

# CHAIRMAN'S STATEMENT

Dear Stakeholders,

PCG has demonstrated conviction and commitment to creating value for our stakeholders as well as adapting to an evolving global landscape. Despite numerous challenges, including economic headwinds and a persistent downcycle in the chemicals industry, we remained steadfast in pursuing our strategic initiatives. Guided by our strategic thrusts and the courage to face challenges, we strengthened our position for a brighter future.

**DATUK SAZALI HAMZAH**

Chairman



# NAVIGATING CHALLENGES, STRENGTHENING OUR FUTURE

## OVERVIEW OF THE YEAR

The year 2024 presented a dynamic operating environment that tested our resilience and adaptability. Amidst global economic fluctuations, the geopolitical landscape remained complex, impacting supply chains and market stability. According to the International Monetary Fund (IMF), global gross domestic product (GDP) growth for 2024 stood at 3.2%. Regional economies displayed varied performances, with Southeast Asia remaining resilient, supported by targeted policy measures and improved export activities.

Crude oil prices were stable within USD70 to USD85 per barrel range, primarily due to Organisation of the Petroleum Exporting Countries (OPEC+) market management, yet rising energy costs and inflationary pressures weighed heavily on production expenses. For the chemicals sector, the interplay of these factors led to a year of cautious recovery with ethylene prices in Southeast Asia averaging about 9% higher compared to 2023. Industry production levels grew year-on-year, supported by the gradual easing of the destocking cycle and the resurgence of demand in key markets. A significant stimulus package announced by China in September 2024 buoyed regional markets, although volatility persisted as implementation measures unfolded.

In this challenging climate, we were steadfast in our commitment to our strategic thrusts: Operational Excellence, Commercial Excellence and Growth Delivery Excellence. We proactively navigated market headwinds with focused initiatives that improved plant reliability, returning our plant utilisation rates to optimum levels. Additionally, we enhanced energy efficiency, diversified product offerings, expanded our market base, explored cross-selling opportunities and strengthened our regional presence to ensure uninterrupted supply to customers. Sustained investments in customer engagement initiatives fostered long-term relationships and emphasised value-added services, further solidifying our competitive positioning.

Noteworthy growth projects that commenced commercial operations in 2024 are Pengerang Petrochemical Complex, Specialty Ethoxylates and Polyether Polyols, Nitrile Butadiene Latex and 2-Ethylhexanoic Acid plants, which expanded our product portfolio and improved our ability to meet market needs. Furthermore, our acquisition of OQ Chemicals Nederland B.V., renamed as Perstorp Amsterdam B.V., strengthened our specialty chemicals platform, enabling greater control over production assets and technologies.

In line with our resilient performance, the Group achieved a record-breaking revenue of RM30.7 billion in 2024, up from RM28.7 billion in 2023, even with the downturn in product prices. Profitability was impacted by cost pressures with EBITDA declining to RM3.5 billion from RM3.8 billion. Despite these challenges, the Board declared a first interim dividend of 10 sen per share and a second interim dividend of 3 sen per share, amounting to RM1.0 billion, reaffirming our commitment to shareholder returns while supporting growth.

As the industry anticipates an eventual upturn, we remain resolute in our commitment to operational discipline and strategic execution, laying the groundwork for sustained growth in a rapidly evolving landscape.

## GROWTH PROJECTS

- **Commenced commercial operations**
  - Pengerang Petrochemical Complex
  - Specialty Ethoxylates and Polyether Polyol plants
  - Nitrile Butadiene Latex plant
  - 2-Ethylhexanoic Acid plant
- **Acquisition of OQ Chemicals Nederland B.V.**

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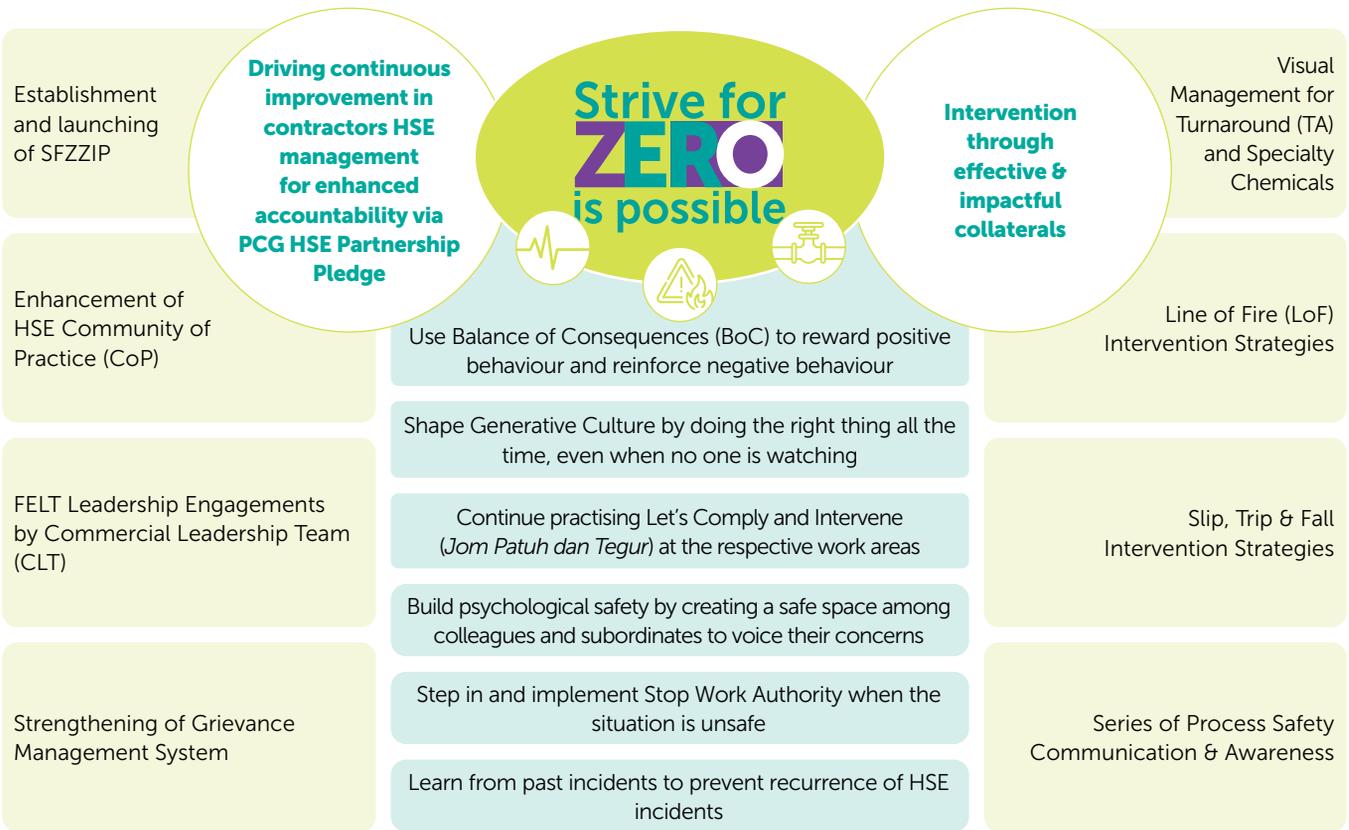
## GOVERNANCE AND INTEGRITY: STRENGTHENING ETHICAL FOUNDATIONS

In 2024, we reinforced our commitment to robust governance and integrity practices, recognising these as the cornerstone of a sustainable and resilient organisation. The Board approved an enhanced Integrity Management Oversight and Reporting Structure, ensuring consistent implementation and compliance across all operations. The appointment of PETRONAS' Chief Integrity Officer to oversee this structure exemplifies our dedication to fostering a culture of transparency and accountability.

Safety also remains paramount, with the Board undertaking a **comprehensive review of our Health, Safety and Environment (HSE) policy**

Safety also remains paramount, with the Board undertaking a comprehensive review of our Health, Safety and Environment (HSE) policy. The HSE policy underscores a zero-tolerance approach to lapses in safety, ensuring that all operations adhere to the highest standards. We will continue to enhance our safety training and awareness programmes as we embed a proactive risk management culture across the organisation.

### STRIVE FOR ZERO, ZERO IS POSSIBLE (SFZZIP) PROGRAMME FRAMEWORK



We also prioritised aligning governance practices across our expanding international footprint, particularly following the integration of Perstorp and BRB. Strengthening governance frameworks in these subsidiaries ensured that we maintain and adhere to the same standards of integrity and compliance across all our operations. This alignment enhances operational efficiency and reinforces stakeholder confidence in our ability to operate responsibly globally.

In addition, we are taking steps to enhance our competitiveness by tailoring remuneration packages to specific business segments within our ecosystem. Moving away from a one-size-fits-all approach, we will be adopting compensation structures aligned with the unique demands and market conditions of each business. This strategy supports talent retention and attraction and ensures agility in meeting the specialised needs of our diverse operations.

### GOING BEYOND COMPLIANCE

- Enhanced Integrity Management oversight structure
- Comprehensive review of HSE policies
- Alignment of governance practices across international footprint
- Tailored remuneration packages to support talent retention

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### SUSTAINABILITY: A PRAGMATIC APPROACH TO PROGRESS

Sustainability remains a central pillar of our strategy, with significant efforts directed towards environmental, economics, social, and governance goals. A practical and pragmatic approach underpins our sustainability strategy. Recognising the challenges and costs in achieving zero emissions, we prioritise economically feasible solutions that deliver impactful results. Operationally, we adopt measures with lower carbon footprints, while maintaining affordability and operational efficiency. Commercially, this approach means we work closely with customers across different regions to tailor sustainable solutions that align with their specific market needs and local or regional regulations.

In the context of climate action, we remain guided by our NZCE 2050 Roadmap. In the year under review, we implemented several initiatives to reduce greenhouse gas (GHG) emissions. Additionally, we enhanced our emissions reporting transparency by incorporating Scope 3 emissions for categories 1, 6, 7, and 11 in our disclosures. We complemented this with energy efficiency projects and investments in renewable energy sources. To further our environmental objectives, we inaugurated a state-of-the-art ISCC PLUS certified plant in Bharuch, India. This facility uses renewably sourced raw materials and hybrid electricity, showcasing our commitment to innovative and sustainable manufacturing practices.

Our strong sustainability performance saw PCG maintain its inclusion in the FTSE4Good Bursa Malaysia Index for the 11<sup>th</sup> consecutive year and its listing in the Dow Jones Best-in-Class Indices for the fourth consecutive year.

On the social front, we advanced our Diversity & Inclusion (D&I) agenda through effective employee engagement initiatives, leadership sharing sessions and the deployment of practical toolkits. The Board's adoption of the PETRONAS Human Rights Policy further strengthened our commitment to safeguarding labour rights and socio-economic well-being in our operations and supply chain.



### OUTLOOK

The global economic landscape in 2025 presents a mix of opportunities and challenges. According to the IMF, global GDP growth is projected to stabilise at 3.3%, signalling a cautiously optimistic outlook. Key drivers include a recovering labour market, moderating inflation and improving consumption trends in major economies. However, geopolitical tensions, lingering inflationary pressures and market volatility will require ongoing vigilance.

For the chemicals industry, growth is anticipated to align with global recovery, with investments focusing on high-tech, clean energy and advanced materials. We are well-positioned to capitalise on these trends through our three strategic thrusts: Operational Excellence, Commercial Excellence and Growth Delivery Excellence. These pillars will enable us to optimise our value chain, maintain high plant utilisation rates and ensure the delivery of innovative and sustainable products.

Sustainability will remain central to our strategy, with continued focus on reducing GHG emissions, developing circular products and supporting the development of low-carbon products. By aligning our operations with emerging regulatory requirements and market needs, we aim to reinforce our position as a leader in sustainable chemical solutions.

While uncertainties persist, we view them as opportunities for innovation and resilience. We remain committed to navigating the evolving landscape with agility, ensuring long-term value creation for stakeholders and positioning ourselves for sustained growth in a competitive global market.

### ACKNOWLEDGEMENTS

As we conclude this year's report, I extend my heartfelt gratitude to all those who have contributed to our journey in 2024. First and foremost, I wish to acknowledge the commitment of our employees, whose dedication and professionalism have been the driving force behind our resilience and achievements.

I would also like to express my deepest appreciation to my colleagues on the Board of Directors for their guidance and unwavering support throughout the year. A special note of thanks goes to our former Chairman, Datuk Ir. (Dr.) Abdul Rahim Hashim, for his invaluable contributions and steadfast leadership that have left an enduring legacy within PCG.

To our stakeholders, including shareholders, customers, suppliers and business partners, I extend my sincere gratitude for your trust and partnership. Lastly, I want to recognise the contributions of the local communities where we operate for their continued support.

As we look ahead to 2025 and beyond, I am confident that we will continue to rise together to navigate the challenges of a dynamic world, delivering excellence, innovation and sustainability in all that we do. Thank you for being part of this journey.

### DATUK SAZALI HAMZAH

*Chairman*