

## MD/CEO'S REVIEW

Dear Stakeholders,

As we close another year, I am reminded of the resilience and conviction that define our journey as a company. At PCG, our purpose is guided by three core commitments: delivering dependable and innovative solutions to our customers, creating long-term value for our shareholders and advancing our communities toward a more sustainable future. These commitments are ones we continue to deliver on, despite the challenges of a dynamic and often unpredictable external environment.

**MAZUIN ISMAIL**

*Managing Director/Chief Executive Officer*



# DRIVING EXCELLENCE, UNLOCKING OPPORTUNITIES

The year 2024 presented its share of complexities. From a prolonged low cycle in the chemicals industry to geopolitical and economic headwinds, these challenges tested our resolve and capabilities. Yet, amidst these difficulties, I am pleased to highlight that PCG demonstrated its resilience, leveraging operational excellence, strategic agility and strong partnerships to sustain value creation. Notable achievements include maintaining high levels of plant utilisation and delivering increased sales volumes in selected segments despite market volatility.

Looking back on the year, I am thankful for the trust placed in us by our stakeholders and the dedication of our employees, whose efforts ensured we stayed true to our commitments. Together, we have not only navigated through 2024 but strengthened our ability to capture future growth opportunities.



Notable achievements include **improving plant utilisation and delivering increased sales volumes** in selected segments despite market volatility.



### THE OPERATING ENVIRONMENT

The petrochemical industry faced another year of significant challenges in 2024. The persistent low cycle, driven by a combination of weak demand growth and oversupply, tested the resilience of industry players globally. This imbalance was compounded by broader factors, including geopolitical uncertainties, inflationary pressures and volatile feedstock prices. Key markets saw uneven recovery patterns. China, with its capacity expansions, continued to reshape global supply dynamics, adding pressure to prices and margins. Meanwhile, the industry wide transition towards sustainability practices particularly in developed economies signals a mixture of opportunities and challenges to market players, which adds further complexity to the operating environment.

At PCG, we navigated internal challenges, including rising feedstock costs and plant reliability issues at the start of the year. Aligning with the industry effort towards greener initiatives, PCG also participates in circular plastics and bio-based chemicals, aiming to reduce our carbon emissions and footprint. While 2024 was one of the most challenging years for the industry, PCG's ability to anticipate and respond to market shifts ensured that we continued to deliver value despite the broader pressures.

## MD/CEO'S REVIEW

### PROGRESSING STRATEGY

As we progressed through 2024, we remain guided by our two-pronged strategy driven by the three strategic thrusts of Operational Excellence, Commercial Excellence and Growth Delivery Excellence. These thrusts are the foundation upon which we deliver on our commitments to our customers, communities and shareholders. Each initiative undertaken within these areas was aligned with our mission to ensure value creation today while building resilience and growth for tomorrow.



**R** Read more on pages 55 to 57.

At the heart of our operational strategy is our commitment to ensuring the health and safety of our people and all stakeholders we work closely with, alongside maintaining the reliability and efficiency of our plants.

While we have consistently upheld a zero-compromise approach to safety under our Health, Safety, and Environment (HSE) Excellence initiatives, we are deeply saddened to report a fatality at one of our facilities in 2024. In addition, we recorded four Lost Time Injury (LTI) incidents and two major Loss of Primary Containment (LOPC) incidents.

These incidents are deeply concerning and we responded immediately with corrective actions, including a company-wide safety stand-down, gap assessments and the reinforcement of critical safety protocols. PCG's response strengthened the safety culture across all facilities, with enhanced training and safety ownership initiatives that aims to prevent future incidents and further embed a proactive approach to safety.

In terms of plant reliability, our plant utilisation rates have returned to above 90% levels. This was largely a result of our proactive approach in looking for ways to improve efficiency and reduce downtime. Structured reliability programmes and enhanced contractor management further ensured minimal unplanned shutdowns and improved plant readiness. Continuous training initiatives and a strong collaborative approach with both internal and external parties together with the adoption of advanced digital tools, empowered our teams to identify efficiency improvements.

Furthermore, disciplined spending on timely plant turnarounds ensured that our facilities remained robust and capable of meeting customer demands reliably. This discipline extended to ensuring that spending on both maintenance and safety are not compromised despite ongoing margin pressures. Other key initiatives included investments in energy optimisation and flaring reduction, which exemplify our commitment to the environment, as we align operational improvements with sustainability goals.



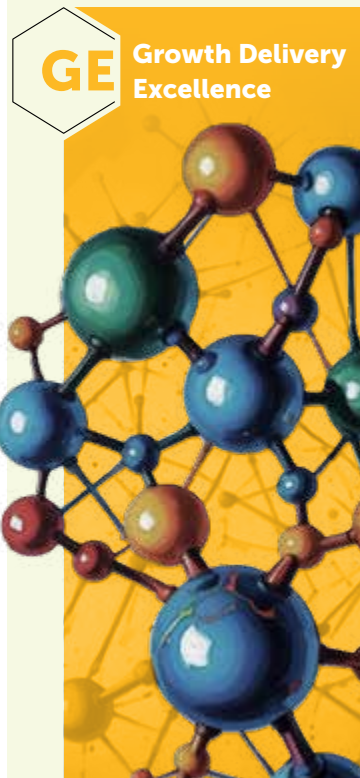
**R** Read more on pages 58 to 61.

In a market characterised by oversupply and price volatility, commercial agility was critical to our success. PCG's ability to leverage deep market knowledge and strong customer relationships enabled us to maintain a high Order Fulfilment Reliability (OFR) result of 95%, reinforcing our commitment to our customers. Additionally, our customer portal offers real-time updates and personalised solutions to over 230 customers worldwide to further reinforcing our commitment to address specific customer needs.

Strategic sourcing emerged as a cornerstone of our commercial strategy, with sourcing volumes increasing by 25% year-on-year. These efforts ensured continuity of supply and safeguarded our position as a preferred supplier in the region. We also intensified our route-to-market efforts to support upcoming volumes from key projects like the Pengerang Integrated Complex (PIC). This proactive approach allowed us to place 0.98 million metric tonnes of pre-operation output in the market seamlessly.

Additionally, PCG achieved a significant milestone with our first foray into the medical industry following the signing of a Memorandum of Understanding with TOMOE SHOKAI Co., LTD. for the supply of ethylene oxide from our Kertih plant to support its sterilisation business.

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**R** Read more on pages 62 to 65.

Delivering on growth commitments remained a priority in 2024, as we advanced in key projects to align with both market needs and sustainability trends. Highlights include:

- **Pengerang Petrochemical Complex:** Achieved commercial operation in November 2024, producing petrochemical products, which are 50% owned by PCG, including polymers and glycols with a total production capacity of 2,450 KTPA.
- **Nitrile Butadiene Latex (NBL):** Operational in September 2024, positioned to leverage Malaysia's leadership in the global glove market, with sales volume of over 50 KTPA in 2024. The plant has the capacity to produce 200 KTPA of NBL annually.
- **Specialty Ethoxylates and Polyether Polyols:** Achieved commercial operation in May and July 2024 respectively, meeting demand for automotive foam, cleaning and personal care products. Synergies with specialty chemicals are expected to enhance performance.
- **2-Ethylhexanoic Acid (2-EHA):** Achieved commercial operation in August 2024. This joint venture plant has doubled its capacity to 60 KTPA and will address regional demand for 2-EHA applications, including synthetic lubricants and Polyvinyl butyral (PVB) plasticisers.
- **Isononanol (INA):** Currently in its commissioning stage and will produce 250 KTPA of isononanol annually, used for the production of higher molecular weight plasticisers applied in automotive and building industries. Target to achieve commercial operation in 2025.

In addition, the specialty chemicals segment continues to make steady progress. The acquisition of the OQ Chemicals Nederland B.V., renamed as Perstorp Amsterdam B.V. will drive the growth strategy for the Engineered Fluids segment. Integration efforts with Perstorp have continued its course, bolstered by the establishment of a Perstorp office in Malaysia. We have also strengthened our capabilities in specialty chemicals with the inauguration of an Internal Sustainability & Carbon Certification (ISCC) PLUS certified plant in Bharuch, India, expanded capabilities in China and the introduction of BRB Group's (BRB) new personal care line, Emfinity®.

In keeping with our commitments, we continuously reassess and prioritise ongoing or future growth projects to ensure alignment with long-term value creation. This deliberate approach underscores our responsibility to deliver both immediate and sustainable returns for stakeholders. In this context, the commissioning of our advanced recycling plant in Pengerang has been delayed due to project execution challenges and we will make further announcements on this project in due course.

## SUSTAINABILITY AT THE CORE

At PCG, sustainability is not just a commitment but a guiding principle that shapes how we create lasting value. We strive to reduce our environmental footprint, uphold social responsibility and ensure that our approach to Environmental, Economic, Social and Governance (EESG) priorities is both forward-thinking and practical, balancing ambition with operational strength.

In 2024, we established PCG's Sustainable Portfolio centred on three focus areas: Low-Carbon solutions and Carbon Dioxide utilisation; Circular Economy solutions and Bio-based chemicals. These pillars reflect our commitment to shaping a sustainable future and meeting the evolving expectations of our stakeholders.

Key operational efforts in 2024 included advancing our Net Zero Carbon Emissions 2050 Roadmap and implementing greenhouse gas (GHG) reduction strategies across our operating units. Initiatives such as steam and energy optimisation, electrification and flaring reduction resulted in a 151 kilotonnes reduction in CO<sub>2</sub>e emissions this year.

On the commercial front, PCG prioritised sustainable product development and certification to support customers' sustainability journeys. Achievements included the launch of Pevalen™ Pro 100, ISCC PLUS certified plasticiser made entirely from renewable carbon and maintaining certifications such as Protect & Sustain (P&S) and ISCC PLUS Trader Scheme. These milestones, coupled with the first EcoVadis Silver medal for PCG, a Platinum medal for Perstorp and another Silver medal for BRB, reaffirm our alignment with global sustainability benchmarks.

In tandem with environmental goals, we advanced circular economy projects and invested in innovation through the Technology & Innovation Fund and Sustainability Fund to accelerate innovations to meet sustainable product demand. Internally, we emphasised capability development and certification programmes, launching initiatives such as the PCG Sustainability Training Matrix and PCG's Sustainable Project Management. Collaborative efforts included hosting the Petrochemicals Sustainability Conference 2024 and engaging in international partnerships, such as the Strategic Plastic Incentive Programme in Indonesia and waste reduction initiatives in Thailand.

Our "PCG Be Green" initiative expanded its international reach, addressing waste management and environmental restoration in collaboration with partners like PCX Markets and the TerraCycle Thai Foundation. Through these partnerships, we engaged local communities and promoted environmental awareness. Ultimately, sustainability at PCG is about delivering values for our stakeholders while striking the right balance by driving meaningful EESG progress. By focusing on initiatives that are impactful, inclusive and pragmatic, we are positioning PCG to thrive in an increasingly sustainability-focused world.



Giving back to the local communities through canal clean-up activation in collaboration with Terracycle Thai Foundation in Bangkok, Thailand



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### OUTLOOK

The global economy is forecasted to experience slow growth in 2025, driven by high energy prices, tight monetary policies and ongoing geopolitical conflicts. These factors are likely to weigh heavily on consumer demand and industrial activity, particularly in chemical-consuming sectors.

The industry is also expected to contend with persistent oversupply and demand imbalances. Key players in China continue to ramp up capacity expansions, intensifying competitive pressures and further suppressing margins.

In 2025, PCG will focus on leveraging its strengths to navigate challenges and maintain competitiveness. Operational excellence will remain central to our strategy, ensuring cost efficiency, asset reliability and proactive value creation. We will also strengthen our commitment to achieving ZERO incidents.

Collaboration will be critical to sustaining and enhancing our competitiveness, alongside efforts to grow new business by building a strong project funnel, achieving growth milestones and expanding our specialty chemicals portfolio. A key consideration in the context of the commercial viability of new growth opportunities will be the anticipated introduction of carbon taxes in Malaysia by 2026 in the energy, oil and gas as well as steel sectors. In addition, driving climate action and achieving our sustainability goals remain top priorities as we continue integrating sustainable, value-adding products into our offerings to align with our EESG commitment.

On the commercial front, we aim to expand our market reach by targeting new regions and untapped customer segments. We are also on track to fully commercialise the Melamine and Maleic Anhydride (MAN) plants, bolstering our capabilities in Southeast Asia and beyond. Simultaneously, our global innovation network will continue to explore bio-based solutions, reinforcing our leadership in sustainable chemicals. Strategic sourcing will ensure reliable and consistent supply to meet customer demands.

Overall, while we possess the conviction, resilience and strategies to navigate a challenging environment, we will continue to pay close attention to our financial performance and profitability. We are cognisant of the fact that we are not immune to market volatility and will ensure steadfast vigilance in the preservation of value for our stakeholders. We will ensure prudent spending and effective capital allocation as we focus on capturing immediate value and building a strong foundation for long-term sustainable growth.

### ACKNOWLEDGEMENTS

As we reflect on 2024, I extend my heartfelt gratitude to everyone who contributed to PCG's journey. To our employees, your dedication in ensuring operational reliability, driving innovation and embracing sustainability has been instrumental in reinforcing PCG's industry leadership. To our customers, business partners and shareholders, we thank you for your trust and continued support.

I would also like to express my sincere appreciation to the Board of Directors for their guidance and counsel throughout the year. On behalf of the entire organisation, I extend our deepest gratitude to Datuk Ir. (Dr.) Abdul Rahim Hashim for his exceptional leadership as Chairman of the Board. His contributions have been invaluable in shaping PCG's direction. At the same time, we warmly welcome Datuk Sazali Hamzah as our new Chairman. Having served as PCG's Managing Director/Chief Executive Officer (MD/CEO) from 2014 to 2021, Datuk Sazali brings a wealth of experience and a deep understanding of our business. We are confident that under his leadership, PCG will continue to thrive.

Looking ahead, we remain committed to building a stronger, more sustainable future. The resilience demonstrated in 2024 gives us confidence that we can continue to deliver on our commitments to customers, shareholders and communities. Together, we are building a more resilient, sustainable and prosperous PCG, creating positive and lasting impacts for the communities we serve and driving progress in the operating landscape we share.

### **MAZUIN ISMAIL**

*Managing Director/Chief Executive Officer*