest income received	377	224
Taxation paid	(341)	(204)
Net cash generated from operating activities	5,544	3,015
CASH FLOWS FROM INVESTING ACTIVITIES	(3,027)	(1,444)
CASH FLOWS FROM FINANCING ACTIVITIES	(2,758)	(792)
Net cash flows from operating, investing and financing activities	(241)	779
Effect of foreign currency translation differences	(5)	(25)
Net (decrease)/increase in cash and cash equivalents	(246)	754
Net foreign exchange differences on cash held	(38)	(92)
Cash and cash equivalents at beginning of the year	12,329	12,045
Cash and cash equivalents at end of the year	12,045	12,707

Movements in Free Cash Flow

RM Million

**This Year's Statement of Financial Position**

In RM Million	31.12.2020
ASSETS	
Property, plant and equipment	20,987
Investments in joint ventures and associates	722
Intangible assets	744
Deferred tax assets	879
Total Non-Current Assets	23,332
Trade and other inventories	1,806
Trade and other receivables	1,938
Tax recoverable	46
Cash and cash equivalents	12,707
TOTAL CURRENT ASSETS	16,497
TOTAL ASSETS	39,829
EQUITY	
Share capital	8,871
Retained profits	21,128
Other reserves	447
Total equity attributable to shareholders of the Company	30,446
Non-controlling interests	563
TOTAL EQUITY	31,009
LIABILITIES	
Borrowings	1,994
Lease liabilities	908
Other long term liabilities and provisions	1,681
Deferred tax liabilities	993
TOTAL NON-CURRENT LIABILITIES	5,576
Borrowings	198
Lease liabilities	80
Trade and other payables	2,893
Current tax payables	73
TOTAL CURRENT LIABILITIES	3,244
TOTAL LIABILITIES	8,820
TOTAL EQUITY AND LIABILITIES	39,829
Net assets per share attributable to shareholders of the Company (RM)	3.81

FINANCIAL REVIEW

ANALYSIS ON
FINANCIAL RESULTS

REVENUE

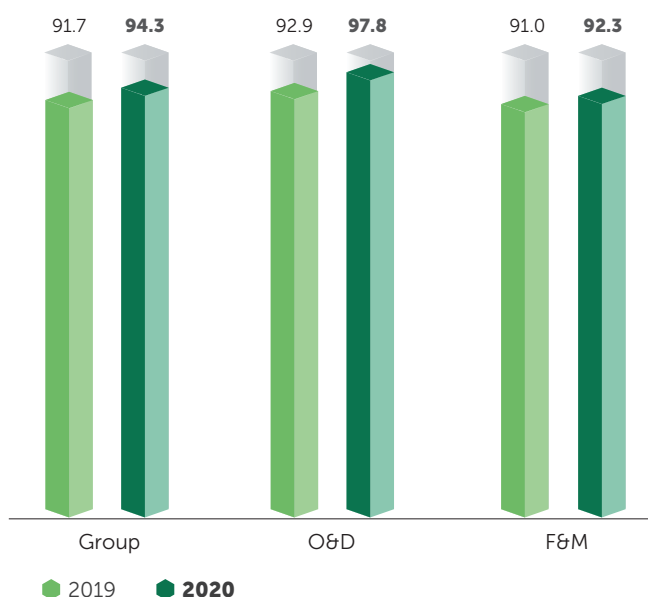
2020:
RM14,362 million
2019: RM16,370 million

↓ RM2,008 million
or 12.3%

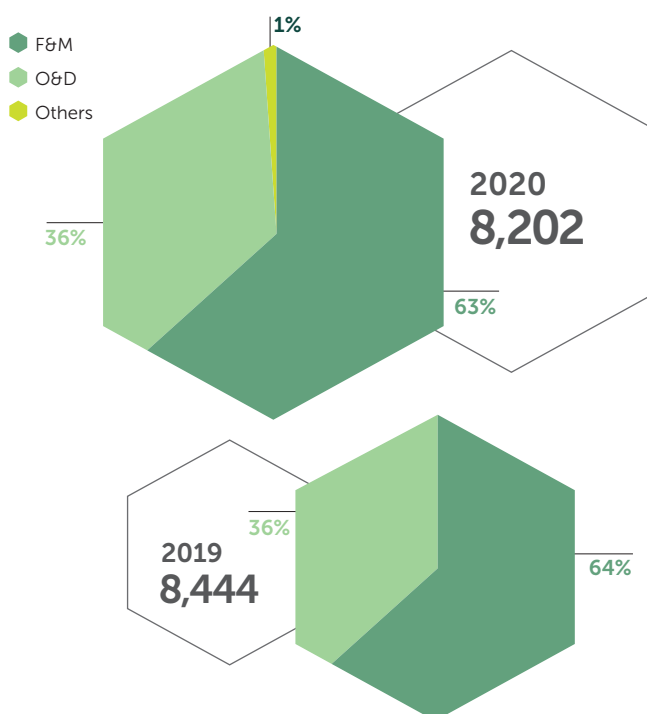
In RM Million

	2019	2020	Increase/(Decrease)	
Olefins & Derivatives	9,947	8,194	(1,753)	(17.6%)
Fertilisers & Methanol	6,165	5,311	(854)	(13.9%)
Others	258	857	599	>100%
Total	16,370	14,362	(2,008)	(12.3%)

Plant Utilisation Rate (%)



Sales Volume (thousand tpa)



OLEFINS AND DERIVATIVES (O&D)

The O&D segment achieved better plant utilisation at 97.8% as compared to 92.9% in the corresponding year mainly due to lower level of statutory plant turnaround activities. However, sales volume was comparable.

The average product prices within the segment were lower on the back of lower crude oil prices and softer demand amidst the COVID-19 pandemic.

The lower prices had led to a reduction in revenue by RM1.8 billion to RM8.2 billion.

FERTILISERS AND METHANOL (F&M)

The F&M segment continued to deliver a world-class plant utilisation rate of 92.3%, higher than plant utilisation of 91.0% achieved in 2019. However, slightly lower sales volume was due to inventory build-up for inventory management.

Similar to O&D segment, the average product prices for F&M segment were lower due to lower crude oil prices and softer demand amidst the COVID-19 pandemic.

The revenue was lower by RM0.9 billion at RM5.3 billion owing to lower sales volumes and average product prices.

OTHERS

The increase in revenue in the Others segment was mainly due to contribution from our newly acquired subsidiary, Da Vinci Group (DVG) in 2019.

ANALYSIS ON FINANCIAL RESULTS

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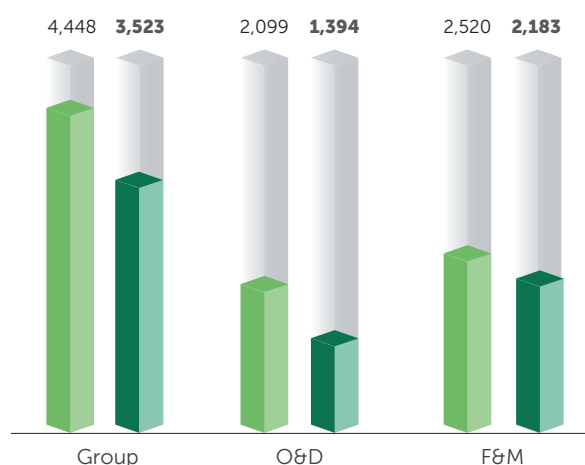
OTHER INFORMATION

EBITDA

2020:
RM3,523 million
2019: RM4,448 million;

↓ RM925 million or
20.8%

2019
2020

EBITDA by Segment
RM Million

OLEFINS AND DERIVATIVES

O&D EBITDA decreased by RM705 million to RM1.4 billion mainly due to compressed margin. PAT also decreased by RM874 million to RM302 million in line with EBITDA and higher share of loss from associate being the once-off provision arising from decision to cease the operations of Butanediol ("BDO") Complex by a joint venture (JV) of the Group, BASF PETRONAS Chemicals Sdn Bhd ("BPC").

FERTILISERS AND METHANOL

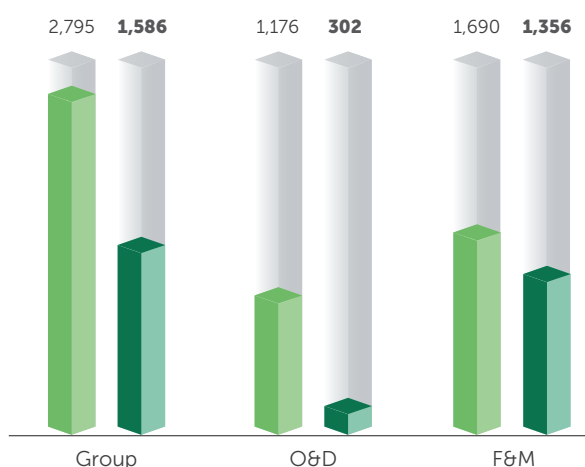
F&M EBITDA was lower by RM337 million at RM2.2 billion primarily due to compressed margin. Profit after tax decreased from the corresponding year by RM334 million to RM1.4 billion in line with lower EBITDA.

PAT

2020:
RM1,586 million
2019: RM2,795 million;

↓ RM1,209 million
or 43.3%

2019
2020

PAT by Segment
RM Million

DEPRECIATION AND AMORTISATION

2020:
RM1,670 million
2019: RM1,659 million;

↑ RM11 million or
0.7%

FINANCE COSTS

2020:
RM27 million
2019: RM31 million

↓ RM4 million or
12.9%

TAX EXPENSE

2020:
RM271 million
2019: RM360 million

↓ RM89 million or
24.7%

- Lower mainly related to:
 - Impact of MFRS 16 *Leases* unwinding discount on lease liabilities recognised upon expiry of certain lease agreement.
 - Reduction of discount rate for provision of decommissioning in line with MFRS requirement.
- In line with lower profit.
- The Group's effective tax rate for the year ended 31 December 2020 is 15%, which is reflective of the various tax legislations within which the Group operates including among others Malaysia Income Tax Act 1967 and Global Incentives for Trading (GIFT) under Labuan Services Securities Act 2010.

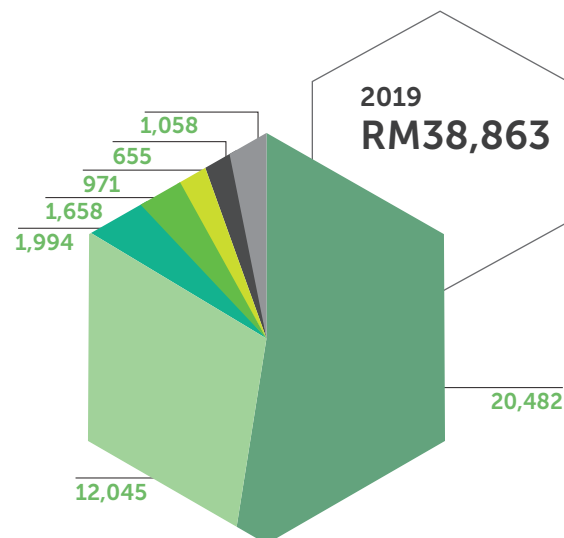
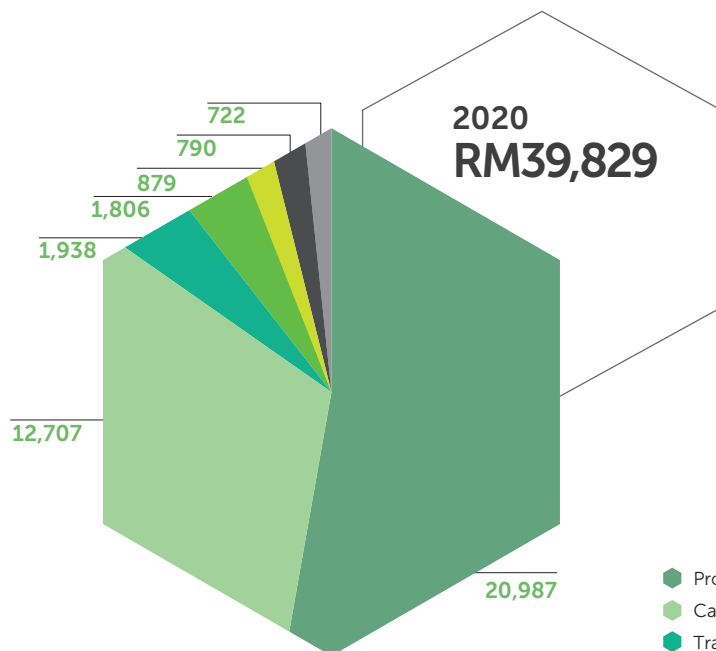
FINANCIAL REVIEW

ANALYSIS ON
FINANCIAL POSITION

TOTAL ASSETS

as at 31.12.2020 and 31.12.2019

RM Million

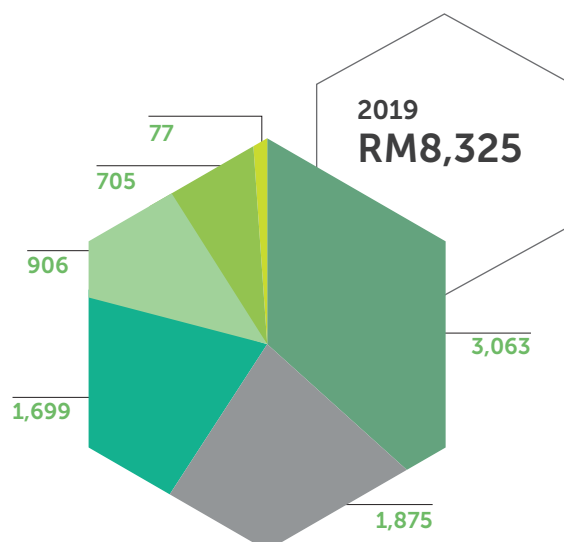
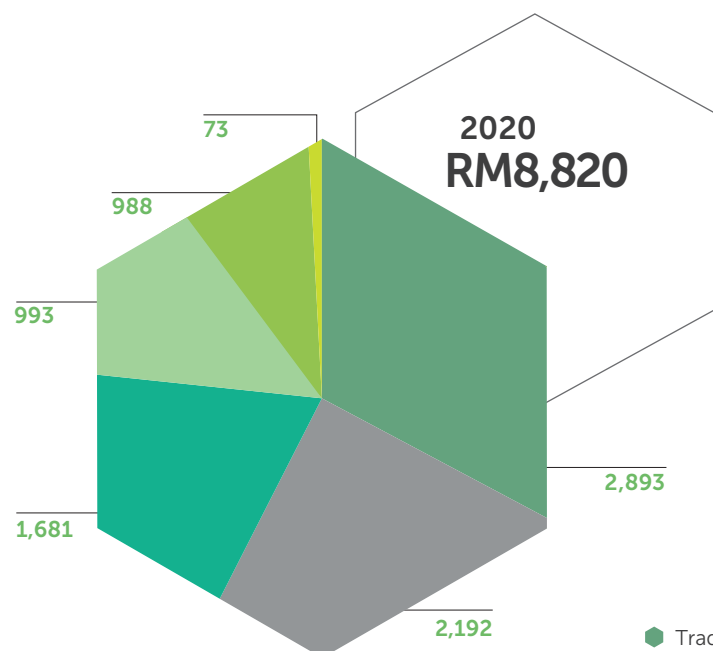


- Property, plant and equipment
- Cash and cash equivalents
- Trade and other receivables
- Trade and other inventories
- Deferred tax assets
- Other assets
- Investments in joint ventures & associates

TOTAL LIABILITIES

as at 31.12.2020 and 31.12.2019

RM Million



- Trade and other payables
- Borrowings
- Other long term liabilities and provisions
- Deferred tax liabilities
- Lease liabilities
- Current tax payables

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PROPERTY, PLANT AND EQUIPMENT

2020:
RM20,987 million
2019: RM20,482 million;

↑ RM505 million or
2.5%

In RM Million

	Property, Plant and Equipment
Balance as at 1 January 2020	20,482
Impact of MFRS 16	270
Additions	1,943
Depreciation/Amortisation	(1,660)
Net disposals/write-offs/transfer	(6)
Decommissioning adjustments	144
Net translation exchange differences	(186)
Balance as at 31 December 2020	20,987

- Major additions for Property, Plant & Equipment for the year include:
 - Additional project costs, mainly at Pengerang Petrochemicals Company (PPC) and PC Isononanol (PC INA).
 - Recognition of right-of-use assets which is accounted for as a lease under MFRS 16 Leases.

TRADE AND OTHER RECEIVABLES

2020:
RM1,938 million
2019: RM1,994 million;

↓ RM56 million or
2.8%

- Ageing analysis of Trade Receivables

In RM Million	As at 31.12.2019	As at 31.12.2020
Current	1,748	1,601
Past due 1 to 30 days	22	30
Past due 31 to 60 days	2	—
Total	1,772	1,631

- The reduction in Trade Receivables were in line with lower prices across all products.

ANALYSIS ON FINANCIAL POSITION

TRADE AND
OTHER PAYABLES

2020:
RM2,893 million
2019: RM3,063 million;

↓ RM170 million or
5.6%

- The decline in Trade Payables were mainly due to feedstock cost in line with lower feedstock prices and trading volume following weak market demand, partially offset by higher purchase for pre-commissioning activities at Pengerang Petrochemicals Company (PPC) and PC Isononanol (PC INA).

BORROWINGS

2020:
RM2,192 million
2019: RM1,875 million;

↑ RM317 million or
16.9%

	In denominated currency Mil		In presentation currency RM Mil	
	As at 31.12.2019	As at 31.12.2020	As at 31.12.2019	As at 31.12.2020
Non-current				
Term loans – secured (USD)	457	427	1,875	1,718
Term loan – unsecured (USD)	–	31	–	127
Term loan – unsecured (EUR)	–	30	–	149
			1,875	1,994
Current				
Term loans – secured (USD)	–	37	–	148
Revolving credit – unsecured (EUR)	–	10	–	50
			–	198

- 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.
- 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.

We always strive to monitor and maintain an adequate level of cash and cash equivalent to meet our obligations. By doing this, we will mitigate any potential liquidity risk, thus ensuring our ability to pay our creditors and lenders timely as well as safeguard their interests.

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CASH FLOW ANALYSIS

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FREE CASH FLOW

2020:
RM1,853 million
2019: RM4,240 million;

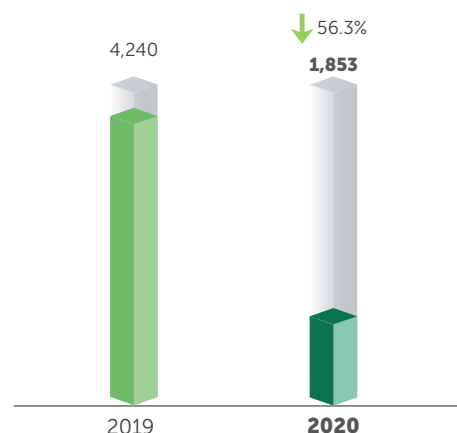
↓ RM2,387 million
or 56.3%

In RM Million

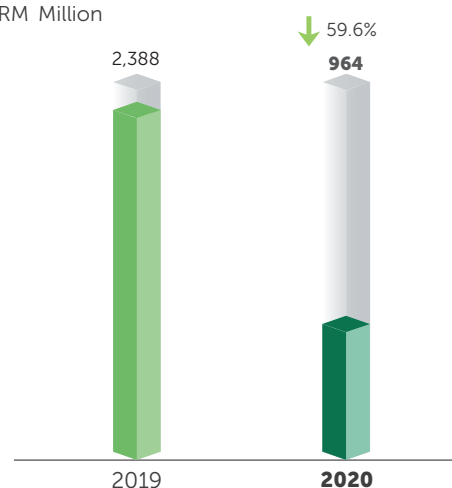
	2019	2020
Cash generated from operations	5,508	2,995
Less: tax paid	(341)	(204)
Less: finance costs	(31)	(27)
Less: operational CAPEX	(1,022)	(961)
Add: dividends received from joint ventures and associates	126	50
Free cash flow	4,240	1,853

- Free cash flow of RM1,853 million as compared to RM4,240 million in 2019 mainly due to reduced funds from operations in line with lower profits, partially offset by lower tax paid.

Free Cash Flow
RM Million



Dividend Paid
RM Million



FINANCIAL REVIEW

FIVE-YEAR GROUP
FINANCIAL SUMMARY

Year	2016 RM Million	2017 RM Million	2018 RM Million	2019 RM Million	2020 RM Million
KEY RESULTS					
Revenue	13,860	17,407	19,576	16,370	14,362
By segment:					
Olefins and Derivatives	9,744	11,350	12,280	9,947	8,194
Fertilisers and Methanol	4,063	6,013	7,241	6,165	5,311
Others	53	44	55	258	857
Cost of revenue	(8,536)	(11,021)	(12,702)	(11,914)	(10,837)
Selling and distribution expenses	(704)	(764)	(818)	(878)	(967)
Administration expenses	(667)	(615)	(694)	(754)	(718)
Other expenses	(196)	(9)	(200)	(107)	(68)
Other income	395	348	503	523	428
Operating profit	4,152	5,346	5,665	3,240	2,200
Financing costs	47	(20)	(17)	(31)	(27)
Share of profit/(loss) of equity accounted joint ventures and associates net of tax	17	16	108	(54)	(316)
Profit before taxation	4,216	5,342	5,756	3,155	1,857
Tax expense	(888)	(933)	(882)	(360)	(271)
Profit for the year	3,328	4,409	4,874	2,795	1,586
Profit attributable to the shareholders of the Company	3,031	4,165	4,788	2,811	1,628
KEY STATEMENT OF FINANCIAL POSITION					
Property, plant and equipment	18,543	20,792	19,080	20,482	20,987
Cash and cash equivalents	7,403	6,674	12,329	12,045	12,707
Total assets	31,948	33,262	37,365	38,863	39,829
Borrowings	23	–	2,072	1,875	2,192
Total liabilities	4,372	5,136	7,117	8,325	8,820
Share capital	800	8,871	8,871	8,871	8,871
Reserves	25,530	18,270	20,693	21,062	21,575
Total equity attributable to the shareholder of the Company	26,330	27,141	29,564	29,933	30,446
Non-controlling interests	1,246	985	684	605	563
Total equity	27,576	28,126	30,248	30,538	31,009
SHARE INFORMATION					
Earning per share (sen)	37	52	60	35	20
Dividend per share (sen)	19	27	32	18	12
Net asset per share (RM)	3.29	3.39	3.70	3.74	3.81
Closing share price (RM)	6.98	7.70	9.29	7.35	7.43
Number of ordinary shares ('000)	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000
Market capitalisation (RM million)	55,840	61,600	74,320	58,800	59,440

FINANCIAL REVIEW

FIVE-YEAR GROUP FINANCIAL HIGHLIGHTS

OVERVIEW OF PCG

KEY MESSAGES

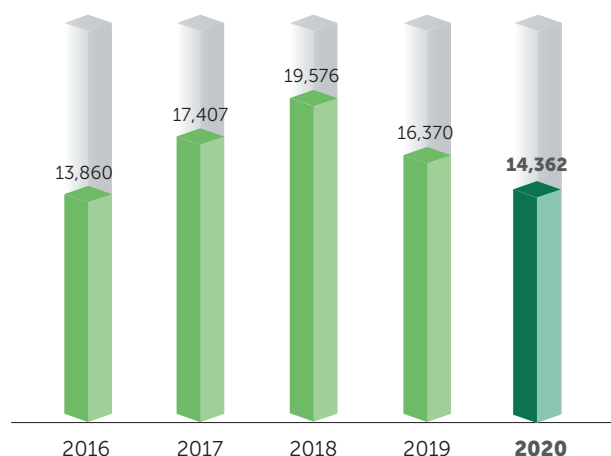
VALUE CREATION

MANAGEMENT DISCUSSION & ANALYSIS

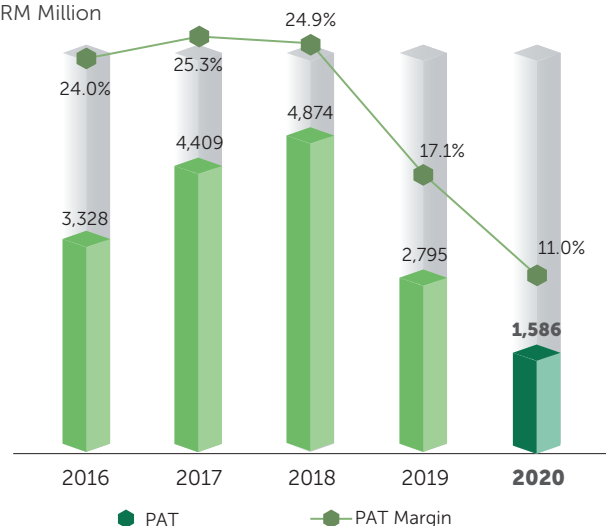
OUR LEADERSHIP

OTHER INFORMATION

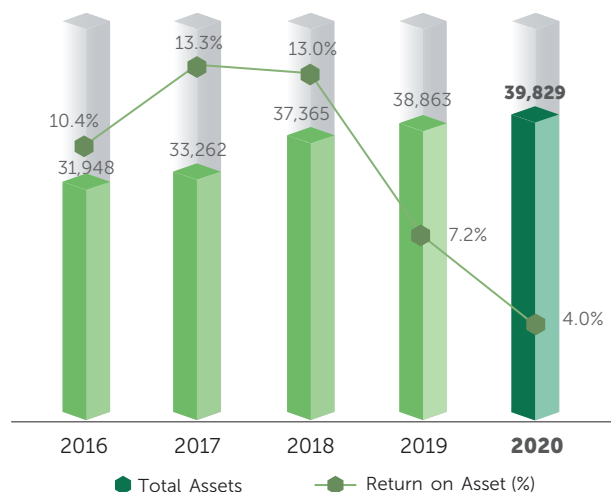
REVENUE
RM Million



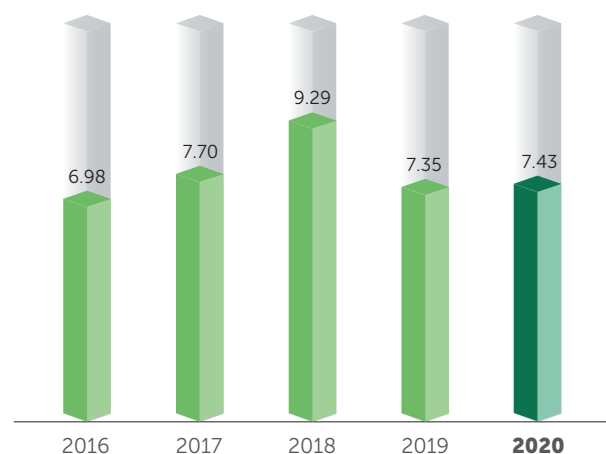
PAT
RM Million



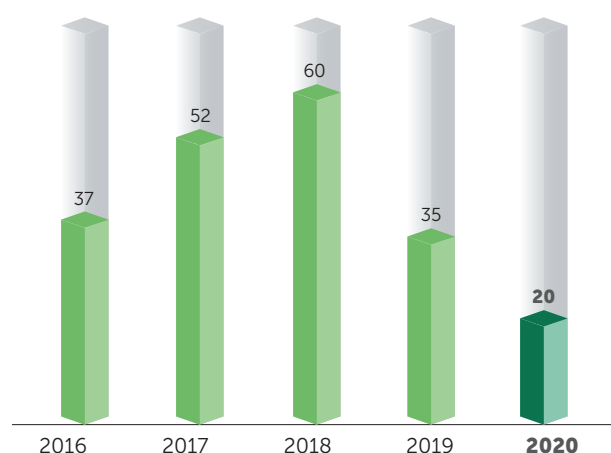
TOTAL ASSETS
RM Million



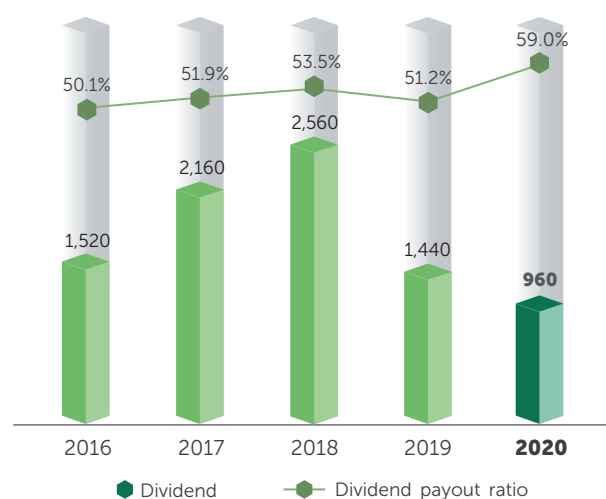
CLOSING SHARE PRICE
RM



EARNINGS PER SHARE
Sen



DIVIDEND
RM Million



FINANCIAL REVIEW

FIVE-YEAR GROUP FINANCIAL ANALYSIS

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

<i>RM Million</i>	2016	2017	2018	2019	2020
Profit	3,328	4,409	4,874	2,795	1,586
Total assets	31,948	33,262	37,365	38,863	39,829

2016

- Profit for the year was higher at RM3.3 billion (compared to RM3.2 billion in 2015) as a result of higher sales volumes, lower operating cost and the impact of the weakening of Ringgit Malaysia against US Dollar partially negated by lower product spreads.
- Total assets increased (from RM30.9 billion to RM31.9 billion) mainly attributed to progression of Sabah Ammonia Urea (SAMUR) Project and the development of PIC Petrochemical projects.

2017

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

2018

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

2019

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

FIVE-YEAR GROUP FINANCIAL ANALYSIS

2020

- Profit for the year was lower at RM1.6 billion primarily driven by compressed margin, declining crude oil prices, softer demand on the back of the global COVID-19 pandemic and higher net share of loss from joint ventures and associates.
- On 18 November 2020, an associate of the Group, BASF PETRONAS Chemicals Sdn. Bhd. ("BPC") decided to discontinue its Butanediol Complex as part of its portfolio realignment, focusing on long term sustainable growth.
- Total assets increased to RM39.8 billion mainly due to the increase in cash and cash equivalents contributed by profit generated during the year, partially offset by dividend payment to shareholders.

GROUP QUARTERLY PERFORMANCE

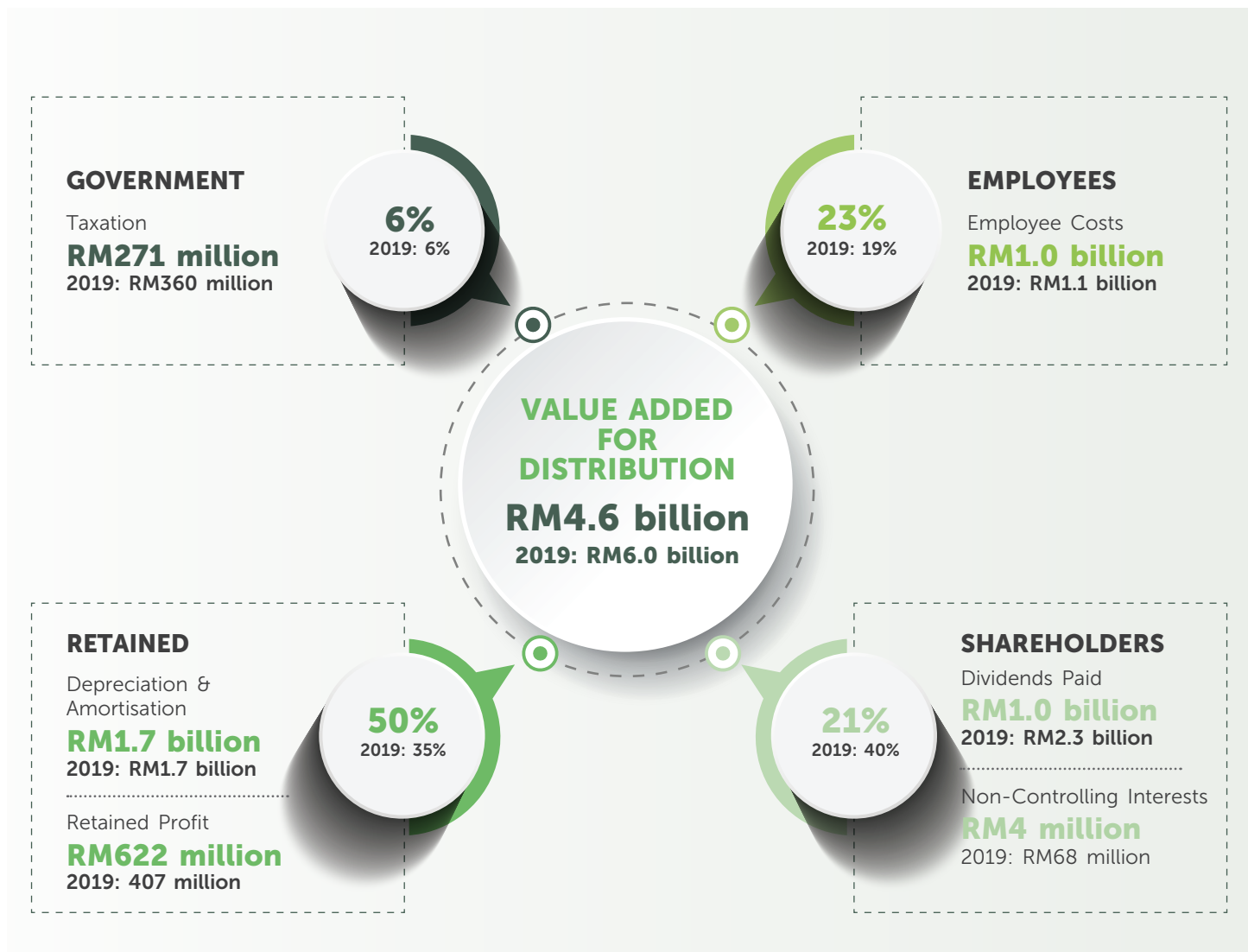
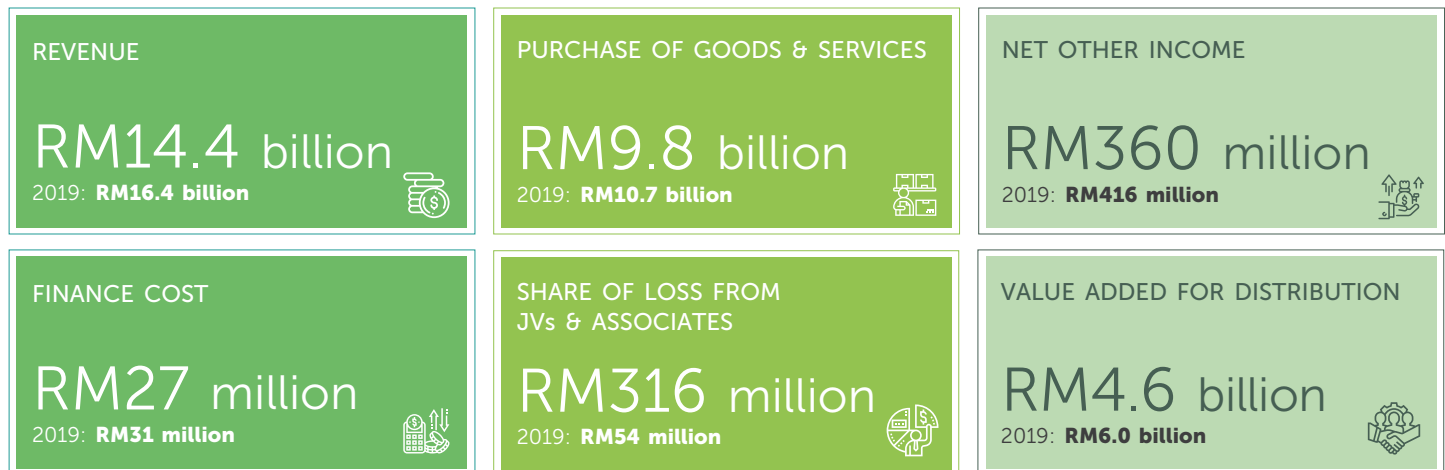
In RM Million

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

In RM Million

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

FINANCIAL REVIEW

STATEMENT OF VALUE ADDED
AND VALUE DISTRIBUTED

FINANCIAL REVIEW

SHARE PRICE MOVEMENT

OVERVIEW OF PCG

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Opening at RM7.35 on 2 January 2020, PCG share price started a downward movement on continued industry weakness, volatile crude oil prices and growing concerns on the Chinese economy following news of the early spread of COVID-19. Market was volatile over the year as crude oil plunged in April due to the OPEC+ fallout followed by the global pandemic affecting major economies. Recovery towards the end of the year turned market sentiment positive, lifting the share price to hit a high of RM7.96 before closing the year at RM7.43 on 31 December 2020, comparable to the opening price at the start of the year.

PCG SHARE PRICE PERFORMANCE FOR FY2020



Source: Bloomberg & Team analysis

1Q 2020

High	RM7.75
Low	RM4.11
Close	RM5.05

- The Group's share price commenced a declining trend in early 2020 on prolonged downcycle of petrochemical industry amid crude oil price volatility
- Malaysia commenced Movement Control Order (MCO) on 18 March due to the COVID-19 pandemic
- Global market collapsed and crude oil price crashed to USD22/bbl
- Share price fell sharply to historical low on 19 March

2Q 2020

High	RM6.97
Low	RM4.75
Close	RM6.20

- Crude oil price collapsed to historical low in April before recovering gradually in May supported by OPEC+ production cuts
- Petrochemical price rebounded on higher crude oil price coupled with demand for selected chemicals such as propylene
- Regional and other major economies gradually reopened as lockdowns eased
- Share price rebound 51% to RM6.20 from historical low of RM4.11

3Q 2020

High	RM6.94
Low	RM5.34
Close	RM5.61

- Pessimistic market outlook due to US-China trade dispute amidst concerns of the COVID-19 pandemic resurgence kept institutional investors away. Market was subdued as retail investors dominated trading activities
- Share price traded range bound, corresponding with crude oil price movements
- Crude oil price stabilised between USD39/bbl and USD45/bbl

4Q 2020

High	RM7.96
Low	RM5.60
Close	RM7.43

- Market recovery gained momentum lifted by the availability of a COVID-19 pandemic vaccine and US Presidential election results
- Crude oil price surged to USD52/bbl in December fuelling recovery in petrochemical product prices
- Share price recovered sharply to reach early 2020 price

FINANCIAL REVIEW

INVESTOR RELATIONS

At PCG, our Investor Relations (IR) department keeps the lines of communication open between shareholders, senior management and the Board. Through various engagement channels, we are able to maintain strong, transparent and mutually-beneficial relationships with our shareholders.

Our senior management team is led by Datuk Sazali Hamzah – Group Managing Director and Chief Executive Officer, Mohd Azli Ishak – Chief Financial Officer, M Kabir Noordin – Chief Manufacturing Officer, Shakeel Ahmad Khan – Chief Commercial Officer and Akbar Md Thayob – Head of Strategic Planning and Ventures.

In 2020, we completed 200 engagements compared to 260 in 2019. Travel restrictions were imposed early in January 2020 due to concerns of a Coronavirus outbreak, limiting participation

in events where travel was required. Once declared a pandemic in March 2020, several conferences, and other IR events including our annual site visits were cancelled. Nevertheless, we carried on with most of our engagements with existing and potential investors by adopting virtual formats i.e., teleconferencing or video conferencing. It was imperative for us to stay connected and continue engaging with stakeholders during this time to provide updates on our operational performance and mitigation plans in response to pandemic-related risks and impacts. The Group's virtual events included our 1QFY2020 Analyst Briefing in May and our Annual General Meeting in June. As webinars and virtual conferences became more of a new norm in the second half of the year, we were able to conduct more meetings with our investors. We participated in two events hosted by UBS and Nomura in September and October respectively.

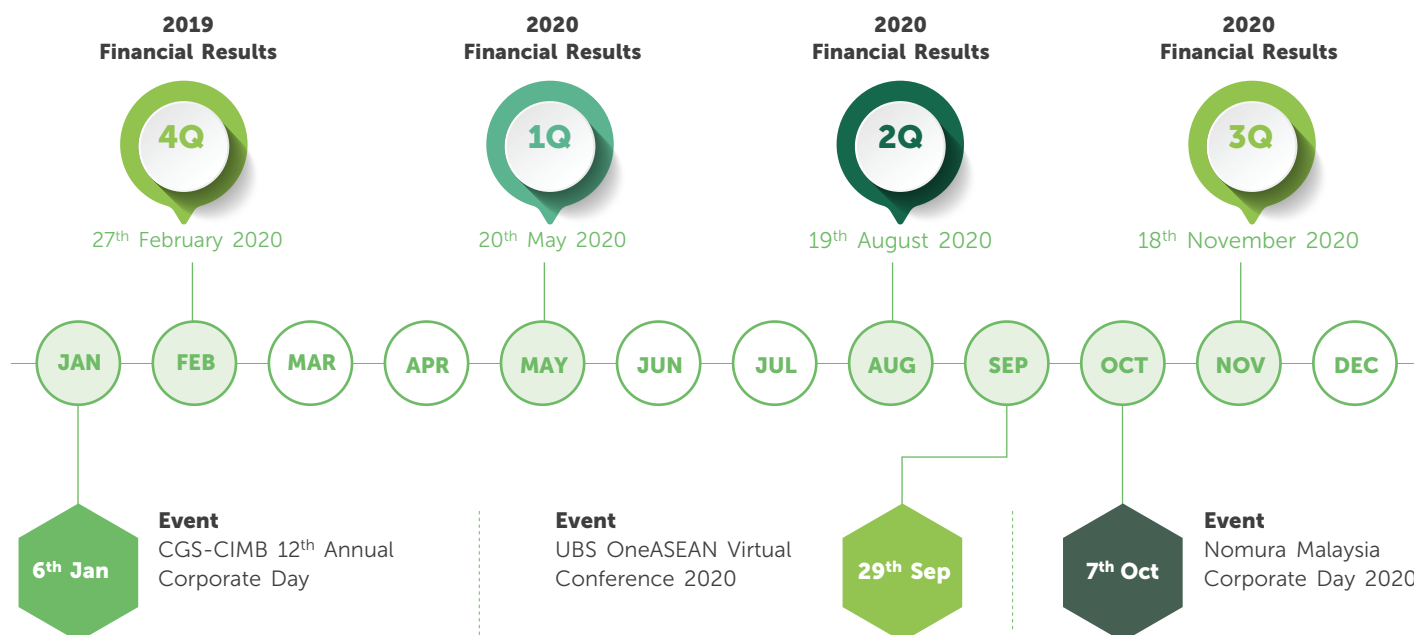
IR ENGAGEMENT CHANNEL:



INVESTOR RELATIONS

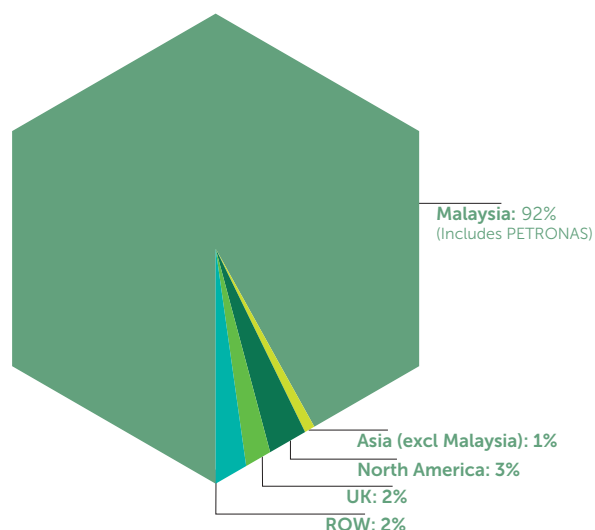
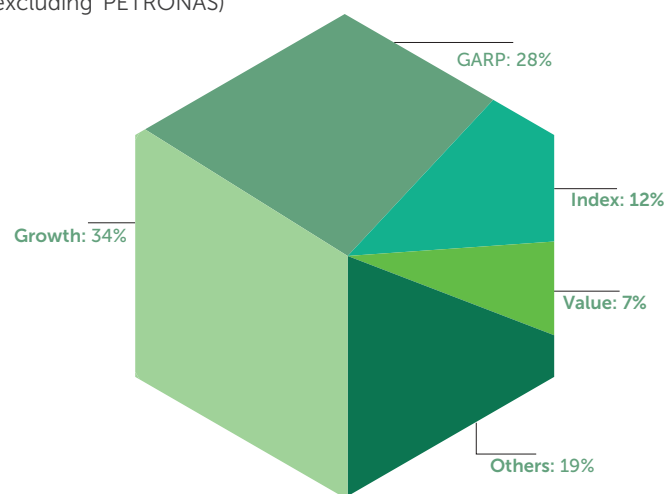
IR CALENDAR:

Quarterly Analyst Briefings, Investor Engagement & Corporate Events



SHAREHOLDER ANALYSIS:

Investors by Region

Investment Styles
(excluding PETRONAS)

Source of Analysis:

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

PCG's foreign shareholding declined with the foreign net outflow from the local bourse. In 2020, our foreign ownership fell from 9.3% in January to 7.3% at the end of December 2020.

Year	2015	2016	2017	2018	2019	2020
PCG Foreign shareholding (%)	9.94	8.22	10.98	11.51	9.47	7.29

INVESTOR RELATIONS

Recognising the importance of effective communication with all our stakeholders and the general public, our Investor Relations programme is aimed at prevailing consistent, transparent and timely sharing of material information in accordance to Bursa Malaysia's MMLR and Disclosure Guidelines.

We remain mindful of the legal and regulatory guidelines in our commitment to ensure relevant and accurate information is provided to our shareholders to enable them to arrive at a fair valuation of PCG shares as well as an informed investment decision. The Investor Relations team continuously work towards addressing investor interests and concerns while improving PCG's visibility in both the domestic and international capital markets.

KEY CONCERNS:

FOCUS AREAS/ KEY CONCERNS	OUR RESPONSE
1 VALUE PROPOSITION	<ul style="list-style-type: none"> Our solid performance during challenging market conditions confirms the strength and resilience of the company. Our strong business fundamentals, combined with our competitive advantages, make us a leading chemical player in the region: <ol style="list-style-type: none"> Located at the centre of Southeast Asia (SEA), we have a logistical advantage; strategically giving us access to our target markets. Our presence in the region is further enhanced by our local branch and representative offices in various key markets We operate large-scaled, fully integrated facilities from feedstock to product, supported by a comprehensive infrastructure which results in lower cost, optimum yields and high production flexibility We are currently on a growth trajectory, in a strong growth region. Despite the effects of the COVID-19 pandemic, SEA continues to show strong long-term economic growth outlook, conducive in generating potential and sustainable demand for our current and future products. We are in a solid financial position to weather economic as well as market uncertainties We have shown strong and robust operational and financial performance during tough times We have ensured a consistent dividend payout ratio, paying above our dividend policy of 50% profit after tax and minority interest each year PCG is led by highly experienced and qualified talents with the strategic mindset to move the company forward towards achieving long term sustainability and value creation
2 MANAGING PERFORMANCE	<ul style="list-style-type: none"> The Group continued to demonstrate resilience in 2020 by maintaining our operational efficiency, customer centricity and diverse product portfolio and above all, exercising financial prudence. Our solid operational and commercial capabilities allow us to be responsive to market changes Market conditions, such as supply/demand balance, economic stability and growth, impact crude oil prices due to the fluctuations in energy demand, which subsequently impacts petrochemical product prices As we are unable to control the market environment, it is imperative that we optimise our operational and commercial performance as well as financial management
2a OPERATIONAL PERFORMANCE	<ul style="list-style-type: none"> The key to our operational performance is our ability to run our plants at optimum capacity to ensure uninterrupted production at the lowest possible cost This was achieved through Operational Excellence Initiatives such as: <ol style="list-style-type: none"> Feedstock/supplier management and communication to align our maintenance works to capitalise on the downtime; Proactive monitoring and maintenance of identified and recurring issues; Detailed and thorough planning of maintenance schedule to optimise output Further to the above, our strong adherence to our Health and Safety Culture is key to ensuring that our operations are carried out with the utmost discipline towards safety to minimise HSE-related downtime or incidents
2b COMMERCIAL PERFORMANCE	<ul style="list-style-type: none"> The commercial team's main goal is to find homes for all our products at the best possible value. This is achieved through commercial excellence initiatives such as: <ol style="list-style-type: none"> Optimising sales in best netback markets, or new markets and applications; Optimising distribution and inventory holding which has reduced our cost-to-serve The team's strength lies in their close relationships with our customers, and a strong market knowledge and understanding that allows them to plan their sales and the agility to shift volumes into alternative markets when required

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FOCUS AREAS/ KEY CONCERNS	OUR RESPONSE
2c FINANCIAL PERFORMANCE	<ul style="list-style-type: none"> The Operational Excellence and Commercial Excellence efforts, combined with market performance, translate into the company's financial performance Selling our products at market prices means we follow the market movement in terms of sales performance However, sweating our assets minimises our cost; selling to high netback regions increases returns; and strict financial discipline in managing business and cashflow will ensure that the company will always deliver fair returns to all stakeholders
2d GROWTH	<p>Growth is the key to long term value and sustainability of a company. PCG's growth is mapped against a Two-Pronged Strategy:</p> <ol style="list-style-type: none"> Sustain strength in basic chemicals Selectively diversify into derivatives, specialty chemicals and solutions <ul style="list-style-type: none"> The Pengerang Integrated Complex (PIC) is an example that addresses both this strategy, starting with feedstock diversification that allows us to grow our portfolio of basic chemicals, as well as provide us with more complex molecules to go into specialty chemicals Our long-term growth agenda aims to have as much as 25% of our product offering consist of specialty chemicals in the next decade to increase our earnings
3 PROJECT DELIVERABLES	<ul style="list-style-type: none"> Projects that have reached Financial Investment Decisions (FID) <ol style="list-style-type: none"> In 2019, we reached FID to build a Nitrile Butadiene Latex (NBL) plant in Pengerang, following which we announced our partnership with LG Chem to realise the project. This JV seeks to capture the increasing demand for disposable synthetic gloves. The project is currently at the early Engineering, procurement, construction and commissioning (EPCC) stage, and is expected to come on stream in 2023 Also FID in 2019, we later entered into a agreement with PCC Oxyalkylates (M) to build a plant to produce ethoxylates and polyols in Kertih. This project aims to address the growing demand for foam products in the automotive sector, cleaning products as well as personal care products. The project is currently at the early EPCC stage and its expected to come on stream in 2023 As part of our growth and expansion plan for the Da Vinci Group, which we acquired in 2019, we have begun constructing a silicone blending facility in Gebeng, to tackle the growing demand for silicone-based chemicals. At the same time, we are also expanding DVG's existing plant in the Netherlands In September 2019, we entered into a partnership agreement with PT AKR Corporindo Tbk (PT AKR) to expand our reach in Indonesia. PT AKR is a logistics and supply chain company, engaged in the trading and distributing of petroleum and basic chemicals with an extensive network of liquid and dry bulk storage, transportation facilities, and port operations. This partnership will enable us to grow our network and serve our customers more effectively
4 MANAGING ESG	<ul style="list-style-type: none"> Our Sustainability Strategy takes into consideration our material matters and is designed to create value for our stakeholders and safeguard the environment and at the same time uphold strong governance practice Our sustainability program is built upon three pillars i.e. our 3Ps; Profit which refers to our business sustenance, Planet referring to our resource efficiency and People regarding our social responsibility Environment: <ol style="list-style-type: none"> Falls under Planet, where we focus on resource efficiency such as our bio-agenda, using biomass as a sustainable alternative feedstock for chemicals New Plastics Economy (NPE), one of which is the study to recycle plastic to crude naphtha to cut back on our carbon footprint as we explore ways to capture and utilise CO₂ Social: <ol style="list-style-type: none"> Looking at both our employees and our stakeholders through fair labour practices and Corporate Social Responsibility programmes, such as our signature program, ecoCare, a mangrove rehabilitation program along Kertih river; Be Green campaign; and Back to School program, to name a few Governance: <ol style="list-style-type: none"> The Board oversees governance with the strictest detail PCG takes a zero-tolerance position on all forms of corruption as described in the PETRONAS Anti-Bribery Corruption Manual (PETRONAS ABC Manual), which is available on our website We have a zero-gift policy in support of the same

INVESTOR RELATIONS

PCG sits in the top 10 of the Bursa Malaysia Main Board. Couple this with the regional nature of our business, PCG has a considerable following by 23 analysts from both local and international investment banks.

ANALYST COVERAGE

NO	RESEARCH HOUSE
1	Affin Hwang Investment Bank
2	Alliance DBS Research*
3	AmInvestment Bank
4	BIMB Securities Sdn Bhd
5	BoA Merrill Lynch*
6	CGS-CIMB
7	CITI
8	CLSA
9	Credit Suisse
10	Goldman Sachs*
11	Hong Leong Investment Bank
12	HSBC*

13	J.P. Morgan
14	K&F Seagroatt & Campbell
15	Kenanga Investment Bank
16	Macquarie
17	Maybank Kim Eng
18	MIDF Amanah Investment Bank
19	Morgan Stanley
20	Nomura
21	RHB Research
22	TA Securities Holdings Berhad
23	UBS Securities*

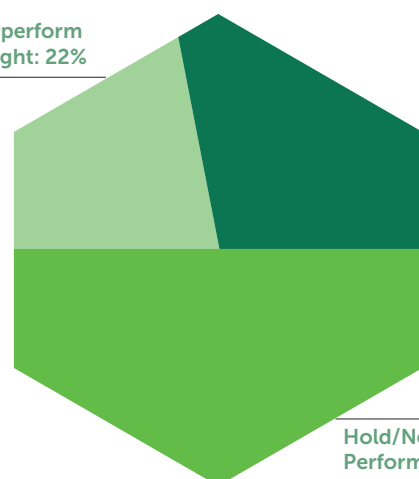
Note: *Does not publish reports
Source: Bloomberg

ANALYST RECOMMENDATION AS AT 26 JANUARY 2021

Summary of Analysts Recommendation

Sell/Underperform
/Underweight: 22%

Buy/Outperform/
Overweight: 28%



Hold/Neutral/Market
Perform/Fully valued: 50%

Note:
Out of 23 analysts that covering PCHEM, 5 do not publish reports

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26 February 2020

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

13 March 2020

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

27 March 2020

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

6 April 2020

Date of Notice of Annual General Meeting

7 April 2020

Date of issuance of FY2019 Integrated Report

20 May 2020

Announcement of the unaudited consolidated results for the first quarter ended 31 March 2020

22 May 2020

Date of Notice of amendment to Annual General Meeting

2021



16 June 2020

22nd Annual General Meeting

19 August 2020

Announcement of the unaudited consolidated results for the second quarter ended 30 June 2020

8 September 2020

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

25 September 2020

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

18 November 2020

Announcement of the unaudited consolidated results for the third quarter ended 30 September 2020

23 February 2021

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

11 March 2021

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

22 March 2021

Date of Notice of the 23rd Annual General Meeting and date of issuance of FY2020 Integrated Report

25 March 2021

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

22 April 2021

23rd Annual General Meeting





GREASE NO MORE!

Cleaning solutions are indispensable in any workstations, be it inside the car engines or in heavily-greased kitchens.

Our co-created aqueous-based cleaning solutions address customers' pain points with superior grease-cutting performance and excellence stability for Industrial & Institutional as well as Automotive applications. The solutions are designed in aqueous form, delivering a safer handling alternative to customers.

CORPORATE INFORMATION

as at 1 March 2021

BOARD OF DIRECTORS

DATUK MD ARIF MAHMOOD

(Chairman)
Non-Independent Non-Executive Director

DATUK SAZALI HAMZAH

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

DATUK TOH AH WAH

Senior Independent Director

YEOH SIEW MING

Independent Non-Executive Director

WARREN WILLIAM WILDER

Independent Non-Executive Director

DR ZAFAR ABDULMAJID MOMIN

Independent Non-Executive Director

FREIDA AMAT

Non-Independent Non-Executive Director

NOOR ILIAS MOHD IDRIS

Non-Independent Non-Executive Director

Senior Independent Director

Datuk Toh Ah Wah
Email : petchem.sid@petronas.com

Nomination and Remuneration Committee

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

Board Audit Committee

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

Board Risk Committee

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

Company Secretaries

Hasnizaini Mohd Zain
(SSM Practising Certificate No.
201908001684 (LS0009780))

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

Registered Office

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

Business Address

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

Stock Exchange Listing

Listed on Main Market of Bursa Malaysia
Securities Berhad
since 26 November 2010
Stock Name: PCHEM
Stock Code: 5183
Sector: Industrial Products & Services

Registrar

Boardroom Share Registrars Sdn Bhd
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13, 46200 Petaling Jaya,
Selangor, Malaysia
Tel : +603 7890 4700
Fax : +603 7890 4670
Email : BSR.Helpdesk@
boardroomlimited.com

Auditors

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants
10th Floor, KPMG Tower
8, First Avenue, Bandar Utama,
47800 Petaling Jaya, Selangor,
Malaysia
Tel : +603 7721 3388
Fax : +603 7721 3399
Website : <https://home.kpmg/my/en/home.html>

Investor Relations

Zaida Alia Shaari
(Head of Investor Relations)
Level 45, Tower 1
PETRONAS Twin Towers,
Kuala Lumpur City Centre,
50088 Kuala Lumpur, Malaysia
Tel : +603 2392 3699
Email : petronaschemicals_ir@
petronas.com

Banking Services Provider

PETRONAS Integrated Financial Shared
Service Centre (IFSSC)*

Website

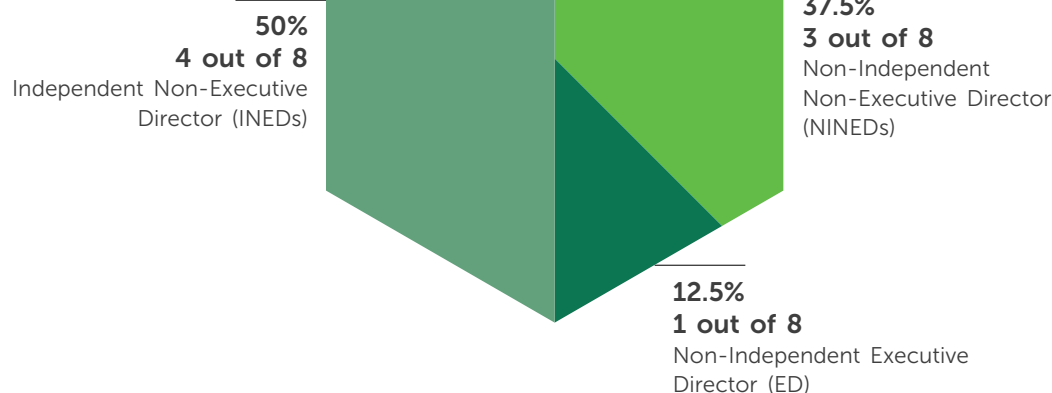
www.petronaschemicals.com

* Banking requirements are substantially managed centrally by PETRONAS IFSSC to enable more efficient banking management for the Group and the Company

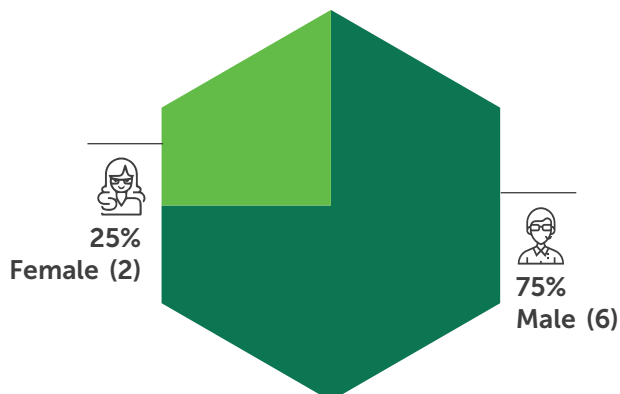
BOARD COMPOSITION

DESIGNATION

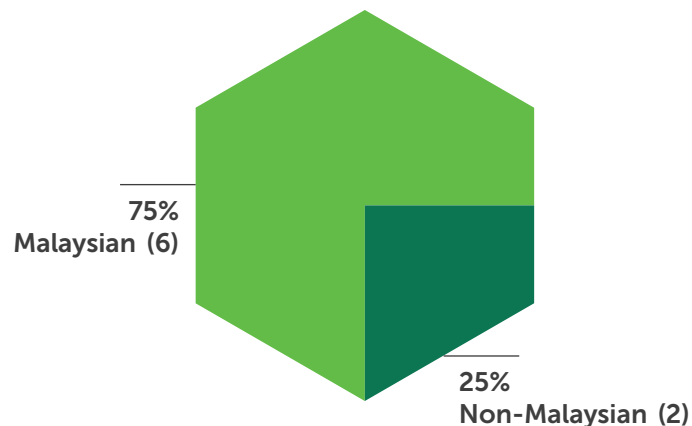
Comprising **four INEDs**, **three NINEDs** (including the Chairman) and **one ED**



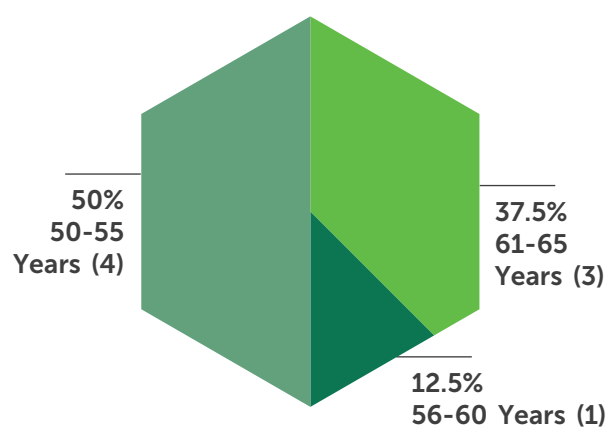
GENDER



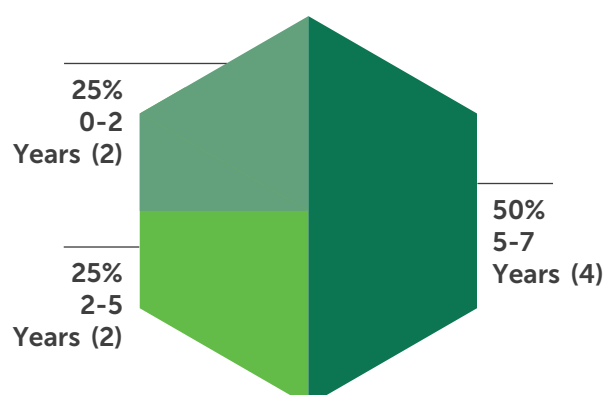
NATIONALITY



AGE



LENGTH OF SERVICE



BOARD OF DIRECTORS' PROFILE

as at 1 March 2021

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



Nationality: Malaysian

Age: 58

Gender: Male

Date of Appointment:
1 May 2015

Length of Service:
5 years and 10 months

BOARD SKILLS AND EXPERIENCE MATRIX



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

BOARD COMMITTEE:

Nil

BOARD SKILLS AND EXPERIENCE MATRIX:

- Engineering
- Operations
- Commercial/Marketing
- Risk Management
- Corporate Strategy
- Human Resource

INDUSTRY BACKGROUND AND INTERNATIONAL EXPERIENCE:

- Oil and Gas
- Petrochemical
- Global
- Regional

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

BOARD SKILLS AND EXPERIENCE MATRIX:



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



Nationality: Malaysian

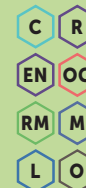
Age: 54

Gender: Male

Date of Appointment:
8 May 2014

Length of Service:
6 years and 10 months

BOARD SKILLS AND EXPERIENCE MATRIX



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

BOARD COMMITTEE:

Nil

BOARD SKILLS AND EXPERIENCE MATRIX:

- Engineering
- Logistics
- Operations
- Commercial/Marketing
- Risk Management

INDUSTRY BACKGROUND AND INTERNATIONAL EXPERIENCE:

- Oil and Gas
- Petrochemical
- Regional

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

BOARD OF
DIRECTORS' PROFILE

DATUK TOH AH WAH | Senior Independent Director



Nationality: Malaysian

Age: 63

Gender: Male

Date of Appointment:
13 June 2014

Length of Service:
6 years and 9 months

BOARD SKILLS
AND EXPERIENCE
MATRIX

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

BOARD COMMITTEE:

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

BOARD SKILLS AND EXPERIENCE MATRIX:

- Commercial/Marketing
- Economics
- Finance
- Audit
- Risk Management
- Sustainability
- Corporate Strategy

INDUSTRY BACKGROUND AND INTERNATIONAL EXPERIENCE:

- Global
- Regional

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

BOARD SKILLS AND EXPERIENCE MATRIX:



YEOH SIEW MING | Independent Non-Executive Director



Nationality: Malaysian

Age: 53

Gender: Female

Date of Appointment:
15 May 2019

Length of Service:
1 year and 9 months

BOARD SKILLS
AND EXPERIENCE
MATRIX

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

BOARD COMMITTEE:

- Chairman of BAC
- Member of NRC
- Member of Board Risk Committee (BRC)

BOARD SKILLS AND EXPERIENCE MATRIX:

- Operations
- Commercial/Marketing
- Finance
- Audit
- Risk Management
- Corporate Strategy

INDUSTRY BACKGROUND AND INTERNATIONAL EXPERIENCE:

- Regional

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

BOARD OF
DIRECTORS' PROFILE**WARREN WILLIAM WILDER**
Independent Non-Executive Director

Nationality: American

Age: 63

Gender: Male

Date of Appointment:
1 July 2018

Length of Service:
2 years and 8 months

**BOARD SKILLS
AND EXPERIENCE
MATRIX**

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

BOARD COMMITTEE:

- Chairman of BRC

BOARD SKILLS AND EXPERIENCE MATRIX:

- Engineering
- Logistics
- Legal/Regulatory
- Operations
- Commercial/Marketing
- Economics
- Risk Management
- Sustainability
- Corporate Strategy

INDUSTRY BACKGROUND AND INTERNATIONAL EXPERIENCE:

- Oil and Gas
- Petrochemical
- Global
- Regional

Further details about Warren William Wilder, can be found on **page 6** of GFR, which is available online at www.petronaschemicals.com

DR ZAFAR ABDULMAJID MOMIN
Independent Non-Executive Director

Nationality: Singaporean

Age: 62

Gender: Male

Date of Appointment:
1 July 2018

Length of Service:
2 years and 8 months

**BOARD SKILLS
AND EXPERIENCE
MATRIX**

Dr. Zafar has over 30 years of global leadership experience in strategy consulting, corporate management and academia. He brings multiple skillsets to the Board, including deep expertise in strategy and M&A, broad insights across multiple industries that use PCG's products and multicultural savvy from working extensively in Asia Pacific, North America and Middle East regions.

BOARD COMMITTEE:

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

BOARD SKILLS AND EXPERIENCE MATRIX:

- Engineering
- Logistics
- Operations
- Commercial/Marketing
- Economics
- Finance
- Audit
- Risk Management
- Corporate Strategy
- Information Technology
- Human Resource

INDUSTRY BACKGROUND AND INTERNATIONAL EXPERIENCE:

- Global
- Regional

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

BOARD SKILLS AND EXPERIENCE MATRIX:

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FREIDA AMAT

Non-Independent Non-Executive Director


Nationality: Malaysian

 Age: 51

 Gender: Female

 Date of Appointment:
31 July 2015

 Length of Service:
5 years and 7 months
**BOARD SKILLS
AND EXPERIENCE
MATRIX**

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

BOARD COMMITTEE:

- Member of BAC

BOARD SKILLS AND EXPERIENCE MATRIX:

- Commercial/Marketing
- Economics
- Finance
- Audit
- Risk Management
- Corporate Strategy

INDUSTRY BACKGROUND AND INTERNATIONAL EXPERIENCE:

- Oil and Gas
- Petrochemical
- Global
- Regional

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

BOARD SKILLS AND EXPERIENCE MATRIX:**NOOR ILIAS MOHD IDRIS**

Non-Independent Non-Executive Director


Nationality: Malaysian

 Age: 55

 Gender: Male

 Date of Appointment:
15 May 2019

 Length of Service:
1 year 9 months
**BOARD SKILLS
AND EXPERIENCE
MATRIX**

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

BOARD COMMITTEE:

- Member of BRC

BOARD SKILLS AND EXPERIENCE MATRIX:

- Engineering
- Logistics
- Operations
- Finance
- Audit
- Risk Management
- Sustainability
- Human Resource
- Project Management

INDUSTRY BACKGROUND AND INTERNATIONAL EXPERIENCE:

- Oil and Gas
- Petrochemical
- Global
- Regional

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

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

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:

- 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.

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

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

NORFAILA HASSAN | Head of Corporate Affairs & Administration



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:

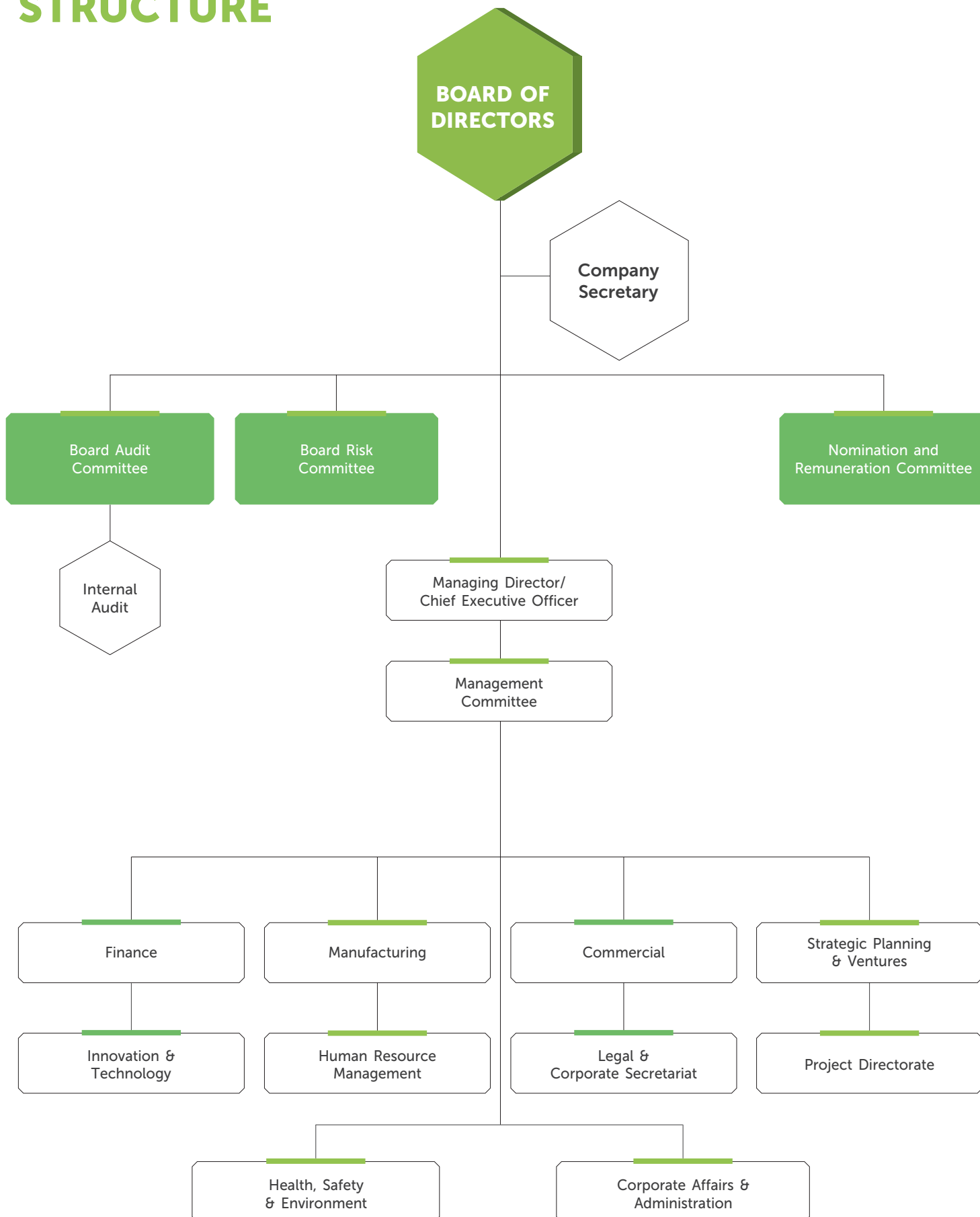
- 1995 Joined MTBE/Polypropylene (M) Sdn Bhd and held various positions including Executive (Mechanical) and Executive (Rotating)
- 2005 Joined ASEAN Bintulu Fertilizer Sdn Bhd and held various managerial roles including Manager (Mechanical), Senior Manager (Engineering), and Senior Manager (Maintenance)
- 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.

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At PCG, the Board and Management strive to create maximum shared value by delivering on our purpose and ensuring the relevance and sustainability of the business model across all spheres. Spurred by our Vision to be “The Preferred Chemical Company Providing Innovative Customer Solutions”, we drive strategic responses and heed market needs. This strategy executed through our strategic focus areas, enables us to maintain focus in conducting operations underpinned by good governance and deliver at the same time, our financial targets.

Governance is supported by the tone at the top and the Board and Management strive to lead by example. In PCG, governance is not a box-ticking exercise and entails far more than legislative, regulatory compliance and principles of best practices.

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

We respond to risks and opportunities, ensure relevance and sustainability of the business model, monitor the overall environment, the availability and quantity of capital inputs and acknowledge the needs of all stakeholders. In managing external risks and looking out in tandem at opportunities for growth, we are driven by our sustainability agenda.

Sustainability at PCG is led by the highest level of governance, namely the Board and is positioned at the top of the Board’s agenda. This is because environmental, social and governance (ESG) concerns have become increasingly central to corporate competitiveness and our continued ability to be resilient. Accordingly, sustainability is integral to our operations. Our objective is to embed sustainability into our operations so that we are able to play our part in shaping a better, healthier and more equitable world.

We acknowledge the Sustainable Development Goals (SDGs) as a comprehensive global agenda for sustainable development and have aligned our sustainability initiatives with the relevant SDG targets. Sustainability at PCG is steered by an absolute commitment to operating in a manner that is environmentally and socially responsible. We believe that in order to achieve our Vision we should not rely on Operational, Commercial and Growth Delivery Excellence’ alone. Equally important as these business imperatives is value creation for all our stakeholders given increasing shareholder expectations with regard to environmental matters.

1

OUR GOVERNANCE POLICY

PCG is a values-based organisation committed to high standards of integrity and ethics in the conduct of our business.

For PCG, good governance is vital to ensure sustainable long-term performance, creating long-term economic value and growth of the Group. Our Board continues to provide prudent leadership and strategic guidance to safeguard stakeholder value creation within a framework of robust and effective controls.

We embed world class business practices and robust institutional governance and risk frameworks with strong emphasis on transparency, accountability, effective leadership and sustainable performance. We continuously review, enhance and improve these practices and frameworks, always mindful of the dynamic and evolving corporate landscape, influenced by among others, geopolitical and cultural shifts regionally and globally while remaining ahead of our targets and ensuring that we act in the best interests of our stakeholders.

As a leading integrated chemicals producer in Malaysia and one of the largest in Southeast Asia (SEA), PCG embraces world-class governance practices and globally recognised standards for sustainable business practices to ensure sustained strength of our basic petrochemicals portfolio and diversified range of chemical products. In doing so, we are resilient and at the same time, flexible in adopting new regulatory changes, responding and adapting to the challenging and competitive regional and global business environment.

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

Therefore, as a responsible business entity our ultimate objective for sustainability is that it should create value for stakeholders by meeting their needs thereby enhancing their well-being while reducing at the same time, our environmental footprint.

Our standalone 2020 Sustainability Report provides a transparent, clear and concise account of our initiatives and outcomes for better stakeholder understanding of our sustainability agenda. The Report details what sustainability means to the Group, outlines our accountability and explains the approach we take to ensure our operations are sustainable while contributing to the local communities and the environment.



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

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

The Board's governance oversight is guided by its strong commitment and well-defined objectives. The objectives provide a mechanism to measure and evaluate performance in applying the Principles and Practices of the MCCG 2017.

It is a conscious commitment by the Board and management at every level of the organisation to lead with their values, embrace corporate values and create an organisational culture that optimises performance, accountability and contribution.

A Effective ethical leadership

Strong, ethical, effective and responsible leadership underpins the Board's oversight and strategic steer. The Board embraces and promotes value-creating governance through a deliberate and structured approach. This means that in decision-making, individual Board members act with impartiality, objectivity, independence, competence, diligence and with the necessary awareness, insight and information.

The values-driven leadership requires a high degree of stewardship, integrity and accountability. The Board is committed to strengthen our governance processes to ensure we are aligned with best practices, that our approach to disclosure is open, timely and responsible and that our business policies and practices are ethical and transparent.

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

B Strategy and performance

The Board takes accountability for the Group's performance. In so doing the Board will support the Group in setting its purpose and achieving its value-driven strategic objectives. The Board ensures that the necessary resources are in place to meet these objectives.

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

Information related to required disclosures are contained in this IR and other reports available at the Company's corporate website at www.petronaschemicals.com

C Governance and Delegation

The Board continues to provide guidance and oversight to the Group on the management of the Group's business, risk and internal control as well as governance matters through its Board committees.

D Sustainable Growth and Stakeholders

In providing leadership and vision to the Group, the Board ensures sustainable growth and delivery of the Group's purpose and objectives for the benefit of all stakeholders. The Board will ensure a stakeholder-inclusivity approach in maintaining a strong stakeholder relationship.

A significant milestone in strengthening PCG's sustainability agenda was the launch in the last financial year of a key sustainable area, i.e., the New Plastics Economy (NPE) initiative – a holistic programme that seeks to transform all plastic waste into valuable resources that can be fed back into Malaysia's circular economy. Collaborating with the Government, non-governmental organisations (NGOs), industry players and the community, PCG will address plastic waste through effective waste management and innovative technology.

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COLLECTIVE RESPONSIBILITIES OF THE BOARD



Collective responsibilities of the Board

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

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

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

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

The Board believes that transparent corporate governance leads to efficient execution of business plans, creates high-performance culture and supports strong relationships with suppliers and customers.

The Board's oversight role in the COVID-19 pandemic period and post-COVID-19 pandemic period 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, consumers, society and shareholders instilling a culture of continuous change and developing talent will drive transformation in a post-COVID-19 pandemic world.

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

-  Ensures appropriate policies are in place, adopted and executed effectively and regularly reviewed in light of changing circumstances
-  Formulates, sets and steers strategic direction
-  Ensures and provides accountability to shareholders and to some extent, towards a wider range of stakeholders affected by PCG's decision, such as employees, suppliers, customers, the local community and the state where PCG is operating
-  Ensures there is an appropriate succession plan for members of the Board and key Senior Management
-  Reviews and manages principal risks and adequacy of PCG's internal control system
-  Reviews and approves financial statements

The COVID-19 pandemic has substantially changed the manner the Board and Board Committees undertake their respective meetings, which were conducted online or virtually, from March 2020 onwards.

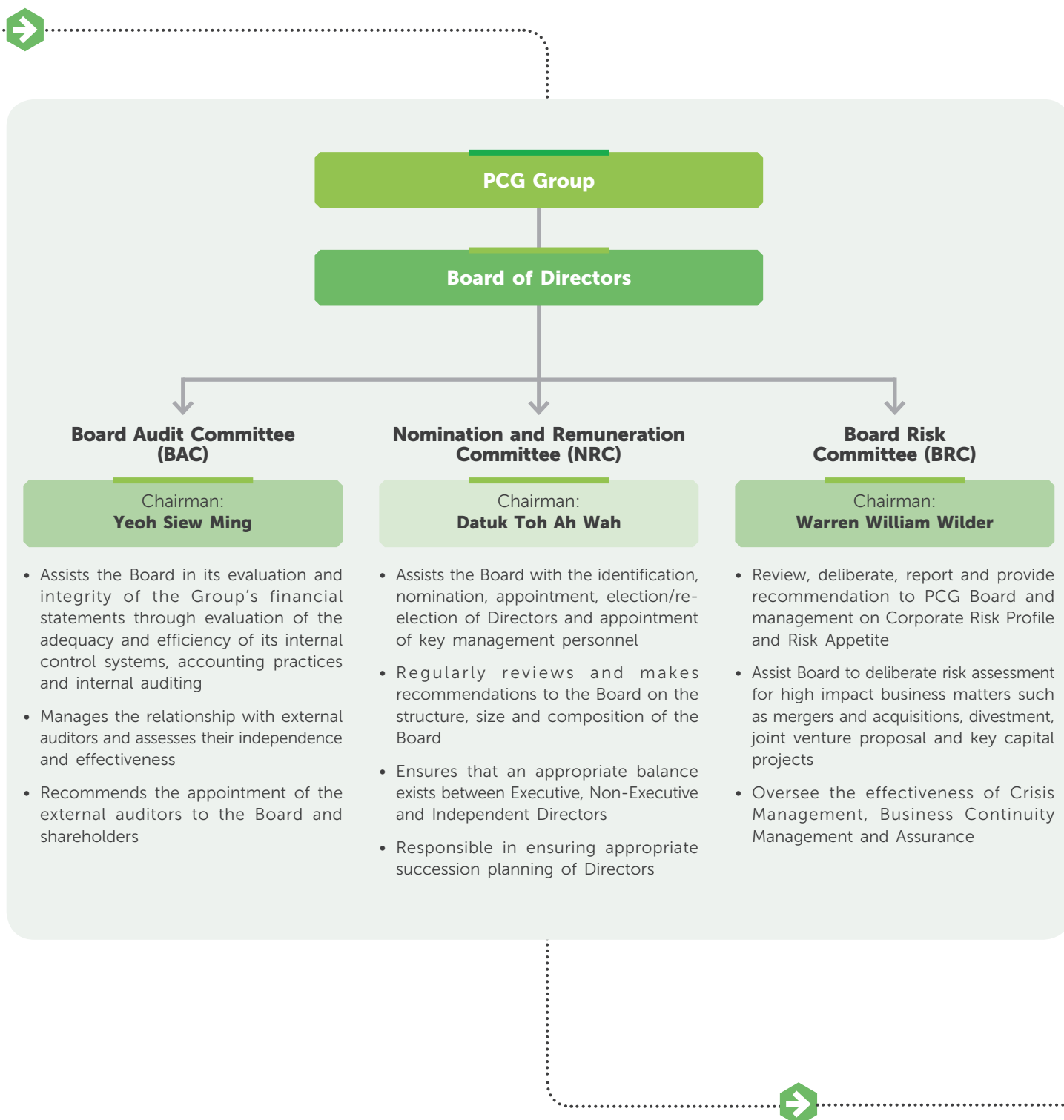
Our Board and Board Committees

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

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

The Board delegates certain responsibilities to well-structured Board Committees without abdicating accountability. The delegation is formal in terms of Board-approved Terms of Reference for each Committee. The Board appoints members for the skills required to effectively provide strategic direction to the Group, as well as monitor its activities. The Board receives reports and minutes of each Committee meeting.

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RISK MANAGEMENT

Risk management is fundamental to PCG's strategy and its business. The pervasiveness of risk in the petrochemicals sector means that the Board considers risk management as an integral part of our strategy. Risks arising from a constantly shifting global industrial and geopolitical landscape are among the major challenges our business faces in progressing with our goal of growing shareholders' value in a sustainable manner.

The Board acknowledges the importance of a sound internal control system and robust risk management for good corporate governance to safeguard shareholders' investment as well as the Group's assets.

The Board constantly monitors the agreed mitigations to manage or reduce the likelihood and impact of critical risks that may affect PCG's business goals and targets.

The BRC assists the Board in ensuring the Company has in place sound and robust risk management framework and that such framework has been effectively implemented to enhance the Company's ability to achieve its strategic objectives especially in pursuing its growth agenda.

Oversight is also embedded within various management levels to ensure seamless integration of risk management into our business processes.

In this regard, the Group has established a process to identify, treat, monitor and manage risks that may materially affect the achievement of its corporate objectives. These risks are reported to the Board on a quarterly basis.

For this financial year under review, our top three critical risks are:



► **Health, Safety and Environment Risk**



► **Strategic Investment Risk**



► **Project Execution Risk**

Emerging risks and opportunities resulting from complex internal and external environment were identified and reported to the Board during the financial year under review.

During the financial year under review, the Board approved the PCG Adequate Procedures Implementation Plan in order to protect PCG from corporate liability under Section 17A of the Malaysian Anti-Corruption Commission Act 2009 (MACC Act 2009).

5

ENGAGING WITH THE BUSINESS ON STRATEGIC MATTERS

Although the Board maintains its independence, the Board engages with the Management on multiple platforms. In particular, the Board through the Board Strategic Conversation (BSC) with the Management Committee, is provided with updates on market outlook and external environment analysis to enable the Board and Management to deliberate on the Group's strategic and growth plans. In 2020, the Management successfully held five BSC sessions, providing the Board with a comprehensive report on the business performance across the Group every quarter.

LEADING THE WAY FOR VALUE CREATION THROUGH GOOD GOVERNANCE

6

INDEPENDENCE

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 interest of all stakeholders.

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

The INEDs play a significant role in bringing objectivity and scrutiny to the Board's deliberations and decision-making. Their role is also particularly critical in decisions with regard to related party transactions as these require independence of judgement and objective impartiality to protect the interests of minority shareholders. The performance of Directors are assessed annually via the Board Effectiveness Evaluation.

The Independent Directors assessed in 2020 satisfied the independence criterias and therefore maintained their independent status. In line with the recommendation by the MCCG 2017, the Company has adopted a tenure policy whereby the total tenure of the Independent Directors is capped at nine years. As at the date of this report, none of the Independent Directors has served the Board more than nine years.

During the financial year under review, the Board revised its Board Succession Planning Framework to include an amendment to the Board Selection Criteria, in line with the amendment to the MMLR of Bursa Malaysia. The cooling-off period for a Non-Independent Director, specific persons (such as existing or former officer, adviser or transacting party of PCG or its related corporation) has been extended from two years to three years.

7

BOARD OF DIRECTORS

Non-Independent Non-Executive Directors

DATUK MD ARIF MAHMOOD

Chairman

FREIDA AMAT

NOOR ILIAS MOHD IDRIS

Independent Non-Executive Directors

DATUK TOH AH WAH

Senior Independent Director

YEOH SIEW MING

WARREN WILLIAM WILDER

DR ZAFAR ABDULMAJID MOMIN

Non-Independent Executive Director

DATUK SAZALI HAMZAH

MD/CEO

8

BOARD DIVERSITY

The Directors bring with them years of experience in managing sustainable business growth and collectively represent a formidable leadership with diversity of perspectives that support effective decision-making. In the rapidly transforming and evolving business environment, diversity is important to remain relevant and sustainable.

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

The Board continues to achieve a balance of skills, knowledge, experience and views among its Directors. The Board believes that a diverse Board that leverages on the differences will ensure effective stewardship of Management and will steer the Company to retain its competitive advantage.

The Board supports the Government's aspirational target of 30% representation of women directors. Women Directors currently make up 25% of our Board bringing us closer to the 30% target. To-date, there are 12 women serving as nominee directors on the Boards of the PCG Group of companies. Several suitably qualified women have also been identified and included in the directors' pool for possible nomination as Directors.

A copy of the Board Diversity Policy is available at the Company's website, www.petronaschemicals.com.

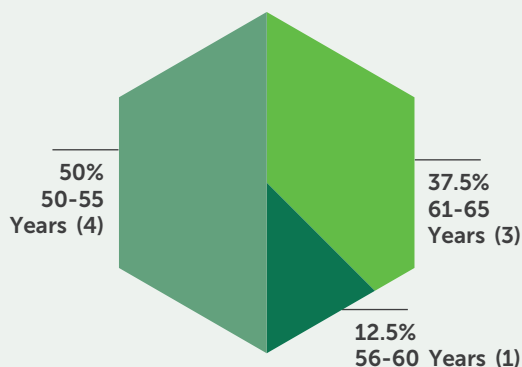
LEADING THE WAY FOR VALUE CREATION THROUGH GOOD GOVERNANCE

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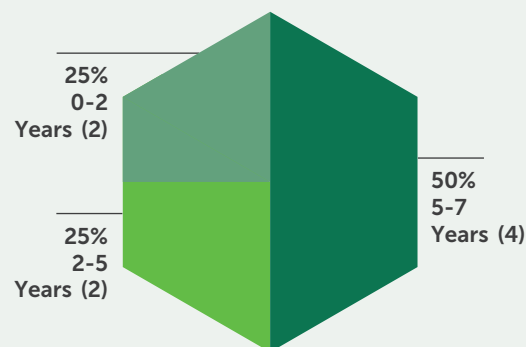
BOARD TENURE AND EXPERIENCE

A blend of experience, expertise, insight and perspectives

Age



Length of Service



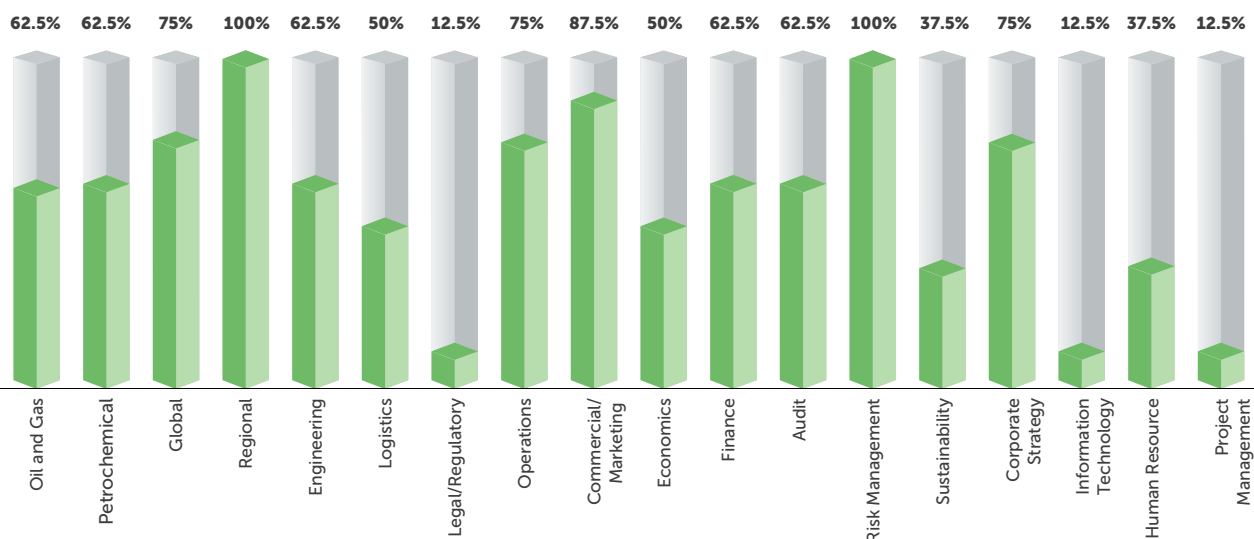
10

BOARD SKILLS AND EXPERIENCE MATRIX

The Board has members with a broad range of skills that bring with them a wealth of experience that helps to create value in the interests of the Company and its shareholders.

With the appropriate mix of skills and experience the Board is assured that it is well equipped to guide and steer PCG's strategy into the future and thereby create value.

Skills & Experience



LEADING THE WAY FOR VALUE CREATION THROUGH GOOD GOVERNANCE

11

ENSURING AND PROTECTING VALUE

PCG's sustainability strategy takes into consideration effective risk management practices, internal control and compliance with objectives to create value for our stakeholders and safeguards the existing portfolios as well as moving forward to capitalise opportunity for growth.

We believe our control systems are appropriate for the Group given the size, diversity and complexity of our operations. The adequacy and integrity of those controls are regularly monitored and reviewed to ensure the Group's conformance with applicable laws, regulations and guidelines. 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.

We have the following in place:

- 1 Practices that encompass the entire organisational structure with clear connections between 'silos'.
- 2 Strategies that address the full spectrum of risks, including industry specific, compliance, competition, environmental, security, business continuity, strategic and operational.
- 3 A culture where risk management practices are infused throughout so that strategy and decision-making evolve out of risk-informed process.
- 4 A philosophy that focuses not solely on risk avoidance, but also on risk taking as a means to value creation.
- 5 An independent internal audit function.
- 6 An effective Enterprise Risk Management (ERM) Framework.
- 7 A Group Corporate Governance Framework that monitors the application of the principles and practices of the MCCG 2017 and other regulatory requirements.

The COVID-19 pandemic has had a significant impact on people and economies worldwide, including Malaysia and where we are operating. The challenges and uncertainty that led to market volatility and business uncertainties, required rigorous monitoring and effective risk management practices to cushion its impact on our operations and business sustainability.

12

OUR APPROACH TO COMPLIANCE

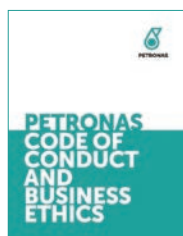
The accountability and responsibility for compliance risk management in the Group rests with the Board. The Board recognises compliance risk as a material risk for the Group and is responsible for reviewing the adequacy of the Group's systems of governance and risk including controls implemented to ensure compliance with legal and regulatory obligations. In this regard, the Group complies with and subscribes to various legislations and regulatory requirements, such as MMLR of Bursa Malaysia, MCCG 2017, CA 2016, Malaysian Financial Reporting Standards and International Financial Reporting Standards.

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

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

ANTI-CORRUPTION

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



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

MACC ACT 2009

Following the recent amendment to the MACC Act 2009 to impose corporate liability on companies for failure to prevent bribery and corruption which came into force on 1 June 2020, the Company has taken proactive actions to equip our Directors with their understanding on their liability and penalty imposed under this new Section 17A of the MACC Act 2009, as well as the adequate procedures in place to prevent occurrence of bribery and corruption.

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.

LEADING THE WAY FOR VALUE CREATION THROUGH GOOD GOVERNANCE

OVERVIEW OF PCG

KEY MESSAGES

VALUE CREATION

MANAGEMENT DISCUSSION & ANALYSIS

OUR LEADERSHIP

OTHER INFORMATION

13

VALUES AND CULTURE

The Board acknowledges its role in establishing a corporate culture that encompasses and embraces ethical conduct within the Group.

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

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



14

CONFLICT OF INTEREST

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

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

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

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



15

FAIR AND RESPONSIBLE REMUNERATION

The Board strives to ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes aligned with legitimate expectations of all stakeholders in the short, medium and long term.

Remuneration of employees is linked to sustainable value creation objectives in line with the Group's strategy. It is based on distinct performance targets and market benchmarking.



LEADING THE WAY FOR VALUE CREATION THROUGH GOOD GOVERNANCE

16

DRIVING INNOVATION

Our innovation excellence revolves around the creation of product and product application solutions that fulfil the changing needs of our customers and society. We systematically conduct new product development programmes to co-create application solutions. Our research focus is intended to address trends and needs to ensure a sustainable future for the business, society and environment that we operate in.

We have identified opportunities to develop products that will deliver environmental or social benefits in line with the SDGs and the World Business Council for Sustainable Development's Chemical Sector SDG Roadmap. As we expand into specialty chemicals, we recognise the need to assess the different risks that these new products bring. We will continue to adapt our product stewardship programme to support the safe and sustainable development of these new products and applications.

Within our plant facilities, the innovations we adopt in work processes and management systems lead to higher production outputs, while reducing our impact on the environment.

To remain relevant and competitive in this digital age, the Board is proactive and places innovation as one of its governance responsibilities.

17

ENGAGING WITH INVESTORS ON ENVIRONMENT, SOCIAL AND GOVERNANCE (ESG) MATTERS

Through community engagement, PCG contributes to the well-being and empowerment of local communities within our areas of operation.

In the execution of our governance role and responsibilities, we have adopted a stakeholder-inclusive approach that balances the needs, interests and expectations of stakeholders in the best interest of the organisation over time.

We proactively communicate with stakeholders on ESG and strategic matters. The engagement enables the Board to exercise constructive influence as and when appropriate and to protect the interests of our minority shareholders.

Community engagement also provides insights to strengthen business strategy, avoids unnecessary conflict and supports delivery of key projects.

LEADING THE WAY FOR VALUE CREATION THROUGH GOOD GOVERNANCE

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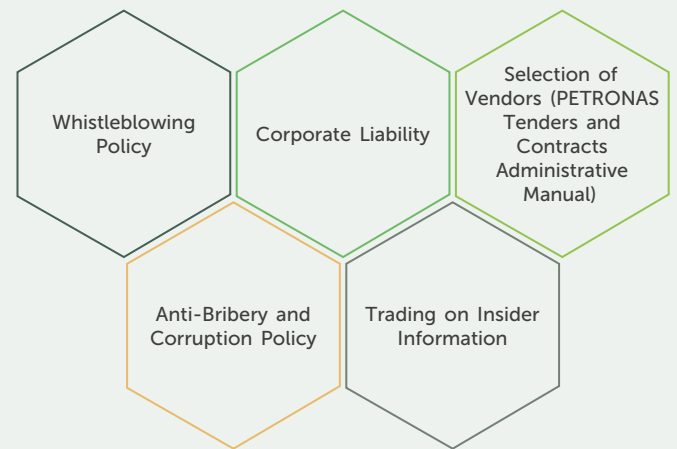
INTEGRITY AND ETHICS

An organisation must fundamentally add value for stakeholders by adopting a responsible business philosophy. PCG's ethic's philosophy envisages conduct that conforms with our Shared Values of Cohesiveness, Loyalty, Integrity and Professionalism.

Our ethics philosophy underpins a relationship of trust with our internal and external stakeholders and our actions demonstrate that we act in their best interests. We believe that the required trust and conduct that is the basis of our ethics philosophy is established by having a collaborative approach to ethical leadership, accepted and lived set of values, effective governance, effective risk and compliance management and most importantly, by setting the right tone from the top.

The Board assumes ultimate responsibility for PCG's business ethics performance and adherence to human rights principles. PCG believes in upholding human rights and fair labour practices across the Group. In this regard we adhere to PETRONAS' Human Rights Commitment which is in line with the UN's Guiding Principles on Business and Human Rights.

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:



LIST OF PROPERTIES

	Name of registered owner/Beneficial owner:			Land area:	Age of Plant & building:	NBV as at 31/12/2020
No.	Lot. no./Leasehold period	Acquisition date	Existing use	(sq metre unless otherwise stated)	(Years)	(RM'000)
1	PETRONAS Chemicals Derivatives Sdn Bhd, PETRONAS Chemicals Olefins Sdn Bhd, PETRONAS Chemicals Glycols Sdn Bhd (each a 1/3 part owner) H.S.(D) 3385, PT No. 10535, Mukim Kertih, Kemaman, Terengganu Leasehold for 60 years, expiring on 29 August 2060	30.08.2000	Industrial land – TNB sub-station	3,886	20	220,296
	H.S.(D) 3316, PT No. 9015, Mukim Kertih, Kemaman, Terengganu Leasehold for 60 years, expiring on 29 August 2060	30.08.2000	Industrial land – Waste water and treatment substation	260,469	20	
	Pajakan Negeri, No. Hakmilik 7594, No. Lot 8068, Mukim Kertih, Kemaman, Terengganu Leasehold for 60 years, expiring on 29 August 2060	30.08.2000	Industrial land – Plant for production of ethylene derivatives	611,075	20	
2	PETRONAS Chemicals Methanol Sdn Bhd No. 205350607, Kg. Rancha-Rancha, Wilayah Persekutuan Labuan Leasehold for 99 years, expiring on 31 December 2082	31.08.2004	Industrial land – Plant for production of methanol	14 hectares	16	1,386,897
3	PETRONAS Chemicals Methanol Sdn Bhd Pajakan Negeri, No. Hakmilik 11911, Lot 31770, Kg. Rancha-Rancha, Wilayah Persekutuan Labuan Leasehold for 99 years, expiring 1 August 2106	02.08.2007	Industrial land – Land for Plant 2 jetty	19,679	13	
4	PETRONAS Chemicals Methanol Sdn Bhd Pajakan Negeri, No. Hakmilik 11903, Lot 31772, Kg. Rancha-Rancha, Wilayah Persekutuan Labuan Leasehold for 99 years, expiring 14 April 2107	15.04.2008	Industrial land – Land for Plant 2 sea water outtake	483	12	
	Pajakan Negeri, No. Hakmilik 11904, Lot 31771, Kg. Rancha-Rancha, Wilayah Persekutuan Labuan Leasehold for 99 years, expiring 14 April 2107	15.04.2008	Industrial land – Land for Plant 2 sea water intake	1,195	12	

LIST OF PROPERTIES

	Name of registered owner/Beneficial owner:			Land area:	Age of Plant & building:	NBV as at 31/12/2020
No.	Lot. no./Leasehold period	Acquisition date	Existing use	(sq metre unless otherwise stated)	(Years)	(RM'000)
5	PETRONAS Chemicals Methanol Sdn Bhd Pajakan Negeri, No. Hakmilik 10336, Lot 12275, Kg. Ranche-Ranche, Wilayah Persekutuan Labuan Leasehold for 30 years, expiring 28 October 2039	29.10.2009	Industrial land – Land for Plant 2 inner berth jetty	12,357	11	
6	PETRONAS Chemicals Methanol Sdn Bhd No. 206291590, Kg. Ranche-Ranche, Wilayah Persekutuan Labuan Leasehold for 51 years, expiring on 30 December 2043	01.06.1992	Industrial land – Plant for production of methanol and administration office	48 acres	29	
7	PETRONAS Chemicals Methanol Sdn Bhd Pajakan Negeri, No. Hakmilik 1192, Lot 205351793, Kg. Ranche-Ranche, Wilayah Persekutuan Labuan Leasehold for 99 years, expiring 31 December 2092	01.01.1994	Industrial land – Land for Plant 1 jetty	3,031	26	
8	PETRONAS Chemicals Methanol Sdn Bhd Pajakan Negeri, No. Hakmilik 2971, Lot 10859, Kg. Ranche-Ranche, Wilayah Persekutuan Labuan Leasehold for 99 years, expiring 15 September 2103	06.09.2004	Industrial land – Additional land for Plant 1 jetty	1,050	16	
9	PETRONAS Chemicals MTBE Sdn Bhd H.S.(D) 9688 P.T. No. 4538, Mukim Sungai Karang, Kuantan, Pahang Leasehold for 66 years, expiring on 14 July 2058	17.11.1992	Industrial land – Plant for production of MTBE	36 hectares	28	176,263
10	PETRONAS Chemicals MTBE Sdn Bhd H.S.(D) 34911, No. P.T. 15128, Mukim Sungai Karang, Kuantan, Pahang Leasehold for 99 years, expiring on 8 January 2100	09.01.2001	Industrial land – Propane dehydrogenation plant	34 acres	20	320,368
11	PETRONAS Chemicals MTBE Sdn Bhd H.S.(D) 34912, No. P.T. 15129, Mukim Sungai Karang, Kuantan, Pahang Leasehold for 99 years, expiring on 8 January 2100	09.01.2001	Emergency response building	15 acres	20	5,966

LIST OF PROPERTIES

	Name of registered owner/Beneficial owner:			Land area:	Age of Plant & building:	NBV as at 31/12/2020
No.	Lot. no./Leasehold period	Acquisition date	Existing use	(sq metre unless otherwise stated)	(Years)	(RM'000)
12	Polypropylene Malaysia Sdn Bhd H.S.(D) 9686, No. Lot P.T. 4536, Mukim Sungai Karang, Kuantan, Pahang Leasehold for 66 years, expiring on 14 July 2058	15.07.1992	Industrial land – Plant for production of polypropylene	20 hectares	28	14,458
13	PETRONAS Chemicals Fertiliser Kedah Sdn Bhd Pajakan Negeri, No. Hakmilik 1010, No. Lot 10750 Gurun, Kuala Muda, Kedah Leasehold for 99 years, expiring on 22 April 2102	01.11.1999	Commercial/industrial land – Plant for production of urea and ammonia	699,100	21	174,612
14	PETRONAS Chemicals Fertiliser Kedah Sdn Bhd Pajakan Negeri, No. Hakmilik 3396-3399, No. Lot 174-177, Seksyen 6, Gurun, Kuala Muda, Kedah Leasehold for 99 years, expiring on 12 February 2105	01.11.1999	Commercial/industrial land – Plant for production of urea and ammonia	201,233	21	50,231
15	ASEAN Bintulu Fertilizer Sdn Bhd No. 323, Lot 35, Block 20, Kemena land District, Bintulu, Sarawak Leasehold for 99 years, expiring on 19 February 2083	01.04.1983	Mixed zone/town land – Plant for production of urea and ammonia	38 hectares	38	263,333
16	ASEAN Bintulu Fertilizer Sdn Bhd No. 321, Lot 2233-2239, Block 26, Kemena Land District, Bintulu, Sarawak Leasehold for 60 years, expiring on 8 May 2046	08.02.2005	Mixed zone/town land – Dwelling house	8,298	16	1,233
17	PETRONAS Chemicals Ethylene Sdn Bhd, PETRONAS Chemicals Polyethylene Sdn Bhd Pajakan Negeri, No. Hakmilik 6282, No. Lot 8075, Mukim Kertih, Kemaman, Terengganu Leasehold for 51 years, expiring on 16 June 2052	02.04.1993	Industrial land – Plant for production of ethylene/polyethylene	567,800	28	338,578

LIST OF PROPERTIES

Name of registered owner/Beneficial owner:				Land area:	Age of Plant & building:	NBV as at 31/12/2020
No.	Lot. no./Leasehold period	Acquisition date	Existing use	(sq metre unless otherwise stated)	(Years)	(RM'000)
18	PETRONAS Chemicals Ethylene Sdn Bhd Pajakan Negeri, No. Hakmilik 3939, No. Lot 5217, Mukim Kertih, Kemaman, Terengganu Leasehold for 60 years, expiring on 23 October 2054	31.05.1995	Industrial land – Storage facility for water	191,200	26	5,197
19	PETRONAS Chemicals Ammonia Sdn Bhd Pajakan Negeri, No. Hakmilik 7588, No. Lot 8066, Mukim Kertih, Kemaman, Terengganu Leasehold for 60 years, expiring on 19 August 2060	01.08.2000	Industrial land – Plant for production of ammonia and any other related gas	98,490	20	77,615
20	PETRONAS Chemicals Ammonia Sdn Bhd PT 15786, Lot 5276, Mukim Kertih, Kemaman, Terengganu Leasehold for 44 years, expiring on 8 January 2055	30.12.2011	Industrial land – KIPC Shared Facilities which includes the administrative, laboratory and workshop buildings	96,208	9	29,940
21	PETRONAS Chemicals LDPE Sdn Bhd Pajakan Negeri, No. Hakmilik 7593, No. Lot 8073, Mukim Kertih, Kemaman, Terengganu Leasehold for 60 years, expiring on 19 August 2060	20.08.2000	Industrial land – Plant for production of LDPE	184,677	20	55,334
22	Kertih Port Sdn Bhd Pajakan Negeri, No. Hakmilik 4695, No. Lot 7120, Mukim Kertih, Kemaman, Terengganu Leasehold for 60 years, expiring on 5 March 2060	02.08.2000	Industrial land – Operations of Kertih Port (Jetty and marine related facilities)	43,100	20	299,680
23	Kertih Port Sdn Bhd Pajakan Negeri, No. Hakmilik 4696, No. Lot 7121, Mukim Kertih, Kemaman, Terengganu Leasehold for 60 years, expiring on 5 March 2060	02.08.2000	Industrial land – Gas and oil pipelines (Reclamation area land & Coastal Strip Land)	41,400	20	391
24	Kertih Port Sdn Bhd Pajakan Negeri, No. Hakmilik 6280, No. Lot 8077 Mukim Kertih, Kemaman, Terengganu Leasehold for 51 years, expiring on 16 June 2052	31.03.1993	Industrial land – Administration complex and other related facilities	58,570	28	15,658

LIST OF PROPERTIES

	Name of registered owner/Beneficial owner:			Land area:	Age of Plant & building:	NBV as at 31/12/2020
No.	Lot. no./Leasehold period	Acquisition date	Existing use	(sq metre unless otherwise stated)	(Years)	(RM'000)
25	Vinyl Chloride (Malaysia) Sdn Bhd Pajakan Negeri, No. Hakmilik 3331, No. Lot 51062, Mukim Kertih, Kemaman, Terengganu Leasehold for 44 years, expiring on 8 January 2055	07.09.1998	Industrial land – Integrated PVC manufacturing plant	187,958	22	1,384
	Pajakan Negeri, No. Hakmilik 7394, No. Lot 6058, Mukim Kertih, Kemaman, Terengganu Leasehold for 60 years, expiring on 18 December 2056	07.09.1998	Industrial land – Integrated PVC manufacturing plant	121,400	22	2,123
26	PETRONAS Chemicals Fertiliser Sabah Sdn Bhd PL196290767 Sipitang Oil and Gas Industrial Park, 89850 Sipitang, Sabah Property useful life is 25 years, expiring on 31 December 2040	01.01.2014	Industrial land – Plant for production of urea and ammonia	505 hectares	3	337,122
27	BRB SIL Invest B.V. Branskamp 10/12, 6014 CB, Ittervoort, The Netherlands	10.03.2003	Industrial land – Plant for production of silicones	4,694	30	6,387
28	BRB LAC Invest B.V. Europastraat 5, 6014 CD, Ittervoort, The Netherlands	03.02.2009	Industrial land – Plant for production of LAC	3,390	30	5,495
29	BRB Central Eastern Europe Sp. z.o.o. Niepolomice, Podleze, Land Estate 1446, Poland	11.08.2015	Land	13,870	5	1,662
30	BRB Real Estate Canada Inc. 144 Woodlawn Road West, City of Guelph, County of Wellington, Ontario, Canada	23.10.2018	Industrial land – Plant for production of silicones	6,975	33	13,350

ANALYSIS OF SHAREHOLDINGS

as at 1 March 2021

Share Capital : RM800,000,000 comprising 8,000,000,000 ordinary shares
 Class of Shares : Ordinary shares
 Voting Rights : One Vote Per Ordinary Share (on a poll)

DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shareholdings
Less than 100	829	4.75	4,514	0.00
100 – 1,000	6,316	36.21	4,935,171	0.06
1,001 – 10,000	8,098	46.43	33,310,102	0.42
10,001 – 100,000	1,499	8.59	45,397,967	0.57
100,001 to less than 5% of issued shares	697	4.00	1,700,797,346	21.26
5% and above of issued shares	3	0.02	6,215,554,900	77.69
Total	17,442	100.00	8,000,000,000	100.00

CLASSIFICATION OF SHAREHOLDERS

Malaysian	No. of Shareholders		% of Shareholders		No. of Shares		% of Shareholdings	
	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
1. Individuals	13,713	121	78.62	0.69	54,949,578	797,168	0.69	0.01
2. Body Corporate								
a. Banks/Finance Companies	69	1	0.39	0.02	1,050,344,110	1,900	13.13	0.00
b. Investment Trusts/Foundation/Charities	3	0	0.02	0.00	161,000	0	0.00	0.00
c. Other types of companies	274	6	1.57	0.03	22,288,101	1,751,000	0.28	0.02
3. Government Agencies/Institutions	4	0	0.02	0.00	1,715,700	0	0.02	0.00
4. Nominees	2,567	684	14.72	3.92	6,285,196,137	582,795,306	78.56	7.29
5. Others	0	0	0.00	0.00	0	0	0.00	0.00
Total	16,630	812	95.34	4.66	7,414,654,626	585,345,374	92.68	7.32

LIST OF SUBSTANTIAL SHAREHOLDERS

No.	Name	No. of Shares		% of Shareholdings	
		Direct	Indirect	Direct	Indirect
1	CIMB Group Nominees (Tempatan) Sdn Bhd <i>Exempt an for Petroliaam Nasional Berhad (PETRONAS)</i>	5,148,000,000	–	64.35	–
2	Citigroup Nominees (Tempatan) Sdn Bhd <i>Employees Provident Fund Board (Including Portfolio Managers)</i>	679,045,300	–	8.49	–
3	AmanahRaya Trustees Berhad <i>Amanah Saham Bumiputera</i>	480,162.600	–	6.00	–

ANALYSIS OF SHAREHOLDINGS

as at 1 March 2021

LIST OF DIRECTORS' SHAREHOLDINGS

No.	Name	No. of Shares		% of Shareholdings	
		Direct	Deemed Interest	Direct	Deemed Interest
1	Datuk Md Arif Mahmood	20,000	–	0.00	–
2	Datuk Sazali Hamzah	–	16,000	–	0.00
3	Datuk Toh Ah Wah	30,000	–	0.00	–
4	Yeoh Siew Ming	–	–	–	–
5	Warren William Wilder	–	–	–	–
6	Dr Zafar Abdulmajid Momin	–	–	–	–
7	Noor Ilias Mohd Idris	6,000	–	0.00	–
8	Freida Amat	6,000	–	0.00	–

LIST OF MANAGEMENT'S SHAREHOLDINGS

No.	Name	No. of Shares		% of Shareholdings	
		Direct	Deemed Interest	Direct	Deemed Interest
1	Datuk Sazali Hamzah	–	16,000	–	0.00
2	Mohd Azli Ishak	–	–	–	–
3	Mohd Kabir Noordin	–	–	–	–
4	Shakeel Ahmad Khan	–	–	–	–
5	Akbar Md Thayoob	6,000	–	0.00	–
6	Ch'ng Guan How	2,000	–	0.00	–
7	Hasnizaini Mohd Zain	1,000	–	0.00	–
8	Fauzamsaari Geran	6,000	–	0.00	–
9	Mohd Zakir Jaafar	–	–	–	–
10	Jamilah Ujang	–	–	–	–
11	Norfaila Hassan	–	–	–	–

LIST OF 30 LARGEST SHAREHOLDERS

No.	Name	Holdings	%
1	CIMB Group Nominees (Tempatan) Sdn Bhd <i>Exempt an for Petroliaam Nasional Berhad (PETRONAS)</i>	5,148,000,000	64.35
2	Citigroup Nominees (Tempatan) Sdn Bhd <i>Employees Provident Fund Board</i>	587,392,300	7.34
3	AmanahRaya Trustees Berhad <i>Amanah Saham Bumiputera</i>	480,162,600	6.00
4	Kumpulan Wang Persaraan (Diperbadankan)	213,684,000	2.67
5	AmanahRaya Trustees Berhad <i>Amanah Saham Malaysia 2 – Wawasan</i>	62,000,000	0.78
6	Citigroup Nominees (Tempatan) Sdn Bhd <i>Great Eastern Life Assurance (Malaysia) Berhad (PAR 1)</i>	54,108,000	0.68
7	Citigroup Nominees (Tempatan) Sdn Bhd <i>Exempt an for AIA Bhd.</i>	50,142,200	0.63

ANALYSIS OF SHAREHOLDINGS

as at 1 March 2021

No.	Name	Holdings	%
8	Cartaban Nominees (Asing) Sdn Bhd <i>Exempt an for State Street Bank & Trust Company (West CLT OD67)</i>	49,304,200	0.62
9	Lembaga Tabung Haji	44,967,400	0.56
10	Maybank Nominees (Tempatan) Sdn Bhd <i>Maybank Trustees Berhad for Public Ittikal Fund (N14011970240)</i>	42,500,000	0.53
11	Cartaban Nominees (Tempatan) Sdn Bhd <i>PAMB for Prulink Equity Fund</i>	40,332,400	0.50
12	Permodalan Nasional Berhad	39,875,400	0.50
13	HSBC Nominees (Asing) Sdn Bhd <i>JPMCB NA for Vanguard Emerging Markets Stock Index Fund</i>	39,189,212	0.49
14	HSBC Nominees (Asing) Sdn Bhd <i>JPMCB NA for Vanguard Total International Stock Index Fund</i>	36,633,658	0.46
15	Citigroup Nominees (Tempatan) Sdn Bhd <i>Employees Provident Fund Board (Nomura)</i>	34,031,400	0.43
16	AmanahRaya Trustees Berhad <i>Amanah Saham Bumiputera 3 – Didik</i>	27,789,100	0.35
17	AmanahRaya Trustees Berhad <i>Public Islamic Dividend Fund</i>	23,045,800	0.29
18	AmanahRaya Trustees Berhad <i>Amanah Saham Bumiputera 2</i>	20,623,200	0.26
19	Citigroup Nominees (Asing) Sdn Bhd <i>Exempt an for Citibank New York (Norges Bank 14)</i>	19,764,800	0.25
20	Citigroup Nominees (Tempatan) Sdn Bhd <i>Great Eastern Life Assurance (Malaysia) Berhad (PAR 3)</i>	17,537,900	0.22
21	Citigroup Nominees (Tempatan) Sdn Bhd <i>Employees Provident Fund Board (CIMB PRIN)</i>	16,764,400	0.21
22	Citigroup Nominees (Asing) Sdn Bhd <i>CBNY for Norges Bank (FI 17)</i>	16,249,123	0.20
23	DB (Malaysia) Nominee (Asing) Sdn Bhd <i>BNYM SA/NV for People's Bank of China (SICL ASIA EM)</i>	15,784,000	0.20
24	AmanahRaya Trustees Berhad <i>Public Islamic Equity Fund</i>	14,209,300	0.18
25	AmanahRaya Trustees Berhad <i>Amanah Saham Malaysia</i>	14,122,600	0.18
26	Maybank Nominees (Tempatan) Sdn Bhd <i>MTRUSTEE Berhad for Principal Dali Equity Growth Fund (UT-CIMB-DALI) (419455)</i>	13,391,200	0.17
27	AmanahRaya Trustees Berhad <i>Amanah Saham Malaysia 3</i>	12,375,600	0.15
28	HSBC Nominees (Asing) Sdn Bhd <i>JPMBL NA for Blackrock Institutional Trust Company, N.A Investment Funds for Employee Benefit Trusts</i>	12,010,700	0.15
29	Maybank Nominees (Tempatan) Sdn Bhd <i>Maybank Trustees Berhad for Public Regular Saving Fund (N14011940100)</i>	11,913,500	0.15
30	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad <i>Deutsche Trustees Malaysia Berhad for Hong Leong Value Fund</i>	11,568,000	0.14
Total		7,169,471,993	89.64

CORPORATE DIRECTORY

WHOLLY - OWNED SUBSIDIARIES

- 1. Kertih Port Sdn Bhd**
Lot 3633, Kawasan Bukit Tengah
KM 105, Jln Kuantan-Kuala Terengganu
24300 Kertih, Kemaman
Terengganu Darul Iman
Tel : +609 830 5648/5796
Fax : +609 830 5618/5623/5639
- 2. PCM (China) Co., Ltd.**
Unit 10-011, 10th Floor
Han Seng Bank Tower
No. 1000 Lujiazui Ring Road
Shanghai 200120
China
Tel : +8621 6887 1017
Fax : +8621 6887 1445 ext 205
- 3. PCM (Thailand) Company Limited**
5th Floor, Bangkok City Tower
179 South Sathorn Road
Kwaeng Tungmahamek
Khet Sathorn Bangkok
10120 Thailand
Tel : +66 2679 5600
Fax : +66 2679 5511
- 4. PETRONAS Chemicals Ammonia Sdn Bhd**
Kompleks Pentadbiran
Petrokimia PETRONAS
KM 105, Jln Kuantan-Kuala Terengganu
24300 Kertih, Kemaman
Terengganu Darul Iman
Tel : +609 830 5000
Fax : +609 830 5222
- 5. PETRONAS Chemicals Derivatives Sdn Bhd**
Administration Building
PETRONAS Petroleum Industry Complex
KM 106, Jln Kuala Terengganu-Kuantan
24300 Kertih
Terengganu Darul Iman
Tel : +609 830 7700
Fax : +609 830 7797
- 6. PETRONAS Chemicals Fertiliser Kedah Sdn Bhd**
KM 3, Jalan Jeniang
P.O. Box 22
08300 Gurun
Kedah Darul Aman
Tel : +604 466 6666
- 7. PETRONAS Chemicals Fertiliser Sabah Sdn Bhd**
Jalan SOGIP 4,
Sipitang Oil & Gas Industrial Park
89850, Sipitang, Sabah
Tel : +608 781 3872
Fax : +608 781 3852
- 8. PETRONAS Chemicals Glycols Sdn Bhd**
Administration Building
PETRONAS Petroleum Industry Complex
KM 106, Jln Kuala Terengganu-Kuantan
24300 Kertih
Terengganu Darul Iman
Tel : +609 830 7700
Fax : +609 830 7797
- 9. PETRONAS Chemicals Isononanol Sdn Bhd**
Tower 1, PETRONAS Twin Towers
Kuala Lumpur City Centre
50088 Kuala Lumpur
Tel : +603 2051 5000
- 10. PETRONAS Chemicals Marketing Sdn Bhd**
Level 34, Tower 1
PETRONAS Twin Towers
Kuala Lumpur City Centre
50088 Kuala Lumpur
Tel : +603 2331 5000
Fax : +603 2331 1747
- 11. PETRONAS Chemicals Marketing (Labuan) Ltd**
Level 34, Tower 1
PETRONAS Twin Towers
Kuala Lumpur City Centre
50088 Kuala Lumpur
Tel : +603 2331 5000
Fax : +603 2331 1747
- 12. PETRONAS Chemicals Methanol Sdn Bhd**
Kawasan Perindustrian Rantau-Rantau
P.O. Box 80079
87010 Federal Territory Labuan
Tel : +6087 594 000
Fax : +6087 594 979
- 13. PETRONAS Chemicals MTBE Sdn Bhd**
Lot 111
Kawasan Perindustrian Gebeng, Balok
26080 Kuantan
Pahang Darul Makmur
Tel : +609 585 6700
Fax : +609 583 4090/4743
- 14. PETRONAS Chemicals Polyethylene Sdn Bhd**
Lot 3834, Kawasan Bukit Tengah
KM 105, Jln Kuantan-Kuala Terengganu
24300 Kertih, Kemaman
Terengganu Darul Iman
Tel : +609 830 2000
Fax : +609 827 3940
- 15. Polypropylene Malaysia Sdn Bhd**
Lot 111, Kawasan Perindustrian Gebeng,
Balok, 26080 Kuantan
Pahang Darul Makmur
Tel : +609 585 6700
Fax : +609 583 4090/4743
- 16. PRPC Elastomers Sdn Bhd**
Tower 1, PETRONAS Twin Towers
Kuala Lumpur City Centre
50088 Kuala Lumpur
Tel : +603 2051 5000
- 17. PT PCM Kimia Indonesia**
Talavera Office Suite
Lantai 17, Jl. TB Simatupang
Kav 22-26
Cilandak Barat
Jakarta Selatan
12430 Indonesia
Tel : +6221 2276 8393
Fax : +6221 2297 6658
- 18. Vinyl Chloride (Malaysia) Sdn Bhd**
Kompleks Pentadbiran
Petrokimia PETRONAS
KM 105 Jln Kuantan-Kuala Terengganu
24300, Kertih Kemaman
Terengganu Darul Iman
Tel : +609 830 5000
Fax : +609 830 5222

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WHOLLY - OWNED SUBSIDIARIES

- 19. PETRONAS Chemicals LDPE Sdn Bhd**
Lot 9717, PETRONAS Petroleum Industry Complex
KM 105, Jln Kuantan-Kuala Terengganu
24300 Kertih, Kemaman
Terengganu Darul Iman
Tel : +609 830 5068
Fax : +609 830 5858/5990
- 20. PETRONAS Chemicals Olefins Sdn Bhd**
Administration Building
PETRONAS Petroleum Industry Complex
KM 106, Jln Kuala Terengganu-Kuantan
24300 Kertih
Terengganu Darul Iman
Tel : +609 830 7700
Fax : +609 830 7797
- 21. PETRONAS Chemicals International B.V.**
Rivium 1e Straat 42, 2909 LE Capelle
aan den IJssel, Rotterdam,
The Netherlands
Tel : +311 03164131
- 22. Da Vinci Group B.V.***
Europastraat 5-6014 CD Ittervoort
The Netherlands
Tel : +31 475 560 300
Fax : +31 475 560 144

PARTLY - OWNED SUBSIDIARIES

- 23. ASEAN Bintulu Fertilizer Sdn Bhd**
KM 18, Jalan Tanjung Kidurong
P.O. Box 482, 97008 Bintulu, Sarawak
Tel : +6086 231 000/232 000
Fax : +6086 251 043
- 24. PCM Chemical India Private Limited**
9th floor, Hindustan Times House
18-20 Kasturba Gandhi Marg
New Delhi 110001
Tel : +9111 2373 8715
Fax : +9111 2373 8712
- 25. PETRONAS Chemicals Aromatics Sdn Bhd**
c/o PETRONAS Penapisan (T) Sdn Bhd
24300 Kertih, Kemaman
Terengganu Darul Iman
Tel : +609 830 3007
- 26. PETRONAS Chemicals Ethylene Sdn Bhd**
Lot 3834, Kawasan Bukit Tengah
KM 105, Jln Kuantan-Kuala Terengganu
24300 Kertih, Kemaman
Terengganu Darul Iman
Tel : +609 830 2000
Fax : +609 827 3940

ASSOCIATES

- 30. BASF PETRONAS Chemicals Sdn Bhd**
Jalan Gebeng 2/1
Kawasan Perindustrian Gebeng
26080 Kuantan
Pahang Darul Makmur
Tel : +609 585 5000
Fax : +609 583 4623
- 31. Idemitsu SM (Malaysia) Sdn Bhd**
PLO 408, Off Jalan Pekeliling
Pasir Gudang Industrial Estate
81700 Pasir Gudang
Johor Darul Takzim
Tel : +607 252 5350
Fax : +607 252 8281
- 32. Malaysian NPK Fertilizer Sdn Bhd**
Batu 2, Jalan Jeniang
P.O. Box 24
08300 Gurun
Kedah Darul Aman
Tel : +604 468 4075
Fax : +604 468 4619
- 33. PCC Oxyalkylates Malaysia Sdn Bhd**
Level 13A, Wisma Mont Kiara
No. 1, Jalan Kiara, Mont Kiara
50480 Kuala Lumpur
Tel: +603 2084 9000
- 34. PT Anugerah Kimia Indonesia**
AKR Tower LT.12
Jalan Panjang No. 5, Kel.
Kebon Jeruk, Kec. Kebon Jeruk
Kota Adm. Jakarta Barat
Prov. DKI Jakarta

JOINT OPERATION

- 27. Pengerang Petrochemical Company Sdn Bhd**
Level 38, Vista Tower,
The Intermark
348, Jalan Tun Razak
50400, Kuala Lumpur
Tel : +603 2858 3331
Fax : +603 2858 3148

JOINT VENTURES

- 28. BP PETRONAS Acetyls Sdn Bhd**
Kompleks Pentadbiran
Petrokimia PETRONAS
24300 Kertih, Kemaman
Terengganu Darul Iman
Tel : +609 830 5300
Fax : +609 830 5321
- 29. Kertih Terminals Sdn Bhd**
Tingkat 1, Kompleks Pentadbiran KPSB
Lot 3633, Jalan Kuantan-Kuala Terengganu
24300 Kertih, Kemaman
Terengganu Darul Iman
Tel : +609 830 5788
Fax : +609 830 5665

* Corporate Directory for Da Vinci Group B.V.'s subsidiaries and joint ventures is available at the Company's corporate website at www.petronaschemicals.com

INDEPENDENT LIMITED ASSURANCE REPORT

TO THE MEMBERS OF PETRONAS CHEMICALS GROUP BERHAD

REGISTRATION NO: 199801003704 (459830-K)
(INCORPORATED IN MALAYSIA)

Report on the Limited Assurance of the Selected Non-Financial Material Matters

In accordance with the terms of our engagement, we, KPMG PLT, have been engaged by the Board of Directors of PETRONAS Chemicals Group Berhad (PCG) to provide limited assurance on the selected non-financial material matters reported in the Integrated Report 2020 (the Report) prepared by PCG for the year ended 31 December 2020, in accordance with the International <IR> Framework by the International Integrated Reporting Council (IIRC) (hereafter known as the International <IR> Framework).

Management's Responsibilities

The Management of PETRONAS Chemicals Group Berhad (Management) is responsible for the preparation and presentation of the selected non-financial material matters reported in the Integrated Report 2020 in accordance with Management's calculation methodologies and the information and assertions contained within it and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

Management is responsible for preventing and detecting fraud and for identifying and ensuring that PCG and its subsidiaries complies with laws and regulations applicable to its activities.

Management is also responsible for ensuring that staff involved with the preparation and presentation of the selected non-financial material matters in the Report are properly trained, information systems are properly updated and that any changes in the reporting process and systems is reported by all significant operating units.

Our Responsibilities

Our responsibility is to plan and perform our limited assurance engagement and to express conclusion based on the evidence obtained, on whether anything has come to our attention that causes us to believe that the selected non-financial material matters in the Report is not prepared, in all material respects, in accordance with the International <IR> Framework.

Our evidence gathering procedures on the selected non-financial material matters as reported in the Report were designed to obtain a 'limited level' of assurance in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements other than the Audits or Review of Historical Financial Information and the ISAE 3410, Assurance Engagements on Greenhouse Gas Statements issued by the International Auditing and Assurance Standards Board (IAASB). This Standard requires that we plan and perform the engagement to obtain limited assurance about whether the selected non-financial material matters is free from material misstatement.

Selected Non-Financial Material Matters

The limited assurance on the selected non-financial material matters was undertaken on the premise of its application of the International <IR> Framework in relation to the selected non-financial material matters as below:

- Effluent Pollution Loading – Chemical Oxygen Demand (COD)
- Greenhouse Gas Emissions Scope 1 & Scope 2
- Lost Time Injury Frequency (LTIF)
- Total Recordable Occupational Illness Frequency (TROIF)
- Total non-renewable energy consumption.
- Total municipal water supplies (or from other water utilities)
- Total weight of NOx and SOx emissions from the selected operating sites
- Tier 1 Process Safety Event (T-1 PSE)

The boundary of the Limited Assurance on the selected non-financial material matters as reported in the Report was limited to PCG activities at the Group level (located at PCG headquarters at PETRONAS Twin Tower 1, Kuala Lumpur City Centre) and two (2) of its wholly-owned subsidiaries being, and PETRONAS Chemicals Ethylene Sdn Bhd (PC Ethylene) and PETRONAS Chemicals Polyethylene Sdn Bhd (PC Polyethylene) located in Kertih, Terengganu (collectively known as the operating units or OPUs) for the site level data testing, and the remaining PCG's wholly-owned subsidiaries or OPUs for the group level consolidated data testing.

Procedures Performed over Selected Non-Financial Material Matters

The limited assurance engagement on the selected non-financial material matters consists of making inquiries, primarily of persons responsible for the preparation of material matters presented in the Report, and applying analytical and other evidence-gathering procedures, as appropriate. These procedures include:

- Virtual interviews with relevant committees and managers to understand the progress made by PCG in the year in pursuit of its objectives;
- Enquiries about the design and implementation of the systems and methods used to collect and process the information reported, including the aggregation of source data into the selected non-financial material matters;
- Comparing the information presented in the selected non-financial material matters as reported in the Report and its corresponding information in the relevant underlying sources to determine whether the relevant information has been prepared in accordance with Management's calculations and methodologies;

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- Inquire the coverage of material issues and enterprise risk within the Report, which sets out PCG's strategic objectives, and other relevant information;
- Reading the Report to assess the application of the International <IR> Framework based on the data and statements pertaining to the selected non financial material matters;
- Conducted virtual site visits to the two (2) in-scope OPUs which were selected on the basis of risk portfolio, including the consideration of both quantitative and qualitative criteria; and
- Confirmation that data pertaining to the selected non-financial material matters, statements and assertions within the Report regarding PCG's activities which, based on our professional judgement and considered most significant, have been extracted appropriately from underlying documentation.

The procedures performed in a Limited Assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our Independence and Quality Control

We have complied with the independence and other relevant ethical requirements of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

KPMG PLT applies the Malaysian Approved Standard on Quality Control, ISQC 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Inherent Limitations

Due to the inherent limitations of any internal control structure it is possible that errors or irregularities in the information presented in the Report may occur and not be detected. Our engagement is not designed to detect all weaknesses in the internal controls over the preparation and presentation of the Report, as the engagement has not been performed continuously throughout the period and the procedures performed were undertaken on a test basis.

Opinion

Our opinion has been formed on the basis of, and is subject to, the matters outlined in this Independent Limited Assurance Report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Materiality has been considered in the context of quantitative and qualitative factors (such as size), the nature and extent of the effect of these factors and the needs of the intended users of the limited assurance report on the evaluation or measurement of the selected non-financial material matters reported in the Integrated Report 2020.

Based on the procedures we have performed and the evidence we have obtained, nothing (both quantitative and qualitative) has come to our attention that causes us to believe that the selected non-financial material matters as reported in the Integrated Report for the year ended 31 December 2020 is not prepared, in all material respects, in accordance with the International <IR> Framework.

In accordance with the terms of our engagement, this Independent Limited Assurance Report on the Selected Non-Financial Material Matters been prepared for PCG and for no other purpose or in any other context.

Restriction of use of our Independent Limited Assurance Report

Our Independent Limited Assurance Report should also not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than PCG, for any purpose or in any other context. Any party other than PCG who obtains access to our Independent Limited Assurance Report or a copy thereof and chooses to rely on our Independent Limited Assurance Report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we do not accept nor assume responsibility and deny any liability to any party other than PCG for our work, for this Independent Limited Assurance Report, or for the conclusions we have reached.

Our Independent Limited Assurance Report is released to PCG on the basis that it shall not be copied, referred to or disclosed, in whole (save for PCG's own internal purposes) or in part, without our prior written consent.



KPMG PLT (LLP0010081-LCA & AF 0758)

Chartered Accountants
Petaling Jaya,
12 March 2021

NOTICE OF 23RD ANNUAL GENERAL MEETING

PETRONAS CHEMICALS GROUP BERHAD

REGISTRATION NO: 199801003704 (459830-K)
(INCORPORATED IN MALAYSIA)

NOTICE IS HEREBY GIVEN THAT the 23rd Annual General Meeting (AGM) of the Company will be held fully virtual through livestreaming via a remote participation and voting facilities at the Broadcast Venue, Exhibition Hall 6C, Level 1, Kuala Lumpur Convention Centre, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia on Thursday, 22 April 2021 at 10.00 a.m. to transact the following businesses:-

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2020 together with the Reports of the Directors and Auditors thereon.

Please refer to Explanatory Note A

2. To re-elect the following Directors who retire by rotation pursuant to Article 107 of the Company's Constitution:

- (a) Datuk Sazali Hamzah
- (b) Warren William Wilder
- (c) Dr. Zafar Abdulmajid Momin

Please refer to Explanatory Note B

(Resolution 1)

(Resolution 2)

(Resolution 3)

3. To approve the Directors' Fees and Allowances payable to the Non-Executive Directors of up to an amount of RM2.5 million with effect from 23 April 2021 until the next Annual General Meeting of the Company.

Please refer to Explanatory Note C

(Resolution 4)

4. To approve the re-appointment of KPMG PLT, as Auditors of the Company for the financial year ending 31 December 2021 and to authorise the Directors to fix their remuneration.

Please refer to Explanatory Note D

(Resolution 5)

5. To transact any other business for which due notice shall have been received.

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend and vote at the forthcoming 23rd AGM, the Company will be requesting the Record of Depositors as at 15 April 2021. Only a depositor whose name appears on the Record of Depositors as at 15 April 2021 shall be entitled to attend, participate, speak and vote at the meeting as well as for appointment of proxy(ies) to attend, participate, speak and vote on his/her stead.

By Order of the Board

Hasnizaini Mohd Zain SSM Practising Certificate No. 201908001684 (LS0009780)

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

Company Secretaries

Kuala Lumpur
22 March 2021

NOTICE OF 23RD ANNUAL GENERAL MEETING

IMPORTANT NOTICE

The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 (CA 2016) which requires the Chairman of the meeting to be present at the main venue of the meeting.

Shareholders **will not be allowed** to attend this AGM in person at the Broadcast Venue on the day of the meeting.

Shareholders are to attend, participate, speak, (including posing questions to the Board via real time submission of typed texts) and vote (collectively referred as 'participate') remotely at this AGM via the Remote Participation and Voting facilities (RPV) provided by Tricor Investor & Issuing House Services Sdn. Bhd. (Tricor) via its TIH Online website at <https://tiah.online>.

Please read these Notes carefully and follow the procedures in the Administrative Guide for the AGM in order to participate remotely via RPV.

NOTES

PROXY AND/OR AUTHORISED REPRESENTATIVE

- (a) A member who is entitled to participate in this AGM via RPV is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to participate in his/her place. A proxy may but need not be a member of the Company.
- (b) A member of the Company who is entitled to participate at the meeting may appoint not more than two proxies to participate on his/her behalf provided that the member specifies the proportion of the member's shareholdings to be represented by each proxy. There shall be no restriction as to the qualification of the proxy.
- (c) Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 (SICDA), it may appoint at least one proxy in respect of each Securities account it holds with ordinary shares of the Company standing to the credit of the said Securities accounts.
- (d) Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for the multiple beneficial owners in one Securities Account (omnibus account), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
- (e) Where a member or the authorised nominee appoints two proxies, or where an Exempt Authorised Nominee appoints two or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
- (f) A member who has appointed a proxy or attorney or authorised representative to participate at AGM via RPV **must request his/her proxy or attorney or authorised representative to register himself/herself for RPV** via TIH Online website at <https://tiah.online>. Procedures for RPV can be found in the Administrative Guide for the AGM.
- (g) The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than 48 hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote:
 - (i) In hard copy form:
In the case of an appointment made in hard copy form, the proxy form must be deposited with:

- (a) **Tricor**
Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia

or alternatively, the Customer Service Centre at:

Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia

OR

- (b) Tricor by fax at 03-2783 9222 or email to is.enquiry@my.tricorglobal.com

- (ii) By electronic means

The proxy form can be electronically lodged with Tricor via TIH Online at <https://tiah.online>. Kindly refer to the Administrative Guide for the AGM on the procedures for electronic lodgement of proxy form via TIH Online.

- (h) Please ensure ALL the particulars as required in the proxy form are completed, signed and dated accordingly.
- (i) Last date and time for lodging the proxy form is on Tuesday, 20 April 2021 at 10.00 a.m.
- (j) Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with Tricor or alternatively the Customer Service Centre at the address stated under item (g)(i)(a) not less than 48 hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
- (k) For a corporate member who has appointed an authorised representative, please deposit the ORIGINAL certificate of appointment of authorised representative with Tricor or alternatively the Customer Service Centre at the address stated under item (g)(i)(a). The certificate of appointment of authorised representative should be executed in the following manner:
 - (i) If the corporate member has a common seal, the certificate of appointment of authorised representative should be executed under seal in accordance with the constitution of the corporate member.
 - (ii) If the corporate member does not have a common seal, the certificate of appointment of authorised representative should be affixed with the rubber stamp of the corporate member (if any) and executed by at least two authorised officers, of whom one shall be a director; or any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.

Pursuant to Paragraph 8.29A of the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Malaysia) all resolution set out in the Notice of 23rd AGM will be put to vote as a poll.

NOTICE OF 23RD ANNUAL GENERAL MEETING

EXPLANATORY NOTES

Note A

Audited Financial Statements for the Financial Year Ended 31 December 2020

The audited financial statements are laid before the shareholders pursuant to the provision of Section 244(2)(a) of the CA 2016 for discussion only. The audited financial statements do not require shareholders' approval and hence, will not be put forward for voting.

Note B

Re-election of Directors who retire in accordance with Article 107 of the Company's Constitution

Article 107 of the Company's Constitution provides that one-third of the Directors of the Company for the time being shall retire by rotation at an AGM of the Company provided always that all Directors, shall retire from office once at least in each three years but shall be eligible for re-election at the AGM. A Director retiring at a meeting shall retain office until the close of the meeting whether adjourned or not.

At the forthcoming 23rd AGM, three directors will be retiring in accordance with Article 107 of the Company's Constitution. They are Datuk Sazali Hamzah, Warren William Wilder and Dr. Zafar Abdulmajid Momin, whom being eligible for re-election have given their consent for re-election at the AGM.

The Board endorsed the NRC's recommendation that the Directors who retire in accordance with Article 107 of the Company's Constitution are eligible to stand for re-election.

The profiles of the retiring Directors are set out in the Profile of the Board of Directors on pages 4 and 6 in the Governance and Financial Report 2020 and pages 131 and 134 of the Integrated Report 2020.

Note C

Non-Executive Directors' Fees and Allowances

Pursuant to Section 230(1) of the CA 2016, the fees of the directors, and any benefits payable to the directors including any compensation for loss of employment of a director or former director of a public company or a listed company and its subsidiaries, shall be approved at a general meeting.

The fees and allowances structure of the Non-Executive Directors (NEDs) of the Company is as follows:

- Monthly fixed fees for duties as Director/Chairman;
- Meeting allowance for each Board/Board Committee attended; and
- Fuel allowance.

The Directors' fees and meeting allowances for Non-Independent Non-Executive Directors who are also employees of Petroliaam Nasional Berhad (PETRONAS) are paid directly to PETRONAS. The shareholders at the last AGM held on 16 June 2020 approved the Directors' Fees and Allowances of up to an amount of RM2.5 million for the period from 17 June 2020 until the next AGM of the Company. The actual Directors' Fees and other benefits paid to the NEDs for the said period was RM1,707,000.

The Directors' fees and allowances for the NEDs for the period from 23 April 2021 until the the next AGM of the Company (Mandate Period) are estimated not to exceed RM2.5 million. The calculation is based on the estimated number of scheduled Board and Board Committees' meetings and on assumption that all the NEDs will remain in office until the next AGM. This resolution is to facilitate payment of the Directors' Fees for the Mandate Period.

The Board will seek shareholders' approval at the next AGM in the event the Directors' fees and allowances proposed are insufficient.

Details of the fees paid to the NEDs for the financial year ended 31 December 2020 are published in the Corporate Governance Report on the Company's corporate website at www.petronaschemicals.com.

Note D

Re-appointment of Auditors

The Board Audit Committee (BAC) had carried out an assessment on the performance, suitability and independence of the external auditors based on the following four key areas, and will continue to do so on an annual basis:

- quality of engagement team and services;
- adequacy of resources;
- quality of communication and interaction; and
- independence, objectivity and professional skepticism.

The BAC also took into account the openness in communication and interaction with the lead audit engagement partner and engagement team through discussions at the private meetings, which demonstrated their independence, objectivity and professionalism.

The BAC was satisfied with the suitability of KPMG PLT based on the quality of audit, performance, competency and sufficiency of resources the external audit team provided to the PCG Group. The BAC was also satisfied in its review that the provisions of non-audit services by KPMG PLT to the PCG Group for the financial year ended 2020 did not in any way impair their objectivity and independence as External Auditors of PCG Group.

KPMG PLT has also met the criteria prescribed by Paragraph 15.21 of the MMLR of Bursa Malaysia.

The Board at its meeting held on 23 February 2021 approved the BAC's recommendation for the re-appointment of KPMG PLT as External Auditors of the Company for the financial year ending 31 December 2021 for approval of the shareholders under Resolution 5.

Abstention from Voting

Any NED of the Company who is a shareholder of the Company will abstain from voting on Resolution 4 concerning remuneration of the NEDs at the 23rd AGM.

Other Information

The Company has engaged independent scrutineers to count, audit and validate the votes for each proposal presented to shareholders.

ADMINISTRATIVE GUIDE

FOR THE 23RD ANNUAL GENERAL MEETING (23RD AGM)
OF PETRONAS CHEMICALS GROUP BERHAD (THE COMPANY)

Date : Thursday, 22 April 2021
Time : 10.00 a.m.
Broadcast Venue : Exhibition Hall 6C, Level 1, Kuala Lumpur Convention Centre
 Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia

Precautionary Measures Against the Coronavirus Disease (COVID-19)

- The Securities Commission Malaysia (SC) had, on 13 January 2021, announced that capital market entities supervised, licensed or registered by the SC shall operate in accordance with the applicable Standard Operating Procedures (SOPs) issued by the authorities during the Emergency Ordinance and various forms of Movement Control Order (MCO). The SC had, on 5 March 2021, issued a revised Guidance Note on the Conduct of General Meetings for Listed Issuers (SC Guidance Note) stating various mode of conducting general meetings for areas with movement restriction subject to the requirements under the prevailing and applicable SOPs (Revised Guidance Note). The Revised Guidance Note further states that listed issuers are encouraged to continue leveraging technology to conduct their general meetings beyond the MCO in accordance with the recommendation stated under Practice 12.3 of the Malaysian Code on Corporate Governance 2017.
- In line with the Government's directive, SC Guidance Note and Revised Guidance Note, the Company will conduct the 23rd AGM on a **virtual basis through live streaming and online remote voting** via Remote Participation and Voting (RPV) facilities which are available on Tricor Investor & Issuing House Services Sdn. Bhd.'s (Tricor) TIH Online website at <https://tiah.online>.
- The Broadcast Venue of the 23rd AGM is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the Meeting to be at the main venue of the meeting. No shareholders/proxy(ies) from the public will be physically present at the Broadcast Venue on the day of the meeting.
- Shareholders are to attend, participate, speak (including pose questions to the Board via real time submission of typed text) and vote (collective referred as "participate") remotely at this 23rd AGM via the RPV facilities provided by Tricor via its TIH Online website at <https://tiah.online>. You may also consider appointing the Chairman of the Meeting as your proxy to attend and vote on your behalf at the 23rd AGM.
- Due to the constant evolving COVID-19 situation in Malaysia, we may be required to change the arrangements of our 23rd AGM at short notice. Kindly check the Company's website or announcements for the latest updates on the status of the 23rd AGM.
- The Company will continue to observe the guidelines issued by the Ministry of Health and will take all relevant precautionary measures as advised.

Remote Participation and Voting

- The RPV facilities are available on Tricor's **TIH Online** website at <https://tiah.online>.
- Shareholders are to participate remotely at the 23rd AGM using RPV facilities from Tricor.
- Kindly refer to procedures for RPV as set out below for the requirements and procedures.

ADMINISTRATIVE GUIDE FOR 23RD ANNUAL GENERAL MEETING

Procedures to Remote Participation and Voting via RPV Facilities

- Please read and follow the procedures below to engage in remote participation through live streaming and online remote voting at the 23rd AGM using the RPV facilities:

Before the 23 rd AGM Day	
Procedure	Action
i. Register as a user with TIIH Online	<ul style="list-style-type: none"> Using your computer, access to website at https://tiih.online. Register as a user under the "e-Services" select "Create Account by Individual Holder". Refer to the tutorial guide posted on the homepage for assistance. Registration as a user will be approved within one working day and you will be notified via email. If you are already a user with TIIH Online, you are not required to register again. You will receive an email to notify you that the remote participation is available for registration at TIIH Online.
ii. Submit your request to attend 23 rd AGM remotely	<ul style="list-style-type: none"> Registration is open from 10.00 a.m. on Monday, 22 March 2021 until the day of 23rd AGM on Thursday, 22 April 2021. Shareholder(s) or proxy(ies) or corporate representative(s) or attorney(s) are required to pre-register their attendance for the 23rd AGM to ascertain their eligibility to participate the 23rd AGM using the RPV. Login with your user ID (i.e. email address) and password and select the corporate event: "(REGISTRATION) PETRONAS CHEMICALS GROUP BERHAD 23RD AGM" Read and agree to the Terms & Conditions and confirm the Declaration. Select "Register for Remote Participation and Voting". Review your registration and proceed to register. System will send an email to notify that your registration for remote participation is received and will be verified. After verification of your registration against the Record of Depositors as at 15 April 2021, the system will send you an email after 15 April 2021 to approve or reject your registration for remote participation. <p><i>Note: Please allow sufficient time for approval of new user of TIIH Online and registration for the RPV</i></p>

On the 23 rd AGM Day	
Procedure	Action
i. Login to TIIH Online	<ul style="list-style-type: none"> Login with your user ID and password for remote participation at the 23rd AGM at any time from 9.30 a.m. i.e. 30 minutes before the commencement of meeting at 10.00 a.m. on Thursday, 22 April 2021.
ii. Participate through Live Streaming	<ul style="list-style-type: none"> Select the corporate event: (Live Stream Meeting) PETRONAS CHEMICALS GROUP BERHAD 23RD AGM to engage in the proceedings of the 23rd AGM remotely. If you have any question for the Chairman/Board, you may use the query box to transmit your question. The Chairman/Board will try to respond to questions submitted by remote participants during the 23rd AGM. If there is time constraint, the responses will be published within three working days in the Company's corporate website at http://www.petronaschemicals.com under Investor Relations, after the meeting.
iii. Online remote voting	<ul style="list-style-type: none"> Voting session commences from 10.00 a.m. on Thursday, 22 April 2021 until a time when the Chairman announces the end of the session. Select the corporate event: (Remote Voting) PETRONAS CHEMICALS GROUP BERHAD 23RD AGM or if you are on the live stream meeting page, you can select "GO TO REMOTE VOTING PAGE" button below the Query Box. Read and agree to the Terms & Conditions and confirm the Declaration. Select the CDS account that represents your shareholdings. Indicate your votes for the resolutions that are tabled for voting. Confirm and submit your votes.
iv. End of remote participation	<ul style="list-style-type: none"> Upon the announcement by the Chairman on the conclusion of the 23rd AGM, the Live Streaming will end.

ADMINISTRATIVE GUIDE FOR 23RD ANNUAL GENERAL MEETING

Note to users of the RPV facilities:

- (i) Should your registration for RPV be approved, we will make available to you the rights to join the live stream meeting and to vote remotely. Your login to TIH Online on the day of meeting will indicate your presence at the virtual meeting.
- (ii) The quality of your connection to the live broadcast is dependent on the bandwidth and stability of the internet at your location and the device you use.
- (iii) In the event you encounter any issues with logging-in, connection to the live stream meeting or online voting on the meeting day, kindly call Tricor Help Line at 011-40805616 / 011-40803168 / 011-40803169 / 011-40803170 for assistance or email to tiih.online@my.tricorglobal.com for assistance.

Entitlement to Participate and Appointment of Proxy

- Only members whose names appear on the Record of Depositors as at 15 April 2021 shall be eligible to participate at the 23rd AGM or appoint a proxy(ies) and/or the Chairman of the Meeting to participate on his/her behalf.
- In view that the 23rd AGM will be conducted on a virtual basis, a member can appoint the Chairman of the Meeting as his/her proxy and indicate the voting instruction in the Proxy Form.
- If you wish to participate in the 23rd AGM yourself, please do not submit any Proxy Form for the 23rd AGM. You will not be allowed to participate in the 23rd AGM together with a proxy appointed by you.
- Accordingly, proxy forms and/or documents relating to the appointment of proxy/corporate representative/attorney for the 23rd AGM whether in hard copy or by electronic means shall be deposited or submitted in the following manner not later than **Tuesday, 20 April 2021 at 10.00 a.m:**

(i) In hard copy:

- (a) By hand or post to the office of Tricor Investor & Issuing House Services Sdn. Bhd. at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur; and
- (b) By fax at 03-2783 9222 or email to is.enquiry@my.tricorglobal.com

(ii) By electronic form:

All shareholders can have the option to submit proxy forms electronically via TIH Online and the steps to submit are summarised below:

Procedure	Action
i. Steps for Individual Shareholders	
Register as a User with TIH Online	<ul style="list-style-type: none"> • Using your computer, please access the website at https://tiih.online. Register as a user under the "e-Services". Please refer to the tutorial guide posted on the homepage for assistance. • If you are already a user with TIH Online, you are not required to register again.
Proceed with submission of Proxy Form	<ul style="list-style-type: none"> • After the release of the Notice of Meeting by the Company, login with your user name (i.e. email address) and password. • Select the corporate event: PETRONAS CHEMICALS GROUP BERHAD 23RD AGM – "SUBMISSION OF PROXY FORM". • Read and agree to the Terms and Conditions and confirm the Declaration. • Insert your CDS account number and indicate the number of shares for your proxy(ies) to vote on your behalf. • Indicate your voting instructions – FOR or AGAINST, otherwise your proxy will decide on your votes. • Review and confirm your proxy(ies) appointment. • Print the Proxy Form for your record.

ADMINISTRATIVE GUIDE FOR 23RD ANNUAL GENERAL MEETING

Procedure	Action
ii. Steps for corporation or institutional shareholders	
Register as a User with TIIH Online	<ul style="list-style-type: none"> • Access TIIH Online at https://tiih.online. • Under e-Services, the authorised or nominated representative of the corporation or institutional shareholder selects "Create Account by Representative of Corporate Holder". • Complete the registration form and upload the required documents. • Registration will be verified, and you will be notified by email within one to two working days. • Proceed to activate your account with the temporary password given in the email and re-set your own password. <p><i>Note: The representative of a corporation or institutional shareholder must register as a user in accordance with the above steps before he/she can subscribe to this corporate holder electronic proxy submission. Please contact Tricor if you need clarifications on the user registration</i></p>
Proceed with submission of Proxy Form	<ul style="list-style-type: none"> • Login to TIIH Online at https://tiih.online. • Select the corporate exercise name: "PETRONAS CHEMICALS GROUP BERHAD 23RD AGM: SUBMISSION OF PROXY FORM" • Agree to the Terms & Conditions and Declaration. • Proceed to download the file format for "Submission of Proxy Form" in accordance with the Guidance Note set therein. • Prepare the file for the appointment of proxies by inserting the required data. • Submit the proxy appointment file. • Login to TIIH Online, select corporate exercise name: "PETRONAS CHEMICALS GROUP BERHAD 23RD AGM: SUBMISSION OF PROXY FORM" • Proceed to upload the duly completed proxy appointment file. • Select "Submit" to complete your submission. • Print the confirmation report of your submission for your record.

Voting at Meeting

- The voting at the 23rd AGM will be conducted on a poll pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Malaysia). The Company has appointed Tricor to conduct the poll voting electronically (e-voting) via Tricor e-Vote application (Tricor e-Vote App) and Boardroom Corporate Services Sdn. Bhd. as Independent Scrutineers to verify the poll results.
- Shareholders can proceed to vote on the resolutions before the end of the voting session which will be announced by the Chairman of the Meeting and submit your votes at any time from the commencement of the 23rd AGM at 10.00 a.m. Kindly refer to **"Procedures to Remote Participation and Voting via RPV Facilities"** provided above for guidance on how to vote remotely via TIIH Online.

Results of the voting

- The resolutions proposed at the 23rd AGM and the results of the voting will be announced at the 23rd AGM and subsequently via an announcement made by the Company through Bursa Malaysia at www.bursamalaysia.com.

ADMINISTRATIVE GUIDE FOR 23RD ANNUAL GENERAL MEETING

Pre-Meeting Submission of Questions to the Board of Directors

- The Board recognises that the 23rd AGM is a valuable opportunity for the Board to engage with shareholders. In order to enhance the efficiency of the proceedings of the 23rd AGM, shareholders may in advance, before the 23rd AGM, submit questions to the Board of Directors via Tricor's TIH Online website at <https://tiah.online>, by selecting "e-Services" to login, post your questions and submit it electronically no later than **Tuesday, 20 April 2021 at 10.00 a.m.** The Board of Directors will endeavor to address the questions received at the 23rd AGM.
- Alternatively, you may also send your questions for the 23rd AGM to the following email address:

Investor Relations: petronaschemicals_ir@petronas.com

Annual Report

- The Annual Report is available on the Company's website at www.petronaschemicals.com and Bursa Malaysia's website at www.bursamalaysia.com under Company's announcements.
- You may request for a printed copy of the Annual Report at <https://tiah.online> by selecting "Request for Annual Report" under the "Investor Services".
- Kindly consider the environment before you decide to request for the printed copy of the Annual Report. The environmental concerns like global warming, deforestation, climate change and many more affect every human, animal and nation on this planet.

Enquiry

- If you have any enquiry prior to the meeting, please call Tricor at +603-2783 9299 during office hours i.e. from 8.30 a.m. to 5.30 p.m. (Monday to Friday).

GLOSSARY OF TERMS, ABBREVIATIONS AND ACRONYMS

Abbreviation	Full Terms/Definitions
3R	Reduce, reuse, recycle
3Ps	Profit, Planet & People
AA	Advanced Analytics
ABF	ASEAN Bintulu Fertilizer Sdn Bhd
ACD	Accelerated Capability Development
AGM	Annual General Meeting
AOC	Aramco Overseas Company B.V.
APM	Asset Performance Management
ARA	Australasian Reporting Awards
ASEAN	Association of Southeast Asian Nations
BAC	Board Audit Committee
BCM	Business Continuity Management
BCP (1)	Business Continuity Plan
BCP (2)	Business Critical Position
BDO	Butanediol
BGE	Butyl Glycol Ether
Board	Board of Directors
BPC	BASF PETRONAS Chemicals Sdn Bhd
BPPA	BP PETRONAS Acetyls Sdn Bhd
BRC	Board Risk Committee
BRP	Business Recovery Plan
BUST	Bottom-Up Stock Target
CA 2016	Companies Act 2016
CAGR	Compounded annual growth rate
CAPEX	Capital Expenditure
CDEx	Customer Delivery Excellence
CE	Commercial Excellence
CG	Corporate governance
CM	Crisis Management
CO ₂	Carbon dioxide
CO ₂ e	Carbon dioxide equivalent
CoBE	PETRONAS' Code of Conduct and Business Ethics
COD	Chemical Oxygen Demand
CRMC	Credit Risk Management Committee
CRP (1)	Corporate Risk Profile
CRP (2)	COVID-19 Relief Programme
CSR	Corporate Social Responsibility

Abbreviation	Full Terms/Definitions
DJSI	Dow Jones Sustainability Index
DOE	Department of Environment
DOSH	Department of Occupational Safety & Health
DVG	Da Vinci Group
EBITDA	Earnings before interest, tax, depreciation and amortisation
ED	Non-Independent Executive Director
EG	Ethylene glycols
ELMS	Energy and Loss Management System
EOA	Ethanol Amines
EPC	Engineering, Procurement and Construction
EPCC	Engineering, Procurement, Construction and Commissioning
EPS	Earnings per share
ERM	Enterprise Risk Management
ESG	Environmental, Social and Governance
F&M	Fertilisers and Methanol
F4GBM	FTSE4Good Bursa Malaysia
FDIs	Foreign Direct Investments
FIDs	Final Investment Decisions
Forex	Foreign exchange
FTE	Full-Time Equivalent
FTSE4Good	Index Series designed to measure the performance of companies demonstrating strong ESG practices
GDP	Gross Domestic Production
GE	Growth Delivery Excellence
GFR	Governance and Financial Reports
GHG	Greenhouse gas
GIFT	Global Incentives for Trading
GJ	Gigajoule
GPS	Global Positioning System
GRI	Global Reporting Initiative
HDPE	High Density Polyethylene
HR-PIB	Highly Reactive Polyisobutylene
HSE	Health, Safety and Environment
HSEMS	HSE Management System
IAM	Identity Access Management
ICCA	International Council of Chemical Associations

GLOSSARY OF TERMS, ABBREVIATIONS AND ACRONYMS

Abbreviation	Full Terms/Definitions
IChemE	Institution of Chemicals Engineer
ICP	Internal Compliance Programme
IFRS	International Financial Reporting Standards
IFSSC	PETRONAS Integrated Financial Shared Service Centre
IIRC	International Integrated Reporting Council
IIRF	International Integrated Reporting Framework
IKM	Institut Kimia Malaysia
INA	Isononanol
INED	Independent Non-Executive Director
IPIECA	International Petroleum Industry Environmental Conservation Association
IR (1)	Integrated Report
IR (2)	Investor Relations
ISM	Idemitsu SM Malaysia Sdn Bhd
JVs	Joint ventures
KASA	Ministry of Environment and Water
KIPC	Kertih Integrated Petrochemical Complex
kMT	Kilo Metric Tonne
KPIs	Key performance indicators
KPSB	Kertih Port Sdn Bhd
KPKT	Ministry of Housing and Local Government
ktpa	Kilo-Metric Tonnes Per Annum
KTSB	Kertih Terminals Sdn Bhd
LAC	Lube oil additives and chemicals
LDAR	Leak Detection and Repair
LDF	Leadership Development Framework
LDPE	Low Density Polyethylene
LLDPE	Linear Low Density Polyethylene
LTI	Lost Time Injury
LTIF	Lost Time Injury Frequency
M&A	Merger & Acquisition
MACC	Malaysian Anti-Corruption Commission
MATRADE	Malaysia External Trade Development Corporation
MaSPA	Malaysia Sustainable Plastic Alliance
MCCG	Malaysian Code on Corporate Governance
MCO	Movement Control Order
MEG	Mono ethylene glycols

Abbreviation	Full Terms/Definitions
MESTECC	Ministry of Energy, Science, Technology, Environment and Climate Change
MFRS	Malaysian Financial Reporting Standards
MIDA	Malaysian Investment Development Authority
MITI	Ministry of International Trade and Industry
million tpa	Million tonnes per annum
MMLR	Main Market Listing Requirements
MNFSB	Malaysian NPK Fertilizer Sdn Bhd
MOE	Ministry of Education
MoUs	Memorandums of Understanding
MPMA	Malaysian Plastics Manufacturers Association
MSWG	Minority Shareholders Watch Group
MSOSH	Malaysian Society for Occupational Safety & Health
MT	Metric Tonne
MTBE	Methyl Tertiary Butyl Ether
NACRA	National Annual Corporate Report Awards
NBL	Nitril butadiene Latex
NGOs	Non-governmental organisations
NINED	Non-Independent Non-Executive Director
NOx	Nitrogen oxides
NPE	New Plastics Economy
NRC	Nomination and Remuneration Committee
O&D	Olefins and Derivatives
OE	Operational Excellence
OEE	Overall Equipment Effectiveness
OE R2	Operational Excellence Result 2
OFR	Order fulfilment reliability
OPEC+	Organisation of the Petroleum Exporting Countries Plus
OSH	Occupational Safety & Health
OT	Operating technology
PAT	Profit after tax
PATANCI	Profit after tax and non-controlling interests
PBT	Profit before tax
PC Ammonia	PETRONAS Chemicals Ammonia Sdn Bhd
PC Aromatics	PETRONAS Chemicals Aromatics Sdn Bhd
PC Derivatives	PETRONAS Chemicals Derivatives Sdn Bhd
PC Ethylene	PETRONAS Chemicals Ethylene Sdn Bhd

GLOSSARY OF TERMS, ABBREVIATIONS AND ACRONYMS

Abbreviation	Full Terms/Definitions
PC Fertiliser Kedah	PETRONAS Chemicals Fertiliser Kedah Sdn Bhd
PC Fertiliser Sabah	PETRONAS Chemicals Fertiliser Sabah Sdn Bhd
PC Glycols	PETRONAS Chemicals Glycols Sdn Bhd
PC INA	PETRONAS Chemicals Isononanol Sdn Bhd
PC LDPE	PETRONAS Chemicals LDPE Sdn Bhd
PC Marketing	PETRONAS Chemicals Marketing Sdn Bhd
PC Marketing China	PCM (China) Co., Ltd.
PC Marketing Indonesia	PT PCM Kimia Indonesia
PC Marketing Labuan	PETRONAS Chemicals Marketing (Labuan) Ltd
PC Marketing Thailand	PCM (Thailand) Company Limited
PC Methanol	PETRONAS Chemicals Methanol Sdn Bhd
PC MTBE	PETRONAS Chemicals MTBE Sdn Bhd
PC Olefins	PETRONAS Chemicals Olefins Sdn Bhd
PC Polyethylene	PETRONAS Chemicals Polyethylene Sdn Bhd
PCG or the Group	PETRONAS Chemicals Group Berhad
PCU	Polymer Coated Urea
PDC	People Development Committee
PE	Polyethylene
PEMSB	Polyethylene Malaysia Sdn Bhd
PIC	Pengerang Integrated Complex
PIVOT	PETRONAS Integrated Vision for Operational Excellence Transformation
PL	Potential Leaders
PP	Polypropylene
PPC	Pengerang Petrochemical Company Sdn Bhd
PPE	Personal Protective Equipment
PPMSB	Polypropylene Malaysia Sdn Bhd
PRPC Elastomers	PRPC Elastomers Sdn Bhd
PT AKR	PT AKR Corporindo Tbk

Abbreviation	Full Terms/Definitions
PTMS	PETRONAS Technology Management System
PU	Plant utilisation
PX	Paraxylene
R&D	Research and Development
R&T	Research & Technology
RM	Ringgit Malaysia
ROE	Return on Equity
RoSPA	Royal Society for the Prevention of Accidents
RTOG	Road Transport Operational Guidelines
Saudi Aramco	Saudi Arabian Oil Company
SEA	Southeast Asia
SDGs	Sustainable Development Goals
SDWC	Sustainable Development Working Committee
SME	Small and medium-sized enterprises
SORMIC	Statement on Risk Management and Internal Control
SOPs	Standard Operating Procedures
SR	Sustainability Report
TA	Turnaround
TCFD	Taskforce for Climate-related Financial Disclosures
tCO ₂ e	Tonnes of CO ₂ equivalent
TP	Technical Professionals
tpa	Tonnes per annum
TRCF	Total recordable case frequencies
TVAR	Total Vehicle Accident Rate
UN	United Nations
UN SDGs	United Nations' Sustainability Development Goals
USD/MT	US dollars per metric tonne
VCMSB	Vinyl Chloride Malaysia Sdn Bhd

PROXY FORM

PETRONAS CHEMICALS GROUP BERHAD

REGISTRATION NO: 199801003704 (459830-K)

(INCORPORATED IN MALAYSIA)

FOR THE 23RD ANNUAL GENERAL MEETING



PETRONAS

Number of Ordinary Shares Held	
CDS Account Number	

I/We _____ NRIC/Passport No./Company No.: _____
(Full Name In Block Letters)

of _____ Telephone No.: _____
(Full Address)

Email address: _____ being a member of PETRONAS Chemicals Group Berhad (the Company) hereby appoint:

Full Name (in Block Letters)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Full Name (in Block Letters)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the 23rd Annual General Meeting of the Company will be held fully virtual through live streaming via a remote participation and voting facilities at the Broadcast Venue, Exhibition Hall 6C, Level 1, Kuala Lumpur Convention Centre, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia on Thursday, 22 April 2021 at 10.00 a.m. and at any adjournment thereof and vote as indicated below:

Resolution	Ordinary Business	For	Against
1	Re-election of Datuk Sazali Hamzah as a Director		
2	Re-election of Warren William Wilder as a Director		
3	Re-election of Dr. Zafar Abdulmajid Momin as a Director		
4	Directors' Fees and Allowances of up to RM2.5 million with effect from 23 April 2021 until the next Annual General Meeting of the Company payable to Non-Executive Directors		
5	Re-Appointment of KPMG PLT as Auditors of the Company		

Note: Please refer to the Notice of 23rd Annual General Meeting for full details of the proposed Resolutions.

(Please indicate with an "X" in the spaces provided whether you wish your vote to be cast for or against the Resolutions. In the absence of specific directions, your proxy will vote or abstain as he/she thinks fit).

Dated this _____ day of _____

Signature/Common Seal of Shareholder(s)

Notes

1. A member who is entitled to participate in this AGM via RPV is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to participate in his/her place. A proxy may but need not be a member of the Company.
2. A member of the Company who is entitled to attend, participate, speak and vote at the meeting may appoint not more than two proxies to attend, participate, speak and vote on his/her behalf provided that the member specifies the proportion of the member's shareholdings to be represented by each proxy. There shall be no restriction as to the qualification of the proxy.
3. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 (SICDA), it may appoint at least one proxy in respect of each Securities account it holds with ordinary shares of the Company standing to the credit of the said Securities accounts.
4. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for the multiple beneficial owners in one Securities Account (omnibus account), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
5. Where a member or the authorised nominee appoints two proxies, or where an Exempt Authorised Nominee appoints two or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
6. A member who has appointed a proxy or attorney or authorised representative to participate at AGM via RPV must request his/her proxy or attorney or authorised representative to register himself/herself for RPV via TIIH Online website at <https://tiah.online>. Procedures for RPV can be found in the Administrative Guide for the AGM.
7. The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than 48 hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote:
 - (i) In hard copy form:

In the case of an appointment made in hard copy form, the proxy form must be deposited with:

(a) Tricor Investor & Issuing House Services Sdn. Bhd. (Tricor), Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.

(b) Tricor by fax at 03-2783 9222 or email to is.enquiry@my.tricorglobal.com
 - (ii) By electronic means:

The proxy form can be electronically lodged with Tricor via TIIH Online at <https://tiah.online>. Kindly refer to the Administrative Guide for the AGM on the procedures for electronic lodgement of proxy form via TIIH Online.
8. Please ensure ALL the particulars as required in the proxy form are completed, signed and dated accordingly.
9. Last date and time for lodging the proxy form is on Tuesday, 20 April 2021 at 10.00 a.m.
10. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with or alternatively the Customer Service Centre at the address stated under item (7)(i)(a) not less than forty-eight (48) hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
11. For a corporate member who has appointed an authorised representative, please deposit the ORIGINAL certificate of appointment of authorised representative with Tricor or alternatively the Customer Service Centre at the address stated under item (7)(i)(a). The certificate of appointment of authorised representative should be executed in the following manner:
 - (i) If the corporate member has a common seal, the certificate of appointment of authorised representative should be executed under seal in accordance with the constitution of the corporate member.
 - (ii) If the corporate member does not have a common seal, the certificate of appointment of authorised representative should be affixed with the rubber stamp of the corporate member (if any) and executed by at least two authorised officers, of whom one shall be a director; or any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.

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STAMP

TRICOR INVESTOR & ISSUING HOUSE SERVICES SDN. BHD.

Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3, Bangsar South
No. 8 Jalan Kerinchi
59200 Kuala Lumpur
Malaysia

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www.petronaschemicals.com

PETRONAS Chemicals Group Berhad

Tower 1, PETRONAS Twin Towers
Kuala Lumpur City Centre
50088 Kuala Lumpur, Malaysia
Tel : +603 2051 5000
Fax : +603 2051 3888