

**SUMMARY OF PROCEEDINGS**  
**63<sup>RD</sup> ANNUAL GENERAL MEETING OF**  
**PETRON MALAYSIA REFINING & MARKETING BHD**  
**(June 16, 2022)**

**TIME AND PLACE**

The 63<sup>rd</sup> Annual General Meeting (“AGM” or “Meeting”) of **PETRON MALAYSIA REFINING & MARKETING BHD** (the “Company” or “PMRMB”) was held at The Ballroom, Pullman Kuala Lumpur Bangsar, No.1 Jalan Pantai Jaya, Tower 3, 59200 Kuala Lumpur, Malaysia. The meeting commenced at 2:00 p.m.

**ATTENDANCE**

In attendance were the following Board of Directors:

- Mr. Lubin B. Nepomuceno (Executive Director / Chief Executive Officer)
- Y. Bhg Dato’ Zainal Abidin Putih (Independent Director)
- Ms. Chua See Hua (Independent Director)
- Fong Seow Kee (Independent Director)
- Y. Bhg. Dato’ Noorizah Abd Hamid (Independent Director)

Board of Directors present via video conferencing (MS Teams) from Manila:

- Mr. Ramon S. Ang (Chairman)
- Ms. Aurora T. Calderon (Executive Director)
- Mr. Ferdinand K. Constantino (Non-Executive Non-Independent Director)
- Mr. Antonio Martin Cailao (Independent Director)

In attendance were the following Officers:

- Pn. Faridah Ali (General Manager)
- Mr. Mark Tristan D. Caparas (Chief Finance Officer)
- Mr. Manoj Devadasan (Company Secretary)

**CHAIRMAN OF THE MEETING**

The Chairman of the Board had requested Y. Bhg. Dato’ Zainal Abidin Putih to chair the AGM.

### **SHAREHOLDERS ATTENDANCE/ PROXIES / QUORUM**

A total of 328 shareholders and 182 via proxies had registered to attend the AGM.

There being a quorum in attendance, the Chairman of the AGM called the Meeting to order.

### **PRESENTATION BY MANAGEMENT**

A management presentation was made by General Manager, Puan Faridah Ali.

### **QUESTIONS FROM SHAREHOLDERS/PROXIES**

Questions submitted in advance by shareholders were addressed first, followed by live questions relating to the Company, its performance, operations and audited accounts. The Shareholders'/proxies' questions and Management's responses are as on Appendix A'].

### **RESOLUTIONS**

The respective Resolutions below, were approved and duly carried:

- Resolution 1** - THAT the payment of final dividend of 20 sen per ordinary share for the year ended 31 December 2021, be and is hereby approved.
- Resolution 2** - THAT the re-election of Non-Executive and Non-Independent Director Mr. Ferdinand K. Constantino as a Director of the Company in accordance to Articles 103 and 104 of the Company's Constitution, be and is hereby approved.
- Resolution 3** - THAT the re-election of Independent Director Mr. Fong Seow Kee as a Director of the Company in accordance to Articles 103 and 104 of the Company's Constitution, be and is hereby approved.
- Resolution 4** - THAT the re-election of Independent Director Mr. Antonio M. Cailao as a Director of the Company in accordance to Articles 103 and 104 of the Company's Constitution, be and is hereby approved.

- Resolution 5** - THAT the election of Independent Director Y. Bhg. Datuk Nik Mohd Hasyudeen Bin Yusoff as a Director in accordance to Article 109 of the Company's Constitution, be and is hereby approved.
- Resolution 6** - THAT the appointment as an Independent Directors of Ms. Chua See Hua - who has served more than nine (9) years as an Independent Director - in compliance with Practice 5.3 of the Malaysian Code on Corporate Governance 2021, be and is hereby approved.  
*(The voting on this resolution was via a two-tier system)*
- Resolution 7** - THAT the payment of Directors' Fees for the Independent Directors, as follows:
- (a) Annual Directors Fees of RM93,600 to be paid to each Independent Director in 2022.
  - (b) The following payments from June 16, 2022 until the next Annual General Meeting in 2023:
    - (i) Attendance Allowance of RM3,000 per meeting for each Independent Director Chairperson of a Committee;
    - (ii) Attendance Allowance of RM2,500 per meeting for each Independent Director (who is not a Chairperson of a Committee);
    - (iii) (up to) RM700 per month in fuel allowance /claims by each Independent Director; and
  - (c) An ex-gratia bonus payment of RM20,000 for each Independent Director who served a full term in 2021, for services rendered to the Company.
- be and is hereby approved.
- Resolution 8** - THAT the appointment of Messrs PricewaterhouseCoopers as Auditors of the Company for the financial year ending 31 December 2022, to hold office until the conclusion of the AGM in 2023 (with authorization to the Board of Directors to determine their remuneration), be and is hereby approved.

- Resolution 9** - THAT the Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of Revenue or Trading Nature, as follows:
- (a) Subject always to the Main Market Listing Requirements of Bursa Securities, approval be and is hereby given to the Company and/or its subsidiaries to enter into the recurrent related party transactions of revenue or trading nature with the related parties as specified in Section 2.4 of the Circular to Shareholders dated 28 April 2022 ("Circular"), provided that such transactions are necessary for day-to-day operations and carried out in the ordinary course of business and at arms-length basis on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the interest of the minority shareholders of the Company;
  - (b) the authority conferred by such mandate shall continue to be in force until:
    - (i) the conclusion of the next AGM of the Company following the forthcoming AGM, at which time it shall lapse, unless by a resolution passed at a general meeting, the mandate is again renewed; or
    - (ii) the expiration of the period within which the next AGM is required to be held pursuant to Section 340(2) of the Act (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
    - (iii) revoked or varied by a resolution passed by the shareholders in a general meeting.whichever is the earlier;
  - (c) and the Directors of the Company be and are hereby empowered and authorized to complete and do all such acts and things as they may consider expedient or necessary to give effect to this Ordinary Resolution.

be and is hereby approved.

*(For voting on this resolution, major shareholder Petron Oil & Gas International Sdn Bhd abstained from voting due to its conflict of interest).*

**Adjournment**

The Chairman thanked the Shareholders present for their participation and support. There being no further business, the Annual General Meeting was adjourned at 3:55 p.m. with a vote of thanks to the Chair.

## APPENDIX A

### • Questions from Shareholders (63<sup>rd</sup> Annual General Meeting – “AGM”)

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- *Questions received in advance and answered at the AGM, questions asked during the AGM (and responded to) as well as questions emailed to the Company within 24 hours of the AGM, are for convenience/ease of reference, grouped into categories.*
- *Some questions of a similar nature that were asked by several shareholders have been grouped for ease of response.*
- *For clarity, some questions posed have been simplified.*
- *As mentioned at the AGM, Management will not be responding herein to questions relating to:*
  - (a) information relating to other companies (including our parent company or sister companies, such as Petron Fuel International Sdn Bhd)*
  - (b) Seeking performance or profit forecast relating to Petron Malaysia Refining & Marketing Bhd.*
  - (c) Seeking information that is business sensitive that needs to keep confidential.*
  - (d) Information (such as Directors Fees paid etc) that is already stated in the Annual Report.*
  - (e) Information pertaining to agreements with vendors (such as those vendors engaged in the AGM) the disclosure of which may violate confidentiality. This includes fees under such contracts. Please be reminded that all agreements/payments undergo strict vetting and layers of reviews and approvals.*
  - (f) Questions/statements and suggestions about ‘door-gifts’ at AGMs. We have however duly noted these for future reference*

## **I. Dividend/Share Price**

### **1. Should the company consider issuing higher dividends especially since you’ve already generated higher income?**

#### Petron’s response:

2021 dividend yield of 4.4% is the highest over the last 5 years. This is about a 22% dividend payout, higher than our pre-pandemic return of 20%. The proposed dividend was decided after careful consideration taking into account the company’s profitability, working capital and cash requirements, and our investment plans and commitments.

While the Company continues to make good profits in 1Q 2022, our working capital requirements have significantly increased as a direct result of high oil prices. Our subsidy receivables, crude and product purchase payables and trade receivables have correspondingly increased.

APPENDIX A

- Questions from Shareholders (63<sup>rd</sup> Annual General Meeting – “AGM”)
- 

**2. What is the cause of the share price going up weeks ago?**

Petron’s response:

Petron’s share price is usually affected by various market factors, including market sentiments such as global oil price volatility and economic developments. We do not comment on the share price movement as it is driven by the market.

**II. Port Dickson Refinery/Lumut POME Plant**

**3. I refer to page 172 in the Annual Report on the Top 10 Properties, and the details on the property, plant and equipment on page 126. Under the refinery and terminal plant and equipment, the net book value as at 31 December 2021 was RM1.949b whereas, on page 172, the net book value for Port Dickson Refinery was only RM10.641m. Can Management confirm that this is only the value for the land? Further on page 126, there is a sum of RM801m under reclassification. Can Management explain the reclassification?**

Petron’s response:

The RM10.6 million in Top 10 properties on page 172 pertains to the value of freehold land of Port Dickson Refinery only whereas the RM1.9 billion in Note 8 (Property, Plant and Equipment) on page 172 is the cost of all assets in Port Dickson Refinery and other terminals.

The reclassification of RM801 million on page 126 is mainly related to the completed Diesel Hydro-treater and Marine Import Facility 2 projects.

**4. What do you do with Low Waxy Sulfur Residue (LSWR)? How much does the Company sell it for?**

Petron’s response:

LSWR is a by-product of crude refining. LSWR is used for conversion feedstock and as fuel oil blend stock. The Company’s refinery cannot process LSWR and so 100% of this by-product is sold to oil traders and buyers outside Malaysia at the prevailing market price.

## APPENDIX A

- Questions from Shareholders (63<sup>rd</sup> Annual General Meeting – “AGM”)
- 

- 5. From page 172 of the Annual Report, the Port Dickson Refinery is 62 years old. Are there any capital expenditure projects in the pipelines to further improve the refinery including its ability to process high sulfur crude?**

Petron’s response:

We have been upgrading the refinery including adding our Diesel Hydrotreater (DHT) facilities which allow us to process higher sulfur crude and produce cleaner Euro 5 diesel and Marine Import Facilities 2 (MIF2) which allow us to import finished products using larger vessels and save on freight cost. Refinery upgrades and improvement is a continuous effort to ensure its efficiency.

Every four to five years, the facilities are requalified by undergoing inspection from our local authorities including the Department of Occupational Safety and Health (DOSH) and other organizations.

- 6. Based on the 7.7 million barrels sold in the 1<sup>st</sup> Quarter 2022, how much is actually produced internally at the refinery? Do you buy refined oils from others and if so what is the percentage that is imported?**

Petron’s response:

Our refinery production is determined to meet local demand but is also dependent on the prevailing economics affected by market prices. We do buy finished products to cover any shortfall in supply. In general, PMRMB is self-sufficient for diesel, whereas we supplement gasoline production with imports through our new MIF2 facilities. The percentage of imports varies between 50 to 60 per cent.

- 7. What was the refinery crude run in 2021 and 1Q 2022? Can you please share your production yield?**

Petron’s response

Our refinery crude run was relatively lower in 2021 at about 36 thousand barrels per day due to low demand arising from the pandemic. However, it started to improve to 47 thousand barrels per day during Q1 2022 when domestic demand also recovered. Crude runs are planned based on the prevailing economics and local demands that vary monthly.



## APPENDIX A

### • Questions from Shareholders (63<sup>rd</sup> Annual General Meeting – “AGM”)

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The typical yield of Tapis crude, which is the main component of the crude diet for the Port Dickson Refinery is about 60% diesel and jet fuel, 20% gasoline and the balance comprising LPG and by-products such as Low Sulfur Waxy Residue.

#### **8. What are the benefits of the new DHT and MIF2 projects?**

##### Petron's response:

DHT allows us to produce the government mandate Euro 5 diesel which is a cleaner fuel and has lower sulfur emissions. It improves our refining margins as Euro 5 diesel has a higher premium compared to Euro 2 diesel. We are able to receive larger parcel shipments of higher sulfur crude resulting in lower freight costs. In addition, the higher sulfur crude is able to blend with our staple crude yielding a better product mix.

Whereas MIF2 which comprises an import jetty, pipelines and 2 new product tanks, supports our growing sales requirement, especially for gasoline. With this new facility, we can now import finished products using larger vessels at a lower frequency, thereby reducing our freight cost. We also avoid delays in receiving import shipments, thus, reducing demurrage costs. This also helps to reduce our carbon footprint in line with our sustainability initiatives.

#### **9. Does Petron Malaysia import Russian crudes to process?**

##### Petron's response:

The Company does not import Russian crude.

#### **10. In relation to the refined products produced at the Refinery (eg diesel, gasoline etc.), is there flexibility for the refinery to change the proportion of the refined products according to market prices?**

##### Petron's response:

We have the capability to do this and have been successfully doing so. We are able to run the refinery at the lowest rate when we see the economics is not favourable and this is the reason our refinery run was at the low point last year. But there is an opportunity for us to recover now as the margin is attractive, and so we can run the refinery at a higher rate in order to maximize its profitability arising from high product margins.

## APPENDIX A

- Questions from Shareholders (63<sup>rd</sup> Annual General Meeting – “AGM”)
- 

**11. Several refineries in the region have shut down due to depressed refinery margins over the past few years. Is Port Dickson Refinery not at risk of also closing down if the situation doesn't improve?**

Petron's response:

The refinery has always been an integral part of our business. We produce gasoline, diesel, and LPG, etc. to meet local demand. Our vast experience and appreciation of industry conditions allow us to operate the business on an integrated basis profitably.

**12. How much is the processing capacity of the Lumut Palm Oil Methyl-Ester plant and what is the Ringgit value of the products it produces?**

Petron's response:

The Lumut Palm Oil Methyl-ester Plant currently has a processing capacity of 5,000 Metric tons per month. It processes Refined Bleached Deodorized Palm Oil as its feedstock to produce Palm Oil Methyl Ester (PME), as well as some by glycerin, that is a by-product. We are also currently in the process of upgrading the plant to increase capacity by 30% to accommodate higher usage of biodiesel.

PME, which is more than 90% of the output, is used for our biodiesel blend while the by-product glycerin is sold to the commercial industry for various applications. The Ringgit value of these products depends on the prevailing market prices.

### **III. Shareholders' Mandate/Related Party**

**13. How does the Management ensure the terms of RRPT with PSTPL are not detrimental to the minority shareholders?**

Petron's response:

The transactions go through a competitive bidding process to ensure the best terms. There are also regular reviews and reporting of RRPT to Management and the Board Audit Committee. Besides, compliance with our set processes was audited by our internal audit.

**14. Why does PMR sells to PFI and vice versa? How much is the transaction value?**

Petron's response:

## APPENDIX A

- Questions from Shareholders (63<sup>rd</sup> Annual General Meeting – “AGM”)
- 

We leverage on our infrastructure within the group to optimise on our logistics. For example, Port Dickson Terminal and Bagan Luar Terminal owned by PMR will serve the entire group. Similarly, Kuantan Terminal and Pasir Gudang Terminal owned by a sister company, PFI, also serves the entire group including PMR.

Actual volume intercompany product transactions are based on actual demand which continues to vary from time to time.

### **IV. Risk Management**

15.

- a. Can Management confirm that the Company only hedges crude oil and forex? Does the Company also hedge on crack margins? What is the percentage of production that you hedged?**
- b. What is the average crack margin that the Company made in Q1'2022?**
- c. What is the impact of China's reopening, to the regional crack margin?**

#### Petron's response

For forex, we hedge to the extent of our exposure. For crude and finished product purchases, as well as product cracks, we hedge a considerable portion of our exposure, but it also depends on the availability of suitable hedging instrument and offer, and the market condition. We proceed to hedge our crude oil and products when we are able to hedge at an acceptable cost.

The average crack margin that the Company made in Q1 2022 improved compared to 2021. It is highly sensitive information hence we are not able to share the exact figure.

China's market reopening will impact global oil prices since it is a huge market that can affect global supply and demand. As the oil prices are relatively high now, we are also impacted.

- 16. In the balance sheet, there is some RM1m inventory of crude that is already a natural hedge. Therefore, what is the need to hedge further?**

#### Petron's response

Basically, hedging is like buying insurance where there is a timing difference - when we purchase the crude oil or finished products to the time when we sell them. In between, the Company is exposed to the risk of market price fluctuations. Thus, hedging is akin to 'insurance' for us to mitigate against adverse exposure to price risks.

## APPENDIX A

- Questions from Shareholders (63<sup>rd</sup> Annual General Meeting – “AGM”)
- 

17.

- a. What is your hedge position as of 1<sup>st</sup> half of 2022 and 2<sup>nd</sup> half of 2022. What is the impact of hedging on the Company’s sales of refined products?**
- b. Would Management be able to provide some clarification on its hedging policy in the 1<sup>st</sup> Quarter of 2021 (based on the hedging in 2021)?**

### Petron’s response:

We will disclose the financial result of the 2<sup>nd</sup> Quarter and the 1<sup>st</sup> Half of 2022 when we make an official Bursa announcement. Nevertheless, our hedging policies are still the same as what we did in the past.

For 2021, we followed our guidelines but of course, this was based on the market condition as well as the available hedge instruments during the year. In general, we hedged between 40 to 60 per cent of our commodity exposures to price risk.

- 18. What can be done better to avoid loss on derivatives of RM111,642,000 incurred in FY2021? Do you have an action plan to prevent future losses?**

### Petron’s response:

The RM111.6 million derivative loss for FY2021 mainly pertains to both realized and unrealized commodity hedge loss as a result of the continued recovery in oil prices during (for the realized portion) and even beyond the year (for the unrealized portion).

It is not a disadvantage for the Company to have derivative losses since there are corresponding higher physical inventory holding gains which benefit our gross profit.

- 19. With regards to crack spread, the refining margin appeared to be going up at this point of time across Europe and Asia. How does this impact the Company?**

### Petron’s response:

As shown in the Management Presentation at the AGM, the cracks are currently improving now. As such the Company’s margin also benefits from the improving regional refining cracks.

## APPENDIX A

- Questions from Shareholders (63<sup>rd</sup> Annual General Meeting – “AGM”)
- 

**20. If the derivatives loss last year was recovered via an inventory gain, would the same be repeated in the 1<sup>st</sup> Quarter of 2022's derivatives loss?**

### Petron's response

That would be correct as there was a derivative loss particularly for the commodity hedging which was already accounted for in our 1<sup>st</sup> quarter results of RM106 million presented earlier.

**21. Despite improving cracks and turnover, the net profit after tax seems almost flat year on year. If the derivatives loss was a factor, what is being done to address this risk or recurring derivatives loss going forward?**

### Petron's response:

The view of incurring derivative losses again in the future comes with the assumption of increasing prices and cracks. Hence, there will be corresponding higher inventory holding gains even if there will be derivative losses. However, nobody can assure the movement of prices going forward.

The derivative loss that contributed to the relatively flat net profit for Q1'22 vs. Q1'21 is due mainly on the unrealized hedging loss recognized on the outstanding derivatives that are yet to mature for the balance of 2022. This is required to be valued by the accounting standards based on the prevailing price outlook as at March 31, 2022 balance sheet report date but they are temporary and non-cash provisions in the Q1'22 profit & loss statement.

## **V. Government Subsidies**

**22. How is the Company managing the substantial subsidy receivable from the Government as reported in the Financial Statements?**

### Petron's response:

We continue to conserve our cash through prudent spending and we work closely with our partner banks to support our increasing working capital requirements.

## APPENDIX A

### • Questions from Shareholders (63<sup>rd</sup> Annual General Meeting – “AGM”)

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There is an industry technical committee that we are a part of, that works closely with the Government on matters relating to fuel market regulation. This includes addressing high subsidies, including the proposed target subsidy program.

**23. Referring to page 125 of Annual Report note 5 – ‘Trade and Other Receivables’, there are subsidy receivables under non-trade amounted to RM632m that is the petrol subsidy receivable from the government. Similarly, in the quarterly results as at 31 March 2022, the total trade and non-trade receivables have gone up to RM1.4b. How much of this is subsidy related? How frequently does the Company receive subsidy payments from the Government?**

Petron’s response:

The subsidy receivables from the government as at 31<sup>st</sup> March 2022 is about half of the RM1.4 billion total receivables balance. The amount of subsidy receivables is increasing because of the high oil prices but we are able to collect on a monthly basis.

**24. During the presentation, it was mentioned that the Government plan to do a targeted fuel subsidy. Could you tell us how this will be done and the impact on the Company?**

Petron’s response:

It is premature for us to assess the impact at this point of time as the plan to implement is still at its very early stage. We are working with the government currently to make sure that the final mechanism for implementation is feasible for all the oil companies.

## **VI. Sustainability/Electric Vehicle**

**25. Do you have a Sustainability Target Statement similar to other companies who have set ‘Net Zero Carbon Emissions’ by 2050?**

Petron’s response:

For so many years now, we have been implementing key programs on sustainability foremost of which are targeted towards environment management, community/stakeholder engagement, as well as transparency and good governance.

## APPENDIX A

### • Questions from Shareholders (63<sup>rd</sup> Annual General Meeting – “AGM”)

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Currently, we are reviewing our overall sustainability roadmap with the aim of pursuing more robust ESG initiatives. Towards this end, we will also come out with our sustainability statement.

#### **26. With the slowing down of car sales in Malaysia and the world moving towards EV cars, what will Petron’s plans be to deal with this phenomenon?**

##### Petron’s response:

Car sales in Malaysia are still quite strong, including cars running on MOGAS or diesel. In fact, if you try to buy a car in Malaysia today, there is a 3 to 6 months waiting period. Currently, EV and hybrid cars account for a very small percentage of the total cars in Malaysia with less than 3%. So, we will continue to observe the government policy before we commit to any long-term plans. However, we have started looking at what we can or cannot do. For instance, we do have a pilot station now offering EV chargers, but it is still at an infant stage, and we would like to have more data before we invest for a longer term.

## **VII. Business Outlook/Profitability/Market Share**

#### **27. Petron retail stations have 2 types of ownership - one under Petron Malaysia Refining & Marketing Bhd and the other a private entity that is wholly owned by Petron. Are there any plans to consolidate the two companies?**

##### Petron’s response:

We do not have any immediate plans for such corporate exercise. Such an exercise would be expensive and will remove available financial resources from investments the Company can make to further strengthen the Company’s business and sustain its financial performance.

#### **28. The Company has both a marketing business and a refinery. In terms of earning contribution, which segment is the main contributor to the financials and what is this in terms of percentage?**

##### Petron’s response:

We would like to emphasize that the company is an integrated company. Both the refinery and marketing are contributing to the gross margin, and we are not officially reporting the split

## APPENDIX A

### • Questions from Shareholders (63<sup>rd</sup> Annual General Meeting – “AGM”)

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between the two. Our main business is the retail business but, in terms of the supply chain, we are sourcing either from the refinery production or imports of the finished products. So, all parts of the supply chain are contributing to the margin. But we are not able to disclose the split between the two.

**29. Petron grew its market share to 21.7% in 2021. Is the market share based on the sale of petroleum products only or does it also include data involving other sales such as in the convenience stores?**

Petron's response:

At present, the data is limited to retail market share for diesel and gasoline only.

**30. What was the impact of the Pandemic-related movement controls?**

Petron's response:

Domestic volume for FY2021 declined by about 30% as compared to the pre-pandemic level. However, the volume has since recovered in 2022 as economic restrictions eased.

**31. Has the war in Ukraine impacted the Company?**

Petron's response:

The ban on Russian crude oil has caused oil supply tightness in the regional market. However, we neither have any term crude supply contracts with Russian entities nor do we purchase Russian crude as such is incompatible with our refinery's configuration.

## **VIII. Capital Expenditure**

**32. For the current expansion of our refinery, what is the balance of CAPEX we need to spend to support the completion of the expansion of refinery?**

Petron's response:

We have just completed the 2 major projects which are DHT and MIF2 facilities. We do not have any new expansion project for the refinery, at the moment.



## APPENDIX A

- Questions from Shareholders (63<sup>rd</sup> Annual General Meeting – “AGM”)
- 

### **33. In relation to retail station expansion plans:**

- (a) what are the plans for the coming years;**
- (b) how much CAPEX do we plan on spending; and**
- (c) what are the locations we will concentrate on?**

#### Petron’s response:

Generally, we continue to invest in profitable retail business and growing our retail service stations is one of the ways for us to continue to improve our retail market share. Last year despite the pandemic, we were able to open 18 service stations and we will continue to invest in retail petrol station expansion. In terms of the budget and where the stations are located, this will depend on where the opportunities are.

Whilst we cannot divulge the Capex plans or locations we plan on investing in, every service station we invest in is well studied to ensure that the Company gets adequate return be it a highway site or a site in a sub-urban area or sites in rural areas. Investments in smaller or rural areas require lower investment and so we do not need such high volume to recover the investment. If we invest in an expensive highway site, we will need more volume to justify the investment. Thus, economics and other relevant considerations will drive the decision on the location and target volume given the investment that we spend.

## **IX. Cyber Security**

### **34. What measures have been taken by the Company to mitigate the risks of cloning the Petron loyalty cards?**

#### Petron’s response:

We have implemented a number of procedures to enhance the Petron Miles Loyalty Card security. Some of these security features include:

- One-Time Password verification on P-Miles Member Website to tighten the registration security to prevent fraud
- SMS registration validation to allow 1 handphone number registration per card

Moving forward, there will be more enhancements will be introduced to the Company’s P-Miles Loyalty system to protect it from a breach.