

SEGMENTAL REVIEW

COMMODITIES



OVERVIEW

In 2024, PCG continued to strengthen operational and sales performance across the Commodities portfolio which includes the Olefins & Derivatives (O&D) and Fertilisers & Methanol (F&M) segments.

Operational performance saw marked improvements, driven by increased plant reliability and reduction in planned shutdowns across the year, leading to improved plant utilisation. On the commercial front, external market conditions, including increased regional competition from China and geopolitical instability in the Middle East, continued to create pricing pressures.

PCG's strategic focus on Operational Excellence and Commercial Excellence remained central in our efforts to deliver value. The company's proactive approach—optimising maintenance, getting closer to our customers, expanding strategic sourcing and leveraging digital technology—has helped protect our market position and stabilise sales volumes despite the challenging environment.

CHALLENGES & MITIGATION

This year, PCG experienced a tragic incident resulting in a fatality. This incident occurred in August in Labuan and prompted immediate corrective measures, including a company-wide safety stand-down, gap assessments and reinforcement of critical safety protocols. PCG's response strengthened the safety culture across all facilities, with enhanced training and safety ownership initiatives that aimed to prevent future incidents and further embed a proactive approach to safety.

Internally, efforts to enhance plant reliability that were initiated in 2023 have continued into 2024. PCG's ongoing initiatives to enhance plant reliability addressed key operational challenges across facilities. For instance, structured root cause investigations and reliability discussions resulted in targeted interventions to address persistent issues, particularly at critical facilities like PETRONAS Chemicals MTBE (PC MTBE), PETRONAS Chemicals Methanol (PC Methanol) and PETRONAS Chemicals Fertiliser Kedah (PC Fertiliser Kedah), where unplanned shutdowns posed challenges early in the year. Digital transformation initiatives have also played a key role in supporting operational efficiency and equipment reliability across PCG's facilities in 2024. By leveraging on the established advance analytics digital tools such as Asset Performance Management (APM), Plant Facing Analytics (PFA), and Descriptive Analytic tools (PIVOT DA) PCG was able to proactively identify and prevent potential equipment failures. Collectively, these initiatives, supported by focus on planned maintenance, enabled recovery across most Operating Units (OPUs).

Externally, the industry has also faced several challenges, as China's increasing self-sufficiency and petrochemical exports into the region continued to drive down product prices and pressure margins. In addition, ongoing geopolitical volatility in the Middle East resulted in fluctuating oil prices and is expected to remain a challenge for feedstock prices over the next two to three years.

From a commercial perspective, PCG continues to strive to become closer to its customers in the region to mitigate intensifying competition. We have further strengthened our value proposition to customers by working with credible partners to install tankages in key markets such as China, Thailand and Indonesia. We believe that having a physical presence in countries where our clients are located is crucial to protecting our ability to create value.

Protecting our ability to create value has also led to the further expansion of our strategic sourcing efforts to mitigate potential production challenges. We leveraged our wide network and solid relationships with other co-producers and suppliers, to secure not only spot but term supply for products such as methanol, MTBE, urea, ammonia and aromatics. In 2024, this added about 900 KTPA of externally sourced product to our total sales volume. Strategic sourcing will become a key component of our overall commercial strategy as we prepare for future regulatory requirements that will demand more frequent plant turnarounds and maintenance shutdowns. In addition, we have proactively revised certain term arrangements to reflect the realities of the ongoing industry downcycle, to ensure we maintain our market share in key markets.

SEGMENTAL REVIEW

PERFORMANCE HIGHLIGHTS & ACHIEVEMENTS

O&D SEGMENT PERFORMANCE

In the year under review, the O&D segment achieved a plant utilisation rate of 91.2%, an improvement from 85.4% in 2023. This increase in operational efficiency was driven by enhanced maintenance strategies and reliability programmes, although certain reliability issues persisted, particularly at PC MTBE, where a heat exchanger required repairs. Significant improvements in reliability followed the scheduled replacement of critical components.

The O&D segment's sales performance in 2024 reflected efforts to secure feedstock and manage inventory effectively. Total sales volume for the year reached 3,810 kilometric tonnes (KMT), building on the 3,516 KMT achieved in 2023, supported by the stable plant performance. This achievement was underpinned by enhancing the reliability of supply from upstream and gas processing plants and the effective coordination of shutdown activities. This also contributed to an Order Fulfilment Reliability (OFR) of 95% and enhanced customer confidence.

In addition, we intensified route-to-market (RTM) efforts to secure homes for the upcoming volumes from PIC. In 2024, a total of 984 KMT from pre-operation activities was delivered to the market with minimal operational setbacks.

In 2024, we continued to support customers' needs for sustainable solutions by offering natural-based Fatty Alcohol Ethoxylates (FAE) products that are Roundtable on Sustainable Palm Oil (RSPO) certified. We also commercialised a new surfactant, HL701, that has a high Renewable Carbon Index (RCI) in November 2024.

REVENUE



PROFIT AFTER TAX



EBITDA



Overall Production Volume:

3,644 KMT
2023: 3,365 KMT
2022: 3,577 KMT

Overall Sales Volume:

3,810 KMT
2023: 3,516 KMT
2022: 2,879 KMT

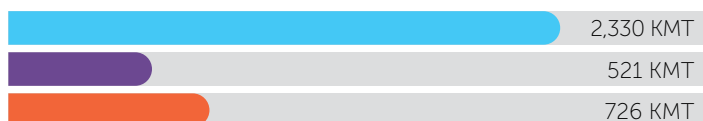
Plant Utilisation:

91.2%
2023: 85.4%
2022: 91.4%

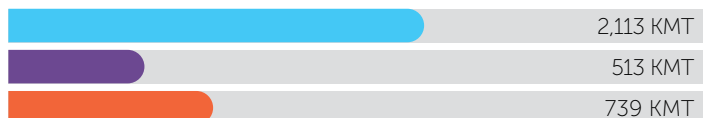
● Olefins, Glycols & Derivatives ● Polymers ● Aromatics & MTBE

PRODUCTION VOLUME BREAKDOWN

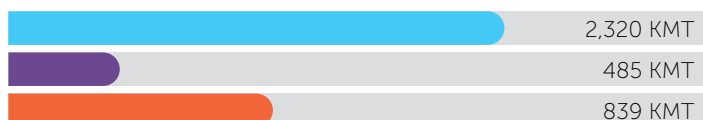
2022



2023

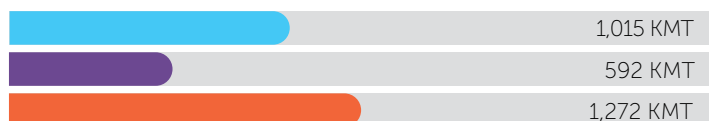


2024

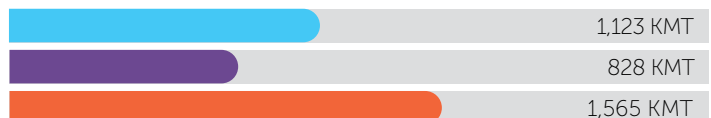


SALES VOLUME BREAKDOWN

2022



2023



2024



SEGMENTAL REVIEW

PERFORMANCE HIGHLIGHTS & ACHIEVEMENTS

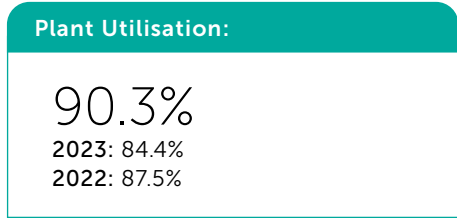
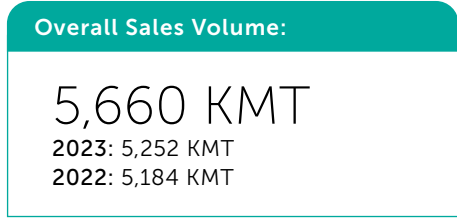
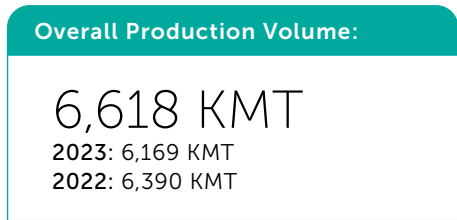
F&M SEGMENT PERFORMANCE

In 2024, the F&M segment achieved a higher plant utilisation rate of 90.3% compared to 84.4% in 2023, supported by targeted maintenance and reliability programmes across our methanol and ammonia plants. This focus on maintenance ensured minimal unplanned shutdowns and allowed us to sustain operational stability. Total sales volume grew to 5,660 KMT, an 8% increase over the previous year.

Sales volume was higher as a result of PCG's strategic sourcing efforts, which ensured resilience during planned and unplanned shutdowns as it enabled us to meet market demand efficiently while maintaining sufficient inventory levels. Regionally, we have focused on strengthening our foothold in Southeast Asia, especially in the methanol space, mobilising efforts on multiple fronts to capture market share.

This shift is in line with China's declining reliance on imports, its reduction in methanol-to-olefins production and Southeast Asia's own growth in demand for methanol. It has also given us the opportunity to secure Southeast Asia region for the majority of the volumes coming from our business partner, Sarawak Petchem's methanol plant, which is set to bring 1.75 million tonnes of nameplate capacity to the market in 2025 for PCG to sell.

We have also become closer to our customers in 2024 by expanding tankage capacities in strategic locations regionally, and marking our commitment to continuously improve our services to deliver our products to customers in the most effective ways.



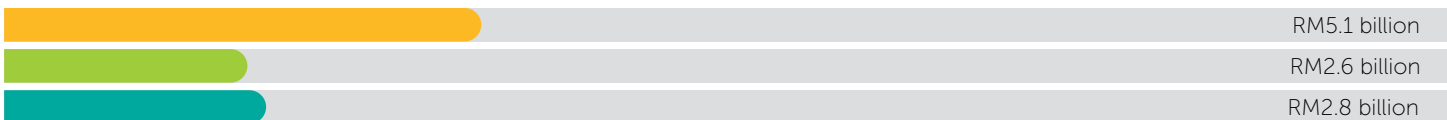
REVENUE



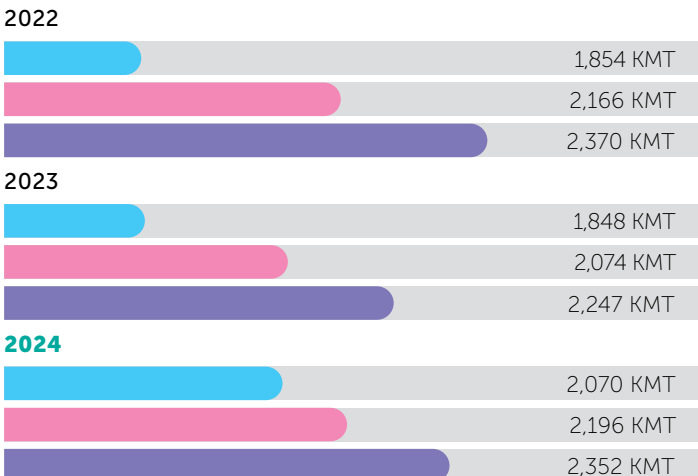
PROFIT AFTER TAX



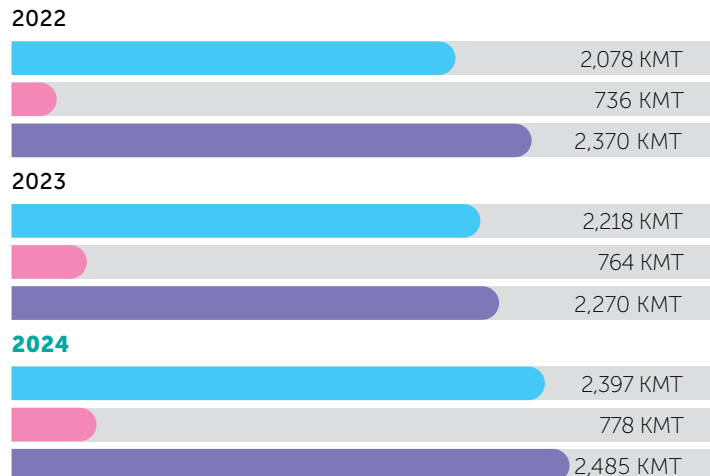
EBITDA



PRODUCTION VOLUME BREAKDOWN



SALES VOLUME BREAKDOWN



● 2022 ● 2023 ● 2024

● Methanol ● Ammonia ● Urea

SEGMENTAL REVIEW

RISKS & OPPORTUNITIES

■ Very High ■ High ■ Medium ■ Low

H Health, Safety and Environment Risk

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

Opportunity:

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

Actions taken:

- Streamlined the FELT Leadership Engagement Programme that was led by top leaders in collaboration with PCG HSE and the Product Stewardship team
- Drove continuous improvement in contractors' HSE management to enhance accountability and compliance
- Enhanced the effectiveness of Process Safety Observations (PSO) to identify and mitigate potential risks proactively
- Implemented assurance programme for road transporters, which include empowerment so that HSE practices can be sustained and self-regulated by transporters
- Conducted 6 Defensive Driving Training (DDT) sessions for sales personnel
- Implemented e-learning DDT module for the rest of commercial staff to inculcate awareness on road safety

Results:

- Recorded one fatality, three Loss Time Injuries (LTI) and two major Loss of Primary Containment (LOPC) in 2024
- Recorded ZERO Serious Vehicle Accident Rate (SVAR)

O Plant Operational Risk

Unreliable and inconsistent production impacts sales volume and revenue growth.

Opportunity:

- Strengthen technical collaboration internally and externally to improve response and mitigate plant reliability challenges based on best practices and latest improved technology
- Deliver Operational Excellence through digital implementation in managing plant reliability issues

Actions taken:

- Continuation of an expert network for all technical experts to manage specific discipline, knowledge and work processes from across PCG to come together on a single platform to discuss and share solutions
- Continuation of PFA tools to increase plant Overall Equipment Effectiveness (OEE) and targeting the reduction of plant downtime due to equipment failure through advanced analytics

Result:

- Addressed majority of plant issues. As a result, improvement in plant utilisation rate from 85% to 91%

F Feedstock and Utilities Risk

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

Opportunity:

- Effectively drive the effort to improve the reliability of supply with feedstock, utilities and chemicals suppliers

Actions taken:

- Drive continuous engagement with PETRONAS Gas Berhad (PGB) (Peninsular Malaysia) and PETRONAS Carigali Sdn. Bhd. (PCSB) (Sabah & Sarawak) for assurance in fulfilling feedstock supply obligations through existing gas planning, integration and coordination platforms involving upstream and gas business. (i.e., Gas Operation and Delivery Committee (GODC), Gas Planning and Delivery Meeting (GPDm), Gas Planning and Delivery Committee (GPDC))
- Sustained close collaboration with local agencies to ensure uninterrupted water supply to our facilities

Result:

- PCG managed to secure reliable feedstock supply in 2024 with more than 140 tonnes per hour (tph) of ethane for our Kertih Integrated Petrochemicals Complex and improved Sabah and Sarawak gas supply availability to ensure uninterrupted plant operation

M Market Risk

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

Opportunity:

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

Actions taken:

- Established term contracts with co-producers to secure supplemental volume in case of plant downtime
- Collaborated on product co-creation opportunities to solve customers' pain points
- Delivered customer-centric value propositions that meet customer needs
- Optimised sales portfolio mix and maintained high pricing excellence against market benchmark to maximise value
- Maintained competitive logistics costs through cost-to-serve optimisation initiatives

Results:

- Continue to achieve high sales volume despite challenges amidst market volatility and slow demand
- Achieved 5.3 sigma on customer feedback, exceeding the industry standard of 5.0 sigma
- Achieved a Net Promoter Score (NPS) of +65, higher than industry average

SEGMENTAL REVIEW

CONTRIBUTION TO SUSTAINABILITY

Sustainability Certifications:

PCG advanced its commitment to sustainable practices through multiple certifications and recertifications, which underscore its alignment with international standards and regulatory requirements:

- **Protect & Sustain (P&S) Certification** for PC Fertiliser Kedah's urea, reinforcing product safety and environmental standards. The P&S Certification is the de facto global product stewardship standard for the fertiliser industry, as it allows producers, distributors, traders and transporters to publicly and credibly prove their commitment and conformance towards Responsible Care and various ISO standards
- **EcoVadis sustainability assessment** has been initiated to benchmark environmental and social responsibility practices. The EcoVadis sustainability assessment, widely used by chemical industries enables customers, business partners and investors to ensure that the company takes its environmental, social and ethical responsibilities seriously
- **ISCC PLUS Recertification** to ensure product traceability and alignment with responsible sourcing. ISCC PLUS is a voluntary certification scheme designed to validate sustainability characteristics of alternative feedstocks and demonstrates compliance with clearly defined sustainability standards
- **Bureau of Indian Standards (BIS) Certification** for glycols, affirming product quality and safety compliance. A BIS certification enables PCG products like Ethylene Glycol to be extended to the Indian market and demonstrates that it has met standards set by the National Standard Body of India

GHG Reduction Initiatives:

- Abated **81K tonnes CO₂e** through targeted energy efficiency projects
- Conducted asset decarbonisation assessments to support **electrification and implemented heat sleeves at PC Fertiliser Kedah** to reduce heat release
- **Rejuvenation of heat recovery equipment** which optimise internal steam system operation

Customer Delivery Excellence (CDEx) Platform for Logistics Efficiency:

- Piloted improved logistics efficiency at PC Fertiliser Kedah by enabling vehicle slot booking, which helped to reduce traffic congestion issues and truck idling times

OUTLOOK

PCG is positioned to expand its operations and market reach in 2025, with a strategic focus on both Operational Excellence and Commercial Excellence. Key projects include the anticipated start-up of the melamine plant, which will enable PCG to cater to growing regional demand for melamine-based products. Additionally, the Sarawak Petchem methanol plant is set to add 1.75 million tonnes of nameplate capacity, further strengthening PCG's supply capabilities in Southeast Asia. We will also be further advancing feasibility studies as outlined under the Memorandum of Understanding that was signed with Sarawak Petchem to evaluate the development a Low-Carbon ammonia and urea plant in Bintulu, Sarawak.

The full commercialisation of PIC will also be a key milestone in 2025, as PCG expands its polymer offerings, with tailored technical support for customer-specific needs. PCG will also continue its proactive market preparation and ensure readiness for upcoming products like Maleic Anhydride (MAAn) which are expected to reach target markets by 2026.

Sustainability remains a core priority, with key initiatives in place to continue developing and offering more sustainable products to our customers. PCG is actively working on developing solutions to assist in the management of various sustainability concerns such as microplastics pollution, amongst others. Collaborations with customers are also taking place, to co-create innovative products such as mono-material (polymer) solutions, in support of customers' sustainability agenda.

Operationally, the focus will be on achieving a generative HSE culture that empowers employees to proactively address safety and health issues. Integrated maintenance activities at Kertih Integrated Petrochemical Complex (KIPC) and continued management of plant issues and reliability threats will support plant performance. These strategic and operational advancements will collectively equip PCG to meet the challenges of 2025, creating value through resilience and innovation.

PERSTORP'S NEW PENTA PLANT

BHARUCH, INDIA

The plant spans **28 acres**, was inaugurated on **20 February 2024**, and employs **120 people**.

Perstorp commissioned its ISCC PLUS certified plant in Bharuch, India. This facility is set to produce 40,000 metric tonnes of Pentaerythritol and 26,000 metric tonnes of calcium formate annually.

This includes the renewable-based, ISCC PLUS certified Voxtar™, all manufactured using renewable raw materials and hybrid electricity sources.

PCG'S TECHNOLOGY & INNOVATION CENTRE

BANGI, MALAYSIA

Tailored for diverse **customer needs and designed to foster co-creation** with customers, the centre will play a **key role in advancing specialty chemicals and applicative science**. Set to be completed in 2025, the centre will **leverage cutting edge technology and innovative practices to deliver enhanced value** across regions.

The centre will feature end-to-end capabilities: Synthesis lab (new chemistry and processes), Analytical lab (characterisation), Pilot Plant (process scale-up and pre-market sampling), and Applicative Science lab (performance tests).

This innovation ecosystem is vital for PCG's future success, positioning the centre as one of PCG's global hubs, establishing its leadership in specialty chemicals innovation.



Artist impression for the interior build of the centre

SEGMENTAL REVIEW

SPECIALTY CHEMICALS



OVERVIEW

In 2024, Specialty Chemicals (SC) Division, encompassing Perstorp and BRB, continued our growth trajectory with a strategic focus on innovation, sustainability and market expansion. With a global network comprising 15 production sites, the division serves diverse markets across the Americas, Europe, Middle East, Africa and Asia Pacific (APAC).

Guided by a comprehensive transformation strategy, the division aims to advance further down the chemicals value chain to be closer to end users, enabling us to identify new opportunities. This includes efforts to enhance competitive positioning through both organic and inorganic initiatives in target segments to deliver tailored solutions for the specific challenges faced by our customers.

Another crucial element of this transformation is the ongoing establishment of the innovation networks, scheduled for completion in 2025. These facilities will be strategically located close to our customers, facilitating expedited services and more efficient, responsive solutions. Designed to address the diverse needs of customers across various regions, the hub will leverage cutting-edge technology and innovative practices to foster co-creation with customers and deliver enhanced value.

As we progress with these strategic initiatives, our commitment to sustainability, innovation and customer-centric solutions remains steadfast. We are confident that these efforts will not only solidify our position in the specialty chemicals market but also propel us towards achieving our long-term vision of becoming a leading specialty chemicals player and delivering exceptional value to our stakeholders.

CHALLENGES & MITIGATION

In 2024, SC navigated challenges from global economic uncertainties, geopolitical tensions, and supply chain disruptions, affecting supply-demand balance and key industries like construction and automotive. Persistent high energy prices in Europe and competition from low-cost Chinese producers resulted in compressed margins.

To mitigate these pressures, we implemented operational and commercial strategies. We enhanced efficiency, controlled input costs through favourable supplier negotiations, and sourced alternative raw materials. In addition, strengthening inventory management ensured steady material flow.

To diversify revenue streams, we targeted specialised markets and emerging sectors, focusing on lower carbon footprint products. Furthermore, we reinforced customer engagement initiatives and value-added services to foster long-term relationships.

These initiatives increased our market share, sales volumes, and operational resilience while maintaining margins. Exploring new product lines and diversifying suppliers minimised market fluctuation impacts, opening up new revenue streams and reinforcing a resilient foundation for growth.

SEGMENTAL REVIEW

PERFORMANCE HIGHLIGHTS

REVENUE

2024

RM6.5 billion

2023: RM6.4 billion

EBITDA

2024

RM0.3 billion

2023: RM0.2 billion

PROFIT/(LOSS) AFTER TAX

2024

RM0.05 billion

2023: (RM0.2 billion)

SALES VOLUME

2024

897 KMT

2023: 841 KMT

New products
launched in 2024:

17

Events participated
in 2024:

42

- In 2024, Perstorp commissioned its ISCC PLUS certified plant in Bharuch, India, which was officially inaugurated in February. This facility is set to produce 40,000 metric tonnes of Pentaerythritol and 26,000 metric tonnes of calcium formate annually. This includes the renewable-based, ISCC PLUS certified Voxtar™, all manufactured using renewable raw materials and hybrid electricity sources.
- In March, Perstorp secured full ownership of its polyol manufacturing site in Zibo, China, enhancing its strategic focus on the Asian market and paving the way for future expansion and diversification of the site.
- Inaugurated new offices in Malaysia, Turkey, and Taiwan, reinforcing our presence in Southeast Asia and Europe, while leveraging Taiwan's strategic position within the semiconductor supply chain.
- The inclusion of Isononanol (INA), Iso-Dodecene and Oxo Oil 9N has expanded Perstorp's Oxo Alcohols portfolio from C8 to C10, thereby broadening Perstorp's product range and strengthening its capability to better serve customers.
- In December, Perstorp acquired OQ Chemicals Nederland B.V. renamed as Perstorp Amsterdam B.V. which will further enable our growth strategy and strengthen our presence in the Engineered Fluids segment.
- BRB's subsidiary, CSL Silicones, expanded its portfolio for high voltage insulator coatings (HVIC) in the Middle East and strengthened its roof coatings business in North America through partnerships and product diversifications.
- BRB's production sites in Ittervoort and Echt, the Netherlands and Gebeng, Malaysia, achieved ISO 45001 (OH&S) and ISO 14001 (environmental management) certifications, reinforcing BRB's commitment to Quality, Environment and Safety.



Strengthening our presences in the Engineered Fluids segment with acquisition of OQ Chemicals Nederland B.V. renamed as Perstorp Amsterdam B.V.

SEGMENTAL REVIEW

SPECIALTY CHEMICALS PRODUCT GROUPS

RESINS & COATINGS

Essential building blocks and specialty products tailored to produce resins for the coatings industry, including alkyd resins, liquid saturated polyester, liquid unsaturated polyesters, powder polyesters, polyurethane dispersions, radiation curing, cationic curing and intumescent carbon donors.

Highlights:

- Product development to support customers transitioning away from Trimethylolpropane Triacrylate (TMPTA), a chemical commonly used in coatings, adhesives and inks, following its reclassification as a Class 2 carcinogen in late 2023

ENGINEERED FLUIDS

High quality building blocks for polyol ester base stock with a complete range of polyol portfolio. Mainly targeted for use in aviation turbine oils, hydraulic fluids, metalworking fluids, refrigeration lubricants, transformer oils and di-electric fluids.

Highlights:

- Introduced Synmerse™ DC, a high-performance immersion cooling fluid designed to enhance operational safety, cooling efficiency, and reduce maintenance in data centres. Developed in collaboration with leading processor manufacturers and original design manufacturers, Synmerse™ DC ensures compatibility with next-generation computing technologies. It was first showcased at Data Centre World Asia 2024 in October

ADVANCED MATERIAL

Leverages focused and innovative chemistry related to polymer additives, polyvinyl chloride (PVC) plasticisers and polyesters to help formulators, compounders and converters to produce safer, more sustainable and higher performance plastics.

Highlights:

- Expanded Akestra™ to the American market. This unique material offers a glass-like appearance with superior heat resistance compared to polyethylene terephthalate (PET), making it an ideal choice for hot-fill packaging and food contact applications
- Launched Pevalen™ Pro 100, an ISCC PLUS certified, non-phthalate plasticiser made from 100% renewable carbon. This innovation sets a new industry benchmark by delivering a fully renewable, high-performance solution for flexible PVC without compromising on performance nor safety

ANIMAL NUTRITION

Innovative organic acid-based solutions that improve gut health and performance, while safeguarding feed from contaminants such as enteric pathogens, mycotoxins, molds and yeasts.

Highlights:

- Launched Gastrivix™ Go in Europe, the Middle East, and Africa (EMEA) and Gastrivix™ Gain in the Chinese market. Both feed additives - Gastrivix™ Go and Gastrivix™ Gain - are formulated to support gut health in animals

SILICONES

Specialty silicones products cover markets such as Personal Care, Construction, Coating & Inks, Plastic & Rubber Composites, and Food & Beverages.

Highlights:

Personal Care

- BRB soft launched a novel bio-based emollient, Emfinity® CGSA 200B, which was developed in collaboration with PETRONAS Research Sdn. Bhd.
- Introduced innovative products that combine three unique silicone technologies to enhance hair and skin care as well as customer experience. BRB 1864 features a silicone-rich formula for a luxurious shine and conditioning effect, BRB 2844 is a water-dispersible silicone wax that reduces tackiness and provides deep moisturisation, and BRB SG 250 is a silicone elastomer that imparts a velvety, powdery feel and lasting comfort on the skin

Coating Applications

- Launched BRB Siloen® SMA 287 and BRB Siloen® SMA 288 coating additives, designed for anti-blocking, slip and scratch, and mar resistant enhancers for water-based polyurethane or acrylic wood coatings. Additionally, improved BRB Siloen® SR 619, a solvent-dilutable impregnating agent for mineral construction materials (such as concrete, bricks and natural stones), offering enhanced water repellency and superior penetration

LUBE OIL ADDITIVES AND CHEMICALS (LAC)

LAC solutions reduce fuel consumption, while extending service life and enhancing efficiency of vehicles and machineries, being the key enabler of cost-effectiveness in the automotive and industrial sectors

Highlights:

Introduced six strategic products aimed at advancing performance and sustainability across automotive and industrial applications:

• Petrolad® Series:

Petrolad 750, Petrolad 133LS, and Petrolad 9430 are innovative additive packages for automatic transmission fluids, gear oils and engine oils. These products deliver improved performance, cost savings and enhanced environmental sustainability

• Viscotech® Series:

Viscotech 6073LR, Viscotech 6540LR/6640LR, and Viscotech 6012LR are viscosity modifiers formulated with re-refined base oil, supporting a circular economy. These modifiers offer high performance, reduced environmental impact and cost-effective solutions for various lubricant applications

SEGMENTAL REVIEW

RISKS & OPPORTUNITIES

Very High High Medium Low

H Health, Safety and Environment Risk

- **HSE incidents in chemical manufacturing, such as spills and fires, can have severe consequences on personnel, the environment and operations**
- **Mature facilities can result in plant slowdowns or shutdowns**

Opportunity:

- Driving HSE excellence through compliance with relevant laws and regulations, while enhancing personnel safety, protecting the environment, optimising operations and fostering continuous improvement and stakeholder trust

Action taken:

- Continuously improve safety measures through asset integrity programmes, safety training and culture-building initiatives like the Perstorp Careway 365 programme, which includes annual assessments and integration with PETRONAS

Results:

- Recorded ZERO fatality, one Loss Time Injury (LTI), and ZERO major Loss of Primary Containment (LOPC) in 2024

M Market Risk

- **Decline in market share, demand, and customer base**
- **Geopolitical tensions and sustained high inflation contributing to economic slowdown**
- **Heightened competition with increased supply from China to Europe**

Opportunity:

- Gain a competitive market advantage by proactively anticipating customer needs, fostering stronger collaboration and building deeper relationships with stakeholders

Action taken:

- Implementing strategies to address challenges, including alternative sourcing and long-term partnerships
- Enhancing market presence through participation in exhibitions, hosting seminars/webinars and launching new products to meet evolving demand
- Conducted balanced approach between producing main product vs co-products to optimise margin contributions
- Participated in 42 key exhibitions across the world such as the Data Centre World Asia, American Coatings Show and in-cosmetics Asia

Results:

- Launched 17 new products which covers immersion cooling, personal care and plasticiser applications
- Increased 7% sales volume and driving growth in high-margin products

T Talent Risk

- **Inability to retain and recruit key personnel, insufficient manning for business sustainability and growth projects**
- **Skills and competencies management is not aligned with the company's strategies for recruitment, employee development, retention, and transition**

Opportunity:

- Expanding team capacity and complement existing capabilities through re-organising the PCG SC Organisational Structure and Operating Model
- Develop Talent Management intervention to mitigate retention challenges

Action taken:

- Development of SC Operating Model and Organisational Structure to be effective in February 2025
- Dedicated HR personnel to look into talent management including recruitment with focused collaboration involving both HR, business units and external support
- Executing and accelerate the near term/recruiting efforts to support the business deliverable

Results:

- Consultations with Perstorp and BRB Works Council/Union and subsequent agreement regarding SC's Organisational Structure were reached by the end of 2024
- Delivered recruitment success at a rate of 79%, with a 92% acceptance rate as of December 2024
- Implemented Cross Mobility programme for PCG Corporate Office, Perstorp and BRB talent pools as part of a targeted short-to-medium term strategy to enhance talent development and capabilities, aligning with our growth objectives

O Operational Risk

- **Energy and raw material prices remain elevated, creating a significant competitive gap between Europe, the Middle East, and Africa (EMEA) and the Asia-Pacific (APAC) region, impacting margin contribution**
- **Supply chain and logistics disruptions, driven by external factors such as geopolitical tensions and sanctions, continue to affect operations**

Opportunity:

- Strong value chain performance driven by efficient planning, effective implementation and proactive intervention in operations and maintenance activities

Action taken:

- Ongoing improvement programmes with site-specific implementation focused on cost reduction, raw material optimisation, and yield enhancement, while providing support to select struggling suppliers
- Renegotiate with current suppliers on raw material and develop supplier assessment, performance evaluation as well as audit programme

Results:

- Realised 7% cost savings across multiple sites in areas like direct variable costs, freight, and raw materials
- Improved product yield in the specialties segment
- Modified supplier terms (price, payment, consignment stock and order size) to assist suppliers during difficult periods

R Regulatory Risk (including Sustainability)

- **Emerging and increasingly stringent laws and regulations impacting specialty products and their markets**
- **Inability to anticipate and adjust to changing sustainability regulations may lead to legal penalties, market setbacks, reputational harm and higher operational costs**

Opportunity:

- Leveraging compliance as a catalyst for innovation, driving a competitive edge and enhancing market share

Action taken:

- Enhance employees' understanding of the Code of Conduct and Business Ethics (CoBE) by implementing mandatory e-learning and training programmes, including CoBE, EESG and more
- Develop a strong sustainability strategy and framework supported by clear and effective communication
- Utilise Subject Matter Expert (SME) knowledge through continuous communication and engagement

Results:

- Strengthened compliance practices to stay aligned with evolving laws and regulations
- Transformed ambitious 2030 sustainability targets into actionable roadmaps at both corporate level and each production plant. These roadmaps detail practical activities to reduce greenhouse gas emissions, minimise waste, conserve freshwater and drive sustainable transformation throughout the value chain

SEGMENTAL REVIEW

I Innovation Risk

- **Inability to introduce new products to the market, resulting in the loss of competitive advantage and market share**

Opportunity:

- Robust planning and execution, supported by adequate R&D funding, enhance the ability to outperform competitors

Action taken:

- Develop a comprehensive innovation strategy that aligns with future market trends and customer needs
- Capture the right talent and technology to drive innovation efforts forward

Results:

- Engage continuously with potential technology partners and invest in Research & Development (R&D) to capitalise on market opportunities
- Construction of innovation labs in Malaysia, China and Europe to expand R&D network set for completion in 2025

CONTRIBUTION TO SUSTAINABILITY

In the year under review, SC has demonstrated a steadfast commitment to incorporating sustainability into our daily operations, in alignment with PCG's Sustainability Agenda. Our sustainability efforts are further bolstered by Perstorp's ambition to achieve Finite Material Neutral, which aims to shift away from all virgin fossil raw materials and energy to using renewable, recycled or reclaimed raw materials and energy at production plants globally. Accordingly, Perstorp and BRB are progressing toward compliance with the Corporate Sustainability Reporting Directive (CSRD), with the primary objectives of enhancing transparency, fostering sustainable business practices and contributing to a more resilient economy.

Perstorp

In 2024, Perstorp earned the Platinum medal from EcoVadis, ranking it within the top 1% of all companies assessed. This improvement from Silver to Platinum in only two years reflects Perstorp's strong dedication to sustainability initiatives. In North America, Perstorp's Toledo site obtained the ISCC PLUS 'trader with storage' certification, demonstrating its commitment to sustainability and traceability in the trading and storage of sustainable materials.

In addition, Perstorp's Waspik site became the first Perstorp facility to achieve net zero emissions for both Scope 1 and Scope 2. This accomplishment was made possible through the replacement of natural gas with biogas, a full transition to 100% renewable energy and the implementation of additional sustainability initiatives, including the substitution of diesel trucks with electric vehicles. In April, Perstorp inaugurated a wastewater project at its Oxo plant in Stenungsund, Sweden, which is expected to conserve 1.1 billion litres of fresh water annually by purifying and reusing municipal wastewater.

BRB

BRB holds the Silver medal from EcoVadis in 2024, securing top 15% position across all industries. To enhance sustainability tracking, BRB implemented the Return on Society and Environment (ROSE) Framework for improved transparency in Corporate Carbon Footprint (CCF) and EESG goals. The ROSE framework is a sustainability management software that assists companies in achieving CSRD compliance.

Additionally, BRB's subsidiary, CSL Silicones, has partnered with Bullfrog Power to transition the electricity and natural gas supply for its silicone manufacturing plant in Guelph, Ontario, to renewable sources. Following extensive research and development efforts, CSL Silicones is now able to incorporate recycled silicone oil into certain formulations. Furthermore, BRB is collaborating with a new label supplier to use recyclable PET back lining instead of wax paper, thereby reducing carbon footprint.

OUTLOOK

PCG is well-positioned to enhance its global presence in 2025 by focusing on innovation, sustainability, and market responsiveness in the Specialty Chemicals business. A major milestone for the year will be the full operationalisation of the newly established Sayakha plant in Bharuch, India which will strengthen our polyol business in the APAC region and address the increasing regional demand for these products.

To deepen customer collaboration, PCG plans to establish new application labs in Malaysia, China, and Europe, complementing the existing network. These facilities will enable the division to co-develop innovative solutions and respond swiftly to customer-specific requirements, further enhancing operational agility and market insights.

On the operational front, efforts will focus on optimising supply chains, leveraging cost-effective raw materials, and strategically deploying resources to drive profitability. These initiatives aim to reinforce PCG's position as a dependable partner, delivering superior-quality specialty chemicals to customers worldwide.

PCG will pursue a balanced growth strategy that combines organic and inorganic initiatives, broadening its portfolio and venturing into new markets. Emphasising a customer-centric, sustainability, and solution-driven focus, we will ensure the delivery of high-performance products tailored to meet diverse industry needs. This strategic direction will help us progress towards a leadership position in specialty chemicals and capture the exciting opportunities that lie ahead.