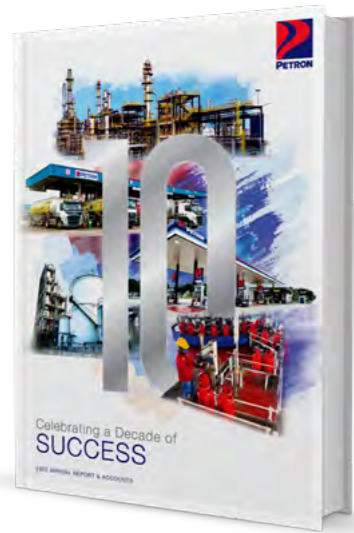




# Celebrating a Decade of SUCCESS

# INSIDE THIS REPORT



## COVER RATIONALE

## CELEBRATING A DECADE OF SUCCESS

In 2022, Petron Malaysia celebrated 10 years of fuelling happiness. We trace back our humble beginnings to the time we built the first Petron service station in MRR2 Selayang, Kuala Lumpur in 2014. The following decade saw the incredible growth of our service station network, as well as numerous upgrades in our refinery, plant and distribution facilities, placing us at the forefront of the local oil industry.

Our 2022 Annual Report cover highlights the phenomenal growth of our operations. The bold and energetic colours symbolise our passion and commitment, drive dedication to meeting our goals, while the silver metallic elements in our 10<sup>th</sup> anniversary logo reflect the company's strength and resiliency.

In this Annual Report, we also celebrate the people—employees, business partners and other stakeholders—who have shared their time and dedication with us. We are proud of what we have achieved together and the impact we have made in our customers' lives through the products and services we offer.

We are poised to grow, rise and fuel more journeys in the next decade and beyond without forgetting our responsibilities to the environment and the communities. For us, this is only the beginning of a bigger and more exciting chapter to come.

This interactive PDF allows you to access information easily, search for a specific item or navigate between pages, sections and links.



How Our Products Reach You [↗](#)  
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## OUR VISION

To be the leading provider of total customer solutions in the oil sector and its allied businesses.

## OUR MISSION

We will achieve this by:

- Being an integral part of our customers' lives, exceeding expectations and meeting changing needs, delivering a consistent customer experience through quality products and innovative services
- Developing strategic partnerships in pursuit of growth opportunities
- Fostering an entrepreneurial culture that encourages teamwork, innovation and excellence
- Acting with professionalism, integrity and fairness at all times
- Adhering to the strictest safety and environmental standards
- Promoting the best interests of all our stakeholders and caring for our community

## OUR VALUES



## 64<sup>th</sup> Annual General Meeting

**VENUE:** Royale Chulan Damansara  
2A, Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor, Malaysia.

**DATE:** 15 June 2023 (Thursday)  
2:00 p.m.

## 1. CRUDE/PRODUCT IMPORT



### CRUDE OILS

Discharge via Single Buoy Mooring (SBM)

## 2. REFINERY



### PORT DICKSON REFINERY

#### Capacity

88,000 barrels per day

#### Refined Products

- i. Gasoline 100,97,95 RON
- ii. Automotive Diesel Oil (ADO)
- iii. Liquefied Petroleum Gas (LPG)
- iv. Jet Fuel
- v. Naphtha
- vi. Low Sulphur Waxy Residue (LSWR)

## 3. TRANSPORTATION, STORAGE, LOGISTICS



### Our Facilities in Malaysia

- i. Port Dickson Refinery, Negeri Sembilan
- ii. Port Dickson Terminal, Negeri Sembilan
- iii. Bagan Luar Terminal, Penang
- iv. Lumut POME Plant, Perak
- v. Kuantan Terminal, Pahang\*
- vi. Westport Terminal (JV-BHP), Selangor\*
- vii. KLIA Aviation Depot (JV-Petronas/Shell), Kuala Lumpur
- viii. Klang Valley Distribution Terminal (JV-Petronas/Shell), Selangor
- ix. Pasir Gudang Terminal (JV-Chevron), Johor\*
- x. Sepangar Bay Terminal, Sabah\*
- xi. Sandakan Terminal, Sabah\*
- xii. Tawau Terminal, Sabah\*

\*Petron Malaysia Refining & Marketing Bhd (PMRMB) affiliate terminals

## 4. END USERS

### RETAIL



Our service stations provide a rewarding one-stop centre experience for travellers on the road.

### COMMERCIAL

Petron Malaysia supplies a wide range of industrial fuels including ADO, Gasoline and Jet Fuel to industries powering the Malaysian economy.



#### Aviation

Our jet fuel is a kerosene-type aviation fuel used by commercial aircraft.



#### Gasul

Our efficient and clean-burning Petron Gasul LPG comes in 12kg, 14kg and 50kg variants.

# A DECADE OF FUELLING HAPPINESS

Petron Malaysia celebrated 10 years of remarkable achievements and milestones in serving its customers and contributing to the nation. We proudly look back on the journey that Petron Malaysia has embarked on, from its humble beginnings to becoming one of the country's leading oil companies.

Backed by our strong workforce and with the support of our partners and other stakeholders, we are poised to grow further, rise higher and continue Fuelling Happy journeys in the next decade and beyond.

## 2012



### Inception in April 2012

Petron started operations in Malaysia after its successful acquisition of ExxonMobil's downstream businesses in Malaysia on 2 April 2012.



### Petron Fuelled Malaysia Airlines A380 Fleet

Petron Malaysia fuelled the Malaysia Airlines inaugural A380 flight from Kuala Lumpur to London.



### Rebranded Esso/Mobil Stations to Petron

## 2013

### Go-To-Safety-Point (GTSP) Launch

Petron and Royal Malaysia Police jointly launched GTSP in 2013. Under its 'United Against Crime' campaign, the public can seek early assistance at Petron service stations during emergencies. Petron is the first Oil and Gas (O&G) company to roll out the initiative.



## 2014



### 1st New Build Petron Station

The President of the Philippines, His Excellency Benigno S. Aquino III, officiated the first 'new build' Petron Malaysia service station, MRR2 Selayang.



### The New Petron Miles Privilege Card

Petron Malaysia launched the new Petron Miles Privilege Card to replace the ExxonMobil's Smiles Loyalty Card Programme.

### The New Petron Fleet Card

Petron Malaysia launched the new Petron Fleet Card, the 1st in the industry that is equipped with advanced chip technology for better control and security.

## 2015



### Fuel Happy Campaign Launch

Petron Malaysia launched its 'Fuel Happy' Campaign offering a unique and rewarding 'Petron experience' to its customers.

### New 'Triple Action' Blaze 97 Euro-4M Gasoline

Petron Malaysia introduced the 'Triple Action' Blaze 97 Euro-4M Gasoline, its own proprietary additive with high-performance fuel. It gives better mileage, better power and better engine protection with reduced sulphur and benzene content resulting in cleaner emissions.

## 2016



### Blaze 100 Euro-4M Gasoline - FIRST in the Malaysia market

The first fuel retailer in Malaysia to produce and offer Blaze 100 premium fuel.

## 2017



### Petron Entered Sarawak

We entered the Sarawak service station market.



### Petron Turbo Diesel Euro 5

Petron introduced Turbo Diesel Euro 5, a technologically advanced diesel specially formulated to improve engine performance for superior acceleration, better fuel economy and reduced harmful exhaust emission.

## 2018



### Gasul 'Cash and Carry' LPG

First in the market, Petron is offering 'cash and carry' LPG at selected Petron service stations.

## 2019



### The First Modular Filling Station in Malaysia

Our 'Modular Filling Station' in Nilai, Negeri Sembilan is a first-of-its-kind service station built using a modular construction system featuring an industrial design concept.



### Acquisition of the Lumut POME (Palm Oil Methyl Ester) Plant

Petron being the first downstream O&G company to acquire a POME plant, located in Lumut, Perak.

## 2020



### Going the Extra Mile during the COVID-19 pandemic

Petron maximised every opportunity to assist frontliners and underprivileged members of the community during the COVID-19 pandemic. #kitajagakita



### A Brand-New Look of Petron Service Station

Petron Aman Putri in Selangor was the first to adopt the new design in 2020. This breakthrough design primarily revolves around the 'Less is More' philosophy.

## 2021



### Diesel Hydrotreater (DHT)

The latest addition to Port Dickson Refinery, the DHT unit, was successfully commissioned in April 2021.



### Marine Import Facility 2 (MIF2)

The MIF2, comprises of a new single buoy marine facility, two 250kb product tanks and pipelines was commissioned in September 2021.



### Petron Food Bank Programme

Petron collaborated with KPJ Hospitals in several states to set up food racks for the local community.

## 2022

### TENTu Happy Celebration

Petron celebrated its 10th anniversary with TENTu Happy Carnivals throughout the year.



## WE ARE PETRON CORPORATION

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Petron Corporation joined Malaysia's dynamic and progressive market with the acquisition of ExxonMobil's downstream businesses in April 2012. As an Asian company with a global mindset, we aim to be an integral part of the journey of every Malaysian.

### Our Structure

Petron Malaysia Group comprises of **Petron Malaysia Refining & Marketing Bhd**, a public listed company listed on the Main Board of Bursa Malaysia Securities Berhad and its sister companies, **Petron Fuel International Sdn. Bhd.** and **Petron Oil (M) Sdn. Bhd.** Petron Malaysia Group is Malaysia's third-largest downstream player.

### Our Petron brand stands for



- Innovative products



- Excellent service



- Successful partnerships built on trust



- Caring for our customers

### Our robust distribution network

With more than **750 service stations nationwide**, including service stations that are of our sister companies, we supply reliable and quality top-of-the-line fuels:



- Blaze 100RON Euro 4M



- Turbo Diesel Euro 5



- Blaze 97RON Euro 4M



- Diesel Max Euro 5



- Blaze 95RON Euro 4M

### Our facilities in Malaysia

- Port Dickson Refinery (PDR)** has a capacity of **88,000 barrels per day**, producing various petroleum products like gasoline, ADO, LPG and jet fuel.
- Our world-class fuels are distributed from **10 strategically located depots and terminals** of Petron subsidiaries in Malaysia.
- Lumut POME completed its plant capacity expansion in 2022 to produce **crude glycerine, refined glycerine and up to 90,000 metric tons of Palm Methyl Ester (PME) per year.**

### We provide a rewarding one-stop centre experience for travellers on the road



- Treats**, our convenience store offers amenities such as shopping marts and fast food restaurants.



- Petron Gasul**, our premier LPG brand, provides efficient energy for Malaysian households for cooking, lighting, etc., and is now available for cash and carry at selected Petron service stations.

### We take our community development seriously

Beyond our business agenda, we take our corporate and social citizenship to heart by supporting safety, environment and education programmes to ensure that our impact of the economy, environment and social continue to be relevant.

The Petron Malaysia Group is a fast-growing ASEAN oil company with a track record for excellence and experience, spanning one decade. We remain focused on our strategies for mitigating business risks, prudently managing our resources and continuing to enhance operational efficiencies that are aligned with our vision.

## FINANCIAL HIGHLIGHTS

### REVENUE

**RM18.4**

billion

(FY2021 RM9.2 billion)



100% ▲

### TOTAL SALES VOLUME

**33.8**

million barrels

(FY2021 26.4 million barrels)



28% ▲

### PROFIT FOR THE YEAR

**RM301**

million

(FY2021 RM238 million)



26% ▲

## BUSINESS HIGHLIGHTS

More than

**750**

service stations\* nationwide

Close to

**140**

service stations\* offering cash and carry LPG

More than

**100**

F&B inserts on our non-fuel offerings

Introduced our

**1st**

Petron Mobile Application to provide better services and rewards to our loyal customers

**658**

employees\* under Petron Malaysia Group

**7th**

time winning silver in Putra Brand Awards

**6th**

time winning the Malaysian Society for Occupational Safety and Health (MSOSH) Grand Award

Achieved

**33.17**

million manhours loss time injury free, equivalent to 25.82 years at the Group's terminals

(\*PMRMB and its sister companies)

## SUSTAINABILITY HIGHLIGHTS

### ECONOMIC



- Collaborated with the **Ministry of Rural Development and the Ministry of Domestic Trade & Consumer Affairs (MDTCA)** to provide business opportunities to **70 entrepreneurs** through 'Sapot Lokal' in 2022
- Invested **≈RM608,000** in the **community and external beneficiaries**

### ENVIRONMENT



- Cleaner Fuel.** Production of ADO with significantly lower sulphur content from **500ppm to 10ppm** through DHT
- A total of **≈920MT** of bio-sulphur was produced from Bio-Sulphur Recovery (BSR) Plant for fertiliser production in 2022

### SOCIAL



- ≈5,200 people** benefited from our local community programmes including volunteerism movement of Petron employees, Volunteerism in Action (VIA).
- Provided aid to **1,110** families and Petron station staff affected by the flood

### GOVERNANCE



- 100%** business operations assessed for corruption-related risks
- Zero** reported incidents of corruption

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## AWARDS



### Malaysian Society for Occupational, Safety and Health Awards (MSOSH) 2022

**Category: Grand Award Winner**  
Facility: Kuantan Terminal\*

**Category: Gold Merit**  
Facility: Bagan Luar Terminal

Facility: Pasir Gudang JV Terminal\*

Facility: Sepangar Bay Terminal\*

**Category: Gold Class 1**  
Facility: Port Dickson Terminal

Facility: Sandakan Terminal\*

Facility: Tawau Terminal\*

Facility: KLIA Aviation Depot



### Putra Brand Awards 2022

**Category: Automotive – Fuel, Lubricants & Accessories (Silver)**



### The MARKies Award 2022

**Category: Most Creative – Integrated Media (Bronze)**



### Marketing Excellence Awards 2022

**Category: Excellence in Sponsorship Activation for Petron Gasul Bazaar Ramadhan (Bronze Award)**

**Category: Excellence in Consumer Insights & Market Research for Petron Jom Jalan Jalan (Bronze Award)**

\* PMRMB affiliate terminals

## CERTIFICATIONS

### 5S/Quality Environment Certification

#### 3-Star Rating

Bagan Luar Terminal, Sandakan Terminal\*, Kuantan Terminal\*, Tawau Terminal\*

#### 2-Star Rating

Pasir Gudang JV Terminal\*, Port Dickson Terminal

#### 1-Star Rating

Sepangar Bay Terminal\*

### Integrated Management System (ISO 9001, ISO 14001, ISO 45001)

Port Dickson Refinery, Port Dickson Terminal, Kuantan Terminal\*, Bagan Luar Terminal, Pasir Gudang JV Terminal\*

### Quality Management System (ISO9001)

KLIA Aviation Depot, Sepangar Bay Terminal\*, Sandakan Terminal\*, Tawau Terminal\*

### Malaysian Sustainable Palm Oil (MSPO) Certification

Bagan Luar Terminal, Lumut POME Plant

### HALAL Certification from JAKIM

Lumut POME Plant

### KOSHER Certification from Orthodox Jewish Community of Singapore

Lumut POME Plant

### Prime Minister's Hibiscus Award 2021/2022

#### Exceptional Achievement in Environmental Performance

Pasir Gudang JV Terminal\*  
Port Dickson Refinery

#### Notable Achievement in Environmental Performance

Sepangar Bay Terminal\*  
Bagan Luar Terminal  
Kuantan Terminal\*

\* PMRMB affiliate terminals

# FIVE-YEAR SUMMARY CHARTS

# FIVE-YEAR SUMMARY CHARTS

ANNUAL REPORT 2022

## FINANCIAL HIGHLIGHTS

RM Million	2018	2019	2020	2021	2022
Revenue	12,047	11,457	6,462	9,183	<b>18,350</b>
Profit/(Loss) for the year	225	177	(13)	238	<b>301</b>
Total assets employed	3,135	3,180	2,978	4,295	<b>4,764</b>
Total equity	1,669	1,786	1,742	1,969	<b>2,217</b>
Sales volume (million barrels)	35.5	36.3	28.6	26.4	<b>33.8</b>

## SHAREHOLDERS' INFORMATION

RM Million	2018	2019	2020	2021	2022
Earnings/(Loss) per ordinary share (sen)	83.2	65.6	(4.9)	88.3	<b>111.3</b>
Dividends per ordinary share (sen)	20.0	12.0	5.0	20.0	<b>25.0</b>
Dividend yield (%)	2.3	2.0	1.2	4.4	<b>5.1</b>
Share Price (RM)					
- Highest	14.16	7.50	6.75	5.41	<b>7.73</b>
- Lowest	6.01	4.92	2.49	4.05	<b>4.18</b>
- Average	8.59	5.99	4.03	4.52	<b>4.92</b>
Number of employees at year-end	343	349	341	241	<b>265</b>

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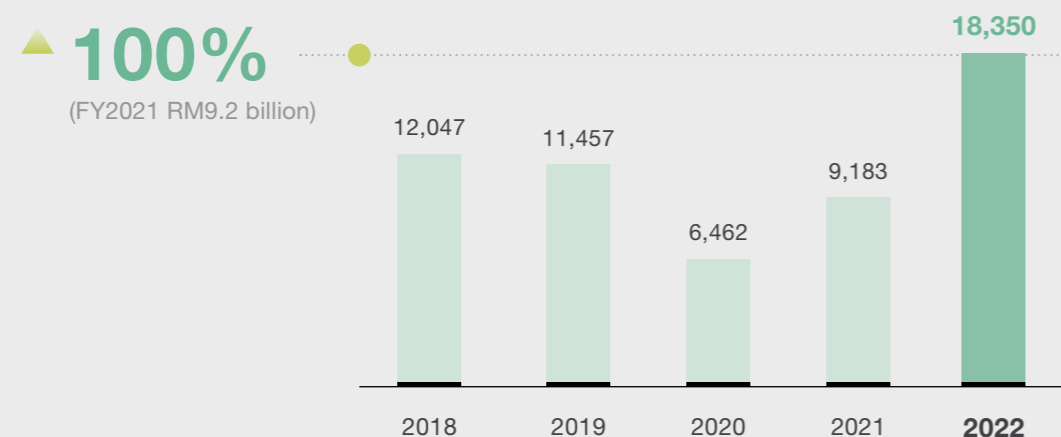
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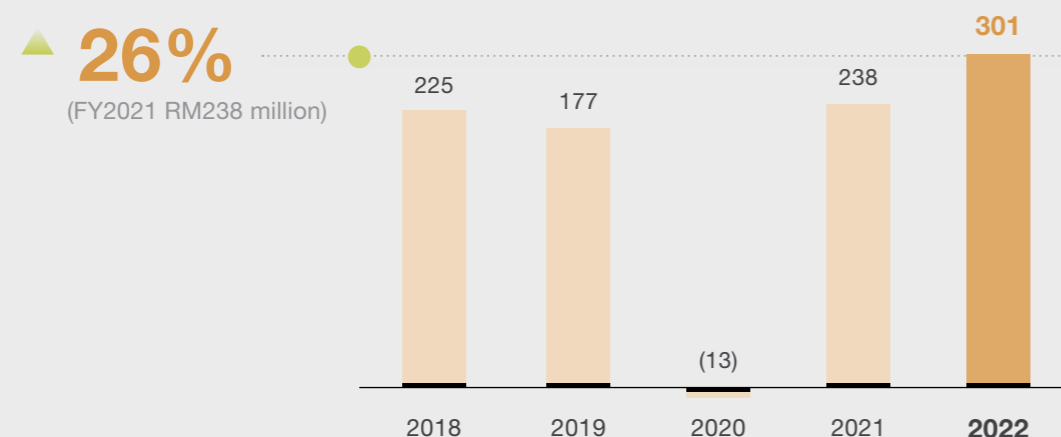
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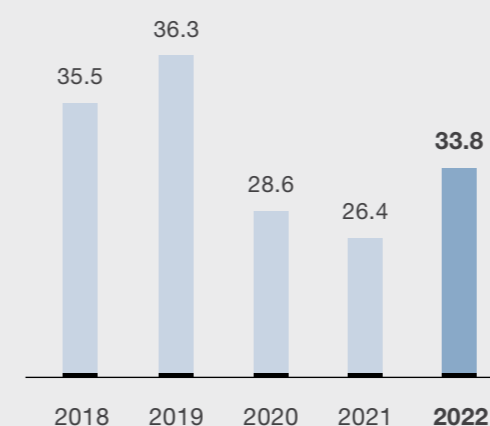
### REVENUE (RM Million)



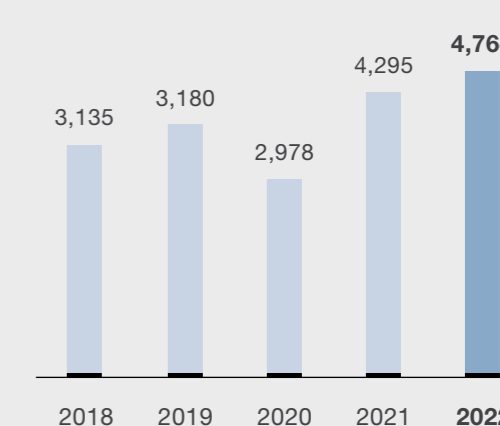
### PROFIT/(LOSS) FOR THE YEAR (RM Million)



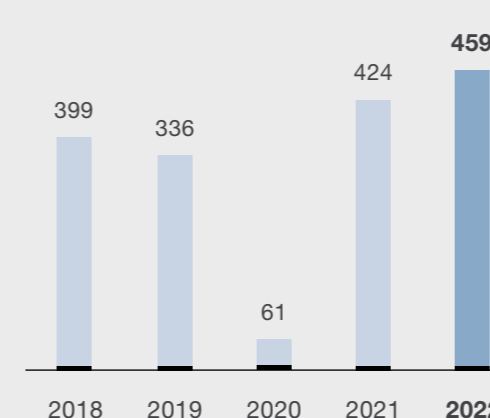
### SALES VOLUME (Million barrels)



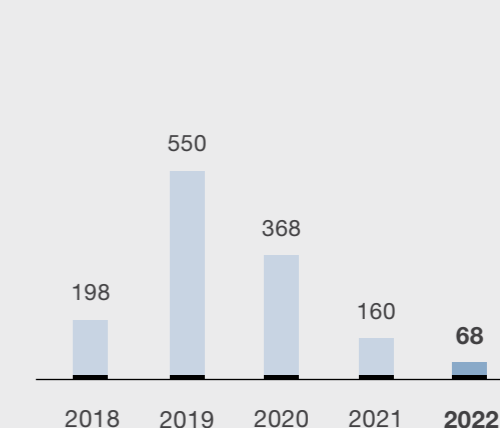
### TOTAL ASSETS EMPLOYED (RM Million)



### EBITDA (RM Million)



### CAPITAL EXPENDITURE (RM Million)





## DEAR SHAREHOLDERS,

In 2022, we celebrated Petron's 10<sup>th</sup> anniversary in Malaysia, a significant milestone over a decade-long journey. From the rebranding of former Esso and Mobil stations to Petron and opening of the first newly-built Petron service station in MRR2 Selayang - a network that has since grown to over 750 under the Group - to the successful commissioning of the new Diesel Hydrotreater (DHT) and new Marine Import Facility 2 (MIF2) facility at PDR in 2021, we have cemented a strong reputation for resilience with a clear vision for success and sustainability.

While 2022 was a turning point for the pandemic, it was also a year filled with challenges from heightened oil market volatility and economic uncertainties. The geopolitical tension triggered by Russia's invasion of Ukraine has disrupted the global market, sending energy prices, especially transport fuel prices, to historic highs in the first half of the year and raising inflation around the world. Meanwhile, China's continued COVID-19 restrictions along with the successive hikes in interest rates by the monetary governing bodies to temper inflation have also restricted demand growth, heightening fears of global recession and leading to the correction of oil prices in the second half of the year. The benchmark Dated Brent crude oil price averaged US\$101 per barrel in 2022, 43% higher than its US\$71 average in the preceding year. Prices rose to an average of \$107.59 per barrel in the first half but declined to an average of \$94.78 in the second half.

**RAMON S. ANG**  
*Chairman*

In Malaysia, the economy continued to show improvements attributed to the country's transition into the endemic phase. This fuelled the continued increase in domestic demand as economic activities normalised. The economic recovery further gained momentum as consumer spending registered its highest annual growth of 8.7% in two decades.

### Delivering Strong Financial Results

The domestic demand recovery remained a key driver for the Company's strong performance in 2022. Notwithstanding the market volatility and uncertainties during the year, our ability to respond to the surge in demand while maintaining uninterrupted operations at our facilities allowed us to deliver strong financial results. Our sales volume returned to its pre-pandemic level, increasing to 33.8 million barrels from 26.4 million barrels in 2021.

With higher sales volume and elevated prices of refined petroleum products, the Company's revenue increased to RM18.4 billion, twice that of 2021.

This resulted in a net profit of RM301 million, 26% higher than RM238 million in the prior year.

### Maintaining a Safe and Efficient Value Chain

The unprecedented challenges arising from the pandemic and ongoing geopolitical tensions have fundamentally changed the business environment in which we operate. As we continued to evolve with the times, we aligned our strategies, enhanced our capabilities and maximised our resources to ensure that we can adapt and overcome the constantly changing business landscape.

Our strategic objectives guided us in pursuing new growth opportunities. In 2022, we expanded our retail network by adding 17 more service stations under the Petron Malaysia Group. To provide more convenience and better accessibility to our LPG products, we also increased the number of stations that sell Petron Gasul. This synergy further solidifies our retail stations' offering for our customers as a 'one-stop shop'.

Sales Volume

**33.8 million barrels**

higher than

**26.4 million barrels** in 2021

Revenue increased to

**RM18.4 billion**

double from RM9.2 billion in 2021

Net Profit of

**RM301 million**

26% higher than

**RM238 million** in 2021



A newly opened station in Seremban 2 featuring the new design.



We place equal importance on sustaining our operational efficiencies. Under our preventive maintenance and upgrading programmes, we installed more pumps and tanks to optimise our forecourt facilities. Throughout the year, various dealer engagement programmes were also carried out to strengthen customer experience. As the nation progressed towards digitalisation, we launched the Petron Mobile Application (PMA), our digitalised P-Miles loyalty programme aimed at providing better services and rewards to our customers.

We also focused on optimising our facilities to achieve better productivity and operational efficiency. The two most recent major investments at PDR, our DHT and MIF2, continued to deliver benefits to the Company:

- The DHT not only allows us to produce more premium priced Euro 5 diesel but also enables our refinery to process slightly higher sulphur crude which we can buy at bigger and more economical parcels improving our plant efficiency. The BSR facility uses organic bacteria to recover sulphur from the DHT. This process promotes energy efficiency as it does not require fuel-fired equipment or operations, which is consistent with the Company's objective towards minimising energy consumption and reducing carbon emission.



The successfully commissioned MIF2 with the two new 250,000-barrel products tanks contribute savings in logistics cost.

- The two newly built product tanks under MIF2 enables us to receive larger parcels of imported finished products, thereby reducing frequency of imports and at the same time support the high volume growth last year. This not only helped the Company in cutting down its logistics cost but also in reducing carbon emission from fewer import vessels.



The BSR unit (in blue) was designed to recover sulphur from the DHT (in yellow trimming).

## Focusing on What's Ahead

The increasingly volatile nature of the oil and gas industry has pushed us to be more agile, innovative and sustainable in our approach. As we pursue our long-term business growth, enhancing our efficiencies, managing our resource utilisation and mitigating risks are fundamental to how we navigate the future.

Supporting Malaysia's aspirations of being carbon neutral by 2050 is a monumental pledge and requires a holistic approach. In 2022, we enhanced our governance structure by establishing a Board Sustainability Committee to steer the Company's sustainability strategies, priorities and targets. Our enhanced Sustainability Policy reflects our commitment to generate positive economic impact, minimise our environmental footprint, bolster our social contributions and enhance our corporate governance.

## Acknowledgment

On behalf of the Board of Directors, I would like to express my heartfelt gratitude to our shareholders, employees, customers, business partners, dealers and other stakeholders for their steadfast cooperation and support to our company. My deepest appreciation goes out as well to our Board of Directors for their insights and guidance. We look forward to sharing more milestones with you, as we commit to making the coming years as fruitful and rewarding as the decade that passed.

**RAMON S. ANG**

Chairman



Our winning streak at the 40<sup>th</sup> MSOSH Awards is a testament to our outstanding Occupational Safety and Health performance.

Our distribution and terminal operations continued to operate efficiently and flawlessly with zero unplanned downtime and on-time delivery throughout the year. In line with Petron's commitment to the highest occupational safety and health standards, the Company together with its sister companies' terminals received various awards at the 40<sup>th</sup> Malaysian Society for Occupational Safety and Health (MSOSH) Awards Ceremony, held in December 2022. Kuantan Terminal received the prestigious Grand Award, while three (3) Gold Merit Awards were given to Bagan Luar Terminal, Pasir Gudang JV Terminal, and Sepang Bay Terminal and four (4) Gold Class 1 Awards to Port Dickson Terminal, Sandakan Terminal, Tawau Terminal and KLIA Aviation Depot. The Company's POME plant in Lumut has successfully expanded its production capacity by 30% during the year to meet the increasing demand for biodiesel and upgraded its wastewater treatment facility to ensure strict compliance with all environmental requirements.



The wastewater effluent from our Lumut POME Plant complies with the strict requirements of the Department of Environment.

Petron Malaysia Group ("the Group") is Malaysia's third-largest downstream player and comprises Petron Malaysia Refining & Marketing Bhd ("PMRMB" or "the Company"), Petron Fuel International Sdn. Bhd. ("PFISB") and Petron Oil (M) Sdn. Bhd. ("POMSB"). With its crude oil refining plant, Palm Oil Methyl Ester (POME) plant, terminal and service station operations, the Group takes pride in providing innovative products and total customer solutions to serve the nation's needs.



## STRATEGIC OBJECTIVES

Despite heightened market volatility and geopolitical tensions, our business continued to grow in 2022. We pursued our long-term strategic objectives with the implementation of our plans and programmes. Our strategic objectives will enable us to achieve our vision to be the leading provider of total customer solutions in the oil sector and allied businesses. These will also make us more resilient in facing market challenges and capitalise further on growth opportunities.

### PETRON STRATEGIC OBJECTIVES

<b>Brand Building and Market Expansion</b>	<ul style="list-style-type: none"> <li>✓ A profitable network of service stations</li> <li>✓ Innovative and high-quality products and services supported by creative marketing programmes</li> <li>✓ Expansion of profitable commercial businesses through tie-ups and solicitation of major accounts</li> </ul>
<b>Supply Chain and Refinery Improvements</b>	<ul style="list-style-type: none"> <li>✓ Efficiency in crude and finished product purchases and prudent inventory management</li> <li>✓ Refinery and logistics expansion and upgrade</li> <li>✓ Robust risk management and aspired operational excellence</li> </ul>

Amidst the uncertainties and challenges during the year, we remained committed to initiatives that support the Group's long-term objectives.

## Retail

Malaysia transitioned into the endemic phase in April 2022, allowing the nation to return to near normal life after two years of strict COVID-19 protocols. The lifting of interstate travel restrictions coupled with the re-opening of international borders, loosening of travel restrictions and full resumption of economic activity supported domestic demand recovery, particularly in the second and third quarters. These factors contributed to an increase of about 40% in total retail industry demand in 2022.

Although several activities took a backseat during the pandemic, we stayed on course and further grew our market presence. We expanded our retail network with the opening of 17 new service stations under the Group, bringing our presence to more than 750 service stations nationwide. We take pride in introducing our new service station design with a medium-sized Treats store in Seremban 2. Its minimalist and industrial style allows us to future-proof our service stations and advance our sustainability agenda by using extensive natural lighting and ventilation. The service station is further fitted with energy efficient LED lightings under the canopy and in the C-store as well as a rainwater harvesting system to reduce treated water consumption for non-potable use.



Our new service station design with a medium-sized Treats store in Petron Seremban 2.

Backed by improvements in the economy, the Company carried out a wide array of initiatives to boost its sales volume. We launched 'TENtu Happy Ohsem Treats', a five-month long campaign in conjunction with Petron's 10<sup>th</sup> year anniversary. After two years of not being able to hold physical events with our customers, we held the 'TENtu Happy Carnival' at our service stations. We successfully organised 60 Customer Appreciation Day (CAD) and Grand Opening (GO) events nationwide. This is our way of recognising and conveying our appreciation to our customers who have remained supportive and loyal to Petron. We continued to engage and offered our Petron Miles (PMiles) members with delightful rewards through collaborations with our partners. The reward programme continued with another exciting promotion with our partner,

the Türkiye Tourism Board. Together, we launched 'Jom Jalan-Jalan Türkiye'. The nationwide promotional campaign aims to reward PMiles members by giving them a chance to win an all-expenses paid trip in line with the 'Go Türkiye Campaign' globally. For Petron, this campaign is a continuation of our highly successful 'Jom Jalan-Jalan' campaign that started in October 2021 when inter-state travel was first allowed.



Petron Malaysia with the Türkiye Tourism Board launched 'Jom Jalan-Jalan Türkiye', a nationwide promotional campaign where PMiles members can win an all-expense paid trip to the Türkiye.

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## Retail

While rewarding existing PMiles members, we also pursued the growth of our customer base. We launched our PMA, our digitalised PMiles loyalty programme that provides better services and rewards that further enhanced customer experience. We ran numerous programmes to engage and attract new PMA members including the sponsorship of Korean-pop group Super Junior concert held in October 2022. For each successful download during the concert day at our PMA booth, visitors were given an exclusive Super Junior handheld fan. A total of 2,000 fans were given away on the concert day.



Our newly launched PMA enhances our PMiles loyalty programme as we aim to provide better services and rewards to our customers.



We continue to diversify our non-fuel offerings with the launch of the 100<sup>th</sup> Costa Coffee self-serve coffee machine at Petron Bukit Tengah, Penang.

As one of the leading providers of total customer solutions in the oil sector and allied businesses, we further diversified our non-fuel offerings. Following the successful collaboration with FoodPanda in 2021, we teamed up with ShopeeFood the following year to further increase our Treats offerings. To date, we have partnered with many reputable brands such as Costa Coffee, Chatime and Rotiboy, with more than 100 locators and inserts. In November 2022, we marked the installation of Costa Express' 100<sup>th</sup> self-serve coffee machine at Petron Bukit Tengah, Penang. Our Petron Skudai Toll NB in Johor brought us pride by receiving two (2) awards from COSTA for its outstanding sales performance in Malaysia and for maintaining operational excellence during the Hari Raya festive period. As for Subway, we expanded our partnership with a new insert in Petron Ukay Perdana, Selangor, marking Subway's 290<sup>th</sup> outlet in Peninsular Malaysia. We continued to expand our allied businesses by adding seven (7) new ancillary services such as car washing, vehicle-sharing parking bays and telecommunication towers. In total, we have 185 allied businesses\* at Petron service stations, making it a one-stop centre that can fulfil motorists' travelling needs while on the road.

\*Allied businesses consist 20 brands including F&B locators, inserts and ancillary services.

## Retail

At Petron, we aim to strengthen and elevate customer service experience at every Petron service station. Petron's 'Tandas Kita Bersih' initiative has proven to be successful since it was launched in 2018. Three (3) service stations namely, Petron Damansara Kayu Ara, Petron Taman Universiti and Petron Lebuh Bandar Utama won the Cleanest Premises Award for Public Food & Toilet (Service Station Category) under Petaling Jaya City Council, besting 80 other service stations. In Johor, Petron Kota Masai and Petron Masai Kong Kong won 2<sup>nd</sup> and 3<sup>rd</sup> place, respectively, in the 2022 Cleanest Public Toilet Award under Majlis Perbandaran Pasir Gudang (MBPG) Service Station Category. In Melaka, under 'Pertandingan Kebersihan & Keindahan Negeri Melaka 2022' service station category, we won three (3) out of the six (6) awards. The 1<sup>st</sup> and 2<sup>nd</sup> place went to Petron Simpang Ampat and Petron Stadium Hang Jebat, whereas Petron Tg. Keling secured the 6<sup>th</sup> position. These recognitions attest to our commitment in providing the best customer experience at Petron service stations. In addition, 'Tandas Kita Bersih' supports Petron's sustainability aspiration of promoting a culture of good sanitisation at all Petron service stations. This is in line with the UN Sustainable Development Goal (SDG) 6, which ensures access to clean water and good sanitisation for all.



Under the 'Tandas Kita Bersih' campaign, our service station dealers and staff work round-the-clock to ensure customers have clean, functional and dry toilets at any of our service stations nationwide.

We recognise and reward the efforts and contributions of our dealers and their staff in managing the day-to-day operations of our service stations. In 2022, we held our first virtual Petron Dealers Convention and presented the prestigious

Service Station of the Year (SSOY) and Platinum Shop Programme (PSP) awards. Petron Lebuh Cemerlang was named SSOY Grand Winner while Petron Subang Jaya SS14 was the PSP Annual Supreme Winner. These awards recognise dealers that have made significant improvements in their fuels and c-store sales while delivering high standards of customer service.

The Company's commitment to put customers first and to be the leading brand in the market is exemplified in our consistent wins at the Putra Brand Awards. In 2022, Petron won the Silver award under the Automotive – Fuel, Lubricants & Accessories category. At the 2022 Marketing Excellence Awards, Petron was awarded two (2) Bronze awards for Marketing Excellence in Consumer Insights/Market Research for the 'Jom Jalan-Jalan' campaign and Excellence in Sponsorship Activation for 'Petron Gasul Bazaar Ramadhan'. These recognitions reflect our commitment to provide the best customer experience to our customers.



We bagged Silver at the 2022 Putra Brand Award.

## Commercial



Petron's LPG plant located at Port Dickson Terminal.

2022 was a challenging period for the Commercial sector as demand recovered slower than the Retail sector. Total Commercial industry demand for gasoline and diesel fuel declined by about 20% from the prior year. Despite industry challenges, the Company continued to focus on optimising its margins and targeting new industrial accounts.

For the LPG business, many small food establishments did not survive the pandemic lockdown. We overcame challenges through strategic initiatives with our business partners while continuing to promote brand awareness through the effective use of social media. Campaigns that helped us promote our brand include 'Makan Best with Petron', which featured Facebook videos on the best dishes from bazaars around Klang Valley during the 2022 Ramadhan

and 'Petron Selera Tradisi Bersama Gasul,' a Facebook contest for participants to showcase their version of Malaysia's heritage cuisine.



The winners showed happy smiles at the Petron Selera Tradisi Bersama Gasul's prize-giving ceremony.

## Commercial

On the digital front, we partnered with ShopeePay to promote cashless payment for home delivery. We are proud to be at the forefront of the shift towards digital payments since launching our first cashless payment platform in 2020. In addition, we continued to make it easier for customers to place their order for gas delivery via our Facebook chatbox. We also expanded our Petron Gasul LPG 'Cash and Carry' service. To date, we have close to 140 service stations offering 'Cash and Carry' throughout Peninsular Malaysia. We also maintained the excellent condition of our LPG cylinders, consistent with the Gasul brand promise of Safety, Quality and Convenience.



Petron's premier LPG brand, Petron Gasul ensures safety, quality and convenience for all its users.

The Aviation industry demand recovered in 2022 as many countries re-opened their borders. However, the recovery in Malaysia was not as fast as other regions resulting in intense competition in aviation sales. The negative impact of pandemic travel restrictions still lingered with several airlines still in recovery mode, exacerbated by higher jet fuel cost. Despite these obstacles, we focused on maintaining our business with major local airlines and other accounts.



Petron provides high quality aviation fuel with good combustion characteristics suited for low temperature operation at high altitude.

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## Supply, Refinery & Distribution

### Diversifying Crude Oil Supply Chain

With the completion of our DHT facility, our refinery continued its crude diversification programme and processed other Malaysian crude grades such as Kimanis, Kikeh, Miri and Kidurong, among other regional crudes. In 2022, more than 90% of the crude and condensate volume processed in our refinery was Malaysia Crude Oil (MCO). With a strong focus on plant reliability through operations control and inspection programmes, our PDR was able to operate without any interruption, enabling us to maximise the strong regional refining margins during the year.

### Refinery Utilisation and Margin Improvement

Our refinery continued to undergo asset optimisation through improved process efficiency and by shifting towards lower carbon solutions. In 2022, we increased our refinery utilisation rate to 55% from 43% in the previous year, which we achieved at lower unit operating cost. Measures to improve refining margins were also put in place. These include increasing gasoline production by enhancing Powerformer operations and upgrading Naphtha into Gasoline. We also processed higher value products by optimising the refinery's operation, including regrading kerosene into better margin yielding diesel.



The completion of the new MIF2 enables us to lower freight and demurrage costs.

Our major investments at PDR continued to deliver benefits to the company. The investments on new MIF2 with the two new 250,000-barrel product tanks paid off as it lowered our freight and demurrage costs. As we are now able to receive larger parcel of imported finished petroleum products through MIF2, the frequency of chartering sea vessels has been reduced, thereby reducing fuel consumption and carbon emission. The new DHT facility enables us to process higher sulphur crude oil with better yield, making us less dependent on more expensive lighter crude and meeting Euro 5 standards on more stringent 10 ppm sulphur specifications for diesel products as mandated by the government for a cleaner environment.

## Supply, Refinery & Distribution



The new DHT facility enables us to process ultra-low sulphur automotive diesel. This is in compliance with Government's mandate to introduce Euro 5 specification diesel.

### Distribution and Plant Upgrade

Our Distribution and Terminal Operations ensure supply reliability in a safe and flawless manner. The Group's terminals achieved 33.17 million manhours loss time injury free, equivalent to 25.82 years, while maintaining delivery commitment to customers. This achievement demonstrates our dedication to operational excellence and a healthy and safe workplace for our employees.

We continuously strive for operational excellence and efficiency. Operational efficiency is key to cost optimisation and carbon footprint reduction. In 2022, we further reduced our unit trucking cost by nearly 15% through delivery rationalisation and volume optimisation, minimising inefficiencies and fuel consumption of our tank trucks.

During the 40<sup>th</sup> Malaysian Society for Occupational Safety and Health (MSOSH) Awards Ceremony in December 2022, the Group received the prestigious Grand Award for Kuantan Terminal. Our Bagan Luar, Pasir Gudang and Sepang Bay Terminals won Gold Merit awards, while Port Dickson, Sandakan, Tawau Terminals and KLIA Aviation Depot received Gold Class 1 Awards. These awards are a testament to the outstanding Occupational Safety and Health performance of our facilities.

Our Lumut POME Plant successfully carried out its scheduled turnaround in 2022. With dedication and commitment from its employees and contractors, Lumut POME Plant completed the scheduled maintenance in 2022 with zero loss time injury, zero medical treatment injury with no near loss incident, control and irregularities recorded.



We completed our 30% plant capacity expansion at our Lumut POME Plant in February 2022.

In February 2022, Lumut POME Plant completed its 30% plant capacity expansion to produce up to 90,000 metric tons of PME per year. The refurbishment and upgrading works of wastewater treatment plant (WWTP) at Lumut POME Plant to accommodate bigger plant capacity were also completed and successfully commissioned. We received an acknowledgement from Perak DOE for continuing to meet all Standard B requirements. Lumut POME Plant was also recognised as DOE Silver Business Partner for its active contributions and involvements in state DOE events.

Lumut POME Plant continues to operate with a Preferential Certificate of Origin from the Ministry of International Trade and Industry (MITI), under Asean-China Free Trade Agreement (ACFTA), Asean-India Free Trade Agreement (AIFTA) and ASEAN Trade in Goods Agreement (ATIGA) scheme. Lumut POME Plant biodiesel production is sustainable as it utilises Malaysian Sustainable Palm Oil (MSPO) as its feedstock.

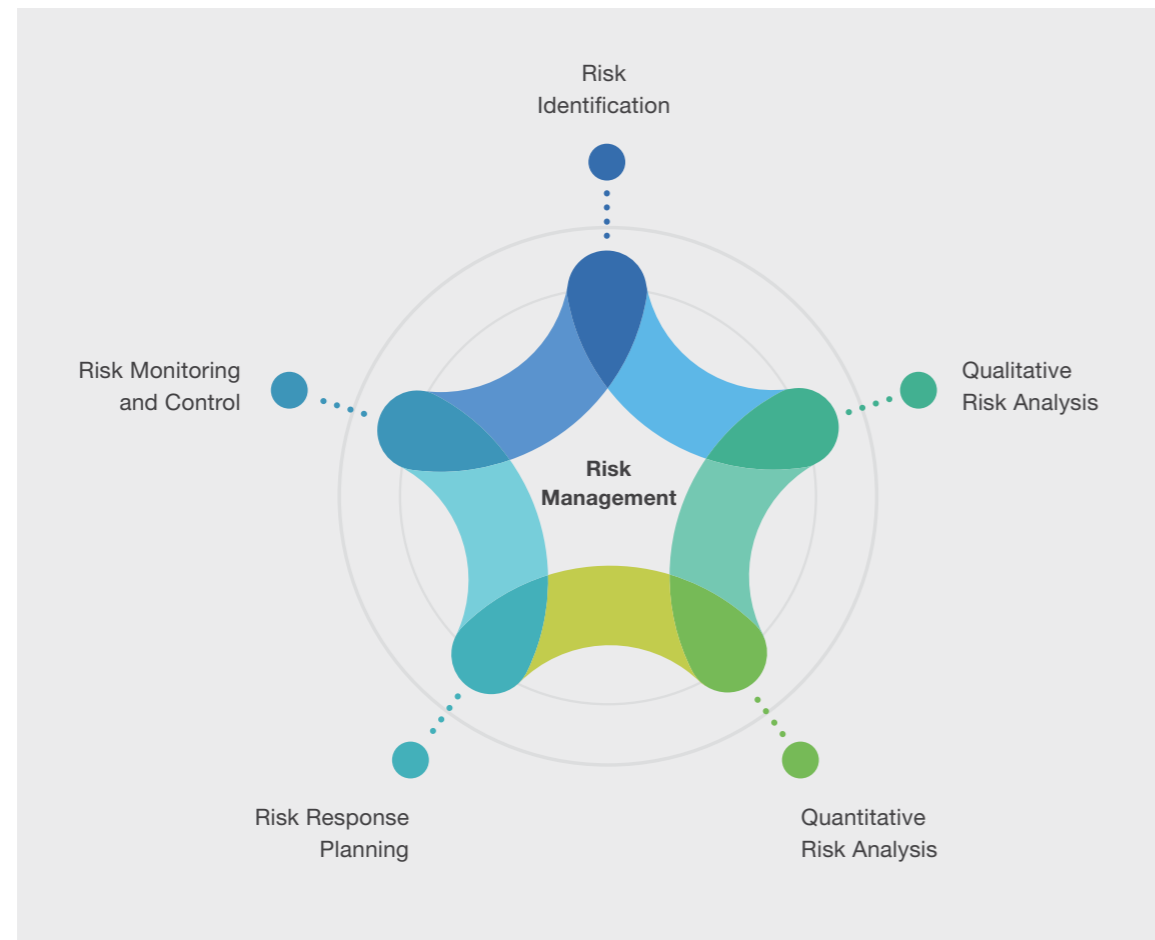
## APPROACH TO RISK MANAGEMENT

The Company is committed to operate in a safe, secure and environmentally sustainable manner. The ability to identify and manage potential threats is critical to the business. Our dedicated workforce adheres to established safe practices and designs and to stringent environmental standards. Well-defined policies and practices as well as management systems help us achieve operational excellence.

The Board recognises that managing a publicly listed downstream oil and gas company has many challenges and inherent risks. Financial, foreign exchange, legal compliance, crude and product supply, distribution, environmental challenges, safety and human resources are among them. The Board ensures that the Company continues to adhere to the management integrity system (including risk management and internal controls process) that has been put in place to ensure business continuity and safe operations.

The Board also recognises that risks can be effectively mitigated by having a robust system for recognising and addressing the Company's principal risks.

Our Risk Management strategy is shown in the diagram below:



Any condition or situation that could negatively impact our business performance is referred to as risk. We classify risks into four (4) categories:

### OPERATIONAL RISK

- Our facilities are built to meet the highest industry standards and regulatory requirements. We prioritise operational integrity at our PDR, Lumut POME Plant and fuel terminals to ensure safe and uninterrupted operations. Process equipment failures can cause unplanned shutdowns and fire breakout can render our facilities inoperable. These incidents can disrupt our supply chain. To mitigate the operational risk, all Petron operating sites are required to conform to Petron's Operations Integrity Management System (POIMS) expectations.
- As a member of the Petroleum Industry of Malaysia Mutual Aid Group (PIMMAG) and the Oil Spill Response Limited (OSRL), we are prepared to respond to any potential oil spill incident in Malaysian or international waters.
- PDR was originally designed to process light and low sulphur crudes which may constrain economical crude selection for the refinery. To manage this, we have long and short-term arrangements for crude purchases from local and international suppliers. Malaysia is an oil producer of low sulphur crude oil and has trading storage located within the country, providing available spot deals to supplement our term arrangements. We also purchase finished products locally and imported from Singapore. PDR's capability to process a higher sulphur crude oil has recently been made possible with the commissioning of the DHT plant in the second quarter of 2021.
- Most of the Company's business processes, systems and operations are dependent and interlinked using information technology (IT). Cybersecurity threats may cause serious disruption or downtime to the Company's operation if not mitigated or avoided. As such, we have put in place appropriate and adequate IT security measures, such as system firewall, anti-malware software and other tools to monitor and prevent cyber-attack. We also have developed and tested Business Continuity Plan (BCP), including off-site back-up server system to mitigate system downtime. The Company has implemented a comprehensive Information Security Management System (ISMS), an integrated set of policies, procedures and system changes aimed to protect the Company's data, information, systems and assets; and to ensure the integrity and reliability of our operations.

### FINANCIAL RISK

- Volatility in crude and product prices have an impact on the Company's financial performance. The Commodity Risk Management Committee meets weekly, or as necessary to steward appropriate inventory management decisions and implement its existing commodity hedging strategies. To protect exposures to foreign exchange volatility, US dollar-denominated assets and liabilities are also hedged with reputable counterparty banks.
- The timeliness of filing of subsidy claims with the Government and its collection could affect the Company's cash flow requirements for operations and working capital. Steps are taken to engage with the Government to get timely reimbursements and to ensure the accuracy and adequacy of documents to relevant government agencies. We also ensure we have sufficient available borrowing facilities with partner banks to help cover any temporary funding requirements.
- Our continuous engagement with the Government will prepare us for any changes in government policies and regulations that can impact our business operations.

## STRATEGIC/ MARKET RISK

- We established a product quality management system to ensure strict controls over product quality and to reduce the likelihood of any untoward incident. This also ensures that customer complaints, if any, are handled efficiently, especially those involving quality issue.
- Petron's refinery and fuel terminals in Peninsular Malaysia are Integrated Management System certified which comprises ISO 9001:2015 for Quality, ISO 14001:2015 for Environment and ISO 45001:2018 for Occupational Health and Safety. These are audited annually by the ISO certification body, namely the Standard and Industrial Research Institute of Malaysia (SIRIM) to ensure full compliance and adherence to the global quality, environmental and occupational safety and health standards. Sabah terminals within the Group received ISO 9001:2015 certification in December 2021.
- Petron ensures compliance to all applicable Government regulations thru monitoring of updates on new and existing requirements as well as regular engagements with the relevant authorities.

## HAZARD RISK

- The Emergency Response Plan (ERP) and Business Continuity Plan (BCP) have been established to deal with significant risk incidents including cybersecurity and the recent pandemic. Each Business Unit's operating site conducts periodic drill exercises to assess its preparedness and readiness to respond to such incidents. Procedures and controls are in place to target zero work-related injury or illness and avoid significant property damage.
- Throughout the COVID-19 pandemic and during the endemic phase, all employees and visitors to our plants and facilities were required to be fully vaccinated. Employees infected with COVID-19 and those in close contact were instructed to be quarantined in accordance with the Ministry of Health guidelines. A clearance from a Company Appointed Doctor was required before returning to work.



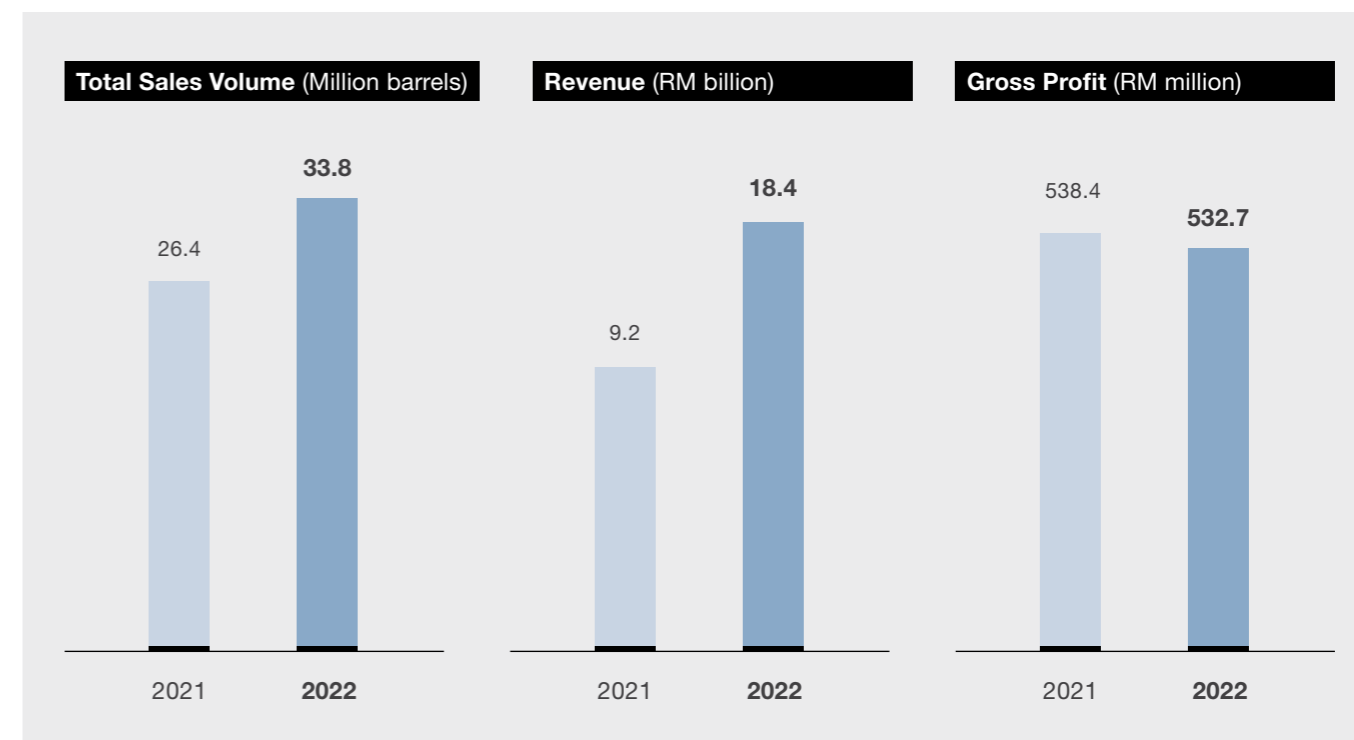
The Fire Fighting Emergency Response Team in our Port Dickson Refinery is always ready to respond to emergencies and mitigate sudden disruptions.

## FINANCIAL PERFORMANCE

As the country transitioned to the endemic phase, the lifting of travel restrictions and re-opening of business sectors have revitalised domestic consumption and fuel demand. The Company's sales performance also recovered as 2022 volumes improved by 28% to 33.8 million barrels compared to 26.4 million barrels in 2021, with Retail volumes even exceeding pre-pandemic level.

The year 2022 was a very challenging period due to significant price volatility largely driven by geopolitical conflicts constraining oil supply. The benchmark Dated Brent crude price reached historic highs in the first half of the year before retreating in the second half as high inflation increased the negative market sentiments tempering the demand growth. Nevertheless, Dated Brent remained elevated at US\$101 per barrel average compared to US\$71 per barrel average in 2021.

With a sustained sales recovery and elevated prices, the Company delivered a net profit of RM301 million for the year, 26% higher than RM238 million in 2021.



### Revenue and Gross Profit

The Company's revenue of RM18.4 billion was double that of 2021's RM9.2 billion, at the back of improved sales volume and higher prices. The resulting gross profit of RM532.7 million was slightly lower than 2021's RM538.4 million, as market freight and premium cost on crude oil and imported finished products became more expensive due to the global supply tightness.

### Dividends

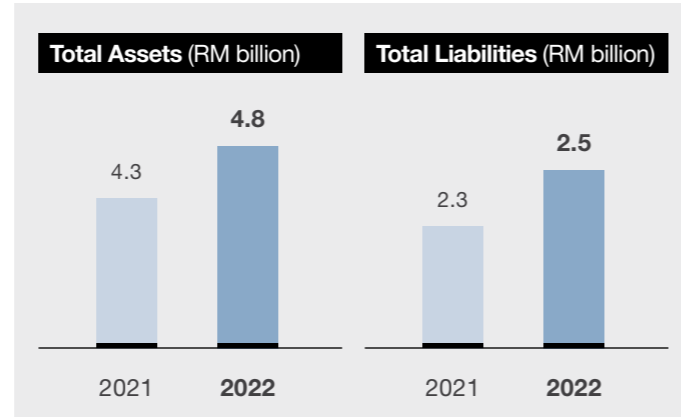
During the Annual General Meeting held in June 2022, shareholders approved a dividend payout of 20 sen per share for the financial year 2021. For the financial year 2022, the Company is recommending a dividend of 25 sen per share. The dividend pay-out which translated to about 22% of the 2022 net income, considered among others, the cash position and funding requirements of the Company.

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## Financial Position

The Company's total assets increased to RM4.8 billion in 2022 as compared to RM4.3 billion in 2021, mainly traced to elevated inventory and receivables levels due to higher oil prices and volume. Consequently, the Company's liabilities also increased to RM2.5 billion from RM2.3 billion in 2021 from higher trade payables consistent with the increase in working capital requirements.

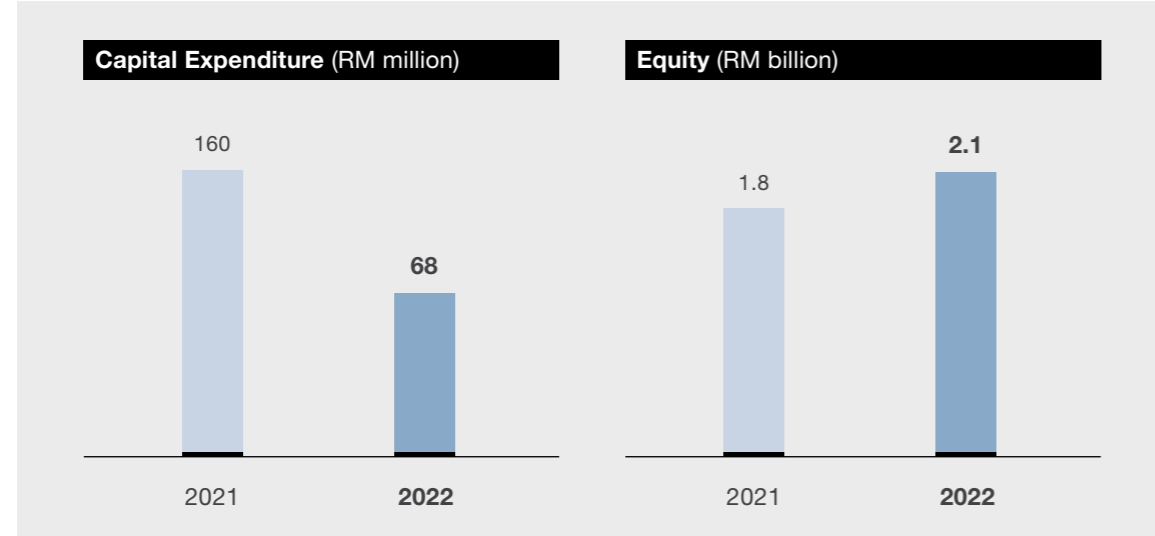


## Capital Expenditure

The Company's total capital expenditures (CAPEX) spent for the year stood at RM68 million, reduced by almost 60% from RM160 million in 2021 as major refinery and terminal projects have been completed in prior years.

## Shareholders' Equity

The Company's share capital remained at RM143 million, with retained earnings increasing to RM2.1 billion in 2022 from RM1.8 billion in prior year, mainly contributed by the net profit generated during the year.



## FORWARD-LOOKING STATEMENT

Global oil demand is projected to be sustained post-pandemic, although growth may be moderated by the rising inflationary pressure and risk of recession. Supply related risks may persist with ongoing geopolitical conflicts and production constraints. These factors may continue to put pressure on oil market and price volatility.

Despite the challenging business environment, the Company remained focused on optimising its usage of resources, further enhancing operational efficiencies and leveraging on synergies with business partners. The Company will also continue to pursue growth through investments in retail expansion and non-fuel business while undertaking a pro-active stance to operate in a sustainable manner reducing its environmental impact.

## REPORTING FRAMEWORK

This Sustainability Statement has been prepared in consideration of Bursa Malaysia's Main Market Listing Requirements on sustainability disclosures, with reference to the following frameworks, standards and guidelines:

- Global Reporting Initiative (GRI) Standards
- Bursa Malaysia Sustainability Reporting Guide 2<sup>nd</sup> and 3<sup>rd</sup> Editions
- Securities Commission's Malaysian Code on Corporate Governance (MCCG) 2021
- United Nations Sustainable Development Goals (SDG)

## SCOPE AND BOUNDARIES

This Sustainability Statement covers the sustainability performance of Petron Malaysia Group which consists of PMRMB, PFISB and POMSB. Disclosures cover activities within the Group's direct management and financial control, unless otherwise indicated. The reporting period is from 1 January 2022 to 31 December 2022, unless stated otherwise.

The disclosures in this Sustainability Statement are made to reflect our material sustainability matters, strategies in place to manage them and corresponding performance results.

The full Sustainability Report 2022 will be available in Q3 2023.

## SUSTAINABILITY AT PETRON

At Petron Malaysia, we embrace sustainability in all aspects of our business. In 2022, we continued our focus in addressing the sustainability material matters that were identified in 2021. We are mindful to always keep ourselves up to date with relevant events and developments. To continue meeting stakeholders' expectations and effectively manage our significant Economic, Environmental and Social (EES) impacts, we are currently revising our sustainability material matters and validating our sustainability strategies, goals and targets. Our refreshed strategies support Malaysia's 2050 carbon neutral aspiration and relevant United Nations Sustainable Development Goals (SDG). In addition, our sustainability disclosures will align with the GRI 1: Foundation 2021 Universal Standard and GRI 11: Oil and Gas Sector Standard 2021\* as well as the recently enhanced Sustainability Reporting Guide (3<sup>rd</sup> Edition) under Bursa Malaysia's Main Market Listing Requirements.

As a downstream oil and gas company, we recognise our role to respond to the global climate change emergency and we will strategise accordingly. We had already begun our efforts by investing in a bio-fuel plant in 2019 and in 2021, we supported the government's initiative to improve the environmental quality by investing in a DHT unit at our PDR. The DHT enables us to produce low-sulphur Euro 5 diesel fuel under the Environmental Quality Regulations 2021. Following the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, we will include climate-related disclosures in our 2022 Sustainability Report.

\* GRI 11: Oil and Gas Sector 2021 is part of the Global Reporting Initiative (GRI) Sustainability Reporting Standards issued by the Global Sustainability Standards Board (GSSB).

## SUSTAINABILITY GOVERNANCE

A robust governance structure is vital in driving an organisation's sustainability progress and ensuring that it operates the business responsibly. The Board of Directors (BOD) is ultimately responsible for the oversight on matters pertaining to sustainability in the Company. In 2022, Petron Malaysia Refining & Marketing Bhd BOD enhanced its sustainability governance by establishing a Board Sustainability Committee (BSC). The governance structure extends further to include a Sustainability Council (SC) and a Technical Working Group (TWG). This ensures an effective set-up to develop, implement, monitor and report sustainability programmes in the Company. The BOD, BSC, SC and TWG maintain a close engagement through regular meetings and correspondences related to addressing sustainability risks and opportunities.



Below are the Company's sustainability governance structure and a summary of the roles and responsibilities of groups involved.

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<b>Board of Directors (The Board)</b> <span style="background-color: white; border-radius: 15px; padding: 2px 10px; display: inline-block;">4 times per year</span>	<ul style="list-style-type: none"> <li>The Board has oversight on sustainability</li> <li>Strategies, goals and targets related to material matters are approved at the Board level</li> <li>Delegated Board's oversight roles and responsibilities to Board Sustainability Council</li> </ul>
<b>Board Sustainability Committee (BSC)</b> <span style="background-color: white; border-radius: 15px; padding: 2px 10px; display: inline-block;">4 times per year</span>	<ul style="list-style-type: none"> <li>Comprises of two Independent Directors and two Executive Directors (one shall be the CEO) or one Executive Director (the CEO) and a Non-Executive Director. The Committee is assisted by up to three advisers (Senior Management) from the Company or the parent company.</li> <li>Advises the Board by reviewing and endorsing sustainability strategies, goals and targets</li> <li>Ensures alignment of the Company's Sustainability efforts programmes and reporting (where applicable) with the ultimate parent company</li> <li>Provides an annual report of its activities to the Board and reports its activities in the Company's Annual Report or in the Company's Annual Sustainability Report (as applicable/appropriate)</li> <li>Provides update on quarterly basis to the Board on pertinent items addressed by the BSC</li> </ul>
<b>Sustainability Council (SC)</b> <span style="background-color: white; border-radius: 15px; padding: 2px 10px; display: inline-block;">6 times per year</span>	<ul style="list-style-type: none"> <li>Comprises of the Company's key Senior Management</li> <li>Oversees the strategic management of material sustainability matters consistent with the Board's approval</li> <li>Ensures that sustainability related issues are taken into consideration when devising business strategies</li> <li>Determines sustainability material matters</li> <li>Recommends appropriate KPIs in addressing the Company's material matters and sustainability-related matters</li> </ul>
<b>Technical Working Group (TWG)</b> <span style="background-color: white; border-radius: 15px; padding: 2px 10px; display: inline-block;">12 times per year</span>	<ul style="list-style-type: none"> <li>Comprises of key personnel nominated by the SC</li> <li>Facilitates day-to-day management of material sustainability matters</li> <li>Assists the SC to determine sustainability material matters</li> <li>Gathers and consolidates sustainability related data for KPI monitoring and reporting purposes</li> </ul>

In 2023, we did our first Sustainability Board Evaluation for the year 2022 as part of the annual Board Evaluation. The survey, among others, covers the following questionnaires:

Rate the extent to which Board members are able to articulate and exercise robust deliberations of the company's sustainability material matters	Effectiveness of the Company's overall sustainability governance framework in reporting its ESG risks, sustainability targets and initiatives
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Sustainability governance is also supported by a set of well-defined policies and guidelines. The policy statements are translated and embedded into procedures and guidelines, and through ISO-based management systems being implemented.





Our Petron Malaysia's Policies and Guidelines are available for viewing at <https://www.petron.com.my/investor-relations/corporate-governance/>

## STAKEHOLDER ENGAGEMENT

Stakeholder engagement is pertinent to our sustainability journey as it enables us to identify and understand the needs of our key stakeholders. Our sustainability initiatives are established considering the needs and expectations of our stakeholders. These groups include local communities, individual or organisation with interest that is affected or could be affected by Petron's operations. We actively engage with our stakeholders through various channels to listen and identify how to effectively address their needs and expectations. This includes communicating and engaging with regulators, shareholders investors, employees and customers. With our aim to create more value through positive economic, environmental and social impacts, we are also currently reviewing the composition of our stakeholders. The updated stakeholders will be reported in our coming sustainability report, which will be published in Q3 2023.

Category of Relevant Stakeholders	Stakeholder's Relevant Needs and Expectations	Engagement Methods	Frequency																
<b>REGULATORS/ AUTHORITIES</b>	<ul style="list-style-type: none"> <li>Compliance with the relevant authorities' requirements</li> <li>Supporting government policies and objectives</li> <li>Timely and responsive communication and actions</li> </ul>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>Meetings</td><td>Ongoing</td></tr> <tr><td>E-mail communication</td><td>Ongoing</td></tr> <tr><td>Site visits and inspections</td><td>Ongoing</td></tr> <tr><td>Periodic reporting</td><td>Monthly/ Quarterly/ Annually</td></tr> <tr><td>Corporate website www.petron.com.my</td><td>As and when</td></tr> </table>	Meetings	Ongoing	E-mail communication	Ongoing	Site visits and inspections	Ongoing	Periodic reporting	Monthly/ Quarterly/ Annually	Corporate website www.petron.com.my	As and when							
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Periodic reporting	Monthly/ Quarterly/ Annually																		
Corporate website www.petron.com.my	As and when																		
<b>CUSTOMERS</b>	<ul style="list-style-type: none"> <li>Quality products and services in compliance with product specifications</li> <li>Fair and competitive product pricing</li> <li>Timely and responsive communication and actions – good customer service</li> <li>Provision of support and guidance</li> <li>Honouring contractual agreements</li> <li>Conducive business environment</li> <li>Public safety and security</li> <li>Good housekeeping at service stations</li> </ul>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>Social media channels</td><td>Ongoing</td></tr> <tr><td>E-mail Petron Care petroncare@petron.com.my</td><td>As and when</td></tr> <tr><td>Corporate website www.petron.com.my</td><td>As and when</td></tr> <tr><td>Petron Miles Website www.petronmiles.com.my/ call PMiles Customer Service Hotline 1300 888 812</td><td>As and when</td></tr> <tr><td>Call PMiles Customer Service Hotline 1300 888 812</td><td>As and when</td></tr> </table>	Social media channels	Ongoing	E-mail Petron Care petroncare@petron.com.my	As and when	Corporate website www.petron.com.my	As and when	Petron Miles Website www.petronmiles.com.my/ call PMiles Customer Service Hotline 1300 888 812	As and when	Call PMiles Customer Service Hotline 1300 888 812	As and when							
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Call PMiles Customer Service Hotline 1300 888 812	As and when																		
<b>EMPLOYEES</b>	<ul style="list-style-type: none"> <li>Safety and health at the workplace</li> <li>Fair and competitive compensation and benefits</li> <li>Compliance to legal requirements and labour standards</li> <li>Training and career progression</li> <li>Comprehensive guidance and support for execution of work</li> <li>Non-discrimination and equal opportunity</li> <li>Diversity and representation at the workplace</li> <li>Employment security</li> <li>Job satisfaction</li> </ul>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>Guidance by supervisor</td><td>Ongoing</td></tr> <tr><td>Intranet/internal memo</td><td>Ongoing</td></tr> <tr><td>Team meetings</td><td>Weekly/ Monthly/ As and when</td></tr> <tr><td>Teambuilding sessions</td><td>Annually</td></tr> <tr><td>Individual development discussions/training</td><td>Ongoing</td></tr> <tr><td>Formal performance evaluation</td><td>Annually</td></tr> <tr><td>HR Policies trainings</td><td>Ongoing</td></tr> <tr><td>Corporate website www.petron.com.my</td><td>As and when</td></tr> </table>	Guidance by supervisor	Ongoing	Intranet/internal memo	Ongoing	Team meetings	Weekly/ Monthly/ As and when	Teambuilding sessions	Annually	Individual development discussions/training	Ongoing	Formal performance evaluation	Annually	HR Policies trainings	Ongoing	Corporate website www.petron.com.my	As and when	
Guidance by supervisor	Ongoing																		
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Corporate website www.petron.com.my	As and when																		

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Category of Relevant Stakeholders	Stakeholder's Relevant Needs and Expectations	Engagement Methods	Frequency
 <b>COMMUNITY</b>	<ul style="list-style-type: none"> <li>Promoting public safety, security and environmental protection</li> <li>Enhancing the quality of life</li> <li>Supporting community programmes</li> <li>Timely, responsive and honest communication and actions</li> <li>Business opportunities</li> </ul>	Advocacy programmes such as Go-to-Safety Point, road safety and environment	Annually
		Corporate Social Responsibility programmes	Annually
		Fenceline communities discussions/meetings	Quarterly
 <b>SHAREHOLDERS/ INVESTORS</b>	<ul style="list-style-type: none"> <li>Good corporate governance</li> <li>Continued profitability and business growth</li> <li>Product and service innovation to meet changing demands</li> <li>Corporate Social Responsibility</li> </ul>	Annual General Meeting	Annually
		Annual Report and Sustainability Report	Annually
		Announcements	As required
		Corporate website www.petron.com.my	As and when
		Contact local Treasury/Investor Relations group in Manila	As and when
 <b>DEALERS/SUPPLIERS/ CONTRACTORS/ BUSINESS PARTNERS</b>	<ul style="list-style-type: none"> <li>Clear and fair agreements</li> <li>Honouring contractual obligations</li> <li>Professional business attitude</li> <li>Fair and transparent procurement practices – non-discrimination and equal opportunity</li> <li>Timely, responsive and transparent communication and actions</li> <li>Continued business relationship</li> </ul>	E-mail communication /memo	Ongoing
		Site visits/instant messaging/telephone calls	Ongoing
		Meetings by territory/ area	Monthly/ Quarterly/ Annually
		E-mail communication/ instant messaging/ telephone calls	As and when Ongoing
 <b>UNION</b>	<ul style="list-style-type: none"> <li>Safety and health at the workplace</li> <li>Fair and competitive compensation and benefits</li> <li>Compliance to legal requirements and labour standards</li> <li>Opportunities for training, education and career growth</li> <li>Comprehensive guidance and support for execution of work</li> <li>Non-discrimination and equal opportunity</li> <li>Diversity and representation at the workplace</li> <li>Employment security</li> <li>Job satisfaction</li> </ul>	Meetings	Monthly/ Quarterly/ Annually

















## MATERIALITY ASSESSMENT

We conduct materiality assessments to identify sustainability matters that are most significant to our business and stakeholders. Validating our material matters from time to time is vital for us to ensure that our impacts to the Economy, Environment and Society (EES) continue to be relevant. It also enables us to understand current key sustainability issues, as well as related potential risks and opportunities.

Our last materiality assessment was done in 2021 wherein 19 material matters were identified. Through the process, we conducted an internal validation of these material matters, which included revisiting our EES impacts and stakeholders' needs and expectations, benchmarking against local, regional and global industry peers, reviewing where we can contribute to the United Nations Sustainable Development Goals (SDG) and guided by the Global Reporting Initiative (GRI) Standards for sustainability reporting.

With the world's growing expectation for sustainability and climate action, we will ensure our efforts will contribute to national and global sustainability goals, providing the best possible outcome for our stakeholders. We also commit to provide balanced, reliable and meaningful sustainability disclosures as we continue to look into our materiality assessment approach to ensure it aligns with stakeholders' expectations and applicable reporting guidelines and standards.

We are currently reviewing our materiality process to align with the updated materiality approach prescribed in the latest GRI Standards 2021. The results will be reflected in our next standalone sustainability report, which will be published in Q3 2023.

PETRON Malaysia's 19 Material Matters	Alignment to GRI	SDG
<b>ECONOMIC</b>		
Financial Performance	GRI 201	 
Procurement Practices	GRI 204	
Indirect Economic Impact	GRI 203	
Market Presence	GRI 202	
<b>ENVIRONMENTAL</b>		
GHG Emission	GRI 305	    
Energy Management	GRI 302	
Water & Effluents	GRI 303	
Waste Management	GRI 306	
Environmental Compliance	GRI 307	
Supplier Environmental Assessment	GRI 308	
<b>SOCIAL</b>		
Workplace Health & Safety	GRI 403	        
Talent Development	GRI 404	
Employee Diversity & Inclusively	GRI 405	
Labour Management Relations	GRI 402	
Freedom of Association & Collective Bargaining	GRI 407	
Community Inclusivity/Engagement	GRI 203, 413	
Customer Focus	Non-GRI material matter	

For Governance material matters, Ethics & Integrity and Risk Management & Business Continuity, it should be read together with Approach to Risk Management on pages 26 to 28 and Statement of Risk Management & Internal Control on pages 77 to 80.

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## ECONOMIC

Petron contributes to the development and well-being of the nation through its downstream petroleum business operation which supply the fuels needed for nation building and sustaining economic activities, employment opportunities and business opportunities to support our operations.

### OUR COMMITMENT AND MANAGEMENT APPROACH

At Petron, we are committed to promote development that is sustainable through sound business activities and operations.

Our direct and indirect contributions to the economy include the job opportunities that we create, development of local supply chain that we support, the returns to our shareholders' investments through our dividends, taxes we contribute to the government and the resources we share to our communities. As an organisation, managing an enterprise-wide operation requires considerably strong governance structure and processes for us to remain resilient, competitive and more importantly in promoting fair business practices. We do this by implementing effective sales strategies, optimisation of costs and resources, and implementing comprehensive risk management measures. Our procurement controls and practices in our value chain ensure goods and services purchased not only comply with the Company's standards and requirements but also minimise, if not totally eliminate any adverse environmental and social impacts.

In ensuring fair and ethical use of wealth and resources, we identify and manage the risks that may exist within the value chain including the risk of corrupt practices. We put in place sound

anti-corruption policies, controls and processes. In 2022, 100% of our business operations were assessed for corruption related risks with nil incident of corruption case. Additionally, as part of our strong commitment to ethical business conduct and good corporate governance, 47% of our total personnel, which consist of 98% regular and 2% contractual employees, underwent training on anti-corruption policies and procedures. The remaining employees will receive their training in 2023.

In supporting the local economy, we prioritise reputable local suppliers in purchasing goods and services. This has resulted in a network of trusted partners that we work closely with, fostering long-term beneficial relationships. By supporting local suppliers, we are also indirectly providing job opportunities to the local communities. Foreign or overseas suppliers are only considered if there are no viable options available locally. We engaged 941 local suppliers in 2022, which is 94% of our total pool of vendors. About RM8.2 billion or 46% of our total procurement expenditure during the year were spent on local goods and services. The proportion of spending from foreign sources is still relatively high due to the purchase of crude oil and finished products as Malaysia remains a net importing country for such.

### Supporting Local Suppliers and Total Monetary Value of Payments Made to Suppliers (RM billion)



Our support for the local economy goes beyond engaging local suppliers. We support local entrepreneurs through our 'Sapot Lokal' programme, which we piloted in 2021 at six service stations and has benefited 120 entrepreneurs since its roll out. In 2022, nine of our service stations sold local food on the 'Sapot Lokal' shelves. This initiative is a collaboration with the Ministry of Rural Development and the Ministry of Domestic Trade & Consumer Affairs (MDTCA). It promotes locally produced goods in our service stations and provides opportunities for rural SMEs to showcase their products by leveraging on Petron service station network.

	2021	2022
Number of service stations participated	6	9
Number of local products sold	276	1,103



'Sapot Lokal', a joint effort programme with the government to boost local businesses and support SMEs by providing shelf space in P-Kedai and Treats to showcase their locally produced food.

In 2022, Petron Malaysia implemented many charity and community programmes, with the aim of creating positive impact to the society by addressing various issues and concerns while promoting volunteerism and corporate social responsibility. During the year, Petron contributed about RM608 thousand that reached 5,245 beneficiaries in various local community programmes.



We stepped up emergency flood relief efforts by distributing necessity items to the affected communities in various state.

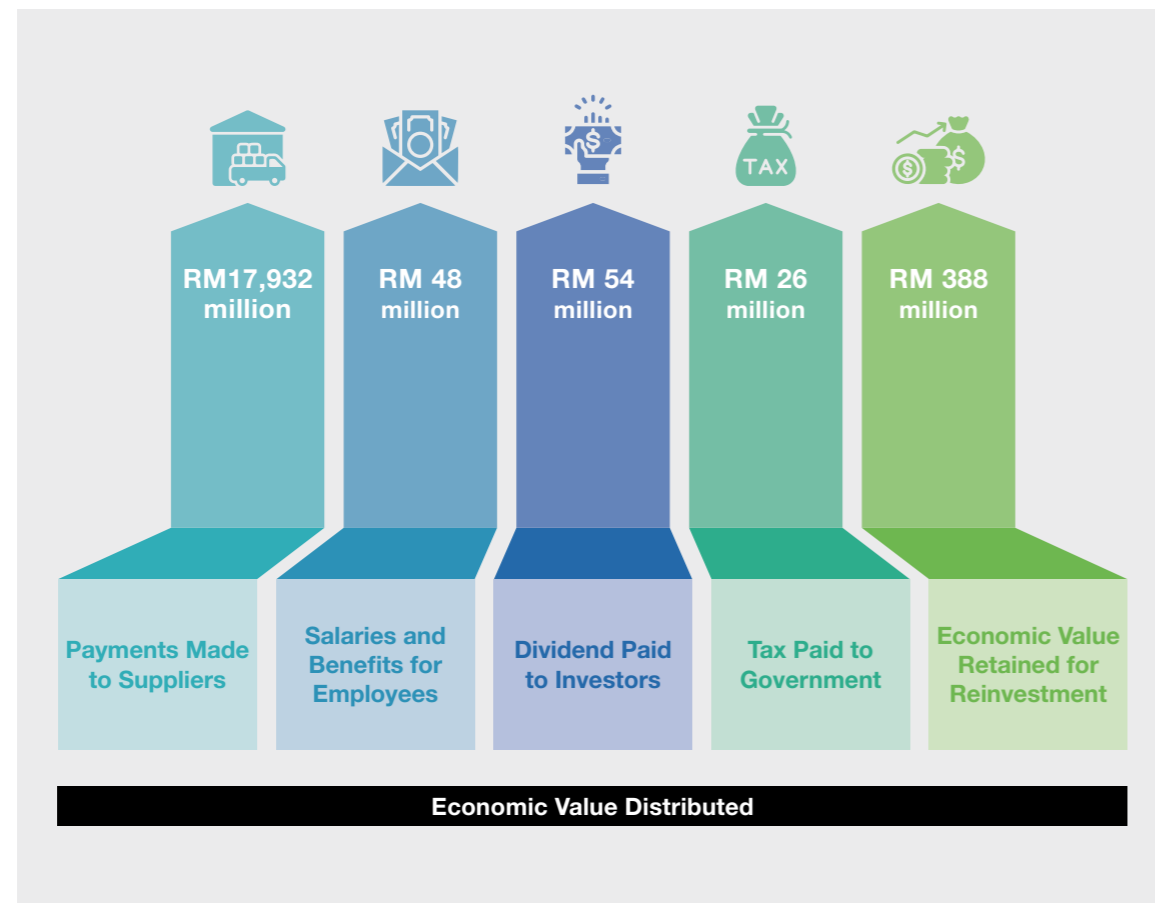
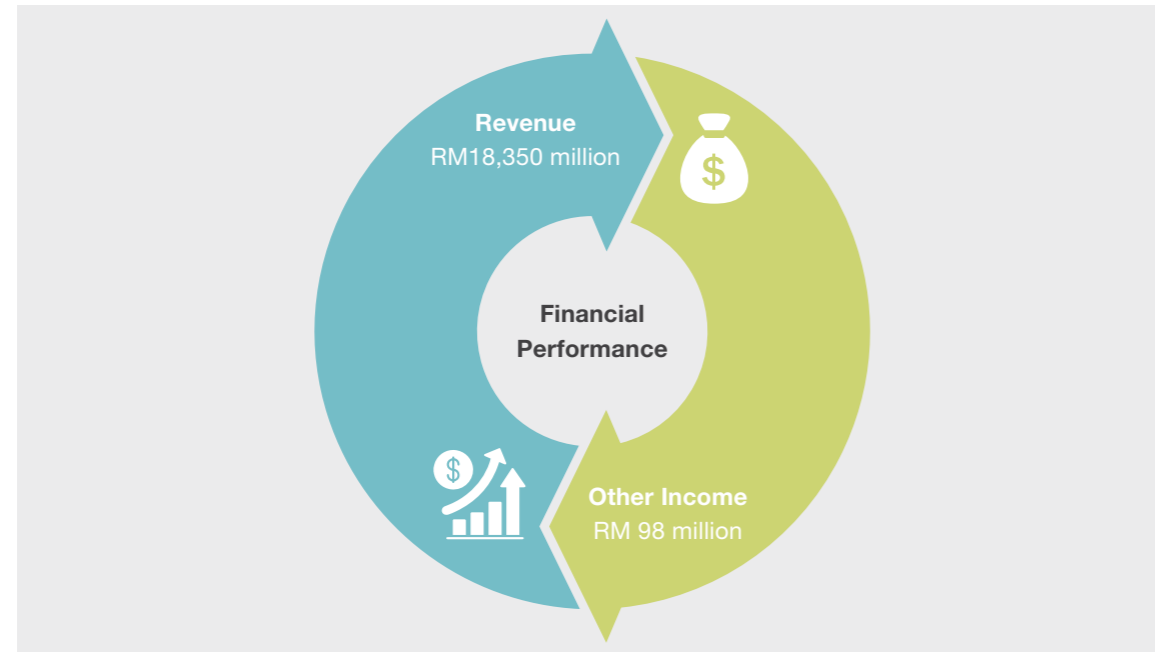


The launch of Sabah's first GTSP Programme.

Some of the programmes included Go-to-Safety-Point (GTSP) events and GTSP Station Mural & Safety Posters to raise awareness on Petron's role in community safety. In response to natural calamities such as flooding, the Company, its employees and partner service station dealers contributed about RM198 thousand in emergency fund to provide necessity items to those affected by flood. For Road Safety Programme (RSP), Petron sponsored 13 cartons of Rider 4T Premium Multigrade Motorcycle for the Melaka Road Safety Campaign & Ops Bersepadu in conjunction with Hari Raya. In another Road Safety Programme in coordination with the State Education Office of Selangor, 600 young motorcyclists students of SMK Putra Perdana, Puchong, participated in the programme. The activities included a demonstration of safe riding techniques, how to avoid 'Blind Spot' for heavy and large vehicles and practical tips on LPG safety at home.

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Read more under Economic section in our 2022 Sustainability Report which will be available in Q3 2023.

## ENVIRONMENTAL

Petron recognises the environmental impact that may arise from its business operations which can contribute to climate change, natural resources usage and pollution. We are also mindful of our waste management system and whenever possible, we support adoption of circular economy. While we employ best management practices in our operations to monitor and mitigate if not totally eliminate adverse impacts to the environment, we are also committed to further explore, develop and invest in relevant facilities, technology and business processes, whenever available, that will negate our carbon footprint to contribute towards a more sustainable co-existence between our business and the environment.

### OUR COMMITMENT AND MANAGEMENT APPROACH

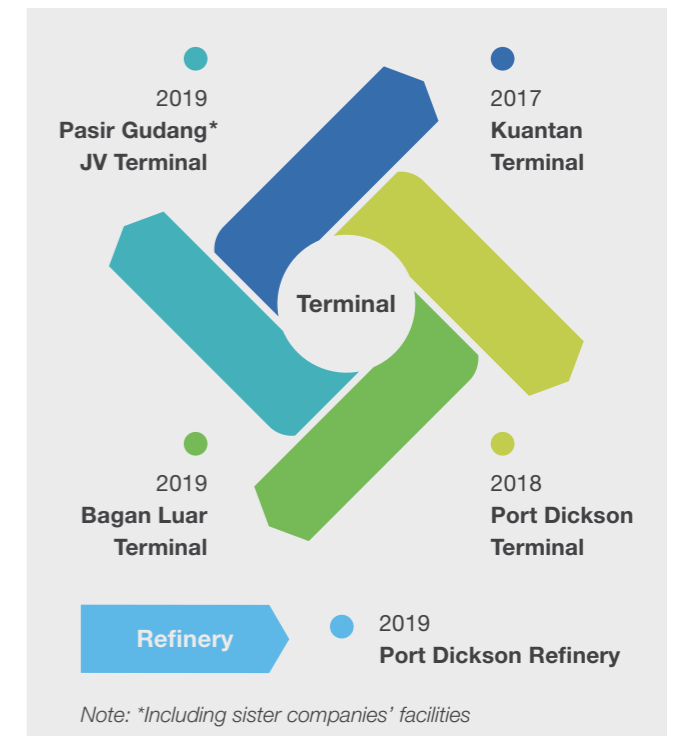
Our commitment in preserving the environment is defined in the SSHE Policy and we ensure these are fulfilled through the establishment and implementation of environmental management systems. Our close monitoring of the dynamic oil and gas industry landscape as well as environmental changes enable us to continuously enhance our management systems to align our operations in preserving the environment. In fulfilling our commitments, we adhere to:

Maintain the highest standards of professionalism, integrity and fairness in all our business processes

Comply with applicable environmental regulations

Advocate for the best interests of all our stakeholders, including the community and caring for their well-being

We have attained ISO 14001 certified Environmental Management Systems at the following sites:



We have put in place Petron Operations Integrity Management System (POIMS), a structured and comprehensive occupational health and safety management system that provides a framework of systems and procedures to identify and manage potential safety, health, environmental and security risks. As part of POIMS, audit and inspection are conducted by our SSHE personnel and assessment results are reviewed for resolution of relevant concerns or for potential enhancement to process or procedures.

We set targets through our Environmental Business Plan (EBP) and measure the achievement across our operating sites to identify and mitigate any adverse impact to the environment. We continuously promote environmental awareness programmes and initiatives among our employees, business partners and local communities, in line with our guiding philosophy of 'Protect Our Environment Today for a Better Tomorrow'.

Supplier evaluations are conducted as part of our procurement processes. However, we are further strengthening this for consistency throughout the value chain to include environmental and social assessment, and to align with sustainable supply chain principles as provided in standards such as ISO 20400 Sustainable Procurement Guidance.

In 2022, there were no environmental fines imposed on Petron Malaysia Group.

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## Environmental Business Plan (EBP)

The EBP outlines specific targets for each year over a rolling five-year period, pertaining to the significant environmental impacts of our operations and regulatory compliance. The targets set and initiatives planned in EBP are aligned to Petron's overall Business Plan. It covers environmental aspects and regulatory compliance, and allows us to track and monitor performance at our refinery, terminals and Lumut POME Plant relevant to the environment. The EBP contains various measures to reduce our carbon footprint including targets set for zero fines and penalties.

In 2022, the MIF2 which comprised of single buoy marine and two 250,000 barrel product tanks have allowed us to reduce the frequency of our import shipments. By utilising bigger marine vessels, we were able to reduce the number of shipments by 69%.

### Without MIF2:

52 shipments per year: On average 95kb per shipment

### With MIF2:

16 shipments per year: On average 300kb per shipment

## Energy Management

In 2022, we engaged subject-matter experts to conduct energy audit at selected facilities within the Group. The intention was to obtain expert advice/opinion in identifying potential renewable energy solution. We are currently reviewing and discussing the best available and effective options to proceed. Meanwhile, we progressed with simpler and readily available energy efficient alternatives by replacing the traditional light bulbs with LED and solar-powered lights. The initiative implemented in the refinery, terminals, Lumut POME Plant and retail service stations was carried out progressively and expected to be completed within 2023. In addition, our new service stations' design utilises more natural lighting and open ventilation to be more energy-efficient. To reduce carbon emission, we have 15 service stations equipped with solar panels. In the next 2 years, we are targeting at least another 120 of our service stations to be powered with solar energy.



LED lighting installed at Lumut POME Plant

## Water Management

To conserve water resources, we recycle water in cooling tower and harvest rainwater for non-potable purposes such as landscaping at the refinery. Biodegradable chemicals are used to treat and keep the water fit for purpose to reduce the water consumption at the cooling tower. Other than the refinery, we also installed rainwater harvesting system at our terminals and new service stations for basic cleaning, landscaping and toilet flushing purposes. Wherever possible, we used recycled containers with flowmeters to measure our rainwater consumption. Our plan is to expand the usage from rainwater harvesting programme.



We installed rainwater harvesting system to collect and store rainwater for basic cleaning at Petron service station

## Waste Management

At Petron, we believe in adopting circular economy where possible to minimise waste for disposal.

We supported the government's initiative to improve air quality by commissioning a DHT unit at our Port Dickson Refinery in 2021. Through the DHT, it further reduces sulphur content from our diesel products to meet a more stringent specifications of Euro 5. A BSR unit within the DHT uses an eco-friendly desulphurisation process, using organic bacteria to remove Hydrogen Sulfide (H<sub>2</sub>S) and recovers it as elemental sulphur. In 2022, we received Department of Environment (DOE) approval reclassifying the sulphur by-product as a non-scheduled waste which allowed us to recycle and sell this by-product as bio-sulphur feedstock for fertiliser manufacturing instead of disposing them as scheduled waste.



**920.45**  
metric tons

of bio-sulphur waste  
diverted from disposal in 2022

## Biodiversity Conservation

As part of our biodiversity conservation efforts, we have established collaboration with University of Putra Malaysia (UPM) on a Green Lung Project at the Port Dickson Refinery. The project aims to preserve and enhance the biodiversity of more than 400 acres of green areas within the vicinity of the

refinery. In 2022, we started collaboration with UPM to define the scope of the project in identifying the species and density of flora and fauna, as well as to estimate the carbon storage and carbon sequestered. The project has been ongoing and will be concluded in 2023.



For more detailed environmental performance data, please refer to the Environmental section in our 2022 Sustainability Report which will be available in Q3 2023.

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**SOCIAL**

Our operations impact the well-being and quality of life of our stakeholders, including our workforce and the communities we serve. These impacts are relevant to human rights including safety and health, labour practices, employee development and community engagement.

**OUR COMMITMENT AND MANAGEMENT APPROACH**

As an organisation that values its employees, we give importance to our employees' welfare. Our efforts are geared towards ensuring a secured, safe and healthy work environment, embracing diversity, and supporting both personal and professional development of our employees.

Petron Malaysia places a strong emphasis on improving the social well-being of our employees and the local communities in areas where we operate. To make appropriate social programmes that can address the relevant needs of these stakeholders, we employ variety of data gathering methods, including conducting of both internal and external surveys, as well as benchmarking against industry peers.

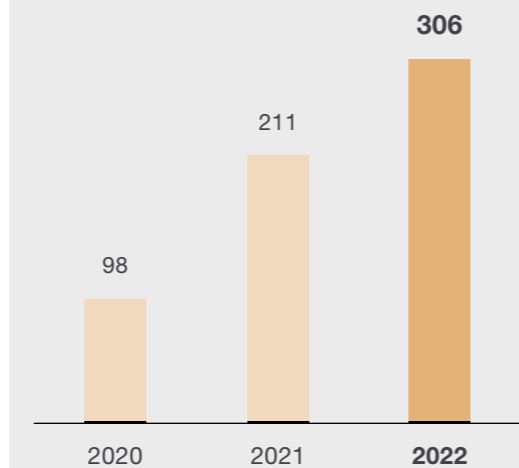
The health and safety of our employees remains vital and this is reflected in our core values ExCITES: Excellence, Customer Focus, Innovation, Teamwork, Ethics and Safety. Our commitments are also described in the SSHE Policy. In addition, to ensure sound occupational health and safety performance, we implemented POIMS, a comprehensive occupational health and safety management system comprising of 11 elements that apply to all our operating units. This system identifies and manages potential safety, health, environmental and security hazards systematically, covering 100% of our employees, contractors, and vendors. The POIMS has been reviewed and confirmed by SIRIM QAS International Sdn Bhd that it meets the requirements of ISO 45001 OHS Management Systems Requirements Standard. We have five operational sites within the Petron Malaysia Group that were certified with ISO 45001, and they are Port Dickson Terminal, Port Dickson Refinery and Bagan Luar Terminal, Kuantan Terminal and Pasir Gudang Terminal. We have plans for the Lumut POME Plant to also adopt the POIMS and to attain ISO 45001 certification within the next five years.

Further, several of our facilities have attained the ISO 9001: 2015 Quality Management System. They are our KLIA Aviation Depot and Port

Dickson Refinery and Terminal, and our sister company's Sepangar Bay, Sandakan and Tawau Terminals. This is in line with the Company's Total Quality Management (TQM), which emphasises on high quality standards during manufacturing and distribution processes in the supply chain.

To complement the SIRIM accreditation that we received, we must ensure our employees are up to date with the safety knowledge and requirements, hence, we provide them with necessary trainings. In 2022, the number of employees trained increased as we resumed normal operation under the endemic phase.

**Number of employees trained on health and safety standards**



*Note: Data for refinery, terminals and Lumut POME Plant only*

We are proud that our efforts to provide healthy and safe workplaces have been recognised by the regulators and this reflected in our achievements in the Malaysian Society for Occupational, Safety and Health Awards (MSOSH) 2022 and Prime Minister's Hibiscus Award 2021/2022.

In the year under review, we achieved zero work-related fatalities and zero loss time injury.

To cultivate a nurturing and inclusive workplace, we continue to enhance employee engagement, as well as ensuring zero discrimination across our organisation. We have in place relevant policies that reflect our commitment to these principles, such as those outlined in our Standards of Business Conduct. Our Equal Employment Opportunity Policy ensures that all individuals are given equal opportunities, while the Open-Door Communication Policy encourages employees to speak openly on any concerns they may have, including those related to human rights, without fear of retaliation. There were zero cases of substantiated complaints concerning human rights violation recorded in 2022. Finally, our Fair Competition Policy ensures that we operate with the highest ethical standards in all aspects of our business.

We believe in investing on talent development; in the upskilling and development of our people to ensure that their talents remain relevant and competencies up-to-date. Our training and development programmes include technical coaching, personal development, management and supervisory skills training. In 2020 and 2021 due to the pandemic, our trainings were limited to critical technical trainings for the refinery and terminals only. However, in 2022 post-pandemic, we resumed the Management Development Training, which included the KL head office. As a result, the average training hours for female employees and management increased significantly, as many female employees and management are based in the head office.

At Petron, we are committed to empower an agile, diverse and thriving workforce as we believe they are our most important asset. Their experiences, knowledge and dedication are the key drivers in delivering Petron's success. We want to retain and attract good talents that can grow with the Company. In 2022, we received the TOP-50 Graduan Brand Awards and the Graduates Choice Awards 2022, which recognised Petron Malaysia as one of Malaysia's most preferred employers.

In 2022, we continued to reach out to the underserved and underprivileged through programmes that generate long-term positive impacts. We also raised awareness on matters that are closed to our hearts, such as safety and environmental conservation through CSR activities, green projects and safety awareness programmes. In 2022, 5,245 individuals benefited from our local community programmes such as Road Safety, Go-To-Safety-Point (GTSP), Disaster Relief and Green Programme, which were partly carried out by Petron's volunteering employees, VIA. We also provided aid to 1,110 families and Petron station staff, who were affected by the floods.

Customers are the heart of our business. As such, we are committed to deliver excellent customer service and high quality products that exceed customers' expectations.

**Average Training Hours per Employee by Gender**

By Gender	2020	2021	2022
Male	20	17	25
Female	2	4	20



*Employees are given opportunities to undergo training or coaching to sharpen their skills and knowledge*

We continue to build harmonious relationship with our customers to identify and address their needs by constantly engaging them through surveys, events and contests. We also communicate with our customers via Petron Care, Petron Miles (PMiles) Call Centre and Petron Malaysia's social media platform to enable them to provide feedback to improve our services. To ensure privacy of our customers' data, we put in place the PMiles Terms and Conditions in addition to the Personal Data Protection Act (PDPA) 2010. In 2022, there were zero cases of substantiated complaints recorded concerning breaches of customer privacy and losses of customer data.

 Read more under the Social section in our 2022 Sustainability Report which will be available in Q3 2023.

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## PETRON MALAYSIA REFINING & MARKETING BHD

Registration No. 196001000260 (3927-V)

### DIRECTORS

**Mr. Ramon S. Ang**  
Chairman, Executive Director

**Y. Bhg. Dato' Zainal Abidin Putih**  
Independent Director  
*(retired with effect from 16 June 2022)*

**Y. Bhg. Datuk Nik Mohd Hasyudeen Bin Yusoff**  
Independent Director

**Ms. Chua See Hua**  
Independent Director

**Mr. Fong Seow Kee**  
Independent Director

**Mr. Antonio M. Cailao**  
Independent Director

**Y. Bhg. Dato' Noorizah Binti Hj Abd Hamid**  
Independent Director

**Mr. Lubin B. Nepomuceno**  
Chief Executive Officer, Executive Director

**Ms. Aurora T. Calderon**  
Executive Director

**Mr. Ferdinand K. Constantino**  
Non-Independent Non-Executive Director

### COMPANY SECRETARY

**Mr. Manoj Devadasan**  
SSM PC No. 202008001784  
LS 0006885

### ASSISTANT COMPANY SECRETARY

**Datin Shahidah Binti Aris**  
SSM PC No. 202008001658  
ACIS 7070727

### SHARE REGISTRAR

**Tricor Investor & Issuing House Services  
Sdn. Bhd.** (11324-H)  
Unit 32-01, Level 32, Tower A,  
Vertical Business Suite, Avenue 3, Bangsar South,  
No. 8, Jalan Kerinchi, 59200 Kuala Lumpur,  
Malaysia.  
Tel : +603-2783 9299  
Fax : +603-2783 9222

**Customer Service Centre**  
Unit G-3, Ground Floor, Vertical Podium,  
Avenue 3, Bangsar South,  
No. 8, Jalan Kerinchi,  
59200 Kuala Lumpur, Malaysia

### AUDITORS

**PricewaterhouseCoopers PLT**  
(LLP0014401-LCA & AF 1146)  
Chartered Accountants  
Wilayah Persekutuan, Kuala Lumpur

### STOCK EXCHANGE LISTING

**Main Board of Bursa Malaysia Securities  
Berhad**  
Stock Code: 3042 (Syariah-compliant Securities)

### SOLICITORS

Messrs Raja, Darryl & Loh, Kuala Lumpur  
Rosli Dahlan Saravana Partnership  
Messrs Shamsul Sulaiman, Putrajaya  
Messrs Rajasekaran, Kuala Lumpur  
Messrs Lindawang Su & Boo, a member of ZICO IP

### REGISTERED OFFICE

Office of the Secretary  
Petron Malaysia Refining & Marketing Bhd  
Level 12A, Menara I&P 1,  
No. 46, Jalan Dungun, Damansara Heights,  
50490 Kuala Lumpur, Malaysia.  
Tel : +603-2082 8400  
Fax : +603-2082 8578  
Website : www.petron.com.my



## MR. RAMON S. ANG

Chairman/Executive Director

Age  
**69 Years Old**

Gender  
**Male**

Nationality  
**Filipino**

Mr. Ramon S. Ang was appointed as a Director on 30 March 2012 and appointed as Chairman/Chief Executive Officer of the Company on 2 April 2012. On 20 November 2013, Mr. Ang relinquished the position of Chief Executive Officer in adherence to the Malaysian Code on Corporate Governance 2012. Mr. Ang has served as the Chief Executive Officer and Executive Director of Petron Corporation in the Philippines since 8 January 2009 and the President of Petron Corporation since 10 February 2015. Mr. Ang is also the Chairman of a number of Petron Corporation's subsidiaries including its Malaysian subsidiaries, Petron Oil & Gas International Sdn. Bhd., Petron Fuel International Sdn. Bhd. and Petron Oil (M) Sdn.

Bhd. Mr. Ang is also President, Vice Chairman and Chief Executive Officer of Petron Corporation's parent company, San Miguel Corporation and is on the Board of Directors of a number of its subsidiaries including President and CEO of San Miguel Food and Beverage, Inc. and Chairman & CEO, President and COO of SMC Global Power Holdings Corp. Mr. Ang holds a Bachelor of Science degree in Mechanical Engineering from the Far Eastern University, Philippines. He also holds a doctoral degree in Business Engineering (Honoris Causa, 2018) from the Far Eastern University and a Ph.D. in Humanities (Honoris Causa, 1 October 2006) from the National University.

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## PROFILE OF BOARD OF DIRECTORS



### Y. BHG. DATUK NIK MOHD HASYUDEEN BIN YUSOFF

*Independent Director*

Age  
**58 Years Old**

Gender  
**Male**

Nationality  
**Malaysian**

- Chairman of the Board Audit & Risk Management Committee
- Member of Nominating Committee

Y. Bhg. Datuk Nik Mohd Hasyudeen Yusoff was appointed to the Board as an Independent Director on 1 February 2022. Datuk Nik Mohd Hasyudeen is presently a Non-Independent and Non-Executive Director of Bank Islam Malaysia Berhad. His past involvement in the corporate sector included Group Managing Director and CEO of Lembaga Tabung Haji, an Independent Non-Executive Chairman of Cagamas Holdings Berhad, Independent Non-Executive Chairman of BIMB Investment Management Berhad, a Public-Interest Director of the Federation of Investment Managers Malaysia, a board member of Universiti Utara Malaysia and a member of the Corporate Debt Restructuring Committee of Bank Negara Malaysia. He was an Executive Director

in charge of Market and Corporate Supervision at the Securities Commission Malaysia and former Executive Chairman of the Audit Oversight Board, a former member of Bursa Malaysia Listing Committee and served on the Operational Review Panel of the Malaysian Anti-Corruption Commission, a former President of Malaysian Institute of Accountants, former Vice-President of the ASEAN Federation of Accountants and served on the Executive and Strategy Committees of the Confederation of Asian and Pacific Accountants. Datuk Nik Mohd Hasyudeen graduated with a Degree in Accountancy from Curtin University of Technology, Australia and is a Fellow of CPA Australia (FCPA).

## PROFILE OF BOARD OF DIRECTORS



### MS. CHUA SEE HUA

*Independent Director*

Age  
**69 Years Old**

Gender  
**Female**

Nationality  
**Malaysian**

- Member of the Board Audit & Risk Management Committee
- Chairperson of the Nominating Committee

Ms. Chua See Hua was appointed as a Director of the Company on 31 May 2013. She is an Advocate and Solicitor of the High Court of Malaya, as well as a solicitor admitted in England and Wales, Hong Kong and Singapore. Ms. Chua joined Messrs Christopher & Lee Ong, Advocates & Solicitors, as a partner on 1 March 2021. Prior to that, Ms. Chua was the founding partner of Chua Associates, Advocates and Solicitors; a niche firm she set up in 2010 specialising in corporate, commercial, real estate, finance and capital markets laws. Prior to that Ms. Chua was in legal practice since 1985 with a number of leading firms including Skrine & Co (1985-1989) and as Partner of Raslan Loong (1997-2010). She was also the

General Counsel for Ernst & Young in Hong Kong and at the international law firm of Simmons & Simmons in Hong Kong (collectively from 1989-1997). Ms. Chua was appointed as an independent director to Matrix Concept Holdings Berhad in November 2020. Ms. Chua graduated with B.A (law) from the University of East London, United Kingdom. She also completed her Masters in Law at the University of Cambridge specialising in companies & securities laws and international law.



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## MR. FONG SEOW KEE

*Independent Director*

Age  
**66 Years Old**

Gender  
**Male**

Nationality  
**Malaysian**

- Member of the Board Audit & Risk Management Committee
- Member of Board Sustainability Committee

Mr. Fong was appointed as a Director of the Company on 18 August 2016. His career spans more than 40 years in the finance and investment industry. He worked in investment banking in Malaysia and Hong Kong before joining a venture capital group in Singapore where he was responsible for investments across Asia and also the United States. In 2000, he co-founded an investment management and advisory firm and managed a technology focused venture capital fund owned by Ministry of Finance, Malaysia. He has been active in the development of the Capital Market Industry in Malaysia where he has been a member of several regulatory industry working groups. He was previously the Chairman of the Malaysian Venture Capital & Private Equity Association and was involved in the establishment of the Fintech Association of Malaysia, was its founder President and is currently an Advisor. In 2017, he was invited to be a member of the Advisory Committee on Technology for Finance

established by Bank Negara Malaysia. He was a senior independent director of GHJ Systems Bhd, a leading ASEAN payment solutions provider. Since 2018, he has been an adjunct faculty coordinating the fintech segment in the Financial Institutions Directors' Education (FIDE) programme for Iclif Executive Education Centre under the Asia School of Business. In April 2021, he was appointed as Independent Non-Executive Director of RAM Rating Services Bhd and in December 2021, he was appointed as Non-Independent Non-Executive Director of Bond Pricing Agency Malaysia Sdn Bhd. In August 2022, Mr Fong was appointed as the Non-Independent Non-Executive Director in AXA AFFIN Life Insurance Bhd. Mr. Fong graduated with a BA (Hons) Economics and Social Studies from the University of Manchester, England, is a Fellow of the Institute of Chartered Accountants in England & Wales and a member of the Malaysian Institute of Accountants.



## MR. ANTONIO M. CAILAO

*Independent Director*

Age  
**76 Years Old**

Gender  
**Male**

Nationality  
**Filipino**

- Member of the Board Audit & Risk Management Committee

Antonio M. Cailao was appointed to the Board on 23 November 2017. Mr. Cailao is currently a Faculty Lecturer in the Institute of Corporate Directors (Philippines), and an Accredited Speaker by the Philippine Security and Exchange Commission. Mr. Cailao joined Citibank in 1973 on an Executive Trainee Development programme and went on to serve Citibank in various capacities and positions of increasing responsibilities. In this regard, he has served with Citibank in Manila, Hong Kong, Korea, Venezuela, Vietnam where he established Citibank's presence; and Singapore. His last position with Citibank (from 1997-2001) was in Singapore and Hong Kong as Citibank's Asia Regional Head (Pan Asian Corporations). From 2001 to 2013, Mr. Cailao was Managing Director of Asian Region Head (e-banking and Commercial Banking) for Fleet Bank

of Boston (in Singapore). From 2003-2005, Mr. Cailao was the Senior Executive Vice-President/Chief Operating Officer of United Coconut Planters Bank (Philippines) where he initiated and led its financial rehabilitation. From 2007 to 2016, Mr. Cailao was the President and CEO of the Philippine National Oil Company, during which time the government utilised his financial competence in the two biggest landmark privatisation. Mr. Cailao obtained Bachelor of Business Administration (1968) and MBA (1973) from University of the Philippines. He completed an Executive Development Programme from Columbia University, New York, U.S.A (1989) and also Professional Directors Programme – Certified Independent Directors by the Institute of Corporate Directors (2007).

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## PROFILE OF BOARD OF DIRECTORS



### Y. BHG. DATO' NOORIZAH BINTI HJ ABD HAMID

*Independent Director*

Age  
**63 Years Old**

Gender  
**Female**

Nationality  
**Malaysian**

- Member of the Board Audit & Risk Management Committee
- Member of Board Sustainability Committee

Y. Bhg. Dato' Noorizah Binti Hj Abd Hamid was appointed to the Board as an Independent Director on 27 February 2020. Y. Bhg. Dato' Noorizah Binti Hj Abd Hamid was the former Independent Non-Executive Director of Amanah Mutual Berhad, former Non-Executive Chairperson and Managing Director/Chief Executive Officer of PLUS Expressways International Berhad and former Managing Director of PLUS Malaysia Berhad and PLUS Expressways Berhad. Presently, she sits on the Board of Directors of Scientex Berhad, Non-Executive Director of Mass Rapid Transit

Corporation Sdn Bhd, which is wholly-owned by Minister of Finance Incorporated Malaysia, PNB Merdeka Venture Sdn Bhd and Land & General Berhad. Dato' Noorizah Binti Hj Abd Hamid graduated with a Diploma in Accountancy from MARA Institute of Technology in 1980, a Bachelor of Science Degree in Business Administration (Finance) and a Master Degree in Business Administration (Finance and Management) from Central Michigan University, United States of America in 1982 and 1984 respectively.

## PROFILE OF BOARD OF DIRECTORS



### MR. LUBIN B. NEPOMUCENO

*Chief Executive Officer,  
Executive Director*

Age  
**72 Years Old**

Gender  
**Male**

Nationality  
**Filipino**

- Chairman of the Management Committee
- Member of Board Sustainability Committee

Mr. Lubin B. Nepomuceno was appointed to the Board of the Company on 30 March 2012. On 20 November 2013, Mr. Nepomuceno was also appointed as the Chief Executive Officer, when the offices of Chairman and Chief Executive Officer were separated in line with the recommendations of the Malaysian Code on Corporate Governance 2012. Effective 10 February 2015, he was appointed as General Manager of Petron Corporation. He is also a Director of a number of Petron Corporation's subsidiaries including its

Malaysian subsidiaries, Petron Oil & Gas International Sdn. Bhd., Petron Fuel International Sdn. Bhd. and Petron Oil (M) Sdn. Bhd. Mr. Nepomuceno holds a Bachelor of Science degree in Chemical Engineering and a Masters degree in Business Administration from the De La Salle University. He has also attended Advanced Management Programmes at the University of Hawaii, University of Pennsylvania and Japan's Sakura Bank Business Management.

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## PROFILE OF BOARD OF DIRECTORS



### MS. AURORA T. CALDERON

*Executive Director*

Age  
**68 Years Old**

Gender  
**Female**

Nationality  
**Filipino**

Ms. Aurora T. Calderon was appointed to the Board of the Company on 30 March 2012. Ms. Calderon has served as a Director of Petron Corporation since 13 August 2010. She also sits on the Board of Directors of several Petron Corporation subsidiaries including Petron Oil & Gas International Sdn. Bhd. Ms. Calderon is also Senior Vice President and Senior Executive Assistant to the President and Chief Operating Officer of San Miguel Corporation and sits on the Board of Directors of San Miguel Corporation and several of its subsidiaries including SMC Global Power Holdings Corporation. She has served as a Director of Manila Electric Company-MERALCO (from January 2009-May 2009), Senior Vice President of Guoco Holdings (1994-1998), Chief

Financial Officer and Assistant to the President of PICOP Resources (1990-1998) and Assistant to the President and Strategic Planning at the Elizalde Group (1981-1989). A certified public accountant, she graduated magna cum laude from the University of the East in 1973 with a degree in Business Administration, majoring in Accounting. She earned her Master's degree in Business Administration from the Ateneo de Manila University in 1980. She is a member of the Financial Executives Institute of the Philippines (FINEX) FINEX's Capital Market Development Committee, Director of the Market Governance Board of the Philippine Dealing System Holdings, (PDS) and a member of Philippine Institute of Certified Public Accountants (PICPA).

## PROFILE OF BOARD OF DIRECTORS



### MR. FERDINAND K. CONSTANTINO

*Non-Independent  
Non-Executive Director*

Age  
**71 Years Old**

Gender  
**Male**

Nationality  
**Filipino**

- Chairman of Board Sustainability Committee
- Member of the Nominating Committee

Mr. Ferdinand K. Constantino was appointed to the Board on 30 August 2013. Mr. Constantino is the Group Chief Finance Officer and Treasurer and Corporate Information Officer of San Miguel Corporation (SMC). Mr. Constantino also sits on the boards of several San Miguel subsidiaries. He is the Chairman of San Miguel Foundation. He is the Director/President of Anchor Insurance Brokerage Corporation and Director of SMC Global Power Subsidiaries. He is also a Director of various SMC businesses namely: San Miguel Yamamura Packaging Corporation, San Miguel

Holdings Corp. (Infrastructure), SMC Skyway Corporation and Northern Cement Corporation. He was previously SMC Comptroller and Chief Finance Officer of San Miguel Brewery Inc. Mr. Constantino holds a Bachelor's Degree in Economics from the University of the Philippines. He also took graduate courses in Economics and Business in the same university. Mr. Constantino has over 49 years' experience in financial management, financial planning and analysis, financial systems, comptrollership, economic analysis and strategic planning.

# PROFILE OF MANAGEMENT COMMITTEE

# PROFILE OF MANAGEMENT COMMITTEE

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## 1 MR. LUBIN B. NEPOMUCENO

Chief Executive Officer  
and Executive Director  
Chairman of the Management Committee

71 years old | Male | Filipino

### Qualifications:

- B.Sc (Chemical Engineering), De La Salle University.
- M.B.A (Hons.), De La Salle University.

### Working Experience:

- Mr. Lubin B. Nepomuceno was appointed as the Chairman of the Management Committee and has held the position since the 2012 takeover of ExxonMobil's downstream businesses in Malaysia by Petron Corporation.
- He is an Executive Director on the Board of Directors of the Company.

## 2 PN. FARIDAH ALI

General Manager

58 years old | Female | Malaysian

### Qualifications:

- B.Sc. (Hons.) Accounting, University of East Anglia, United Kingdom.
- Institute of Chartered Accountants in England and Wales.

### Working Experience:

- Pn. Faridah Ali was appointed as the General Manager of Petron Malaysia effective 1 November 2018. She is also an Executive Director of Petron Fuel International Sdn. Bhd. and Petron Oil (M) Sdn. Bhd.
- She was the Head of Retail Business of Petron Malaysia Group since 2012 until her present position.
- She was the Retail Business Director and Executive Director of the former Esso Malaysia Berhad, now PMRMB. She also held various positions under ExxonMobil as the Marketing Support Manager and Business Analyst and Reporting Manager.

## 3 MR. MARK TRISTAN D. CAPARAS

Chief Finance Officer

40 years old | Male | Filipino

### Qualifications:

- B.Sc in Business Administration & Accountancy (Magna Cum Laude), University of the Philippines.
- Masters in Business Administration (Hons.), Ateneo Graduate School of Business.
- Certified Public Accountant, 17th placer in 2004 CPA Licensure Examination (Philippines).

### Working Experience:

- Mr. Mark Tristan D. Caparas has held the position of Chief Finance Officer of PMRMB since July 2019.
- He is also the CFO of the other subsidiaries of Petron Corporation in Malaysia.
- He was the Assistant Controller of Petron Corporation from November 2015 to June 2019.
- Mr. Caparas has been with Petron Corporation since 2006 when he joined the Controllers Division as Credit Analyst. He has since been appointed to various positions of increasing responsibility within Controllers including in Finance, Treasury and Compliance.

## 4 MR. MANOJ DEVADASAN

General Counsel/Company Secretary/  
HR Manager/Compliance Officer

59 years old | Male | Malaysian

### Qualifications:

- B. Soc. Sc. (Hons.) (Law/Politics), University of Keele, United Kingdom.
- Barrister-at-Law (Lincoln's Inn, United Kingdom).
- Masters in Law (LL.M), University of Malaya, Malaysia.
- Licensed Company Secretary.
- Advance Certification in Anti-Money Laundering (AICB).

### Working Experience:

- Mr. Manoj Devadasan has held the position of General Counsel/Company Secretary of PMRMB since 2012 and HR Manager since 2018.
- He also serves as the General Counsel/Company Secretary/HR Manager of the other subsidiaries of Petron Corporation in Malaysia. He was appointed as Compliance Officer effective 2021.
- He has served as the Company Secretary of the ExxonMobil Subsidiaries in Malaysia (including then Esso Malaysia Berhad) from 2006.

## 5 Y. BHG. DATO' RAJA SALLEHUDIN RAJA LOPE AHMAD

Head of Refinery

58 years old | Male | Malaysian

### Qualifications:

- B. Eng (Hons.), (Chemical Engineering), University of Monash, Australia.
- Masters in Business Administration, University of Malaya, Malaysia.

### Working Experience:

- Dato' Raja Sallehudin Raja Lope Ahmad was appointed Head of Port Dickson Refinery on 1 November 2021.
- Prior to this role, he was the Technical/Deputy Refinery Manager at Port Dickson Refinery.
- He has held various positions including Process Manager, Mech & Construction Manager, Distribution & Pipeline Manager and Malaysia Terminals Country Manager.

## 6 EN. MOHD NIZAM MANSOR

Head of Supply & Distribution

55 years old | Male | Malaysian

### Qualifications:

- B.Sc. (Hons.) (Actuarial Science), University of Kent at Canterbury, United Kingdom.

### Working Experience:

- En. Mohd Nizam Mansor was appointed Head of Supply & Distribution of Petron Malaysia effective 1 January 2022.
- Prior to this role, he was the Head of Supply with functional organisation implementation.
- He has held various roles including the Refinery Coordination & Business Support Manager, member of the Global Marine Transportation Optimisation group and Supply Associate.

## 7 PN. SHALIZA MOHD. SIDEK

Head of Retail Business

51 years old | Female | Malaysian

### Qualifications:

- Bachelor of Laws, Nottingham Trent University, United Kingdom.

### Working Experience:

- Pn. Shaliza Mohd. Sidek was appointed as the Head of Retail Business effective 1 September 2022.
- Prior to this role, she was the Retail Sales Manager.
- She has held various roles in Retail Business and Retail Network Expansion.

## 8 MR. MOHD ASRI BIN IBRAHIM

Head of Commercial Business

49 years old | Male | Malaysian

### Qualifications:

- Bachelor of Business in Economics & Finance, University of Hartford, USA.
- Master of Business Administration, Universiti Utara Malaysia.

### Working Experience:

- Mr. Mohd Asri Ibrahim was appointed as the Head of Commercial effective 1 September 2022.
- Prior to this role, he was the Commercial Fuels Manager.
- He has held various roles within Industrial & Wholesale and Commercial Business.

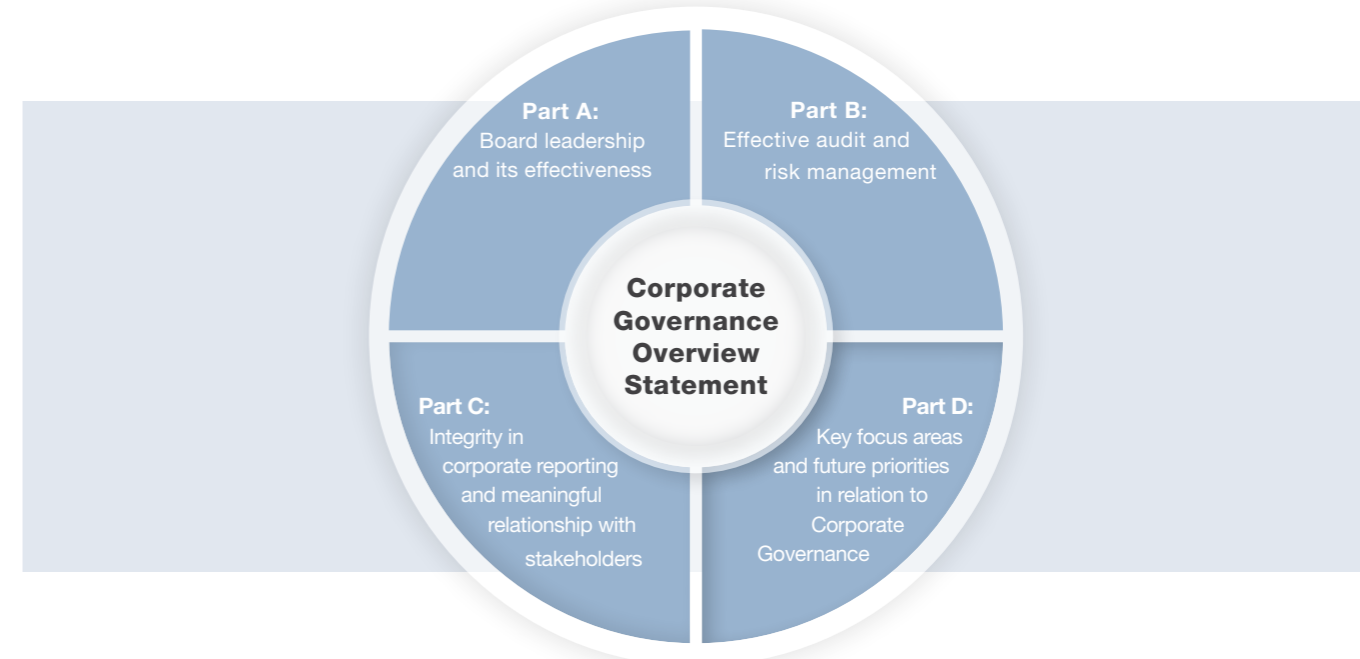
None of the Management Committee members have any family relationship with any Director and/or major shareholder of Petron Malaysia Refining & Marketing Bhd, no conflict of interest with Petron Malaysia Refining & Marketing Bhd, not convicted of any offences within the past five (5) years and have not been imposed any penalty by the relevant regulatory bodies during the financial year 2022.

The disclosure on the particulars of the above Management Committee members of Petron Malaysia Refining & Marketing Bhd is made in compliance with the requirements under Appendix 9C of Bursa Malaysia Securities Berhad Main Market Listing Requirements.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

This is a Corporate Governance Overview Statement relating to Petron Malaysia Refining & Marketing Bhd (“PMRMB” or “Company”). The full report on the compliance status of the Company in relation to the Malaysian Code on Corporate Governance 2021 (“CG Code 2021”) as submitted to Bursa Malaysia Securities Berhad (“Bursa Malaysia”) as per requirements of the Main Market Listing Requirements (“MMLR”) can be accessed at [www.petron.com.my](http://www.petron.com.my).

This Corporate Governance Overview Statement will highlight the following:



## A. BOARD LEADERSHIP AND ITS EFFECTIVENESS

### General

As at 31 December 2022, the Board has nine (9) members, with five (5) Independent Directors, one (1) Non-Executive Director and three (3) Executive Directors (including the Chairman). The Company has a majority of Independent Directors.

### Independent Directors On The Board

The Company recognises the value of having a majority of Independent Directors on the Board as their diverse qualifications, experiences, skills and abilities to provide a ‘cold-eye’ critical review of Management’s proposals and presentations, will help the overall management of the Company and allow the Company’s strong governance process to continue improving. As at the end of the 2022, the Board comprised of a majority of Independent Directors (as well as meeting the minimum of thirty per cent (30%) women Directors on the Board) thus meeting the recommendations of the CG Code 2021 in regard to the Board composition.

Independent Director, Y. Bhg. Dato’ Zainal Abidin Putih, who was the Chairman of the Board Audit & Risk Management Committee, has exceeded a tenure of twelve (12) years on the Board and as recommended by the CG Code 2021, retired from the Board at the conclusion of the Annual General Meeting in 2022. In August 2022, Y. Bhg. Datuk Nik Mohd Hasyudeen Bin Mohd Yusoff was appointed as Chairman of the Board Audit & Risk Management Committee.

Independent Director, Ms. Chua See Hua would have served a total of more than ten (10) years immediately before the upcoming Annual General Meeting in 2023. Per the recommendation of the CG Code 2021, Ms. Chua See Hua, if she was to be reappointed must undergo a two-tier voting at the Annual General Meeting. The Board of Directors, having considered the tenure of Ms. Chua See Hua on the Board is of the firm view that she should be re-appointed by the shareholders at the 2023 Annual General Meeting to serve another year in office.

The Board views Ms. Chua See Hua’s continued presence on the Board is of vital importance not only to protect the interest of minority shareholders but also to assist the Board with its governance endeavours and by providing the Board with invaluable advice as the senior most Independent Director following the retirement of Y. Bhg. Dato Zainal Abidin Putih.

The election process for Ms. Chua See Hua at the 2023 Annual General Meeting, will follow the ‘two-tier’ voting system prescribed by the CG Code 2021 as the necessary amendments to the Company’s Constitution had been approved at the 2019 Annual General Meeting. The voting on Ms. Chua See Hua’s re-appointment will be conducted by poll.

The Nominating Committee from its annual evaluation of the Board, individual directors and Board Committee considers the possible re-election of Directors who will be retiring but being eligible will seek re-election at the Annual General Meeting. A comprehensive survey is carried out as part of the evaluation and ratings therein assist the Nominating Committee in considering if the Committee should endorse a re-election and make a recommendation to the Board of Directors to support such re-election. Other factors taken into account includes recent other directorships or other interests of the said Directors attained or gained in the past year that places too heavy a burden on a Director to discharge his or her duty towards the Company. The issue of any conflict of interest is also assessed.

The tenure of Independent Directors is limited in the Board Charter and is in line with limitations on tenure on Independent Directors as recommended by the CG Code 2021.

### The Board Charter

The Company has a Board Charter that has been in place since 1974 and is periodically updated. The most recent update was on 26 August 2021 to incorporate the CG Code 2021 recommendations in relation to tenure of Independent Directors. The Board Charter had in 2018, undergone revisions to meet the requirements of the CG Code 2017. In 2016, as an avenue to communicate the Company's approach to important governance practices, the Company formalised its Board Charter and made it public by providing access to it on the Company's website. The Board Charter deals with its purpose, authority, role of the Board, the Board Committees, the relationship between the Board and Management, responsibilities specifically reserved for the Board and the Board's other responsibilities, the Board composition, the individual roles of the Chairman and the Chief Executive Officer, annual assessment of the Board, Board Committees and individual Directors, tenure of Independent Directors, annual election/re-election of Directors, Directors' responsibilities in relation to the Board and Board Committees, meetings of the Board, minutes and review of the Board Charter. Whilst the Board has not appointed a Senior Independent Director, relevant provisions was incorporated into the Board Charter as part of the 2018 review.

However, recognising that the Board cannot manage day to day operational matters, necessary delegation of authority by the Board (as is permitted by law and the constitution of the Company) is in place. Such delegation of authority, as adopted

by the Board, acts to identify the roles and responsibilities of the Management Committee and individual Management personnel, as well as the relevant level of authority that has been delegated by the Board. The Board Charter and the Management Committee Charter are reviewed periodically by the Board and updated as necessary. The Management Committee Charter was last reviewed in 2018. An internal review in 2021 concluded that there was no need for any amendments to the Management Committee Charter for the time being. Changes to the delegation of authority to individual Management personnel are reviewed at quarterly meetings by the Board Audit & Risk Management Committee and approved by the Board.

### Board's Management of the Company

The Board forms the mind and management of the Company and leads the Company. To ensure that it is able to fulfil its obligations to the Company and to ensure proper management of the Company, the Board meets at least five (5) times a year, with additional matters resolved by way of circular resolutions as and when required. Special meetings of the Board may be called when necessary. Each Independent Director brings invaluable judgment and skills to bear on issues of strategy, performance, resource allocation, risk management and standards of conduct. Balance in the Board is achieved and maintained with the composition of both Executive, Non-Executive and Independent Directors. In recognition that the Independent Directors have a primary role in providing unbiased and independent views, the Company has selectively appointed highly qualified individuals of integrity and character, with broad experience and proven business and management expertise. Currently, following Y. Bhg. Dato' Zainal Abidin Putih's retirement and following Ms. Chua See Hua's appointment at the conclusion of the 2022 Annual General Meeting, Ms. Chua See Hua is the longest serving Independent Director of the Company. Although she has not been formally appointed as the Senior Independent Director, shareholders are at liberty to approach Ms. Chua See Hua, or any of the other Independent Directors, to seek clarification should they have any queries or concerns relating to the Company and its Management. This would be in addition to the ability of the shareholders and other stakeholders directly contacting the Executive Directors or Senior Management. By engaging the Independent Directors, the Management is able to elicit their views and benefit from the Independent Directors' vast experience and expertise in various fields of business including the downstream oil & gas business. The engagement with the Independent

Directors also enables the Company to manage Minority Shareholders' expectation that their rights continue to be protected.

The strategic plans of the Company and the operating plans for the year to grow the business, including the key factors taken into consideration in determination of the plans, are considered and approved by the Board. Approval by the Board is also obtained for the Company's budget. The progress of plans and budget as approved, are reviewed mid-year (following an internal midyear review at Senior Management level) with adjustments made where deemed necessary. Adherence to the budget is also monitored in conjunction with the periodic review of the financials. The key to the strategic plans of the Company is long-term sustainability. The success of the Company (and indeed its rate of expansion in the downstream oil & gas business in Malaysia) in the ten (10) years since Petron acquired the business in 2012 is reflected by:

- The Company's rapid growth in the highly competitive Malaysian market to be recognised as a major downstream oil & gas company;
- The successful establishment of the "Petron" brand in the Malaysian market, leading to the Company winning multiple national awards;
- The introduction of innovative products such as the RON100 gasoline (the highest octane rated gasoline in Malaysia) and the high-end Turbo Diesel Euro 5 fuel;
- The completion of (despite challenges posed by the Covid-19 pandemic) the Diesel Hydrotreater (DHT) and Marine Import Facility 2 (MIF2) projects – largest capital projects at the Company's Port Dickson refinery in 2021. The DHT will enable Euro 5 quality fuels to be produced by the refinery and thereby reducing reliance on imports and at the same time meeting stricter environmental requirements and regulations. The MIF2 with a 7km sub-sea pipeline and single buoy mooring system will enable berthing of larger vessels thus reducing supply cost and at the same time reducing the carbon footprint of multiple vessels usage. The MIF2 is also expected to help reduce demurrage cost due to vessel berthing congestion;
- The strong financial position of the Company; and
- The Company's consistent market capitalisation and healthy dividend payouts; that benefits the shareholders of the Company via healthy yields investment.

All this was done whilst maintaining an impeccable safety record with the Company's terminals having operated over twenty-five (25) years without any lost time injury (LTI). In addition, the Port Dickson Refinery's two (2) major projects namely, the DHT Project completed a cumulative of 3,275,383 manhours without LTI and the MIF2 Project completed a cumulative of 1,237,937 manhours without LTI, as at 13 January 2022.

### Sustainability

The Board and Management are also fully supportive of and embrace the need for better Environment, Sustainability and Governance (ESG) implementation and reporting management in 2022 in line with the recommendations of CG Code 2021. In this regard, a taskforce comprised of the General Manager and selected senior Management personnel are managing the efforts. The main driving force on ESG related matters will be the Board of Directors via a planned new Board Committee for this purpose. The Company (and indeed its sister companies in Malaysia) have an excellent record in this regard including:

- The implementation of the DHT to remove sulphur from crude and thus enabling the Refinery to produce low sulphur Euro 5 fuels;
- The MIF2 that allows for bigger vessel to berth at the marine jetty thus reducing more frequent shipping needs thereby reducing the overall carbon footprint;
- Water treatment at the refinery using natural/biological means;
- Rainwater harvesting, planned installation of solar panels at service stations, the use of Petron-designated 'modular stations' that are more environmentally friendly, re-deigned Convenience Stores that are designed to be energy efficient;
- Investment in Bio-Fuel plant – the only oil company in Malaysia to do so; and
- Selecting suppliers and vendors who have a clear sustainability record.

Management has undertaken a structured approach in the compilation of the data for a more systematic reporting. The Sustainability Report was released as part of the Company's Sustainability Report 2021.

The Manager of the Corporate Affairs Department is the person identified to manage the day to day Sustainability-related matters such as to implement the strategies and advising on integrating sustainability strategies and plans in

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# CORPORATE GOVERNANCE OVERVIEW STATEMENT

the Company's operations. She receives guidance from the General Manager and works closely with the Management Committee members in this regard.

In line with the CG Code 2021, a Board Sustainability Committee was established to focus on the role of the board and senior management in addressing sustainability risks and opportunities of the Company. The Sustainability Committee which comprises of two (2) Independent Directors, one (1) Non-Executive, Non-Independent Director and one (1) Executive Director had its inaugural meeting on 18 August, 2022.

Apart from the adoption of the Company's Vision and Mission Statements (adopted in 2012), to drive the Company's growth, the Company issued the Value Handbook in 2016. Entitled "ExCITES", it incorporates key values that will ensure the Company's success and long-term sustainability. ExCITES stresses on six (6) key values namely:



While the ExCITES project was driven by Management, it was the employees who formed, planned and executed the project as part of a cross functional Department team effort. This move empowered the employees and ensured that they take ownership of and help drive the values. The ExCITES programme has since been 'refreshed' with the infusion of additional teamwork emphasis to strengthen comradery in the workforce to enable the Company to achieve its long term goals and ambition. Since 2021, as the Company moves towards embracing the new pandemic and post-pandemic norms and its forward plans, the ExCITES' plans will again be brought to the fore to ensure that the Company's continued and sustainable success will always remain focused. In 2022, ExCITES was re-launched to once again drive the strong 'Petron Family' values and culture.

The Board recognises that the business of the Company is one that has a moderate to high level of risk in terms of business, financial, economic outlook, environmental, safety and community/ social risks. These are at all times kept in mind in planning and executing any venture that is to be undertaken by the Company. The Board nevertheless acknowledges that it is there to manage a business and risks (as in all businesses) are inherent part of the business. The Board recognises that identifying and adopting solutions to manage those risks is imperative in business and finding a successful balance between managing risks and promoting the business objectives of the Company is a consideration the Board fully recognises as necessary for its sustainability. The matters pertaining to risk management can be further viewed under the Statement of Risk Management and Internal Controls at pages 77 to 80, as well as the Board Audit & Risk Management Committee Report at pages 81 to 85. An overview of the Company's risk management is also stated below in Part B of this Corporate Governance Overview Statement.

## The Chairman of the Board

The Chairman of the Board, Mr. Ramon S. Ang, was appointed by the Board on 2 April 2012 upon the take-over of the Company by Petron Corporation on 31 March 2012, a takeover that he was instrumental in driving.

Mr. Ang is the President of the ultimate holding company, San Miguel Corporation and is also Chief Executive Officer of parent company, Petron Corporation. With his senior executive positions at the group level, he has and continues to provide the vision and executive leadership that has in a span of some ten (10) years since the takeover, led the Company to its present success as a major downstream oil & gas company in Malaysia.

Mr. Ang continues to be the driving force behind Petron's plans to further strengthen its market position in Malaysia. Mr. Ang in his capacity as Chairman of the Board, reviews and approves the Agenda for every Board meeting. Similarly, all Board papers and Board resolutions (including those completed via circulars) are reviewed and approved in order that the papers and resolutions meet the needs of the Board in relation to information necessary for the Board to make a determination. As Chairman, with the assistance of the Company Secretary, he ensures that the relevant Board papers are disseminated to the Directors in advance of the Board meetings to enable the Directors to read, understand, evaluate and raise issues for discussion

or clarification, before a determination is made by the Board. As a general rule, the Board papers are disseminated at least five (5) days before a meeting. The Chairman chairs meetings of the Board (and leads the Board at the Annual General Meeting). The Chairman seeks the input from members of the Board and encourages members of the Board to express their views; even where the views may be divergent to the proposal moved by Management with the support of the Executive Directors.

The Chairman strongly believes in unanimous decisions by the Board as Directors take collective responsibility for decisions. As a general practice, where there are divergence in views, the matter will be referred by the Chairman to Management for a further review (to take into consideration views expressed by Board members) and for Board to make a determination at a later date. As a further measure to encourage active discussions in a candid manner (without the presence of the Chairman at such discussion), as a general practice, matters that are referred to the Board (be it for approval or notation) are first reviewed by either the Board Audit & Risk Management Committee (or where within its purview, the Nominating Committee). Discussions and views expressed at these meetings are then shared with the Board.

The Chairman in his capacity as an Executive Director (along with the other Executive Directors) is actively involved in the day-to-day management issues especially where they relate to strategic acquisitions or disposals, major procurement issues and plans for business development. The Chairman is also provided an extensive management and business update monthly by Management, from which Management receives instructions from the Chairman on expectations.

The Chairman reviews plans by Management in engaging stakeholders and shareholders. Communication plans and proposed meetings (for example with potential investors, plant visits requests, visits by regulators and other government officials) including plans on discussion and presentation to shareholders during general meetings, are reviewed with the Chairman. The aim is to provide meaningful information to the shareholders and stakeholders whilst seeking to avoid providing information that may be confidential or business sensitive that could prejudice the Company and its interests.

To ensure adherence with the governance requirements, the Chairman ensures that the Board is provided updates on all new laws and regulations pertaining to corporate matters including governance. This in turn enables the Directors to ensure that the Company and Management not only adhere to the requirements on governance but also continue to practise the well-entrenched principles and policies of its Code of Conduct in managing the Company as a well-managed and sustainable business entity.

Directors are also encouraged to attend additional training programmes, details of which can be viewed in Part D of this Corporate Governance Overview Statement. The Chairman of

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

the Board will not also hold office as Chairman of the Board Audit & Risk Management Committee or the Nominating Committee or the Board Sustainability Committee at the same time.

## The Chairman and the Chief Executive Officer

The position of Chairman and Chief Executive Officer are held by different persons. Mr. Ramon S. Ang is the Chairman of the Board. He is also an Executive Director.

The Chairman is neither a Member of the Board Audit & Risk Management Committee nor the Nominating Committee. Mr. Lubin B. Nepomuceno is the Chief Executive Officer. He is also an Executive Director and the Chairman of the Management Committee that is tasked with the day-to-day operational management of the Company.

The separation was implemented in 2013 as recommended by the then Malaysian Corporate Governance Code 2012. The Company and the Board will continue with this practice. The separation in offices is also expressly stated in the Board Charter. The Board Charter further specifies the separate roles and responsibilities of the Chairman and the Chief Executive Officer.

## Diversity on the Board

The Board Charter specifies that the Board will at all times endeavour to ensure that at least thirty per cent (30%) of the Directors of the Company are women. The Company has practised the same for many years. The Company also does not seek to look at the thirty per cent (30%) as a target but a minimum number and when considering appointment of new Directors, also seek to give preference to women directors. Since 2012 the Company has engaged seven (7) new Independent Directors; one (1) of whom resigned in 2019.

The Board of Directors is currently comprised of persons with a diverse range of qualifications, experiences and skills. These include qualified engineers, accountants, a banker and a lawyer, with diverse experience including in the downstream oil & gas industry, banking, corporate advisory, finance and venture capital work, all of which brings to the Board a diverse pool of highly talented individuals who are able to critically review and provide the Board and Senior Management candid views and advice on the strategy, business plans, operations, finance, products and other areas including customer relations and marketing. Their diverse cultural backgrounds – Malaysian and Filipino – provide the Board with a balance of understanding in managing the expectations of the stakeholders and, at the same time, the Company's business needs.

As at 31 December 2022, the Board is comprised of nine (9) members of whom three (3) are women Directors. Of the three (3) women Directors, two (2) are Independent Directors (one of whom is also the Chairperson of the Nominating Committee) and one (1) Executive Director.

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In regard to selection of candidates for Board appointments, the Board does not rely only on the Board members but also external consultants to recommend potential candidates for appointment to the Board. Of the seven (7) Directors appointed to the Board since the takeover by Petron in 2012, four (4) were proposed by Directors, one (1) was proposed by Management and two (2) by a consultant. In each case there is extensive review undertaken (including interviews) before the candidate is proposed for consideration.

When seeking candidates for appointment, potential candidates are sought from existing Directors as well as external consultant. This same process was applied in February 2022 when a new Independent Director was sourced for appointment. From these candidates, a selection is made based on the specific skill sets required – in this case in accounting/finance and exposure to high level regulatory work as well as managing a large public company. Another factor was the ability of the selected candidate to work closely with other Independent Directors in discharging their collective duty. Based on those criteria, the candidate selected was someone recommended by a senior Independent Director as opposed to that recommended by the Consultant.

## Nominating Committee

Independent Director Ms. Chua See Hua is the Chairperson of the Nominating Committee.

The Nominating Committee's Report can be found at pages 86 to 90.

## Remuneration Committee

The Company ceased to have a Remuneration Committee in 2014. The reason for this is due to the fact that:

- The Chairman, two (2) Executive Directors (that includes the Chief Executive Officer) and the one (1) Non-Executive Director of the Company, do not receive any remunerations from the Company; and
- As the Remuneration Committee was comprised of only Independent Directors at the time and only be reviewed and recommended their own remunerations, the Remuneration Committee members opined that there was a conflict of interest.

The Remuneration Committee also played no role in relation to the remunerations received by Senior Management personnel. Each Senior Management personnel on the Management Committee are regular employees who individually undergo an annual performance appraisal conducted by their superiors. These appraisals, determination of ratings and the resulting level increments and performance bonus (if any) are conducted and determined independent of the said Senior Management personnel. This process includes reviews by the Chairman and Executive Directors. Each Senior Management personnel has no control over the determination of the appraisal results, or changes in their remunerations following from the said appraisal process.

As such, the Remuneration Committee was dissolved and the Board took charge of the erstwhile Committee's functions and has policies in place in regard to the determination of the Independent Directors' remunerations. These are as stated in the Board Charter.

Independent Directors on the Board may provide their input to the Board on any proposal regarding their benefits, but shall otherwise abstain from any decision making process at the relevant Board meeting that decides the recommendations to be made to shareholders for approval.

## The Board and Management

The Board in ensuring the success of the Company's plans and operations, has in place a highly energetic and motivated team of Senior Management personnel (that form the Management Committee). This Committee is led by the Chief Executive Officer and supported by the General Manager of Petron in Malaysia. The Management Committee is comprised of a mix of Malaysian personnel as well as senior personnel seconded from the parent company (Petron Corporation) each of whom have impeccable qualifications, vast experience in the industry and the management skills necessary to deliver on the plans and objectives of the Company. Each key department is headed by a Head of Department with personnel identified and groomed to eventually succeed the Head of Department as part of the succession plan. This is part of an on-going review and the plans include rotation of the personnel's assignment to various functions within the Company to gain experience and exposure on the overall business and management of the Company. The details of the Management Committee members are as in pages 54 to 56.

## Diversity in Senior Management

The Company's Code of Conduct, called the "Standards of Business Conduct", specifies that the Company is an equal opportunities employer and does not discriminate on gender, race or religion in relation to employees, including in relation to hiring and promotions.

The Company operates purely on a merit-based process in determining hiring and promotions. Gender plays no role whatsoever in the process. For instance, the Company engaged woman manager to replace a man in the key position of General Manager of Petron in Malaysia. Senior Management is currently made up of eight (8) Heads of Department/Managers that are in charge of key Departments. These are the Chief Executive Officer (who is also the Chairman of the Management Committee), the General Manager, the Chief Finance Officer, Head of Retail Business, Head of Commercial Business, Head of Refinery, Head of Supply & Distribution, and the General Counsel/Company Secretary/HR Manager/Compliance Officer.

These Heads of Department and Managers form the Management Committee of the Company. They are each professionally qualified (with many having post graduate qualifications) and each have decades of experience in the downstream oil & gas business and in their respective fields of expertise, that helps the Board in implementing the strategies and managing the day-to-day business and operations.

Of the Management Committee of eight (8) members, two (2) women holds the key portfolios of General Manager and Head of Retail Business, respectively. The previous Head of Refinery (a woman) retired in 2021 and re-joined the Company on contract as an Adviser on Refinery related matters.

The next line of Managers as part of the Company (and Petron Malaysia's) succession plans have been identified. These include women managers identified to be part of the succession plan and they include key positions in Petron Malaysia. They are currently taking on assignments of increasing responsibilities and are undergoing mentoring to one day be appointed to their identified senior management roles.

## Effective Stakeholder Communications

The Company has written guidelines on shareholders communication that are incorporated in the Company's Corporate Communication and Disclosure Guidelines that can be accessed on the Company's website. The guidelines also incorporate the parent company's best practices on all matters pertaining to communication, be it with shareholder or other stakeholders.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## Code of Conduct

The Code of Conduct has been communicated to the Company's employees, contractors and vendors, so that they have a clear understanding of the Company's requirements. These include policies on business ethics, conflicts of interest, alcohol and drug use, gifts and entertainment, harassment in the workplace and employees' outside directorships. The Code of Conduct was updated in 2017 and in 2022 to incorporate revised guidelines issued by the parent company in relation to enhanced restrictions on receipt of gifts. Periodic training is also carried out for employees, contractors and vendors to ensure understanding of the requirements. Standard contracts of the Company (including employment contracts and contracts with third party vendors/contractors), also incorporate key provisions of the Code of Conduct as standard terms in such contracts, thus, ensuring the Code of Conduct will be adhered to at all times. All employees of the Company have undergone training on the Standards of Business Conduct and new hires are required to undergo a comprehensive and compulsory training on the Standards of Business Conduct. Such training for new hires is conducted twice yearly. In 2018, a 'refresher' training programme on the Code of Conduct was implemented for all employees. Another refresher was conducted online and to be completed in 2023.

In 2022, Internal Audit completed a review of the Company's Anti-Corruption and the Company's Anti Money Laundering compliance programmes. Internal Audit found the compliance programmes in place were in line with the requirements of the relevant regulators.

A key factor toward ensuring that the Code of Conduct is effective, is the flow of information to Management of any violations or purported violations. The Code of Conduct provides for 'whistle-blower' protection.

In order for such information to be forthcoming, the employees are (as part of their training on the Code of Conduct) provided guidance on how they should report violations and are given assurance of the protection of 'whistle-blowers'. All investigations are carried out expeditiously and confidentially by the relevant Head of Department and all such investigations are conducted with the support of the offices of the General Counsel and Human Resources Department. The process for any investigations on purported misconduct will be carried out in accordance with the Company's written guidelines on managing misconduct. Where there is any conflict of interest that can impact an independent investigation, the services of the Internal Audit Department can be sought.

The policies on protection of 'whistle-blowers' and conveying the assurance of 'whistle-blowers' protection was reinforced during the 'refresher' training programme for employees.



It is to be highlighted that a revised set of Code of Conduct that includes revised Policies on sexual harassment, anti-corruption, anti-money laundering and whistle-blower protection policy was approved and implemented effective 2022. The revised Code of Conduct is available on the Company's website at [www.petron.com.my](http://www.petron.com.my).

In relation to the enforcement of the Code of Conduct, Petron Malaysia has a comprehensive set of written guidelines on managing and implementing disciplinary action for violations of the Code of Conduct.

### Anti-Corruption Initiatives

As part of the Company's preparation in addressing its corporate liability for bribery and corruption offences under Section 17A of the Malaysian Anti-Corruption Commission Act 2009, PMRMB and its sister companies in Malaysia have undertaken the following steps:

1

Commencement in December 2019 of a series of training to inform the employees of the impact of the new law, not only to the employees, but also the corporate liability risk to the company and its Directors and senior management. The trainings continued in 2020 to ensure all employees are trained on what is expected of them in helping to implement the Company's requirements and the expected behavior from each employee.

2

The adoption of the ultimate parent company San Miguel Corporation's policy on gifts and entertainment. This is to be read together with the existing provisions contained in the Company's Standards of Business Conduct.

3

The implementation of a manual to include the Company's policy, action-plan, implementation processes flow, approval processes for exceptions.

4

Enforcement of a Petron Malaysia based declaration and review/ approval process, in relation to minor exceptions (for reasonable business-related entertainment and low value festive gifts).

5

The preparation of a manual to include the Company's policy, action-plan, implementation processes flow, approval processes for exceptions.

6

In light of the revised 2022 Standards of Business Conduct, training nationwide for all employees commenced in 2022 and is expected to be completed by the second quarter of 2023.

7

The Company also conducted training and compliance programme to ensure understanding by the employees and strict compliance with applicable laws and regulations relating to anti-money laundering and counter financing of terrorism.

8

Background checks in recruitment of employees were performed particularly for employees in management positions and tasked with decision-making obligations.

9

Also performed was know-your-client/ risk assessment whereby Customer Due Diligence (CDD) measures were taken to ascertain customer's identity and establish beneficiaries via documentary evidence prior to any business engagements to assess integrity of counterparties.

Whilst the Company (and its sister companies) has an excellent record for their 'zero tolerance' on corruption and strict adherence to its policies on gifts and entertainment, the continued reinforcement of the Company's policy and expectation through regular training and reminders will be reinforced periodically and especially during festive seasons.

## B. EFFECTIVE AUDIT AND RISK MANAGEMENT

Report of the Board Audit & Risk Management Committee (including its composition, role and activities) can be found at pages 81 to 85. As the Board Audit & Risk Management Committee is comprised solely of Independent Directors and the Board prohibits the appointment of any partner of an audit firm prior to a 'cooling off period' of three (3) years since last serving the Company, the recommendation of the CG Code 2021 in this respect has always been adhered to.

Permanent agenda items for the Board Audit & Risk Management Committee's quarterly meetings include:

- Review and endorsements of the financials that are to be tabled to the Board for approval;
- Review of the related party transaction;
- Review on contracts exceeding RM5 million that are not in the ordinary course of business;
- Accounts receivables written-off;
- Compliance updates including in anti-corruption/ anti-money laundering and disciplinary matters;
- Review of list of the Company's authorised signatories; and
- Risk management updates.

As part of its risk management initiatives, the Committee also reviewed the Company's Covid-19 vaccination status amongst its employees and contract staff.

Both the Internal Audit as well as the external auditor report to the Board Audit & Risk Management Committee.

As a general practice to allow for candid discussion by (especially) the Independent Directors (usually in the absence of the Chairman and Executive Directors), matters that are to be tabled to the Board will first be raised at and be reviewed by the Board Audit & Risk Management Committee and views expressed in Board Audit & Risk Management Committee are then raised at the Board meeting as well. This allows for the Board to have all views before deciding on such matters brought to it for determination.

### Diverse Skills and Experience/Financial Literacy on the Board Audit & Risk Management Committee

Following the retirement of Y. Bhg. Dato' Zainal Abidin Putih as the Chairman of the Board Audit & Risk Management Committee, Y. Bhg. Datuk Nik Mohd Hasyudeen Yusoff was appointed in his stead. Y. Bhg. Datuk Nik Mohd Hasyudeen Bin Yusoff, an accountant, was the past President of the Malaysian Institute of Accountants and past Chairman of the Audit Oversight Board of the Securities Commission. Ms. Chua See Hua is a practicing lawyer specialising mainly in corporate and finance matters. Mr. Fong Seow Kee, is a chartered accountant and was also the chairman of the audit committee of another public listed company. Mr. Antonio M. Cailao is a former senior banker in an international banking group and later headed the Philippine National Oil Company. Y. Bhg. Dato' Noorizah Binti Hj Abd Hamid is qualified in Finance and was the Managing Director of a major infrastructure company.

Apart from their financial literacy, each member of the Board Audit & Risk Management Committee brings to the job, her/ his ability to grasp and understand complex business and financial related issues that are to be considered by the Board Audit & Risk Management Committee and the Board. They also have considerable experience dealing with management (in various other companies) and possess the necessary ability and independence to probe and seek clarifications on the financials, as well as on progress made and weaknesses detected in any financial or business matters or transactions presented by Management.

The Independent Directors are presented with the financials in considerable detail at all quarterly meetings. Much time is spent discussing questions on the financial and operations issues (and its impact on the financials) and actions taken by Management to address matters of concern.

The Board Audit & Risk Management Committee also has the ability to request the presence of the internal and external auditor to provide independent advice whenever deemed necessary and appropriate.

### Chairman of the Board Audit & Risk Management Committee

In compliance with the CG Code 2021, the offices of the Chairman of the Board and the Chairman of the Board Audit & Risk Management Committee are separate.

## Relationship with External Auditor

As a rule, the external auditor reports to Board Audit & Risk Management Committee on all audit related matters, be it routine statutory audits or special audits (if any) for which it is engaged. The Audit Plan is also reviewed annually and approved by the Board Audit & Risk Management Committee. The Board Audit & Risk Management Committee further ensures that it has private discussion with the external auditor in the absence of Management/ Executive Directors.

The external auditor's fees are reviewed and endorsed by the Board Audit & Risk Management Committee before being tabled to the Board for approval. Similarly, the Board Audit & Risk Management Committee reviews the suitability of the external auditor and recommends appointment or re-appointment (as the case may be) to the Board, before being tabled for approval at the Annual General Meeting.

The policy on the assessment of the external auditor is stated in the Board Audit & Risk Management Committee Charter. The assessment although practised at all times, is now expressly mentioned in the Board Audit & Risk Management Committee Charter as part of the amendments to the Board Charter arising from the CG Code 2021.

In evaluating the suitability of the external auditor, the Board Audit & Risk Management Committee, with input from Management, considers the following:

- The external auditor's reputation, resources and quality of audit;
- Nature and extent of non-audit services and the level of fees; and
- The independent and continued independence.

This process includes obtaining assurances from the external auditor that each of its partner(s) and personnel is free of any conflict or potential conflict of interest that may impair her/his judgment or objectivity. The external auditor further provides the Board Audit & Risk Management Committee with an assurance that the external audit staff undergoes stringent reviews based on their global practices to ensure that personnel assigned to audit the Company are indeed free of any conflicts or potential conflicts of interests.

## Relationship with Internal Auditor

The Company's internal audit function is undertaken by an internal audit group based in Manila, at Petron Corporation, that also undertakes audit work for all Petron Corporation companies in the region. The internal audit group which reports directly to the Board Audit & Risk Management Committee, also takes functional guidance from Petron Corporation's internal audit function. This structure allows the Company to benefit from the application of Petron Corporation's internal audit best practices and assures the Company of internal audit independence.

The current arrangement ensures that Management of the Company has no control over the function of the internal audit. To ensure independence from Management, the internal audit personnel assigned to the Company's internal audit are not subject to any determination of their assignments, promotions or their remuneration (or increase thereto) by the Company's Management. In order to maintain total independence from the Company's Management, their remunerations are not set or paid by the Company. The cost incurred for internal audit in 2022 was RM326,470.23.

The internal audit function undertakes independent, regular and systematic audit reviews of the Company's system of internal controls to assess the adequacy and effectiveness of those controls and overall control environment. This is to provide reasonable assurance that such systems are operating effectively. The internal audit process covers the audit of selected units and operations based on risk assessment. Internal Audit has a mid-year and annual review with the Board Audit & Risk Management Committee on audit carried out including the results/findings. Follow-up action plans arising from the audits, as well as recommendations by Internal Audit, are also reviewed.

The Board Audit & Risk Management Committee also reviews and approves the audit plan for the subsequent year. Further, where there are any amendments to the approved audit plan, such amendments to the plan will require approval from the Board Audit & Risk Management Committee

The Board Audit & Risk Management Committee has reviewed the internal audit findings for 2022 as well as the closing out of recommendations made by the internal audit. The Board Audit & Risk Management Committee has also recognised the new Audit Rating System that was implemented in 2017 in line with the system adopted by the parent company.

With effect from 2018, per revisions made to the Board Audit & Risk Management Committee Charter in light of the then CG Code 2017, the Board Audit & Risk Management Committee will:

- Satisfy itself of the independence of the internal audit function;
- Satisfy itself that the resources allocated to the internal audit function are adequate; and
- Identify the name of personnel assigned to internal audit of the Company and their qualification and experience; and if the internal audit is carried out in accordance with recognised standards framework.

This will be in addition to the review and approval of the annual internal audit plan, as well as the mid-year review, on the audits carried out, follow through action and closeout of audit issues.

It is to be noted that a key function of internal audit is to not only identify weaknesses and recommend improvements but also to be mindful of new concepts and techniques used in the industry and at Petron Corporation and to suggest improvements and seek process and controls synergy. This has been an important focus area for internal audit since 2012.

## Risk Management Committee

The Board Audit & Risk Management Committee is the Board Committee that oversees the risk management framework and policies. The Board Audit & Risk Management Committee has a regular agenda item on risk management at its quarterly meetings. The Company's Statement of Risk Management and Internal Controls is reviewed by the external auditor as part of its special engagement for that purpose. The external auditor also reports to the Board Audit & Risk Management Committee on its review.

The Company's Statement of Risk Management and Internal Control ("SORMIC") can be found at pages 77 to 80. The SORMIC has been reviewed by external auditor, PricewaterhouseCoopers PLT (PwC).

## Controls and Management System

The management systems that are in place are designed to achieve high standards of performance in the areas of safety, operations integrity, internal control and legal and environmental compliance. As these systems have been previously adopted by the Board and were used by the Company for many years, upon the takeover of the Company by Petron Corporation in 2012, these management systems were deemed to continue in operation and employees, contractors and vendors continue to be guided by these same systems until such time they are revised. As the

systems involve employees, contractors and vendors whose engagement spanned the take-over, it was recognised that a sudden change in the systems (and providing fresh training to the employees, contractors and vendors) would cause undue strain on the Company's resources. In this regard, the Company has opted to gradually change the systems (where necessary) by introducing new or revised sets of management systems to govern the Company that are in line with the policies and systems of the parent company. The Board and the Board Audit & Risk Management Committee with the assistance of an independent internal audit function, help ensure that the policies and the management systems are fully implemented and consistently enforced.

To manage risk, the Company's risk matrix (based on a likelihood/impact analysis) is reviewed annually to establish risks based on existing and projected factors. The risks identified are those which may have a high financial risk or a non-financial risk such as health and safety, environmental, regulatory and reputation risks. Key risks are identified and the processes to manage these risks are determined. These include the business recovery processes that are put in place. The review of risk management issues is a permanent agenda item at the Board Audit & Risk Management Committee meetings.

In 2021, the ongoing pandemic and its impact on the global market was identified as the key risk and continued to be a risk factor in 2022. Based on the assessment, pandemic has significant impact on the Company given its effect on the Company's operations, especially during the lockdowns. The likelihood, however, is still considered to be medium as it is not expected to happen frequently. Hence, 'Pandemic' scenario is classified as high-impact but medium likelihood.

Key risks identified to be managed in 2022 were:

- 1 Crude/product supply disruption
- 2 Major incidents rendering the plants/facilities inoperable
- 3 Subsidy reimbursement management
- 4 Commodity price and forex
- 5 Access to external financing
- 6 Sustainability – Environment, Social and Governance

For the year 2022, considering the importance of ESG, Management has opted to place the non-adherence to ESG requirements and reporting and impact to the Company therefrom as a risk factor.

For all of the above, the Company has plans in place to manage such risks be it navigating the Company through the many operational and business disruptions caused by global geopolitical issues impacting supply of petroleum products to even managing the ESG compliance and reporting. Apart from various controls processes in place to ensure financial matters are properly managed, the Board regularly reviews the necessary delegation of authority in the Company on various functions including the formulation and designation of authorised signatories with respect to various business and functional matters based on the value of any given transaction.

Controls are also incorporated to ensure that each approval goes through a strict process and various levels of independent 'cold eye' reviews prior to approval, thus preventing any abuse of authority and ensuring thorough review prior to any decision being taken. The powers of the Management Committee are spelt out in the Management Committee Charter. The Management Committee Charter can be viewed on the Company's website. All matters that are not within the purview of the Management Committee (per the Management Committee Charter) are powers specifically reserved for the Board.

A summary of how the process of controls and risks are reviewed and managed are as follows:

- Controls are formulated, implemented and enforced strictly at each function and process. This ensures that all matters including day to day operations, procurement of materials and supplies and financial transactions follow set protocols and levels of independent verification. This includes set authority levels for independent verification and independent approvals.
- The controls are applicable in all Departments be it a business or support function.

- As regulatory compliance is key to ensuring the continued operations of the Company, all corporate regulatory matters are reviewed by the Law Department, Controllers Division and the Tax Division. Matters pertaining to safety, security, health and environment ("SSHE") are managed by the respective Departments, that have controls and processes in place that are strictly followed.
- The Management Committee and other Heads of Department meet weekly to review the business and the controls issues or any non-compliance (if any). Formulation and recommendation of solutions, to address any controls issues, form part of these discussions.

These processes and controls are also subjected to reviews by internal audit where any deficiencies are highlighted to the Department concerned with suggestions on improvements. The implementation of suggested improvements in the processes and controls are then monitored by internal audit in order to close out audit issues.

There is thus a clear framework in place for reporting on internal controls and compliance. This framework allows the members of the Management Committee to review all issues pertaining to compliance, not only with laws including the Listing Requirements, but also compliance with the Company's policies on expected conduct of the Company and its employees. Any issue of non-compliance can also be referred to the Company's independent internal audit group for review and investigation and, where recommended, necessary action. The review will also highlight process gaps that have to be corrected to ensure that such non-compliance does not recur. The Company's established 'whistle-blower' protection system in its Standards of Business Conduct safeguards employees from any recriminations for highlighting any non-compliance by any employee (including by a Director).

Where it involves a disciplinary issue, the matter of purported misconduct may be dealt with using the Company's internal guidelines for managing misconduct.

## RISK MANAGEMENT GROUP

- Each Department has a risk management process specific to that Department's business and with a business recovery process in the event of a business disruption.
- In some high-risk areas especially when there could be high financial impact, there are interdepartmental groups tasked with evaluating risk seeking solutions. Such would include weekly meetings on hedging (on both commodities and crude and finished products as well as foreign exchange risk associated with the Company's business).
- The Management Committee that meets weekly also review risks in each Department.
- The Risk Management Group then meets once every two (2) to three (3) months to review the updates and findings. The Risk Management Group also reviews the risk matrix for the year and considers any updates that need to be done.
- The Board Audit & Risk Management Committee is then updated every quarter on risk management issues.

## C. INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

### Integrity in Reporting

The Board and Management do not allow for any compromise in the factual accuracy of all reporting to stakeholder and require the need for such reporting to be made in a timely manner. To this end all reporting requirements such as financial reporting (both quarterly and at financial year end), disclosures to the stock exchange and the Securities Commission, reporting to the Companies Commission, regulatory reporting and response in relation to the request for information to the regulators (collectively, "Reports"), are:

- prepared by the relevant Department charged with preparing the Report;
- reviewed by other Departments that have an interest in the Report;
- reviewed independently by the Law Department/ Controllers Division, as appropriate; and
- approved for release (for example, by the Board or by Senior Management).

This process will ensure that Reports submitted meet the necessary factual and disclosure integrity required. In 2022, the Company was not subjected to any sanction or fines by the Securities Commission, Bursa Malaysia, the Companies Commission or other regulatory authority.

### Stakeholder Engagement

The Board recognises the need for engaging stakeholders and maintaining a healthy line of communication with the stakeholders. The Board is also mindful that:

- 1 the downstream oil & gas business in Malaysia is highly competitive and much of the information (especially on strategy and business plans and investment) are highly confidential in nature; and
- 2 there are no other publicly listed integrated downstream oil & gas company (with both a refinery and a retail/commercial business) in Malaysia (like Petron Malaysia Refining & Marketing Bhd), that are also subject to stakeholder engagement recommendations under the CG Code 2021. Competitors in the industry that are not publicly-listed, are not subject to such disclosure requirements.

As such in order to be a sustainable business and in the best overall interest of the Company, the Board and Management recognises the need for transparency to be tempered with discretion.

The Board and Management nevertheless recognise the need to communicate effectively with shareholders. The Board values and encourages dialogue with the shareholders to establish better understanding of the Company's objectives

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

and performance. To this end, suggestions made by shareholders have been incorporated, where appropriate, including the improvement of financial presentations at general meetings as well as enabling shareholders to visit the office for dialogues or clarification on matters disclosed or pertaining to the Company. The Annual General Meeting provides a suitable forum for the shareholders to hold dialogues with the Board. Additionally, queries from investors and potential investors are dealt with by our Investor Relations.

At the Annual General Meeting, a Management presentation will be made about the Company's performance for the year under review. Some information may also be provided about plans going forward. As a general rule the Company does not make or disclose any future financial performance estimates. The Annual General Meeting allows shareholders to ask questions and seek clarification on the Company, including on its financials, business, operations and governance matters. Shareholders are also allowed to submit written questions in advance and these will be addressed at the Annual General Meeting. Since 2013, all voting on all resolutions tabled at the Annual General Meetings of the Company have been by poll as recommended by the then Malaysian Corporate Governance Code 2012. This method of voting will continue to be applied. Since the 2017 Annual General Meeting, voting has been fully electronic. For efficiency and accuracy of vote tabulation, an independent scrutineer monitors the entire tabulation of proxy submissions and poll voting process. The independent scrutineer is also the one who announces the voting results.

The Company's website has a Management Committee member as its named contact person with contact details, to ensure that shareholders' queries are promptly addressed. The Company holds open discussions with investors and analysts upon request. Material information relating to the Company is disclosed to the public by way of announcements to Bursa Malaysia Securities Berhad ("BMSB"), as required by the Main Market Listing Requirements of BMSB.

A summary of the key stakeholder engagement and communication is as follows:

## SHAREHOLDERS

Annual General Meeting forms the most important avenue for shareholders to question/seek clarification from the Board and Management. The Company receives questions in advance in writing from shareholders including the Minority Shareholders' Watchdog Group, all of which are addressed at the Annual General Meeting.

The Annual General Meeting also enables the Board and Management to update shareholders of the year's business and finances as well as to provide some input on what the business and oil industry outlook would be.

In addition, there are questions that are directed to the Company via the Company Secretary as lead for investor relations. Where the information sought is not unpublished price sensitive information, written responses or verbal responses are provided.

Further, the Company ensures that all disclosure requirements mandated by the Listing Requirements as well as voluntary disclosures (where necessary) are made to provide the investing public with relevant information.

At the Annual General Meetings, shareholders and proxies present are also instructed on the voting process and arrangements via specific announcements by the Company Secretary.

Whilst the use of virtual systems to enable remote participation is helpful especially during movement restrictions required due to the Covid-19 pandemic, considering the internet and system stability issues – outside the control of the Company and its share registrar (such as that which caused an outage during the 2021 Annual General Meeting) the preferred option for an Annual General Meeting will continue to be an in-person meeting that in our opinion allows for better interaction and fuller and more meaningful discourse between the Board, management and shareholders.

The summary of proceedings and questions and answers to the Annual General Meeting held in 2022 was posted on the Company website within thirty (30) days of the Meeting.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## EMPLOYEES

Communication with employees is key to ensuring that they are fully aware of the Company's plans and goals and how they can help grow the business as envisaged. To this end, the various Departments have annual 'kick-off' sessions with their personnel to ensure that everyone is fully on board and will fulfil their part in making the Company a success.

## POTENTIAL INVESTORS

Management often engages with investment banks on request for briefings for themselves or their major clients who are keen to invest in the Company.

## REGULATORS

Engaging the Company's regulators is an important facet of stakeholder communication. Over the years, the Company has maintained a close rapport with its regulators as we believe a working partnership with the relevant agencies in realising the Company's business and the downstream oil & gas industry, are synonymous and interlinked.

## CUSTOMERS

As the customers are crucial to the success of the Company's business, communication with these customers via various means (including print and social media and in collaboration with other partners), enable the current and potential customers of the Company to know and appreciate the products and services on offer as well as the benefits of being a customer of the Petron brand. This is in line with the Company's 'Customer Focus' values.

## DEALERS

The dealers and their frontline personnel are the Company's ambassadors with the customers and communications with them on the Company's plans and aspirations, requirements and set targets are an important part of the Company's stakeholder engagement.

## D. KEY FOCUS AREAS AND FUTURE PRIORITIES IN RELATION TO CORPORATE GOVERNANCE

The following are areas that will be focused on by the Company as a priority:

### Investor Relations

Finding effective ways to manage requests for analyst briefings and the need to manage information that is disclosed which meets the requirements of the analysts and the Company's disclosure obligations. We will also explore avenues to encourage analysts to issue analyst reports pertaining to the Company so that shareholders will be able to make informed investment decisions.

### The following matters are also disclosed as additional information:

The Directors' attendance at meetings of the Board of Directors, the Board Audit & Risk Management Committee, the Nominating Committee and Annual General Meeting in 2022 are as follows:

Directors	Board of Director Meeting		Board Audit & Risk Management Committee Meeting		Nominating Committee Meeting		Annual General Meeting
	Held	Attended	Held	Attended	Held	Attended	
Mr. Ramon S Ang	5	4	Non-Member		Non-Member		X
Ms. Aurora T. Calderon	5	5	Non-Member		Non-Member		✓
Mr. Lubin B. Nepomuceno	5	5	Non-Member		Non-Member		✓
Mr. Ferdinand K. Constantino	5	5	Non-Member		1	1	✓
Ms. Chua See Hua	5	5	5	5	1	1	✓
Y. Bhg. Dato' Zainal Abidin Putih <i>(retired w.e.f 16 June 2022)</i>	5	3 <i>(as at 16 June 2022)</i>	5	3 <i>(as at 16 June 2022)</i>	1	1	✓
Y. Bhg. Datuk Nik Mohd Hasyudeen Yusoff <i>(appointed w.e.f 1 February 2022)</i>	5	5	5	5	Non-Member		X
Mr Fong Seow Kee	5	5	5	5	Non-Member		✓
Mr. Antonio M. Cailao	5	5	5	5	Non-Member		
Y. Bhg. Dato' Noorizah Binti Hj Abd Hamid	5	5	5	5	Non-Member		✓

## Remunerations to the Independent Directors in 2022

As approved by the Shareholders at the Annual General Meeting on 16 June 2022, the benefits paid to the Independent Directors for 2022 are as follows:

- an Annual Fee of RM93,000 per Independent Director;
- attendance allowance of RM3,000 for the Independent Directors who are Chairpersons of the Board Audit & Risk Management Committee and the Nominating Committee;
- an attendance allowance of RM2,500 for each other Independent Director. The attendance allowance is for each meeting attended by the Independent Director;
- A fuel reimbursement of up to RM700 per month for each Independent Director; and
- An ex-gratia payment RM20,000 for each Independent Director who served a full term in 2021.

Independent Directors	RM	RM		RM	RM
	Directors' Fees	Attendance Allowance	Ex-Gratia Benefits	Fuel Reimbursement	TOTAL
Y. Bhg. Dato' Zainal Abidin Putih <i>(until 16 June 2022)</i>	48,600.00	27,000.00	20,000.00	2,321.58	96,121.58
Ms. Chua See Hua	93,600.00	45,000.00	20,000.00	5,456.91	164,056.91
Mr. Fong Seow Kee	93,600.00	35,500.00	20,000.00	4,570.01	150,670.01
Mr. Antonio Martin Cailao	93,600.00	27,500.00	20,000.00	5,374.90	146,474.90
Y. Bhg. Dato' Noorizah Binti Hj Abd Hamid	93,600.00	37,500.00	20,000.00	5,861.70	156,961.70
Y. Bhg. Datuk Nik Mohd Hasyudeen Yusoff	85,800.00	38,000.00	-	6,968.47	130,768.47
<b>TOTAL</b>	<b>508,800.00</b>	<b>270,500.00</b>	<b>100,000.00</b>	<b>30,553.57</b>	<b>845,053.57</b>

## Remunerations Paid to Senior Management in 2022

The top six (6) Senior Management personnel for this reporting are:

1	<b>MR. LUBIN B. NEPOMUCENO</b> (Chief Executive Officer)	4	<b>MR. MANOJ DEVADASAN</b> (General Counsel/Company Secretary/ HR Manager/Compliance Officer)
2	<b>PN FARIDAH ALI</b> (General Manager)	5	<b>Y. BHG. DATO' RAJA SALLEHUDIN B. RAJA LOPE AHMAD</b> (Head of Refinery)
3	<b>MR. MARK TRISTAN D. CAPARAS</b> (Chief Finance Officer)	6	<b>MR. MOHD NIZAM B MANSOR</b> (Supply & Distribution Head)

The total remunerations of the top six (6) Senior Management (attributable to the Company) is RM3,485,281.06. Two of the above Senior Management personnel, namely the Chief Executive Officer and Chief Finance Officer, are employees of Petron Corporation. The Chief Finance Officer is seconded to Petron in Malaysia. Due to privacy requirements, the Company opts not to disclose the components of their remunerations.

In relation to the above total remuneration paid to the said Senior Management personnel, the following is to be noted:

- Like all staff, the top six (6) Senior Management personnel, may be employee of the parent company or a sister company, that provides service to Petron Malaysia Refining & Marketing Bhd via agreements to share resources. The sum of stated above is that attributable to Petron Malaysia Refining & Marketing Bhd. The percentage employed is based on a pre-determined service sharing ratio that would vary depending on the function that they serve. This service sharing ratio may be updated as needed for changes in activity level within each affiliated company.
- The sum is inclusive of salaries, fixed allowances and bonuses paid in 2022. The Company does not provide any share option scheme for Senior Management personnel.
- The total bonuses paid in 2022 comprised of two (2) months contractual bonus as per the regular employment terms for the Senior Management personnel.

## Training Attended by Directors in 2022

Directors	Date
<b>MR. RAMON S. ANG</b>	
• Petron Corporate Governance Seminar	11 Nov 2022
• Foundation AML Module 2021	15 June 2022
<b>MR. LUBIN B. NEPOMUCENO</b>	
• Petron Corporate Governance Seminar	7 Sept 2022
<b>MS. AURORA T. CALDERON</b>	
• FINEX – Economic Reforms - Webinar	21 Jan 2022
• SMC Groupwide Sustainability Validation Workshop	12 May 2022
• AMLA Seminar - ARCCO	26 July 2023
• GSMI Corporate Governance Seminar	14 Sept 2022
• Petron Corporate Governance Seminar	16 Sept 2022
• FINEX – Emerging Giants in Asia Pacific - Webinar	4, 5 & 7 Oct 2022
• SMC Corporate Governance Seminar	11 Nov 2022
• AMLA Compliance in the Age of Digital World- ICD	22 Nov 2022
<b>MR. FERDINAND K. CONSTANTINO</b>	
• Enterprise Risk Management (ERM) Awareness Session	2 Mar 2022
• AMLA Training	8 Apr 2022
• Basic Corporate Governance Training	25 May 2022
• Data-driven Culture workshop	27 July 2022
• Philippine Economic Situation and Outlook	19 Aug 2023
• 2022 FINEX Annual Conference: Reshaping the Future with Transformational Change	4-7 Oct 2022
• Anti-Money Laundering Act Compliance in the Age of the Digital World	11 Oct 2022
• GSMI Corporate Governance Seminar	14 Oct 2022
• 9 <sup>th</sup> Annual SEC-PSE Corp Governance Forum	25 Nov 2022
• SMB Corporate Governance Seminar	2 Dec 2022

Directors	Date
<b>Y. BHG. DATUK NIK MOHD HASYUDEEN YUSOFF</b>	
• ESG Phase 1 Project Update – Intro to ESG and Climate (ESGC) (Bank Islam Malaysia Berhad)	19 Jan
• Economy In 2022 : Light at the End of the Tunnel (Bank Islam Malaysia Berhad)	3 Mar
• Fundamental Disruption of Asset Management and Securities (Bank Islam Malaysia Berhad)	6 Apr
• Climate Change : Impact on Banks & Role of the Board (Bank Islam Malaysia Berhad)	19 May
• Islamic Finance : What is next (Bank Islam Malaysia Berhad)	22 June
• Moody's Analytics – ESG and Climate Risk Training (Bank Islam Malaysia Berhad)	22 June
• Update on AML/CFT Legal and Regulatory Development (Bank Islam Malaysia Berhad)	5 Aug
• Malaysian Banking Conference 2022 (Bank Islam Malaysia Berhad)	12-13 Sept
• The Pursuit of Excellence (Bank Islam Malaysia Berhad)	15 Sept
• Out of Box Session : Driving Culture from a Behavioural Science Perspective (Bank Islam Malaysia Berhad)	21 Oct
• Debt Based Products vs Equity Based Products (Bank Islam Malaysia Berhad)	21 Oct
<b>MS. CHUA SEE HUA</b>	
• Smart Nation Singapore - Tech 101 : Metaverse and NFTs	31 Mar
• Insolvency Practitioners Association of Singapore - Singapore Insolvency Conference	5 & 6 Oct
• Rajah & Tann Academy - Introduction to Syndicated Loan and APLMA Documentation	25 Oct
• Joshua Ryan Communications - Empowering Board of Directors and Senior Management for ESG	7 Nov
<b>MR. FONG SEOW KEE</b>	
• My Fintech Week (Bank Negara Malaysia)	24-28 Jan
• Section 17A Malaysian Anti Corruption Commission Act (RAM Ratings Services Bhd)	26 Apr
• Audit Committee Conference (Malaysian Institute of Accountants)	23-24 May
• Update on Sustainability Disclosure (Shemsi Sdn Bhd)	18 Aug
<b>MR. ANTONIO M. CAILAO</b>	
• Distinguished Corporate Governance Speaker Series (Institute of Corporate Directors)	24 June
• Pilipinas: Aspire, Rise and Sustain Series Social Governance Factors in the Post Pandemic Landscape (Institute of Corporate Directors)	18 Nov
• Pilipinas: Aspire, Rise and Sustain Series Accelerating the Energy Transition and Inclusive Development Episode 3: Towards a Prosperity Agenda (Institute of Corporate Directors)	25 Nov
<b>Y. BHG DATO' NOORIZAH HJ ABD HAMID</b>	
• Conduct of Directors & Common Breaches of Listing Requirements	23 Mar
• PNB Knowledge Sharing Forum – Sustainable Investing – ESG at the Forefront	21 Apr
• AMLAFATPUAA (Money Laundering Offences, Investigation & Prosecution) in Malaysia and Section 17A MACC Act 2009	9 June
• Petron Malaysia Sustainability Training for Board by SHEMSI Sdn Bhd	18 Aug
• iERP – Global Conference Enterprise Risk Management : Rise of the Green Machines	26-28 Oct
• PNB Knowledge Sharing Forum – Sustainability and the Way Forward : Creating Value in the Net Zero Transition	9 Nov

## Statement of Directors' Responsibility for Preparing the Financial Statements

The Directors are required by the Companies Act 2016 and the MMLR to confirm that the financial statements for each financial year have been made out in accordance with the applicable approved accounting standards and that they give a true and fair view of the results of the business and state of affairs of the Company for the financial year.

### The Directors have carried out their responsibilities by:

- Selecting suitable accounting policies and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Ensuring that all applicable accounting standards have been adhered to; and
- Basing the financial statements on a going concern basis, as the Directors have a reasonable expectation, after having made due enquiries, that the Company has adequate resources to continue in operational existence for the foreseeable future.

The Directors are responsible for ensuring that the Company keeps such accounting and other records which will sufficiently explain the transactions and give a true and fair view of the financial position of the Company, enabling the Directors to ensure that the financial statements comply with the Companies Act 2016 and to safeguard the assets of the Company.

### Material Contracts

The Company is not and was not a party to any material contracts involving the Directors' interests during the year. Further, the Company is not and was not a party to any material contracts that are not in its ordinary course of business. All new contracts in 2022 that are of a related party nature have been duly disclosed to Bursa Malaysia Securities Berhad during the year.

### Non-Audit Fees

No non-audit fees were paid or are payable to the external auditor, PricewaterhouseCoopers PLT (PwC), by the Company for the financial year ended 31 December 2022.

## OTHER INFORMATION

### Family Relationship

None of the Directors have any family relationship with any other Director(s) and/or major shareholder(s) of the Company.

### Conflicts of Interest

None of the Directors have any conflicts of interest with the Company that had not been disclosed to the Board.

### Conviction for Offences (excluding Traffic Offences)

None of the Directors have been convicted for any offences within the past five (5) years.

### Sanctions and/or Penalties

No sanction or penalty has been imposed on the Company, or the Directors or the Management, by the relevant regulatory bodies.

This Statement is made in accordance with the resolution of the Board dated 16 March 2023.

# STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

The Board recognises that managing a publicly listed downstream oil and gas company has many challenges and inherent risks. These risks include financial, foreign exchange, legal compliance, crude and product supply, distribution, environment issues, industrial requirements, safety and managing the human resources of the Company.

To this end, the Board had previously put in place a management integrity system that over the years, proved to be highly effective. Recognising that the parent company, Petron Corporation, too is in downstream oil and gas business and the management integrity systems it has in place, the Company has opted to align or adopt, where possible, best practices from Petron Corporation's own systems. In this regard, the Company continues to receive technical advice and support from Petron Corporation. The Company also receives technical support via formal arrangements with ExxonMobil.

The Board recognises that risks can be mitigated (and even eliminated) by having in place an effective system of internal controls. Key elements of the Company's internal controls include:

- 1 The alignment or adoption of best practices from Petron Corporation. These not only assist the Company in identifying the principal risks faced by the Company, but also prescribes the appropriate systems to manage these risks that include the overall control framework, the required control checks and the required assessment on the system's effectiveness.
- 2 A defined organisational structure with clear lines of accountability and delegation of authority.
- 3 Reviews of controls including through internal audits being performed periodically and financial audits are subject to annual review by its external auditor. The results are reviewed with various levels of Management and any major concerns are raised to Senior Management and the Board Audit & Risk Management Committee.
- 4 Key policies covering, among others, business ethics, conflicts of interest, alcohol and drug use, gifts and entertainment, harassment in the workplace and employees' outside directorships are in place in the form of Petron Malaysia's Standards of Business Conduct ("Code of Conduct"). These include requirements to comply with all applicable laws and regulations. The Code of Conduct has been communicated to employees, vendors and contractors. Effective from 2014, trainings are provided periodically to employees, vendors and contractors. All new employees are required to undergo mandatory training on the Code of Conduct. Where there are any violations, including potential conflict of interests or receipt of gifts, a 'controls stand-down' with employees will be carried out to reinforce the need for adherence to internal guidelines. Revised guidelines on receiving of gifts (based on the new policy implemented by Petron Corporation), were implemented in 2017.

A company-wide refresher training on the Code of Conduct was completed in 2021 despite the pandemic and various lockdown restrictions. In 2021, a project was undertaken to revise the Code of Conduct by updating the policies therein to be not only in line with Malaysian laws and good practices but also to incorporate, where possible, the parent company's policy. Key among these were:

- a revised gift entertainment policy to capture current legal requirements pertaining to anti-corruption;
- a new whistle-blower policy;
- a new anti-money laundering policy;
- revision to the harassment policy to add in policy against sexual harassment; and
- revision to the sustainability policy to enhance the environmental, social and governance provisions to be in line with current ESG practices.

The revised Code of Conduct was rolled out in 2022 and nationwide training to all employees is still on going and expected to be completed by second quarter of 2023. The revised Code of Conduct, which is published on the company's website will also be communicated to all vendors and contractors.

# STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

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- 5 In relation to amendments to the Malaysian Anti-Corruption Commission Act 2009, the training for all Petron personnel was continuously conducted in 2022. As part of this training, other areas were also included such as conflict of interest, external directorships/businesses, accuracy and integrity of documentation, proper use of Company assets and restrictions on use of the corporate credit cards.
- 6 The Company further provided its employees with training on Anti-Money Laundering as well as measures that have been put in place to meet the requirements of the relevant law(s) and minimise risks associated with movement of funds involving the Company.
- 7 A management integrity system based on Petron Corporation's best practices to assess and sustain the effectiveness of the organisation's system of controls.
- 8 **The effective lines of communications within the Management with regular Management Committee meetings where all matters pertaining to each business unit and function are reviewed. This way any controls related issues are highlighted weekly and the action plans on any identified gaps are dealt with immediately.**

The Board Audit & Risk Management Committee (a Committee comprised solely of Independent Directors) has oversight on the Company's Risk Management framework and policies. Apart from the weekly Management Committee Meeting where potential business-related risks are discussed, a risk management working group comprised of key senior personnel, meets to review risks and from that meeting, provides updates to the Board Audit & Risk Management Committee. There is a specific fixed agenda in the quarterly Board Audit & Risk Management Committee Meetings on Risk Management.

It should be noted that systems of internal controls and risk management are designed to manage or mitigate rather than eliminate the risk of failure to achieve business objectives and any system can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company's risk management is managed by employing Petron Corporation's Enterprise-Wide Risk Management tools. The exercise points out that the key risks previously identified continue to be the main risks that must be managed even today. The Company, recognising that this is an evolving endeavour, will continue to revisit the risk management preparations that are already in place with the intent to update the tools and assessment, where necessary. Examples of such evolution were the evaluation of the risks of pandemic, business disruption (such as plant and/or operations downtime) as well as information technology (IT) and cybersecurity risks.

As part of the Risk Management review, all business continuity plans (BCP) of the Company are periodically reviewed to ensure that the business recovery process in the event of an emergency is sound and effective. During the Covid-19 pandemic, various challenges faced by the Company were effectively addressed through activation of business continuity plans. The BCPs ensured continued availability and uninterrupted supply of petroleum products and services to the consumers, as well as helped the Company to successfully complete major projects in the Refinery namely the Diesel Hydrotreater project and the Marine Import Facility 2 Project despite unprecedented challenges due to various pandemic related restrictions.

The Company's business continuity plans proved to be effective in ensuring the Company's interests are protected, but nevertheless will continue to be reviewed periodically.

In addition, majority of the Company's business processes, systems and operations are dependent and interlinked using information technology (IT). The emergence of IT cybersecurity threats may cause serious disruption or downtime to the Company's operation if not mitigated or avoided. To mitigate the cybersecurity threats, the Company has put in place appropriate IT security measures, but not limited to system firewall, anti-malware software and tools to monitor and prevent risks from cyber-attack. Further, the Company implemented a comprehensive Information Security Management System (ISMS)

# STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

which was adopted from the parent company's ISMS but localised for Petron Malaysia's requirements. This ISMS covers an integrated set of policies, procedures, structures and system changes aimed to protect all of the Company's data, information, systems and assets, to ensure integrity and reliability of its operations.

Key control-related matters in relation to the Company's Corporate Governance include:

- 1 Timely reporting of any changes to the prevailing delegation of authority that have been approved by the Board and ensuring that amendments are approved by the Board in a timely manner so as not to cause any disruption to the business;
- 2 Regular notice to all Directors and staff on Insider Trading and risks as well as restrictions on trading in the Company's shares during a 'closed period';
- 3 Quarterly reporting to the Board Audit & Risk Management Committee of all Trade Accounts Receivables that are written off;
- 4 Review of any contracts over the value of RM5 million that were not in the ordinary course of business;
- 5 Full review with the Board Audit & Risk Management Committee on a quarterly basis of all intercompany transactions to ensure compliance with laws pertaining to Related Party Transactions including transactions under an existing recurrent related party transaction mandate;
- 6 Review of amendments to the Company's List of Authorised Signatories;
- 7 Risk Management updates were included as a fixed item in all Quarterly Board Audit & Risk Management Committee Meetings with effect from 2017; and
- 8 Since 2021 an overall compliance update relating to anti-corruption, anti-money laundering and disciplinary matters is presented to the Board Audit and Risk Management Committee as a quarterly update.

The risk management framework is developed internally based on the Company's experience in the down-stream oil and gas business requirements and honed over 50 years of experience in the business.

In 2021, the sister company, Petron Oil Malaysia Sdn. Bhd.'s Sepangar Bay, Sandakan and Tawau Terminals were accredited with SIRIM ISO 9001:2015 (Quality Management System). These latest accreditations added to the existing ISO accreditations that the Company's terminals have successfully achieved and maintained. The SIRIM ISO Integrated Management System, comprises of ISO 9001:2015 (Quality Management System), ISO 14001:2015 (Environmental Management System) and ISO 45001:2018 (Occupational Safety & Health Management System), were accredited to the Company's Port Dickson and Bagan Luar Terminals; and sister company, Petron Fuel International Sdn Bhd's Kuantan and Pasir Gudang Terminals. Whereas the

SIRIM ISO 9001:2015 (Quality Management System) was accredited to the Company's KLIA Aviation Depot.

In 2022, the sister company, Petron Fuel International Sdn. Bhd.'s Kuantan Terminal was recognised by MSOSH with the Grand Award for superior OSH performance. The MSOSH Gold Merit award for excellent OSH performance was presented to the Company's Bagan Luar Terminal, sister company, Petron Fuel International Sdn. Bhd.'s Pasir Gudang Terminal and sister company, Petron Oil Malaysia Sdn. Bhd.'s Sepangar Bay Terminal. Furthermore, the Company's terminal at Port Dickson and KLIA Aviation Depot, along with sister company, Petron Oil (M) Sdn. Bhd.'s Tawau and Sandakan Terminals were awarded by MSOSH with Gold Class 1 Awards for good OSH performance. In 2022, all Petron Malaysia Group's Terminals, achieved an outstanding milestone of about 25.82 years, with 33.17 Million man-hours without any Lost Time Injury to its employees.



# STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

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From a day-to-day management perspective, certain other controls are in place for reviews and approvals at various levels and Departments. Such an authorisation process minimises the risk of any possible abuse of authority. These include some critical areas such as approvals required in the procurement process for various Departments and acquisition of land for retail station expansion. Critical processes are also reviewed periodically by Internal Audit to ensure independent evaluation of the effectiveness of such controls. Overall, the Company's various risks and internal controls are not only periodically reviewed internally but are also the subject matter of review by Internal Audit and recommendations by Internal Audit are implemented within set time frames.

The Board has also received assurance from the CEO and CFO that the Company's risk management and internal control systems (for financial year ended 2022 and up to the date of this Report) are operating adequately and effectively, in all material respects.

# BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT

As at 31 December 2022, the Board Audit & Risk Management Committee ("Committee") comprises five (5) Independent Directors, namely:

<b>Y.BHG. DATUK NIK MOHD HASYUDEEN BIN YUSOFF</b> <i>Chairman of the Committee</i>			
<b>MS CHUA SEE HUA</b>	<b>MR. FONG SEOW KEE</b>	<b>MR. ANTONIO M. CAILAO</b>	<b>Y. BHG. DATO' NOORIZAH BINTI HJ ABD HAMID</b>

On 1 February 2022, Y. Bhg. Datuk Nik Mohd Hasyudeen Bin Yusoff was appointed as an Independent Director and a Member of the Committee. Following the retirement of Y. Bhg. Dato' Zainal Abidin Bin Putih at the conclusion of the 2022 Annual General Meeting, on 10 August 2022, Y. Bhg. Datuk Nik Mohd Hasyudeen Bin Yusoff was appointed as the Chairman of the Committee.

The profile of the Committee members can be found at pages 46 to 50.

The Secretary to the Committee is the General Counsel/Company Secretary of the Company. The Committee's Terms of Reference are as contained in the Company's website. The Terms of Reference last reviewed and updated in 2019.

The Committee had five (5) regular meetings during the last financial year. The details of the attendance of each Committee member have been tabulated under the Corporate Governance Statements section, which can be found at page 72. Executive Directors are encouraged to attend these meetings to provide guidance to the Committee. However, Management Committee Members, in particular the General Manager, the Chief Finance Officer and the General Counsel/Company Secretary regularly attend the Committee meetings by invitation to present matters for consideration by the Committee and to provide answers to queries. In addition to the Committee meetings, the Committee also met privately with the external auditor once in 2022. The internal auditor provided updates to the Committee at the May and November meetings in 2022.

As part of the new Petron-led management's corporate governance culture and to ensure that Independent Directors are kept fully abreast of all matters pertaining to

the Company, the Management implemented a process where if an Independent Director is unable to attend a Committee meeting, an advance private meeting, where possible, will be held with the said Director earlier to fully brief him of all matters to be tabled before the Committee. The views of that Director are then relayed to the Committee at its meeting.

Similarly, where a Circular Resolution of the Committee is moved, a private meeting will be arranged with each Independent Director, where possible, for a full briefing on the proposal prior to obtaining their consent to the Circular Resolution.

## SUMMARY OF ACTIVITIES

During the last financial year, the Committee discharged its functions and carried out its duties as set out in the Duties of the Committee below.

## INTERNAL AUDIT

To ensure independence from the Company's Management, the internal audit function of the Company is managed by Petron Corporation's Internal Audit Department. The internal auditor reports directly to the Committee on all audits carried out in relation to the Company. The Internal Audit Department of Petron Corporation is highly experienced in auditing downstream oil & gas business and this enables the Internal Auditor to conduct the audits efficiently with minimal familiarisation and also be in a position to provide Management with much input process improvements in the Company's systems. Further, information about the internal audit function can be viewed under the Corporate Governance Statements on [www.petron.com.my](http://www.petron.com.my).

## Meeting with the internal auditor (24 November 2022)

Following the mid-year review with Internal Audit on 26 May 2022, the Committee reviewed the completed (with Internal Control Ratings) and on-going audit engagements in 2022, which were executed remotely and on-site, with no major issues that have a significant impact on the Company's financial statements and business operations:

Review of Bagan Luar Terminal was completed with overall assessment rating of 'Very Satisfactory' at 91.78%. <b>1</b>	<b>2</b> Review of Port Dickson Terminal with a rating of 'Very Satisfactory' at 92.29%.
Review of Enhanced Retail Automation (ERA) System with a rating of Satisfactory at 89.98%. <b>3</b>	<b>4</b> Review of Petron Malaysia's Compliance Programme for Anti- Money Laundering and Anti-Corruption Management.

The Committee was then informed of the few areas for improvement in each division that were recommended by Internal Audit.

### Status of Audit Plan

The status of the 2022 Audit Plan, were as follows:

<b>1</b>	As approved in the 26 May 2022 mid-year review, four (4) of the originally planned nine (9) engagements will be pursued for the remainder of 2022, after considering the impact of the Covid-19 pandemic and the MCO.
<b>2</b>	Internal Audit conducted six (6) audit engagements in which were conducted remotely and on-site: <ul style="list-style-type: none"> <li>Review of Recurring Related Party Transaction between Petron Singapore Trading Pte Ltd (PSTPL) and the Company was completed</li> <li>Review of Enhanced Retail Automation (ERA) Systems (IT Audit) was completed</li> <li>Review of Bagan Luar Terminal was completed</li> <li>Review of Port Dickson Terminal was completed</li> <li>Audit engagement of Petron Malaysia's Compliance Programme for Anti-Money Laundering and Anti-Corruption Management was completed;</li> <li>Audit engagement of Cybersecurity Assessment (IT Audit) to be pursued in 1Q of 2023.</li> </ul>

### Internal Controls Assessment

There were no major issues noted that have significant impact on the Company's financial statements and business operations.

### Audit Plan for 2023

The Committee at its meeting on 24 November 2022, approved six (6) audit engagements for 2023:

<b>1</b>	Carryover: Cybersecurity Assessment (IT Audit) (to be carried out in the 1st Quarter 2023).
<b>2</b>	Review of Klang Valley Distribution Terminal (to be carried out in the 1st Quarter 2023).
<b>3</b>	Review of Port Dickson Refinery (to be carried out in the 2nd Quarter 2023).
<b>4</b>	Review of Service Stations Maintenance and Repairs (to be carried out in the 2nd Quarter 2023).
<b>5</b>	Providing Assurance on selected Sustainability Disclosures (to be carried out in the 3rd Quarter 2023).
<b>6</b>	Compliance Review of Recurring Related Party Transactions (PSTPL and the Company) (to be carried out in the 1st Quarter 2023)

The Committee also noted a matter arising from the recommendations of the Malaysian Code on Corporate Governance 2021:

- Whilst the Internal Audit is independent from the Company, it is necessary for the Committee to be given an opportunity to evaluate the performance of Internal Audit and provide feedback as part of the Internal Audit Department's performance evaluation.
- Internal Audit would be required to provide the Committee with a written assurance of independence and continued independence from Management of the Company.

### DUTIES OF THE COMMITTEE

A summary of the Committee's activities carried out by the Committee in discharging its duties in 2021 are as follows:

#### Review of Risk Management matters

The Committee reviewed and provided recommendations to Management and (where necessary) approve risk management reviews and findings. The Committee also reviewed the mitigation initiatives implemented by the Company.

Since 2017, Risk Management was included as a fixed agenda item in all quarterly meetings of the Committee. Whilst for 2021 the impact of the Covid-19 pandemic was the key risk concern and continues to be a risk factor in 2022, Management had determined that there are other 'Major Risk' identified to be managed in 2022. Thus, the major risks for 2022 would be:

- Pandemic;
- Crude/product supply disruption;
- Major incidents rendering the plants/facilities inoperable;
- Subsidy reimbursement management;
- Commodity price and forex;
- Access to External Financing; and
- Sustainability - considering the importance of Environment, Social and Governance.

For each of these identified risks, there are risk management tools and existing business continuity programmes in place. In this regard, the Committee was briefed in 2021 on the review of the effectiveness of the Business Continuity Plan (relating to the Refinery Operations and the potential Supply disruption). The robustness of the business continuity plans enabled the Company to manage the unprecedented disruptions faced by the Company during the Pandemic related restrictions relating to crude/product supply, station construction and human resources management. The business continuity plans also helped the Company complete the Refinery's major projects relating to the DHT and MIF2.

### Review with the internal auditor and external auditor

In 2022, PwC met with the Committee on 24 November 2022 to present and seek approval of the Committee for the 2022 Audit Plan and Strategy. The matters discussed at this meeting included:

<b>1</b>	The scope of the audit and that the audit would be conducted based on the Approved Standards on Auditing in Malaysia;
<b>2</b>	Materiality used in the audit;
<b>3</b>	Matters relating to the audit and the identified focus areas and the approach to be taken;
<b>4</b>	Internal Control Reporting;
<b>5</b>	Assurance on the independence of the PwC; and
<b>6</b>	A review of the SORMIC.

On 23 February 2023, PwC presented the audit findings in relation to the audit for the year ended 31 December 2022 (to be included in the 2022 Annual Report) to the Committee. A summary of the discussion is as follows:

# BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT

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## Audit Focus Areas

The Audit Focus Areas identified were:

- 1 Significant auditing and accounting matters as follows:
  - Recoverability of the carrying amount of non-financial assets;
  - Accuracy and occurrence of revenue transactions;
  - Recoverability of trade and other receivables;
  - Valuation of inventories;
  - Depreciation of refinery assets; and
  - Valuation of inventories
- 2 Internal control recommendations
  - Non IT related
  - IT related
- 3 Other required communications
- 4 PwC Malaysia Transparency Report 2022

## Review of the Annual Report

As required under the auditing standards, PwC reviewed the statements contained in the Company's 2022 Annual Report which was obtained after the date of the auditor's report to identify any inconsistency with material information that PwC is aware and identify the same for the Management.

## Statement of Risk Management and Internal Controls

PwC highlighted to the Committee that the purpose of its engagement was to express an independent limited assurance whether anything had come to its attention that causes PwC to believe that the SORMIC was not prepared, in all material respects, in accordance with the reporting criteria as set out in paragraphs of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("SRMICG"), or was factually inaccurate. In this regard, PwC informed the Committee that nothing had come to its

attention that the SORMIC was not prepared, in all material respect, in accordance with the SRMICG.

PwC also highlighted that the Management had been fully cooperative and has provided PwC necessary documentation and explanations. The Committee was informed by PwC that it had not come across any offence involving fraud or non-compliance during the audit.

## Ensure that the internal auditor and external auditor receive Management's co-operation

The Committee had sought and received confirmation at meetings with internal auditor and external auditor that Management and the Company's employees had extended their fullest co-operation to the internal auditor and the external auditor. At the Committee meeting on 24 November 2022, the Committee also received assurances from PwC that the internal auditor shared its findings with PwC.

## Adequacy of the independence, scope, functions, competency and resources of the internal audit function

The Committee at its meeting on 24 November 2022 had reviewed the independence, scope and functions of the internal audit and found that it had the necessary authority to carry out its tasks. The audit findings, the follow-up action as well as audit plan for 2023, were reviewed and approved. The Committee was assured that there was no element of interference or influence by Management with its audit findings.

## Reporting of any internal audit issues

There were no special internal audit programme, processes, the results of the internal audit programme, or investigation undertaken, or action that had been taken, that were needed to be reported to the Board in 2023.

## Endorsement of Financial Statements

The Committee reviewed and reported to the Board the quarterly results in 2022 and year-end financial statements as at 31 December 2022, including the statement of financial position and statement of profit or loss and other comprehensive income, prior to submission of the statements to the Board for approval. The Committee had also paid particular attention to ensuring compliance with changes in

existing accounting policies as well as implementation of new accounting policies, significant and unusual events (if any). The Committee also reviewed and ensured compliance with legal requirements including disclosures to the stock exchange and relevant authorities.

## Endorsement of major transactions and related party transactions

The Committee endorsed the Circular to Shareholders in relation to Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of Revenue or Trading Nature ("Mandate") for approval by shareholders at the 2022 Annual General Meeting. There were no undisclosed related party transactions in 2022.

The Mandate was subsequently approved by the shareholders.

## Review of other significant matters

Apart from major transactions and related party transaction, the Committee at all quarterly meetings in 2022, reviewed:

- a All contracts (if any) with a value of over RM5 million that are not in the ordinary course of business;
- b Accounts receivables written-off (if any);
- c Amendment to the List of Company's Authorised Signatories;
- d Risk management updates; and
- e Compliance Reports.

## Appointment of External Auditors and Fees

At its meeting on 23 February 2023 and 16 March 2023:

1. The Committee having reviewed the fees payable to PwC, moved to recommend to the Board that the fees of RM436,000 be approved; and
2. The Committee having reviewed PwC's willingness to be reappointed, the continued independence of PwC as the external auditor, as well as its performance during its term, proposed to the Board that:
  - a) PwC to be recommended to the shareholders at the Annual General Meeting for reappointment as auditors for 2023; and
  - b) The Board be authorised to determine the external auditor's fees for said audit period.

PwC's Partner/representatives will be present at the Annual General Meeting and will be available to answer any questions shareholders may have in regard to its audit.

This report is dated 16 March 2023.

## ESTABLISHMENT OF A NOMINATING COMMITTEE

The Nominating Committee was established by the Board of Directors in 2003 with a written Charter that specifies its roles and responsibilities. The Nominating Committee Charter (“Charter”) was last reviewed and approved by the Board of Directors in November 2013. The Charter was reviewed by the Nominating Committee and the Board in 2018. The Charter can be accessed on the Company’s website [www.petron.com.my](http://www.petron.com.my).

The Nominating Committee is responsible for the recommendation of candidates for Independent, Non-Executive and Executive Directors and the recommendation of Directors for Board Committees, for the Board’s consideration and decision. The Nominating Committee is also responsible for the review and recommendation of candidates for appointment as Chief Executive Officer, Chief Finance Officer and Company Secretary.

The current members of the Nominating Committee are as follows:

### MS CHUA SEE HUA

*(Independent Director) – Chairperson of the Nominating Committee*

### Y. BHG. DATUK NIK MOHD HASYUDEEN BIN YUSOFF

*(Independent Director)*

### MR. FERDINAND K. CONSTANTINO

*(Non-Executive Director)*

The composition of the Nominating Committee complies with the Malaysian Corporate Governance Code 2021.

## ROLE OF THE NOMINATING COMMITTEE AND ACTIVITIES IN 2022

### Annual Assessment and Evaluation

Apart from reviewing and making recommendations to the Board with regard to candidates as mentioned above, the Nominating Committee is also responsible for the annual assessments and evaluations to assess the effectiveness of the individual Directors, Board Committees and the overall Board on an ongoing basis. These assessments, based on a combination of qualitative and quantitative factors, as determined by the Nominating Committee, were carried out by the Nominating Committee for the year.

The findings and results of these assessments by the Nominating Committee were reported to the Board on 16 March 2023.

### Training Programmes

The Nominating Committee can also direct Management to plan induction training programmes for new Directors (on request) to familiarise them with the fiduciary duties and need for compliance with securities and corporate laws. As directed by the Chairperson of the Nominating Committee, all Directors are informed by the Company Secretary of available training programmes and where requested by the Directors, the Company will arrange for Directors to attend such training programmes

### Board Diversity

The Nominating Committee, in recommending candidates, places emphasis on recommending the ‘best person’ for the job and for the Company regardless of race, religion, gender or social background. The same applies to the appointment of Directors to the Board. In considering candidates for appointment to the Board, the Nominating Committee places emphasis on the candidates’ experience, qualifications, character, integrity, competence and available time to commit to the Company. As is the Company’s practice of diversity, the Board and indeed the Nominating Committee is also keen to ensure diversity not only in gender but also in relation to age and ethnicity.

The Nominating Committee recognises that diversity on the Board in terms of having one-third women directors was a call from the Government, which the Nominating Committee will strive to always achieve and maintain. There are currently three (3) women Directors on the Board of the Company, two (2) of whom are Independent Directors. The Board currently meets the minimum thirty percent (30%) women director recommendation of the Malaysian Corporate Governance Code 2021.

### Recommendation for Board Appointments

In accordance with the Company’s Constitution, the Board can appoint any person to be a Director as and when it is deemed necessary. However, consistent with the Malaysian Corporate Governance Code 2021, the Nominating Committee makes recommendations to the Board prior to such appointments. Any person so appointed shall hold office until the next Annual General Meeting at which time the candidate will be subject to election by the shareholders. An election of Directors takes place every year, with each Director retiring from office at least once every three (3) years. Directors retiring by rotation are eligible for re-election by the shareholders at the Annual General Meeting.

In 2022, the Nominating Committee carried out the following activities:

- a Engaged with internal audit as experts to facilitate an independent review of the annual evaluation form for the Directors, Board and Board Committees;
- b Introduced performance evaluations of the Directors to include a review of the performance of the board in addressing the company’s material sustainability risks and opportunities;
- c Conducted and reviewed of the annual evaluation of the Directors, Board and Board Committees for the year ended 2022 and reported the same to the Board in March 2023. A report of this evaluation was reported in the Annual Report of 2022;
- d Reviewed of the candidates to retire by rotation and to recommend their re-election (Mr Lubin B. Nepomuceno, Ms. Aurora T. Calderon and Y. Bhg. Dato’ Noorizah Binti Abd Hamid) at the 2023 Annual General Meeting;
- e Reviewed of the Independent Directors having exceeded nine (9) cumulative years in office and made the recommendations to the Board on retention for another term (Ms. Chua See Hua) at the 2023 Annual General Meeting; and
- f Reviewed of candidate proposed for appointment as Independent Director (Y. Bhg. Datuk Nik Mohd Hasyudeen Bin Yusoff) who was appointed by the Board on 1 February 2022.

## DIRECTORS' FIT AND PROPER POLICY

In 2022, pursuant to amendments by Bursa Malaysia Securities Berhad in relation to directors' appointment and independence, the Board has established and published on the Company website, a fit and proper policy for the appointment and re-election of its directors. The fit and proper policy can be found on the Company's website [www.petron.com.my](http://www.petron.com.my).

## APPOINTMENT OF DIRECTOR(S) IN 2022

On 1 February 2022, Y. Bhg. Datuk Nik Mohd Hasyudeen Bin Yusoff was appointed to the Board as an Independent Director. Following his appointment to the Board, Datuk Nik Hasyudeen was then appointed as Chairman of the Board Audit & Risk Management Committee on 10 August 2022.

## Annual Review of Board/Committees/Directors Performance

For the annual evaluation, the Nominating Committee considered amongst others, the roles played by Directors (individually and as a group) during the year. The Nominating Committee also considered its role in charting the course for the Company, setting out the strategic plans for the Company and stewarding the implementation process. The Nominating Committee also reviewed other matters such as trainings attended, attendance record at meetings (including their respective participation) as well as their level of compliance with legal requirements, including the Main Market Listing Requirements (MMLR).

A reviewed and enhanced evaluation survey as recommended by the Nominating Committee upon its engagement with the internal audit was used for the 2022 annual evaluation. The survey comprises six (6) sets of form of questionnaires required to be completed by the respective Directors evaluating, by self-assessment and/or peer-assessment, in relation to (i) the independence of the Independent Directors (ii) the performance of the Board Committees (iii) the performance of the Board (iv) the Board members' skills sets (v) the Directors' performance and contribution to the Board and (vi) review of the performance of the board in addressing the Company's material sustainability risks and opportunities.

In 2022, for purposes of the annual evaluation, a set of questions in relation to the Board's governance of sustainability related matters was included.

The annual evaluation process will undergo an independent review at a later date. However, it was determined that as a prelude to such review, a study and review of the current process and the evaluation documentation (including on sustainability) be undertaken by Internal Audit and provide feedback. The study and findings were discussed by Internal Audit with the Chairperson of the Nominating Committee and with management. Key suggestions were included in the documentation that then formed the revised annual evaluation forms for the Directors for 2022.

The 2022 annual evaluation was completed in February 2023 and the results were presented to the Nominating Committee and the Board on 16 March 2023. A summary of the results are as follows:

### Independence

Independent Director's 'Independence' – All five (5) Independent Directors meet the necessary criteria for 'independence' and they are in compliance with the 2021 Corporate Governance Code.

### Board Committee Evaluations

There were no adverse findings and the average rating of the Audit Committee was 4.99 (higher than the 4.97 in 2020) and the Nominating Committee's average rating was 4.97 (marginally lower than 4.98 in 2020). Overall the two Committees were rated the same as in 2020. Both Committees were rated as 'Consistently Good'.

### Board Evaluation

The ratings received indicated an overall average of 4.82 (marginally higher than the rating of 4.81 in 2020) indicating 'Consistently Good'

### Board Skill Evaluation (Peer Assessment)

The Directors were rated between 4.80 and 4.90 (marginally higher than the rating in 2020 of between 4.78 and 4.90), again indicating that, on the average, each Director was ranked as 'Consistently Good'.

### Performance Evaluation (Self-Assessment and a Peer Assessment by each Director)

Each Director was rated between 4.77 and 4.95 (marginally higher than the rating in 2020 of between 4.75 and 4.93), again indicating that, on the average, each Director was ranked as 'Consistently Good'.

### Performance of the Board in addressing Sustainability risks and opportunities (Self-Assessment)

The ratings received showed an overall average of 3.94.

The evaluation in relation to the independence of the Independent Directors indicated that all the Independent Directors fulfilled all the necessary requirements of independence, under the MMLR.

One (1) of the Independent Directors namely Ms. Chua See Hua has exceeded the recommended ten (10) cumulative years in office but her continued presence on the Board fulfils the necessary requirements as recommended by the Malaysian Corporate Governance Code 2021.

The Board was satisfied with the results of the other evaluations, which showed the Directors, the Board Committees and the Board having achieved overall ratings of 'Consistently Good' and noting that the Board composition has the right mix of skills and experience and has individuals of integrity.

The evaluation results and the criteria set out in the fit and proper policy were also used by the Nominating Committee in considering and determining its endorsements in relation to the re-election of retiring Directors. The Nominating Committee also noted that the Chief Executive Officer, Chief Finance Officer, Company Secretary and other members of the Management Committee (collectively "Key Executives") undergo a rigorous annual performance evaluation and ranking process based on set goals and Key Performance Indicators.

This is done as part of the Petron Group's annual employees' performance evaluation. The evaluation is done independently of each of the individual Key Executives concerned and who does not have any role in determining the results of the evaluation, the ranking, the salary increments and other remuneration, if any.

## Election/Re-election/Appointment of Directors

The Nominating Committee at its meeting on 16 March 2023, also evaluated the Directors standing for election/re-election/appointment to the Board. The Nominating Committee, having access to the result of evaluation on directors' performance and having assessed each Director for reappointment as Director based on criteria set out in the Company's Fit & Proper Policy, recommended:

**a** That three (3) Directors, namely Mr. Lubin B. Nepomuceno (Executive and Non-Independent Director), Ms. Aurora T. Calderon (Executive and Non-Independent Director) and Y. Bhg. Dato' Noorizah Binti Abd Hamid (Independent Director) shall retire by rotation at the said Annual General Meeting. The Committee, having considered the said three (3) retiring Directors' Annual Evaluation (namely in regard their excellent evaluation ratings) and respective time available to devote to Petron Malaysia Refining & Marketing Bhd, proposed to the Board that the Board recommend to the shareholders at the Annual General Meeting, their respective re-election to the Board.

**b** That Independent Director (and Chairperson of the Nominating Committee), Ms. Chua See Hua, who has exceeded ten (10) cumulative years in office as an Independent Director, shall retire at the upcoming Annual General Meeting.

In this regard, the Committee considered the following:

- Ms. Chua See Hua's Annual Evaluation, namely in regard her continued independence, her excellent evaluation ratings and her low number of other directorship and her time available to devote to Petron Malaysia Refining & Marketing Bhd;
- Her stellar stewardship of the Board Nominating Committee;
- Her excellent reputation and integrity within the corporate world and especially in the legal profession;
- Her vast experience and knowledge of the industry that assists her in providing invaluable advice to the other Independent Directors and the Board as a whole; and
- Her current stewardship of the Annual Evaluation documentation/process review with Internal Audit and the planned Independent review of the same.

Based on the above, the Nominating Committee formed the view that Ms. Chua See Hua's expertise, experience and continued wise counsel to the Board (especially considering the turbulent times the Company and the economy is expected to face), will not only serve the best interest of the Company, as a whole but will also serve to protect the interest of the minority shareholders.

The Nominating Committee therefore proposed that the Board recommend to the shareholders at the Annual General Meeting to appoint Ms. Chua See Hua for another one (1) year term as an Independent Director. The Nominating Committee also noted that in line with the recommendations of the Malaysian Code on Corporate Governance 2021, Ms. Chua See Hua's appointment at the Annual General Meeting will be by means of a two-tier voting process.

This report is dated 16 March 2023.

# BOARD SUSTAINABILITY COMMITTEE REPORT

## ESTABLISHMENT OF A BOARD SUSTAINABILITY COMMITTEE

The Board Sustainability Committee was established by the Board of Directors in 2022 with a written Charter that specifies its roles and responsibilities. The Board Sustainability Committee Charter ("Charter") was approved by the Board of Directors in December 2022. The Charter can be accessed on the Company's website [www.petron.com.my](http://www.petron.com.my).

The Board Sustainability Committee is responsible for the steering of sustainability efforts and reporting of the Company to comply with the recommendations of the Code of Corporate Governance. The Board Sustainability Committee is also responsible for the coordination as well as collaboration with Petron Corporation and the San Miguel Corporation (SMC) Group, as applicable, regarding sustainability efforts, reports and related matters.

The current members of the Board Sustainability Committee are as follows:

### MR. FERDINAND K. CONSTANTINO

*Chairman of the Sustainability Board Committee*

### MR. DAVID FONG SEOW KEE

*(Independent Director)*

### Y. BHG. DATO' NOORIZAH ABDUL HAMID

*(Independent Director)*

### MR. LUBIN B. NEPOMUCENO

*(CEO, Executive Director)*

The advisors to the Board Sustainability Committee are as follows:

### MR. EMMANUEL E. ERAÑA

### MR. JAIME O. LU

### MS. MIA L. SANTOS-DELOS REYES

## ROLE OF THE BOARD SUSTAINABILITY COMMITTEE AND ACTIVITIES IN 2022

Apart from steering sustainability efforts and reporting of the Company as mentioned above, the Board Sustainability Committee is responsible to assist the Board of Directors by reviewing the strategies, targets and programmes as well as to provide guidance to the Board of Directors/Chairman of the Board/Management on all matters relating to the Company's Sustainability (including the Company's Economic, Environmental, Social and Governance) initiatives and activities thereby meeting the overall sustainability goals of the Company. The Board Sustainability Committee is also responsible to seek and ensure alignment of the Company's Sustainability efforts and reporting with the ultimate parent company and parent company (to the extent practicable, taking into account Malaysian Laws and regulatory directives). The Board Sustainability Committee shall provide an annual report of its activities to the Board of Directors and report its activities in the Annual Report or in the annual Sustainability Report, as appropriate.

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# BOARD SUSTAINABILITY COMMITTEE REPORT

## Meetings

The Board Sustainability Committee shall meet at least four (4) times a year (in a 12-month calendar cycle). The schedule of Meetings shall be set, where possible, in advance for the year. The Board Sustainability Committee may meet on an ad hoc basis as and when deemed necessary. Such meeting(s) may be requisitioned by the Board Sustainability Committee or by Management.

In 2022, the Board Sustainability Committee held two (2) meetings on 18 August and 14 November respectively.

## Appointment of Consultant

The Board Sustainability Committee, in consultation with and on the recommendation of the Sustainability Council, may engage and retain the services of consultants (on such terms as determined by the Board Sustainability Committee) to provide advice and to assist the Board Sustainability Committee in discharging its responsibilities. The Board Sustainability Committee may also request for training on matters pertaining to Sustainability and seek the same training be provided to the Sustainability Council/Senior Management/Technical Working Group.

In 2022, the Board Sustainability Committee appointed a consultant, Ms Amarjit Kaur from SHEMSI SDN BHD. She provides trainings and workshops to companies listed on Bursa Malaysia. Ms Amarjit is an IEMA registered, GRI-certified trainer and a certified sustainability reporting specialist.

The consultant has briefed the Board Sustainability Committee on sustainability development in Malaysia and the changing landscape on 18 August 2022. The consultant also briefed on sustainability strategies and disclosures including recommendation for the Company and areas for improvement in the Company's sustainability report on the same day. On 14 November 2022, the consultant presented to the Board Sustainability Committee, Bursa Malaysia Main Market Listing Requirement on Enhanced Sustainability Reporting Framework and Sustainability Consultancy Milestone and Deliverables.

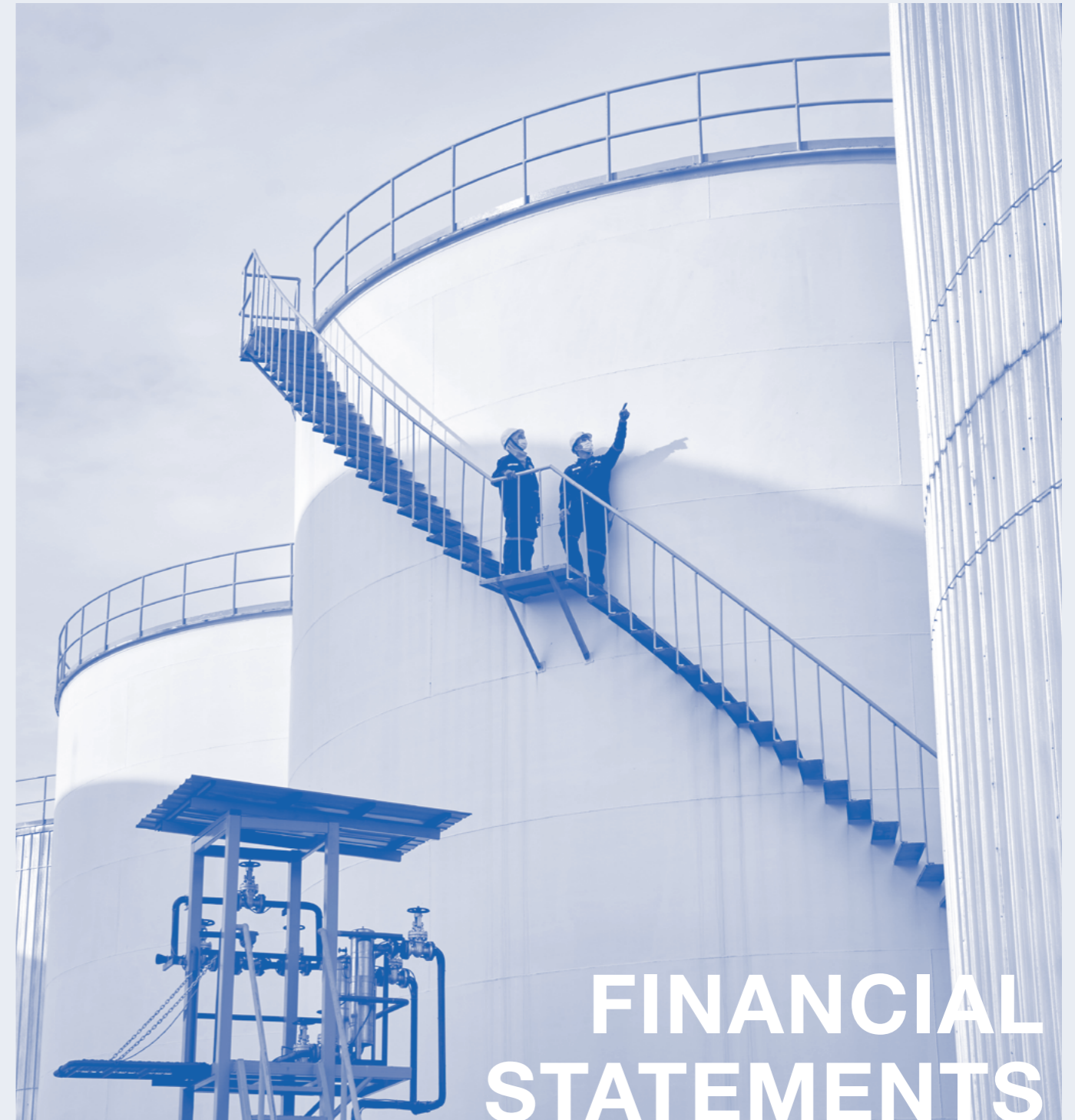
## Updates on Progress of Sustainability

The consultancy covers the below phases:

<b>1</b>	<b>Phase 1</b> Review of Petron Malaysia's current status
<b>2</b>	<b>Phase 2</b> Stakeholders Engagements and Internal Impact Assessment
<b>3</b>	<b>Phase 3</b> Review Petron Malaysia Materiality Matters
<b>4</b>	<b>Phase 4</b> Developing Goals and Strategies

Phases 1 – 3 have been completed. Under Phase 4, the Company will review and establish the Company's targets, metrics and objectives through applicable strategies for alignment with sustainability material matters.

This report is dated 16 March 2023.



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# DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

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The Directors have pleasure in submitting their report and the audited financial statements of the Company for the financial year ended 31 December 2022.

## PRINCIPAL ACTIVITIES

The Company is principally engaged in manufacturing and marketing of petroleum products in Peninsular Malaysia. There has been no significant change in the nature of these activities during the financial year.

## ULTIMATE HOLDING COMPANY

The Company is a subsidiary of San Miguel Corporation, which is incorporated in the Philippines and regarded by the Directors as the Company's ultimate holding company, during the financial year and until the date of this report.

## RESULTS

	RM'000
Profit for the year	300,589

## RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

## DIVIDENDS

Since the end of the previous financial year, the Company paid a final ordinary dividend of 20 sen per ordinary share totalling RM54,000,000 in respect of the financial year ended 31 December 2021, declared on 16 June 2022 and paid on 5 July 2022 and 8 July 2022.

The final ordinary dividend recommended by the Directors in respect of the financial year ended 31 December 2022 is 25 sen per ordinary share totalling RM67,500,000 subject to the shareholders' approval at the forthcoming Annual General Meeting of the Company.

## DIRECTORS OF THE COMPANY

Directors who served during the financial year until the date of this report are:

Mr. Ramon S. Ang  
Y. Bhg. Datuk Nik Mohd Hasyudeen Bin Yusoff  
Ms. Chua See Hua  
Mr. Fong Seow Kee  
Mr. Antonio Martin Cailao  
Y. Bhg. Dato' Noorizah Binti Hj Abd Hamid  
Mr. Lubin B. Nepomuceno  
Ms. Aurora T. Calderon  
Mr. Ferdinand K. Constantino  
Y. Bhg. Dato' Zainal Abidin Putih (retired on 16 June 2022)

# DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

## DIRECTORS' INTERESTS IN SHARES

The interests and deemed interests in the shares of the Company and its related corporations of those who were Directors at financial year end as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			
	At 1.1.2022	Acquired	Sold	At 31.12.2022
<b>Common shares of ultimate holding company (San Miguel Corporation)</b>				
Ramon S. Ang	1,345,429	-	-	1,345,429
Lubin B. Nepomuceno	7	-	-	7
Aurora T. Calderon	22,600	-	-	22,600
Ferdinand K. Constantino	477,692	-	-	477,692
<b>Common shares of intermediate holding company (Petron Corporation)</b>				
Ramon S. Ang	1,000	-	-	1,000
Lubin B. Nepomuceno	5,000	-	-	5,000
Aurora T. Calderon	1,000	-	-	1,000

None of the other Directors holding office as at 31 December 2022 had any interest in the shares of the Company and of its related corporations during the financial year.

## DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those fees and benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown below or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

The Directors' benefits are as follows:

	2022 RM'000
<i>Non-executive independent directors</i>	
Fees	507
Other short-term benefits	338
	845

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.



## ISSUE OF SHARES AND DEBENTURES

There were no changes in the issued and paid-up capital of the Company during the financial year.

There were no debentures issued during the financial year.

## OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

## INDEMNITY AND INSURANCE COSTS

The indemnity insurance coverage provided for the Directors and officers of the Company is RM15,000,000. The cost of premium incurred for the year amounted to RM65,000. During the financial year, no indemnity claim or payment was made.

## OTHER STATUTORY INFORMATION

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) all known bad debts have been written off and adequate provision was made for doubtful debts, and
- ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the financial statements of the Company misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Company misleading.

At the date of this report, there does not exist:

- i) any charge on the assets of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Company that has arisen since the end of the financial year.

## OTHER STATUTORY INFORMATION (CONTINUED)

No contingent liability or other liability of the Company has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Company to meet its obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Company for the financial year ended 31 December 2022 has not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

## AUDITORS

The auditors, Messrs PricewaterhouseCoopers PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration in respect of the financial year ended 31 December 2022 is RM436,000.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

.....  
**Lubin B. Nepomuceno**  
Director

.....  
**Aurora T. Calderon**  
Director

Date: 6 March 2023

# STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

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	Note	2022 RM'000	2021 RM'000
<b>Assets</b>			
Cash and cash equivalents	3	200,876	254,076
Derivative financial assets	4	22,737	11,287
Trade and other receivables	5	1,270,626	895,687
Inventories	6	1,090,472	893,508
Other current assets	7	5,972	7,000
Tax recoverable		1,930	374
<b>Total current assets</b>		<b>2,592,613</b>	2,061,932
Property, plant and equipment	8	1,481,409	1,522,249
Investment properties	9	634,185	655,026
Right-of-use assets	10	34,261	34,891
Long-term assets	11	20,872	20,079
Intangible assets – software	12	918	1,160
<b>Total non-current assets</b>		<b>2,171,645</b>	2,233,405
<b>Total assets</b>		<b>4,764,258</b>	4,295,337
<b>Liabilities</b>			
Loans and borrowings	13	1,100,000	1,026,916
Trade and other payables	14	1,218,057	1,053,000
Retirement benefit obligations	15	1,936	3,260
Lease liabilities		6,614	4,906
Asset retirement obligations	16	2,127	1,229
Derivative financial liabilities	4	24,545	28,511
<b>Total current liabilities</b>		<b>2,353,279</b>	2,117,822
Retirement benefit obligations	15	19,218	18,598
Deferred tax liabilities	17	119,775	135,655
Lease liabilities		46,710	48,158
Asset retirement obligations	16	8,637	6,504
Other non-current liabilities		-	78
<b>Total non-current liabilities</b>		<b>194,340</b>	208,993
<b>Total liabilities</b>		<b>2,547,619</b>	2,326,815
<b>Equity</b>			
Share capital	18	143,000	143,000
Retained earnings		2,073,639	1,825,522
<b>Total equity</b>		<b>2,216,639</b>	1,968,522
<b>Total equity and liabilities</b>		<b>4,764,258</b>	4,295,337

The notes on pages 104 to 159 are an integral part of these financial statements.

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 RM'000	2021 RM'000
Revenue	19	18,350,073	9,182,513
Cost of sales		(17,817,374)	(8,644,089)
<b>Gross profit</b>		<b>532,699</b>	538,424
Other operating income		61,107	51,523
Other operating expenses	20	(266,597)	(237,880)
Administrative expenses		(9,376)	(13,627)
<b>Results from operating activities</b>		<b>317,833</b>	338,440
Finance income		6,516	2,422
Other income/(expenses)		21,028	(14,495)
Finance costs	21	(44,498)	(18,364)
<b>Profit before tax</b>	22	<b>300,879</b>	308,003
Tax expense	23	(290)	(69,532)
<b>Profit for the year</b>		<b>300,589</b>	238,471
<b>Other comprehensive income, net of tax</b>			
<b>Item that will not be reclassified subsequently to profit or loss</b>			
Remeasurement of defined benefit liability	24	1,528	1,954
<b>Other comprehensive income for the year, net of tax</b>		<b>1,528</b>	1,954
<b>Total comprehensive income for the year</b>		<b>302,117</b>	240,425
<b>Basic earnings per ordinary share (sen)</b>	25	<b>111.3</b>	88.3

The notes on pages 104 to 159 are an integral part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

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	Note	Non-distributable Share capital RM'000	Distributable Retained earnings RM'000	Total equity RM'000
<b>Note 18</b>				
<b>At 1 January 2021</b>		143,000	1,598,597	1,741,597
Remeasurement of defined benefit liability	24	-	1,954	1,954
Profit for the year		-	238,471	238,471
<b>Total comprehensive income for the year</b>		-	240,425	240,425
Dividends paid	26	-	(13,500)	(13,500)
<b>At 31 December 2021/1 January 2022</b>		<b>143,000</b>	<b>1,825,522</b>	<b>1,968,522</b>
Remeasurement of defined benefit liability	24	-	1,528	1,528
Profit for the year		-	300,589	300,589
<b>Total comprehensive income for the year</b>		-	<b>302,117</b>	<b>302,117</b>
Dividends paid	26	-	(54,000)	(54,000)
<b>At 31 December 2022</b>		<b>143,000</b>	<b>2,073,639</b>	<b>2,216,639</b>

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 RM'000	2021 RM'000
<b>Cash flows from operating activities</b>			
Profit before tax		300,879	308,003
Adjustments for:			
Amortisation of intangible assets	12	242	241
Amortisation of long-term assets	11	2,305	2,740
Depreciation of investment properties	9	35,299	36,918
Depreciation of property, plant and equipment	8	87,106	58,569
Depreciation of right-of-use assets	10	631	630
Finance costs	21	44,498	18,364
Finance income		(6,516)	(2,422)
Gain on disposal of property, plant and equipment		-	(65)
Gain on disposal of right-of-use assets		-	(130)
Impairment loss on investment properties	9	1,133	-
Impairment loss on trade and other receivables	28	117	1,859
Net (reversal)/impairment loss on slow moving materials and supplies	6	(386)	409
Retirement benefit costs	15	2,556	5,501
Reversal of impairment loss on trade and other receivables	28	(514)	(34)
Unrealised foreign exchange gain		(45)	(2,531)
Unrealised loss on derivatives		1,808	17,224
Write-down of inventories to net realisable value	6	18,750	2,906
Write-off of investment properties	9	9	111
Write-off of property, plant and equipment	8	62	456
<b>Operating profit before changes in working capital</b>		<b>487,934</b>	<b>448,749</b>
Change in inventories		(215,328)	(476,989)
Change in long-term assets		986	272
Change in trade and other payables and other financial liabilities		134,993	402,420
Change in trade and other receivables and other financial assets		(362,637)	(667,366)
<b>Cash from/(used in) operations</b>		<b>45,948</b>	<b>(292,914)</b>
Interest paid		(35,155)	(20,097)
Interest received		6,516	2,403
Tax paid		(19,506)	-
Tax refund		1,298	2,683
Retirement benefits paid	15	(1,250)	(5,734)
<b>Net cash used in operating activities</b>		<b>(2,149)</b>	<b>(313,659)</b>

The notes on pages 104 to 159 are an integral part of these financial statements.

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# STATEMENT OF CASH FLOWS

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	Note	2022 RM'000	2021 RM'000
<b>Cash flows from investing activities</b>			
Acquisition of investment properties		(10,194)	(7,047)
Acquisition of property, plant and equipment		(52,835)	(147,706)
Payment for long-term assets		(5,248)	(4,812)
Proceeds from disposal of property, plant and equipment		87	835
Proceeds from disposal of right-of-use assets		-	140
<b>Net cash used in investing activities</b>		<b>(68,190)</b>	<b>(158,590)</b>
<b>Cash flows from financing activities</b>			
Dividends paid	26	(54,000)	(13,500)
Net proceeds from borrowings		73,084	606,706
Payment of lease liabilities		(1,736)	(5,954)
<b>Net cash from financing activities</b>		<b>17,348</b>	<b>587,252</b>
<b>Net change in cash and cash equivalents</b>		<b>(52,991)</b>	<b>115,003</b>
Effect of exchange rate fluctuations on cash held		(209)	14
Cash and cash equivalents at 1 January		254,076	139,059
<b>Cash and cash equivalents at 31 December</b>	3	<b>200,876</b>	<b>254,076</b>

## CASH OUTFLOWS FOR LEASES AS A LESSEE

Total cash outflows for leases amounted to RM4,557,000 (2021: RM8,298,000) comprised of principal and interest payments on lease liabilities.

The notes on pages 104 to 159 are an integral part of these financial statements.

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

Reconciliation of movement of liabilities to cash flows arising from financing activities

	Borrowings RM'000	Lease liabilities RM'000	Total RM'000
<b>At 1 January 2021</b>	420,320	42,043	462,363
<b>Changes from financing cash flows</b>			
Proceeds from borrowings	1,648,348	-	1,648,348
Repayment of borrowings	(1,041,642)	-	(1,041,642)
Payment of lease liabilities	-	(5,954)	(5,954)
<b>Total changes from financing cash flows</b>	<b>606,706</b>	<b>(5,954)</b>	<b>600,752</b>
Other changes:			
Accrued interest	-	407	407
Acquisition of new leases	-	17,649	17,649
Remeasurement of lease liabilities	-	(1,081)	(1,081)
Unrealised forex gain	(110)	-	(110)
<b>At 31 December 2021/1 January 2022</b>	<b>1,026,916</b>	<b>53,064</b>	<b>1,079,980</b>
<b>Changes from financing cash flows</b>			
Proceeds from borrowings	4,662,563	-	4,662,563
Repayment of borrowings	(4,589,479)	-	(4,589,479)
Payment of lease liabilities	-	(1,736)	(1,736)
<b>Total changes from financing cash flows</b>	<b>73,084</b>	<b>(1,736)</b>	<b>71,348</b>
Other changes:			
Accrued interest	-	456	456
Acquisition of new leases	-	1,782	1,782
Remeasurement of lease liabilities	-	(242)	(242)
<b>At 31 December 2022</b>	<b>1,100,000</b>	<b>53,324</b>	<b>1,153,324</b>

The notes on pages 104 to 159 are an integral part of these financial statements.

Petron Malaysia Refining & Marketing Bhd is a public company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of the registered office and principal place of business of the Company are as follows:

#### Registered office/Principal place of business

Level 12A, Menara I & P Tower 1  
Jalan Dungun, Damansara Heights  
50490 Kuala Lumpur

#### Principal place of business

Port Dickson Refinery  
1 ½ mile, Jalan Pantai  
71000 Port Dickson, Negeri Sembilan

The Company is principally engaged in manufacturing and marketing of petroleum products in Peninsular Malaysia.

The immediate, intermediate and ultimate holding companies during the financial year were Petron Oil & Gas International Sdn. Bhd. (POGI), Petron Corporation (PCOR) and San Miguel Corporation (SMC), respectively. POGI was incorporated in Malaysia while PCOR and SMC were incorporated in the Philippines. The Directors regard SMC as its ultimate holding company.

The financial statements were authorised for issue by the Board of Directors on 6 March 2023.

## 1. BASIS OF PREPARATION

### 1.1 Statement of compliance

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (MFRSs), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

On 1 January 2022, the Company adopted the following amendments and interpretations of MFRSs that have been issued by the Malaysian Accounting Standards Board (MASB) effective for annual periods beginning on or after 1 January 2022:

- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*, and MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Annual Improvements to MFRS 9, *Financial Instruments – Fees in the ‘10 per cent’ Test for Derecognition of Financial Liabilities*, MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards – Subsidiary as First-time Adopter*, and *Illustrative Examples accompanying MFRS 16 Leases: Lease Incentives*

The adoption of the amendments listed above did not have any material financial impact on the amounts recognised in prior and current periods, and are not expected to significantly affect the future periods financial statements of the Company.

## 1. BASIS OF PREPARATION (CONTINUED)

### 1.1 Statement of compliance (continued)

The following are accounting standards, amendments and interpretations of the MFRSs that have been issued by the MASB but have not been adopted by the Company:

#### **MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023**

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 17, *Insurance Contracts – Initial Application of MFRS 17 and MFRS 9 – Comparative Information*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Disclosure of Accounting Policies*
- Amendments to MFRS 112, *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

#### **MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2024**

- Amendments to MFRS 16, *Leases – Lease Liability in a Sale and Leaseback*
- Amendments to MFRS 101, *Presentation of Financial Statements – Non-current Liabilities with Covenants*

#### **MFRSs, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed**

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Company plans to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 January 2023 for those accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2023, except for MFRS 17, *Insurance Contracts*, Amendments to MFRS 17, *Insurance Contracts – Initial Application of MFRS 17 and MFRS 9 – Comparative Information* which are not applicable to the Company.
- from the annual period beginning on 1 January 2024 for those accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2024.

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Company.

### 1.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as disclosed in Note 2.

### 1.3 Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Company’s functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

## 1. BASIS OF PREPARATION (CONTINUED)

### 1.4 Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed below and in Note 8 – estimates of crude consumption, Note 10 – lease extension options, Note 15 – remeasurement of retirement benefit obligations, Note 16 – measurement of asset retirement obligations, and Note 17 – estimates of deferred tax asset recognised arising from reinvestment allowances.

- Identification of distinct performance obligation

The Company assesses the goods and services in a contract with a customer and identifies a good or service that is distinct as a performance obligation. The Company has determined the provision of customer loyalty program is a distinct performance obligation other than the sale of petroleum products and allocates the transaction price into these performance obligations.

- Determining recoverable amounts of non-financial assets

MFRS 136, *Impairment of Assets* requires that an impairment review be performed on property, plant and equipment, investment properties and right-of-use assets when events or changes in circumstances indicate that the carrying amounts may not be recoverable. During the year, the Company has carried out impairment reviews of the non-financial assets which have indications of impairment in view of the carrying amount of the Company's net assets being higher than its market capitalisation.

For the purpose of assessing impairment, the Company identified its major cash generating units (CGUs) based on the nature of its trade and operations as refinery and retail service stations. Accordingly, the carrying amounts of the property, plant and equipment, investment properties, right-of-use assets, and intangible assets in Note 8, 9, 10 and 12, respectively, have been grouped to the respective CGUs with total carrying amounts identified for refinery of RM1,138,243,000 and retail service stations of RM828,848,000 (2021: RM1,169,698,000 and RM843,015,000). The non-financial assets were then identified per CGU. The Company used both value in use and fair value less costs of disposal as the CGUs' recoverable amounts.

## 1. BASIS OF PREPARATION (CONTINUED)

### 1.4 Use of estimates and judgements (continued)

- Determining recoverable amounts of non-financial assets (continued)

Determining the recoverable amount of assets based on the value in use method requires the estimation of future cash flows to be generated by the CGUs from the continued use and ultimate disposition of its assets as approved by the Company. The length of the cash flows takes into consideration the finite life of the non-financial assets and are projected based on long range plan anchored on budget approved by the Company for the first 10 years (2021: 5 years) and the periods beyond that assume varying growth rates. The estimated cash flows for refinery assumed a 30-year period whereas retail service stations assumed either a 30-year period or according to the lease period. The key assumptions considered in the future cash flows are the estimates of refining and product margins, and production and sales volume. After considering historical trends, these estimates represented management's assessment of future trends in the industry available at the time of impairment review. A pre-tax discount rate of 11.5% (2021: 9.8%) has been applied which reflects market assessment of time value of money and is derived based on the weighted average cost of capital using the Capital Asset Pricing Model (CAPM).

While it is believed that the assumptions used in the estimation of recoverable amounts are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amounts and any resulting impairment loss could have a material adverse impact on financial performance.

#### *Sensitivity analysis*

There is no reasonably possible change to the key assumptions that will result in the CGUs recoverable amounts being lower than the carrying amounts.

The sensitivity of these key assumptions to the recoverable amounts of significant CGUs, holding other assumptions constant are as follows:

- Refinery
  - 3% (2021: 3%) decrease in the refining margins will not result in the CGUs' recoverable amounts being lower than the carrying amounts.
  - 5% (2021: 5%) decrease in the production volume will not result in the CGUs' recoverable amounts being lower than the carrying amounts.
  - 0.5% decrease in the growth rate will not result in the CGUs' recoverable amounts being lower than the carrying amounts in 2021.
  - 0.5% (2021: 0.5%) increase in the pre-tax discount rate will not result in the CGUs' recoverable amounts being lower than the carrying amounts.
- Retail (comprised of service stations that represent individual CGU)
  - 3% (2021: 3%) decrease in the product margins will not result in the CGUs' recoverable amounts being lower than the carrying amounts.
  - 5% (2021: 5%) decrease in the sales volume will not result in the CGUs' recoverable amounts being lower than the carrying amounts.
  - 0.5% decrease in the growth rate will not result in the CGUs' recoverable amounts being lower than the carrying amounts in 2021.
  - 0.5% (2021: 0.5%) increase in the pre-tax discount rate will not result in the CGUs' recoverable amounts being lower than the carrying amounts.

Based on the assessments performed, the recoverable amounts are greater than the carrying amounts for all CGUs, hence no impairment losses were recognised in 2022, except for the two freehold lands as disclosed in Note 9.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, unless otherwise stated.

### 2.1 Joint arrangements

Joint arrangements are arrangements of which the Company has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

Joint arrangements are classified and accounted for as follows:

- A joint arrangement is classified as joint operation when the Company has rights to the assets and obligations for the liabilities relating to an arrangement. The Company accounts for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation.

### 2.2 Foreign currency transactions

Transactions in foreign currencies are translated to Ringgit Malaysia at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to Ringgit Malaysia at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences on retranslation are recognised in profit or loss.

### 2.3 Financial instruments

#### (i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

#### (ii) Financial instrument classification and subsequent measurement

##### *Financial assets*

Classification of financial assets is determined on initial recognition and depend on the business model followed by the Company for managing the financial assets and the contractual cash flow characteristics of the financial assets.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 Financial instruments (continued)

#### (ii) Financial instrument classification and subsequent measurement (continued)

##### *Financial assets (continued)*

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

#### (a) *Financial assets at amortised cost*

Financial assets are measured at amortised cost if they meet both of the following conditions and are not designated as fair value through profit or loss:

- the financial assets are held within a business model whose objective is to hold financial assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, the financial assets are subsequently measured at amortised cost using the effective interest method, less any allowance for impairment. Gains and losses are recognised in profit or loss when the financial assets are reclassified to fair value through profit or loss, impaired or derecognised.

#### (b) *Financial assets at fair value through profit or loss*

All financial assets not classified as measured at amortised cost are measured at fair value through profit or loss. This includes all derivative financial assets. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at fair value through profit or loss.

At initial recognition, the Company may irrevocably designate a financial asset through profit or loss if the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets classified as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses are recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to impairment assessment (see Note 2.10(i)).

##### *Financial liabilities*

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives or financial liabilities that are specifically designated into this category upon initial recognition.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 Financial instruments (continued)

#### (iii) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

#### (iv) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to set off the amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### 2.4 Property, plant and equipment

#### (i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised in profit or loss.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Property, plant and equipment (continued)

#### (ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Major repair and maintenance costs are capitalised as part of property, plant and equipment only when it is probable that the future economic benefits associated with the items will flow to the Company, and the cost of items can be measured reliably.

#### (iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation for plant and equipment is recognised in profit or loss on a straight-line basis over the estimated useful life of each component of an item of plant and equipment from the date that they are available for use. Depreciation of refinery production assets is computed based on the unit of production method using expected refinery crude consumption over the estimated useful lives of these assets whereas other refinery plant and equipment are depreciated on a straight-line basis. Major repair and maintenance costs capitalised are depreciated on a straight-line basis over the period until the next scheduled maintenance activity. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use. The estimated useful lives for the current and comparative periods are as follows:

• Buildings and improvements	20 - 50 years
• Refinery and terminal plant and equipment	5 - 30 years
• Service station and other equipment*	5 - 30 years
• Computers, office and motor equipment	4 - 20 years

\* Includes IT-related assets used in service stations.

Estimates in respect of useful lives of certain items of property, plant and equipment are disclosed in Note 8.

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period, and adjusted as appropriate.

### 2.5 Leases

#### (i) Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset which may be specified explicitly or implicitly, and should be physically distinct or represents substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;



## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.5 Leases (continued)

#### (i) Definition of a lease (continued)

- it has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- it has the right to direct the use of the asset. The Company has this right when it can make relevant decisions about how and for what purpose the asset is used throughout the period of use.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

#### (ii) Recognition and initial measurement

##### (a) As a lessee

As a lessee, the Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, the Company's incremental borrowing rate if the implicit rate cannot be readily determined. Generally, the Company uses the incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The Company has elected not to recognise right-of-use assets and lease liabilities from short-term leases that have a lease term of twelve (12) months or less and leases of low-value assets. The payments associated with these leases are recognised as expenses on a straight-line basis over the lease term.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.5 Leases (continued)

#### (ii) Recognition and initial measurement (continued)

##### (b) As a lessor

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Company applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

#### (iii) Subsequent measurement

##### (a) As a lessee

As a lessee, the right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of right-of-use asset or to the end of the lease term. The right-of-use asset is reduced by impairment loss, if any and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in rate or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

##### (b) As a lessor

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term.

### 2.6 Investment properties

#### (i) Investment properties carried at cost

Investment properties consist of land, buildings and improvements which are owned or right-of-use assets held under a lease contract to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties owned are initially and subsequently measured at cost. Right-of-use assets that meet the definition of investment properties are measured similarly as other right-of-use assets. Investment properties are depreciated and amortised similar to property, plant and equipment (see Note 2.4) or right-of-use assets (see Note 2.5).

# NOTES TO THE FINANCIAL STATEMENTS

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.6 Investment properties (continued)

#### (i) Investment properties carried at cost (continued)

Depreciation and amortisation, which commence when the investment properties are available for their intended use, are recognised in profit or loss on a straight-line basis over the estimated useful life of the properties similar to property, plant and equipment (see Note 2.4) or right-of-use assets (see Note 2.5).

The gain or loss on disposal of investment properties is determined similar to property, plant and equipment (see Note 2.4) or right-of-use assets (see Note 2.5).

#### (ii) Reclassification to/from investment properties

When an item of property, plant and equipment is transferred to investment properties following a change in its use, the Company accounts for transfers in accordance with recognition and measurement under property, plant and equipment up to the date of change in use.

For transfers from investment properties to property, plant and equipment, the cost of property for subsequent accounting is its carrying amount at the date of change in use.

### 2.7 Intangible assets

#### Software cost

Software cost is measured at cost less any accumulated amortisation. Computer software costs are amortised on a straight-line basis over the estimated useful life of the software, which normally falls within a range of 5 to 7 years.

### 2.8 Inventories

Crude oil and petroleum product inventories are stated at the lower of cost and net realisable value. Cost includes all applicable purchase costs and production overheads and is determined on the first-in first-out (FIFO) basis. Materials and supplies are valued at cost, determined on a weighted average basis, and a deduction is made for obsolete and slow-moving stocks.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

### 2.9 Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances, and fixed deposits with licensed banks, which have an insignificant risk of changes in fair value with original maturities of three months or less and are used by the Company in the management of their short-term commitments.

### 2.10 Impairment

#### (i) Financial assets

The Company recognises allowance for impairment losses on receivables and financial assets measured at amortised cost.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.10 Impairment (continued)

#### (i) Financial assets (continued)

The Company recognises allowance for impairment based on either 12-month or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment as well as forward-looking information, where available.

The Company estimates the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

#### (ii) Other assets

The carrying amounts of other assets (except for inventories and deferred tax asset) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of an asset or cash-generating unit is the higher of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amounts of other assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals were recognised.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.11 Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

#### (i) Ordinary shares

Ordinary shares are classified as equity.

#### (ii) Distributions of assets to owners of the Company

The Company measures a liability to distribute assets as a dividend to the owners of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at each reporting period and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Company recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.

### 2.12 Employee benefits

#### (i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### (ii) State plans

The Company's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate.

#### (iii) Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed every three years by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.12 Employee benefits (continued)

#### (iii) Defined benefit plans (continued)

The Company determines the net interest expense or income on the net defined liability or asset for the period by applying the discount rate used to measure the defined benefit obligations at the beginning of the annual period to the net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments.

Net interest expense and other expenses relating to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

### 2.13 Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

### 2.14 Revenue and other income

The Company recognises revenue from contracts with customers when control of the goods and services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services, excluding amounts collected on behalf of third parties.

#### (i) Sale of goods

Revenue from the sale of petroleum products in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the control over goods has been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

The Company awards loyalty points to customers when they purchase products at participating service stations and these points can be redeemed for Company's products, rewards, discounts and other privileges from partner merchants. The Company has determined the provision of customer loyalty program is a distinct performance obligation other than the sale of petroleum products and allocates the transaction price into these performance obligations. Revenue is only recognised when the points are redeemed or expired.

The Company transfers control of goods sold at a point in time unless one of the following criteria to transfer over time is met:

- (a) the customer simultaneously receives and consumes the benefits provided as the Company performs its obligation;

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## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.14 Revenue and other income (continued)

#### (i) Sale of goods (continued)

- (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- (c) the Company's performance does not create an asset with an alternative use and the Company has an enforceable right to payment for performance completed to date.

#### (ii) Service income

Revenue is recognised over time when the performance of contractually agreed service has been rendered and control over the services has been transferred to the customer.

#### (iii) Rental income

Rental income is recognised on an accrual basis in accordance with the substance of the relevant agreement. Other rent related income is recognised in the accounting period in which the service has been rendered.

#### (iv) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

### 2.15 Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

### 2.16 Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.16 Income tax (continued)

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax credit will be realised.

Investment tax credits are recognised in current tax in the year when the conditions required to receive the credits are met and they are claimed in the Company's tax return. Investment tax credits that are unused are recognised as deferred tax assets to the extent that it is probable that future taxable profit will be available against which the unused investment tax credit can be utilised.

### 2.17 Earnings per ordinary share

The Company presents basic earnings per share (EPS) data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the number of ordinary shares outstanding during the year, adjusted for own shares held.

### 2.18 Operating segments

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Company, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

### 2.19 Fair value measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.19 Fair value measurement (continued)

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The Company recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

### 2.20 Contingencies

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

## 3. CASH AND CASH EQUIVALENTS

	2022 RM'000	2021 RM'000
Fixed deposits	-	226,500
Cash and bank balances	200,876	27,576
	200,876	254,076

## 4. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

	2022			2021		
	Nominal value RM'000	Assets RM'000	Liabilities RM'000	Nominal value RM'000	Assets RM'000	Liabilities RM'000
Derivatives held for trading at fair value through profit or loss						
- Forward exchange contracts	418,440	1,047	(62)	443,757	136	(2,186)
- Commodity swaps	198,286	21,690	(24,483)	220,278	11,151	(26,325)
	616,726	22,737	(24,545)	664,035	11,287	(28,511)

Forward exchange contracts are used to manage the foreign currency exposures arising from the Company's receivables, payables, loans and borrowings denominated in currencies other than the functional currency of the Company. All forward exchange contracts have maturities of one year or less after the end of the reporting period.

Commodity swaps are used to mitigate crude and petroleum products price risks arising from volatile market prices. All commodity derivative contracts have maturities of one year or less after the end of the reporting period.

## 5. TRADE AND OTHER RECEIVABLES

	2022 RM'000	2021 RM'000
<b>Trade</b>		
Trade receivables	241,996	127,578
Less: Impairment allowance	(390)	(623)
	241,606	126,955
Amounts due from related company	247,110	85,138
	488,716	212,093
<b>Non-trade</b>		
Subsidy receivables	697,881	632,769
Amounts due from related companies	68	121
Other receivables	83,961	50,704
	781,910	683,594
	1,270,626	895,687

### Related party balances

Trade balances due from related companies are subject to normal trade terms. Non-trade balances due from related companies are unsecured, interest free and repayable on demand.

### Subsidy receivables

Subsidy receivables are amounts due from the Government of Malaysia under the Automatic Pricing Mechanism.

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## 6. INVENTORIES

	2022 RM'000	2021 RM'000
Crude oil	328,411	322,748
Petroleum products	740,988	552,359
Materials and supplies	21,073	18,401
	<b>1,090,472</b>	<b>893,508</b>
Recognised in profit or loss:		
Inventories recognised as cost of sales	17,177,642	8,461,372
Included within inventories recognised as cost of sales are:		
Net (reversal)/impairment loss on slow moving materials and supplies	(386)	409
Write-down to net realisable value	18,750	2,906

## 7. OTHER CURRENT ASSETS

	2022 RM'000	2021 RM'000
Prepayments	5,972	7,000

# NOTES TO THE FINANCIAL STATEMENTS

## 8. PROPERTY, PLANT AND EQUIPMENT

Cost	Freehold land RM'000	Buildings and improve- ments RM'000	Refinery and terminal plant and equipment RM'000	Service station and other equipment RM'000	Computers, office and motor equipment RM'000	Capital project in-progress RM'000	Total RM'000
1 January 2021	23,183	49,410	1,027,268	441,597	91,666	909,917	2,543,041
Addition	-	272	121,506	4,329	311	5,308	131,726
Disposal	-	-	-	(773)	-	-	(773)
Write-off	-	-	(415)	(696)	(54)	(67)	(1,232)
Reclassification from/(to) investment properties	-	-	-	13	-	(5,674)	(5,661)
Reclassification from long-term assets	-	-	-	-	-	27	27
Reclassification	-	20,425	801,267	8,736	4,011	(834,439)	-
Remeasurements	-	-	-	(158)	-	-	(158)
At 31 December 2021/1 January 2022	<b>23,183</b>	<b>70,107</b>	<b>1,949,626</b>	<b>453,048</b>	<b>95,934</b>	<b>75,072</b>	<b>2,666,970</b>
Addition	-	1,506	40,311	4,595	231	563	47,206
Disposal	-	-	-	-	(179)	-	(179)
Write-off	-	-	-	(791)	-	-	(791)
Reclassification to investment properties	-	-	-	-	-	(800)	(800)
Reclassification	-	7,250	3,652	52,916	(38,491)	(25,327)	-
Remeasurements	-	-	-	9	-	-	9
At 31 December 2022	<b>23,183</b>	<b>78,863</b>	<b>1,993,589</b>	<b>509,777</b>	<b>57,495</b>	<b>49,508</b>	<b>2,712,415</b>

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## 8. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM'000	Buildings and improvements RM'000	Refinery and terminal plant and equipment RM'000	Service station and other equipment RM'000	Computers, office and motor equipment RM'000	Capital project in-progress RM'000	Total RM'000
<b>Accumulated depreciation</b>							
1 January 2021	-	37,404	725,196	249,687	74,632	-	1,086,919
Depreciation for the year	-	1,639	32,016	22,470	2,444	-	58,569
Disposal	-	-	-	(3)	-	-	(3)
Write-off	-	-	(51)	(670)	(55)	-	(776)
Reclassification from investment properties	-	-	-	12	-	-	12
At 31 December 2021/1 January 2022	-	39,043	757,161	271,496	77,021	-	1,144,721
Depreciation for the year	-	2,229	59,238	23,061	2,578	-	87,106
Disposal	-	-	-	-	(92)	-	(92)
Write-off	-	-	-	(729)	-	-	(729)
Reclassification	-	(9)	2,750	27,968	(30,709)	-	-
At 31 December 2022	-	41,263	819,149	321,796	48,798	-	1,231,006
<b>Carrying amount</b>							
1 January 2021	23,183	12,006	302,072	191,910	17,034	909,917	1,456,122
At 31 December 2021/1 January 2022	23,183	31,064	1,192,465	181,552	18,913	75,072	1,522,249
At 31 December 2022	23,183	37,600	1,174,440	187,981	8,697	49,508	1,481,409

Acquisition of property, plant and equipment in the statement of cash flows includes payment made this year for prior years' additions.

# NOTES TO THE FINANCIAL STATEMENTS

## 8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The remeasurements pertain to the change in the estimates of asset retirement obligations.

Included in the above property, plant and equipment are the net book values for the following:

- Company's 20% participating interest in the jointly-owned assets of the Multi-Product Pipeline (MPP) amounting to RM82,397,000 (2021: RM86,924,000).
- Company's 50% participating interest in the jointly-owned assets of the common carrier pipeline facilities amounting to RM17,762,000 (2021: RM16,012,000).

In prior year, the Company capitalised finance cost in plant and equipment amounting to RM8,632,000. The capitalisation rates used in prior year to determine the amount of interest eligible for capitalisation ranged from 3.0% to 3.2%.

These rental income from certain service station equipment charged to dealers are recognised in profit or loss:

	2022 RM'000	2021 RM'000
Rental income	6,517	6,156

The operating lease income to be received are as follows:

	2022 RM'000	2021 RM'000
Less than one year	5,326	4,937
One to two years	3,408	2,677
Two to five years	6,027	5,115
More than five years	11,860	11,310
Total undiscounted lease income	26,621	24,039

### Estimates

Depreciation of refinery production assets is computed based on the unit of production method using expected refinery crude consumption over the estimated useful lives of these assets. The estimated crude consumption of the Port Dickson Refinery (PDR) is dependent on refining economics. These estimates require the application of judgements and are subject to regular revision based on economic factors such as crude supply, oil prices and sales forecast.

Such revisions will impact the Company's reported financial position and results which include:

- carrying amounts of refinery plant and equipment
- carrying amounts of deferred tax assets and liabilities

During the year, the expected maximum refinery crude consumption of the PDR was reduced by 10%, which resulted in the depreciation of the refinery plant and equipment to increase by RM2,806,000.

## 9. INVESTMENT PROPERTIES

	Freehold land RM'000	Leasehold land RM'000	Buildings and improve- ments RM'000	Capital project in-progress RM'000	Total RM'000
<b>Cost</b>					
At 1 January 2021	177,793	465,037	521,869	13,869	1,178,568
Addition	-	18,115	7,472	1,314	26,901
Write-off	-	-	(94)	(39)	(133)
Reclassification from long-term assets	-	6,258	-	-	6,258
Reclassification (to)/ from property, plant and equipment	-	-	(13)	5,674	5,661
Reclassification	-	-	17,113	(17,113)	-
Remeasurements	-	(768)	(220)	-	(988)
At 31 December 2021/1 January 2022	<b>177,793</b>	<b>488,642</b>	<b>546,127</b>	<b>3,705</b>	<b>1,216,267</b>
Addition	-	3,944	3,340	6,470	13,754
Write-off	-	-	(20)	-	(20)
Reclassification from long-term assets	-	1,259	-	-	1,259
Reclassification from property, plant and equipment	-	-	-	800	800
Reclassification	-	-	2,655	(2,655)	-
Remeasurements	-	(771)	28	-	(743)
At 31 December 2022	<b>177,793</b>	<b>493,074</b>	<b>552,130</b>	<b>8,320</b>	<b>1,231,317</b>
<b>Accumulated depreciation</b>					
At 1 January 2021	-	211,297	313,275	-	524,572
Depreciation for the year	-	16,604	20,314	-	36,918
Write-off	-	-	(22)	-	(22)
Reclassification to property, plant and equipment	-	-	(12)	-	(12)
Remeasurements	-	(215)	-	-	(215)
At 31 December 2021/1 January 2022	-	<b>227,686</b>	<b>333,555</b>	-	<b>561,241</b>
Depreciation for the year	-	16,097	19,202	-	35,299
Write-off	-	-	(11)	-	(11)
Remeasurements	-	(530)	-	-	(530)
At 31 December 2022	-	<b>243,253</b>	<b>352,746</b>	-	<b>595,999</b>

## 9. INVESTMENT PROPERTIES (CONTINUED)

	Freehold land RM'000	Leasehold land RM'000	Buildings and improve- ments RM'000	Capital project in-progress RM'000	Total RM'000
<b>Accumulated impairment</b>					
At 1 January 2022	-	-	-	-	-
Impairment for the year	1,133	-	-	-	1,133
At 31 December 2022	1,133	-	-	-	1,133
<b>Carrying amount</b>					
At 1 January 2021	177,793	253,740	208,594	13,869	653,996
At 31 December 2021/1 January 2022	177,793	260,956	212,572	3,705	655,026
At 31 December 2022	176,660	249,821	199,384	8,320	634,185

The freehold land, leasehold land and buildings and improvements are in respect of the service stations leased to the dealers.

The investment properties are reclassified from property, plant and equipment to reflect the usage of the assets.

The remeasurements pertain to lease reassessments and the change in the estimates of asset retirement obligations.

The impairment losses recognised during the year are in respect of two freehold lands as their recoverable amounts were lower than their carrying amounts. These freehold lands will be developed as service stations when the market condition in their areas improves.

The following profit or loss items are related to investment properties:

	2022 RM'000	2021 RM'000
Rental income	41,045	34,406
Direct expenses	40,732	39,898

The operating lease income to be received are as follows:

	2022 RM'000	2021 RM'000
Less than one year	30,891	28,907
One to two years	12,552	9,888
Two to five years	3,113	1,445
More than five years	-	163
Total undiscounted lease income	46,556	40,403



## 9. INVESTMENT PROPERTIES (CONTINUED)

### Leasehold land

The extension options and significant judgements and assumptions in relation to the leases are disclosed in Note 10.

### Fair value information

The fair value of investment properties as at 31 December 2022 was RM1,459,535,000 (2021: RM973,301,000) based on appraisals made by in-house engineers and professionals having appropriate professional qualifications, and experience in the location and category of the property being valued.

The Company could not determine the fair value of capital projects in-progress as there are uncertainties in estimating its fair value. The carrying amounts of the capital projects in-progress have been included in the impairment assessment as disclosed in Note 1.4.

### Level 3 fair value

The fair market value of investment properties have been categorised as Level 3 in the fair value hierarchy.

#### Land

The fair value of land was arrived at using the Comparison Approach, which estimates the value of the land based on prices of similar properties recently sold in similar locations or comparable economic areas and adjusted for differences in condition, date of transaction and other relevant characteristics.

#### Buildings and improvements

The fair values of buildings and improvements were arrived at using the Depreciated Replacement Cost method, which estimates the current replacement cost of each of the assets and adjusted for obsolescence, including physical, functional and economic obsolescence.

## 10. RIGHT-OF-USE ASSETS

	2022			2021		
	Leasehold land RM'000	Service station equipment RM'000	Total RM'000	Leasehold land RM'000	Service station equipment RM'000	Total RM'000
At 1 January	31,310	3,581	34,891	31,856	-	31,856
Addition	-	-	-	-	944	944
Depreciation for the year	(478)	(153)	(631)	(510)	(120)	(630)
Disposal	-	-	-	(10)	-	(10)
Reclassification from long-term assets	-	-	-	-	3,157	3,157
Remeasurements	1	-	1	(26)	(400)	(426)
At 31 December	30,833	3,428	34,261	31,310	3,581	34,891

The remeasurements pertain to lease reassessments and the change in the estimates of asset retirement obligations.

Included in the above is leasehold land amounting to RM18,456,000 (2021: RM18,694,000) for the Company's 20% participating interest in the jointly-owned assets of MPP.

### Extension options

Some leases contain extension options exercisable by the Company. The Company assesses at lease commencement whether it is reasonably certain to exercise these options and reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control. The Company considers all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken.

	Lease liabilities recognised RM'000	Potential undiscounted future lease payments not included in lease liabilities* RM'000	Historical rate of extension options exercised %
<b>2022</b>			
Investment properties	52,513	72,696	92
Right-of-use assets	811	2,155	100
<b>2021</b>			
Investment properties	52,146	70,696	90
Right-of-use assets	918	2,155	100

\* Pertains to leases with extension option that may be exercised in the future.

# NOTES TO THE FINANCIAL STATEMENTS

## 10. RIGHT-OF-USE ASSETS (CONTINUED)

### Significant judgements and assumptions in relation to leases

The leases that contain extension option are mainly lands used for retail service stations which are recognised under investment properties and lands used for terminal operations which are recognised under right-of-use assets. The Company is reasonably certain to exercise the extension option for business continuity if there is economic incentive to exercise an extension option.

The Company also applied judgement in determining the incremental borrowing rate of the respective leases, i.e. based on the closest available borrowing rate for leases with similar nature, adjusted to reflect the term of the respective leases.

Assuming the extension option for the leases with undiscounted future lease payments of RM74,851,000 (2021: RM72,851,000) as shown in the table above are exercised and the payments are made at the inception of the renewal period, the carrying amount of investment properties and right-of-use assets would increase by RM11,119,000 and RM162,000 (2021: RM9,852,000 and RM154,000) respectively.

## 11. LONG-TERM ASSETS

	2022 RM'000	2021 RM'000
Prepaid lease rentals	8,115	6,504
Deposits	4,453	4,754
Marketing assistance to dealers	1,091	1,726
Others	7,213	7,095
	<b>20,872</b>	<b>20,079</b>

The movement in the long-term assets is as follows:

	2022 RM'000	2021 RM'000
At 1 January	20,079	28,071
Addition	5,248	4,812
Amortisation for the year	(2,305)	(2,740)
Reclassification to investment properties	(1,259)	(6,258)
Reclassification to property, plant and equipment	-	(27)
Reclassification to right-of-use assets	-	(3,157)
Others	(891)	(622)
At 31 December	<b>20,872</b>	<b>20,079</b>

### Prepaid lease rentals

Future cash outflows arising from partially paid committed leases not yet commenced that are not reflected in the measurement of lease liabilities amount to RM14,629,000 (2021: RM10,600,000).

### Marketing assistance to dealers

The marketing assistance programme is provided to selected dealers to assist in the construction of the service stations in order for the Company to gain access to locations and generate future revenue streams and is amortised over the period of the agreements.

# NOTES TO THE FINANCIAL STATEMENTS

## 12. INTANGIBLE ASSETS - SOFTWARE

	Total RM'000
<b>Cost</b>	
At 1 January 2021/31 December 2021/1 January 2022/31 December 2022	24,420
<b>Accumulated amortisation</b>	
At 1 January 2021	23,019
Amortisation for the year	241
At 31 December 2021/1 January 2022	23,260
Amortisation for the year	242
At 31 December 2022	23,502
<b>Carrying amount</b>	
At 1 January 2021	1,401
At 31 December 2021/1 January 2022	1,160
At 31 December 2022	918

## 13. LOANS AND BORROWINGS

	2022 RM'000	2021 RM'000
<b>Current</b>		
Revolving credit – unsecured		
- Denominated in RM	1,100,000	935,000
- Denominated in U.S. Dollar (USD)	-	91,916
	<b>1,100,000</b>	<b>1,026,916</b>

The Company's borrowings consist of short-term bilateral loans and trade financing with various local financial institutions for working capital requirements.

# NOTES TO THE FINANCIAL STATEMENTS

## 14. TRADE AND OTHER PAYABLES

	2022 RM'000	2021 RM'000
<b>Trade</b>		
Trade payables	927,437	811,333
Amounts due to related company	118,802	81,492
	<b>1,046,239</b>	<b>892,825</b>
<b>Non-trade</b>		
Accrued expenses	45,320	45,787
Duties and tax payables	66,782	65,530
Amounts due to related companies	-	39
Other payables	59,716	48,819
	<b>171,818</b>	<b>160,175</b>
	<b>1,218,057</b>	<b>1,053,000</b>

### Related party balances

Trade balances due to related company is subject to normal trade term. Non-trade balances due to related companies are unsecured, interest free and are repayable on demand.

### Accrued expenses

Accrued expenses are generally non-trade in nature from transactions other than the purchase of crude and petroleum products.

## 15. RETIREMENT BENEFIT OBLIGATIONS

	2022 RM'000	2021 RM'000
Current	1,936	3,260
Non-current	19,218	18,598
	<b>21,154</b>	<b>21,858</b>

The Company operates an unfunded defined benefit retirement plan for its regular national employees. The plan assumptions are reappraised every three years by an independent actuary. The latest actuarial appraisal was carried out in December 2021.

The defined benefit plan exposes the Company to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

# NOTES TO THE FINANCIAL STATEMENTS

## 15. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

### Movement in retirement benefit obligations

The following table shows reconciliation from the opening balance to the closing balance for the retirement benefit obligations and its components:

	2022 RM'000	2021 RM'000
At 1 January	21,858	52,818
<b>Included in profit or loss</b>		
Current service cost	1,545	3,173
Interest cost	1,011	2,328
	<b>2,556</b>	<b>5,501</b>
<b>Included in other comprehensive income</b>		
Remeasurement of retirement benefit obligations		
Actuarial gain arising from:		
- Experience adjustments	(2,010)	(2,571)
	<b>(1,250)</b>	<b>(5,734)</b>
<b>Others</b>		
Benefits paid	(1,250)	(5,734)
Transfer to affiliate	-	(28,156)
	<b>(1,250)</b>	<b>(33,890)</b>
At 31 December	<b>21,154</b>	<b>21,858</b>

### Actuarial assumptions

Principal actuarial assumptions at the end of the reporting period (expressed as weighted average):

	2022 %	2021 %
Discount rate	5.0	5.0
Future salary growth	5.8	5.8

As at 31 December 2022, the weighted average duration of the defined benefit obligation was 8.56 years (2021: 7.99 years).

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## 15. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

### Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligations by the amounts shown below:

	Retirement benefit obligations			
	2022		2021	
	Increase RM'000	Decrease RM'000	Increase RM'000	Decrease RM'000
Discount rate (1% movement)	(1,601)	1,864	(1,547)	1,797
Future salary growth (1% movement)	2,322	(2,028)	2,005	(1,760)

Although the analysis does not account for the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

## 16. ASSET RETIREMENT OBLIGATIONS

	2022 RM'000	2021 RM'000
Current	2,127	1,229
Non-current	8,637	6,504
	10,764	7,733

Movements in the asset retirement obligations are as follows:

	2022 RM'000	2021 RM'000
At 1 January	7,733	-
Additions	-	5,253
Effects of change in estimate	2,763	-
Effects of change in discount rate	41	(498)
Accretion	227	2,978
At 31 December	10,764	7,733

The Company has asset retirement obligations (ARO) arising from certain provisions of its land lease agreements for the refinery and service stations. The recognition of the obligation requires judgement in determining if a present legal enforceable obligation exists based on individual land lease agreement and the expected dismantling costs. The amount of ARO is determined based on the estimated future dismantling costs, discounted at risk-free-rate depending on the lease term. All estimates are reviewed periodically. While the estimation of such costs is based on the best estimate of future costs, significant changes in these assumptions may materially affect the recorded expense or obligation in future periods.

## 16. ASSET RETIREMENT OBLIGATIONS (CONTINUED)

### Sensitivity analysis

A change of 10% in the estimated future dismantling costs at the reporting date, holding other assumptions constant, would have affected the asset retirement obligations by the amount shown below.

	Asset retirement obligations			
	2022		2021	
	Cost increase RM'000	Cost decrease RM'000	Cost increase RM'000	Cost decrease RM'000
Increase/(Decrease) in asset retirement obligations	1,076	(1,076)	773	(773)

## 17. DEFERRED TAX LIABILITIES

### Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Property, plant and equipment	-	-	(185,200)	(161,942)	(185,200)	(161,942)
Investment properties	-	-	(18,275)	(18,783)	(18,275)	(18,783)
Right-of-use assets	-	-	(832)	(882)	(832)	(882)
Lease liabilities	20,608	20,701	-	-	20,608	20,701
Retirement benefit obligations	2,491	2,314	-	-	2,491	2,314
Asset retirement obligations	1,427	1,284	-	-	1,427	1,284
Reinvestment allowances carry-forward	54,770	17,205	-	-	54,770	17,205
Other items	5,534	5,090	(298)	(642)	5,236	4,448
Net tax assets/ (liabilities)	84,830	46,594	(204,605)	(182,249)	(119,775)	(135,655)

# NOTES TO THE FINANCIAL STATEMENTS

## 17. DEFERRED TAX LIABILITIES (CONTINUED)

Movement in temporary differences during the year

	At 1.1.2021 RM'000	Recognised in profit or loss (Note 23) RM'000	Recognised directly in equity (Note 23) RM'000	At 31.12.2021 RM'000	Recognised in profit or loss (Note 23) RM'000	Recognised directly in equity (Note 23) RM'000	At 31.12.2022 RM'000
Property, plant and equipment	(90,457)	(71,485)	-	(161,942)	(23,258)	-	(185,200)
Investment properties	(15,288)	(3,495)	-	(18,783)	508	-	(18,275)
Right-of-use assets	(53)	(829)	-	(882)	50	-	(832)
Lease liabilities	15,963	4,738	-	20,701	(93)	-	20,608
Retirement benefit obligations	6,096	(3,165)	(617)	2,314	659	(482)	2,491
Asset retirement obligations	-	1,284	-	1,284	143	-	1,427
Capital allowances carry-forward	8,602	(8,602)	-	-	-	-	-
Reinvestment allowances carry-forward	-	17,205	-	17,205	37,565	-	54,770
Other items	1,719	2,729	-	4,448	788	-	5,236
Net tax liabilities	(73,418)	(61,620)	(617)	(135,655)	16,362	(482)	(119,775)

The reinvestment allowances carry-forward can be absorbed by the Company's future taxable profits up to Year of Assessment 2031 (2021: 2031).

Reinvestment allowances ("RA") recognised during the year were arising from the Company's diesel hydrotreater project that was completed in the financial year 2021. Subsequent to detailed identification of the expenditure and clarification obtained on the eligibility for RA based on the criteria set out in the Income Tax Act, 1967, the Company had recognised additional deferred tax asset as a change in estimate during the year. Significant management judgement is required to determine the amount of deferred tax asset that can be recognised, based upon the likely timing and level of future taxable profits. Judgement is also required about application of income tax legislation. These judgements and assumptions are subject to risks and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statement of financial position.

# NOTES TO THE FINANCIAL STATEMENTS

## 18. SHARE CAPITAL

	2022		2021	
	Number of shares '000	RM'000	Number of shares '000	RM'000
<b>Issued and fully paid:</b>				
At 1 January/31 December	270,000	143,000	270,000	143,000

### Share capital

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

## 19. REVENUE

Revenues are mainly derived from the sale of petroleum products to Retail and Commercial customers in various geographical locations as disclosed in Note 27 - Operating segment. Revenues are recognised when control over products has been transferred to the customers through delivery and acceptance measured at fair value of consideration received or receivable, net of applicable discounts, rebates, and subject to applicable allowances and refunds. The general payment terms with customers are combination of prepayments and credit terms from a period of 3 to 30 days from invoice date.

The Company has no significant remaining performance obligations as it recognises revenues in amounts that correspond directly to the value of completed performance obligations.

	2022 RM'000	2021 RM'000
<b>Revenue from contracts with customers</b>		
Third-party sales	14,035,134	7,153,984
Sales to related company	4,289,729	2,015,070
Other revenues	25,210	13,459
	18,350,073	9,182,513

Sales represent the value of petroleum products sold inclusive of Government subsidies and net of Government duties.

Included in other revenues are revenues from processing third-party crude amounting to RM15,968,000 (2021: RM5,244,000).

## 19. REVENUE (CONTINUED)

### Disaggregation of revenue from contracts with customers

Revenue is disaggregated by major trade:

	2022 RM'000	2021 RM'000
Retail	10,142,484	4,799,841
Commercial	2,030,682	1,261,637
Others	6,176,907	3,121,035
	<b>18,350,073</b>	<b>9,182,513</b>

Others include sales of petroleum products to related companies (Note 31).

## 20. OTHER OPERATING EXPENSES

	2022 RM'000	2021 RM'000
Depreciation and amortisation	78,497	77,176
Purchased services and utilities	117,993	72,299
Maintenance and repairs	29,644	29,607
Employee cost	9,440	23,051
Advertising	11,335	18,944
Others	19,688	16,803
	<b>266,597</b>	<b>237,880</b>

The other operating expenses mainly relate to retail service stations and terminal operations.

## 21. FINANCE COSTS

	2022 RM'000	2021 RM'000
Interest expense of financial liabilities measured at amortised cost – loans and borrowings	33,890	18,370
Interest expense on lease liabilities	3,277	2,751
Interest expense on asset retirement obligations	227	2,978
Other finance costs	7,104	2,897
	<b>44,498</b>	<b>26,996</b>
Recognised in profit or loss	<b>44,498</b>	<b>18,364</b>
Capitalised into property, plant and equipment:		
Interest expense of financial liabilities measured at amortised cost – loans and borrowings	-	7,003
Interest expense on lease liabilities	-	1,629
	-	8,632
	<b>44,498</b>	<b>26,996</b>

## 22. PROFIT BEFORE TAX

	2022 RM'000	2021 RM'000
<b>Profit before tax is arrived at after charging:</b>		
Amortisation of intangible assets	242	241
Audit fees	436	390
Depreciation of right-of-use assets	631	630
Foreign exchange - realised loss	7,845	9,800
Impairment loss on slow moving materials and supplies	23	409
Impairment loss on trade and other receivables	117	1,859
Investment properties		
- Depreciation	35,299	36,918
- Impairment loss	1,133	-
- Write-off	9	111
Long-term assets		
- Amortisation		
- Prepaid lease rentals	142	19
- Marketing assistance to dealers	635	954
- Others	1,528	1,767
Loss on derivatives	520,197	111,642
Personnel expenses (including key management personnel)		
- Contributions to Employees' Provident Fund	4,523	6,548
- Retirement benefits	2,556	5,501
- Wages, salaries and others	40,837	57,390
Property, plant and equipment		
- Depreciation	87,106	58,569
- Write-off	62	456
Property rental – short term leases	2,722	3,059
Repair and maintenance	44,923	48,862
Trucking cost	51,707	44,972
Write-down of inventories to net realisable value	18,750	2,906
<b>and after crediting:</b>		
Finance income	6,516	2,422
Foreign exchange - unrealised gain	45	2,531
Gain on disposal of property, plant and equipment	-	65
Gain on disposal of right-of-use assets	-	130
Rental income	47,562	40,562
Reversal of impairment loss on trade and other receivables	514	34
Reversal of impairment of slow moving materials and supplies	409	-

The prior year's presentation of other income of RM7,116,000 and other expenses of RM21,611,000 have been presented as one line item in the statement of profit or loss and other comprehensive income during the year to conform to the current year presentation. Other income/expenses mainly comprise of gains/losses from foreign exchange and derivative fair value movements.

## 23. TAX EXPENSE

### Recognised in profit or loss

	2022 RM'000	2021 RM'000
<b>Current tax expense</b>		
- Current year	17,344	6,602
- (Over)/Under provision in prior years	(692)	1,310
Total current tax recognised in profit or loss	16,652	7,912
<b>Deferred tax (benefit)/expense</b>		
Origination of temporary differences	55,964	61,265
(Over)/Under provision in prior years	(72,326)	355
Total deferred tax recognised in profit or loss	(16,362)	61,620
Total income tax expense	290	69,532

### Reconciliation of tax expense

	2022	2021
Profit before tax	300,879	308,003
Income tax calculated using Malaysian tax rate of 24% (2021: 24%)	72,211	73,921
Non-deductible expenses	6,723	6,773
Derecognition of deferred tax assets on retirement benefit obligations	-	6,757
Recognition of reinvestment allowance	(5,626)	(19,584)
(Over)/Under provision in prior years	(73,018)	1,665
	290	69,532

### Income tax recognised directly in equity

Deferred tax		
- Retirement benefit obligations	482	617

While total income tax expense during the year was RM290,000, the Company paid income taxes of RM19,506,000.

The over provision of deferred tax expense in the prior year mainly relates to the recognition of deferred tax asset from reinvestment allowance of RM72,209,000 as explained in Note 17. The Company had utilised RM40,270,000 of the total deferred tax asset arising from reinvestment allowance during the year.

## 24. OTHER COMPREHENSIVE INCOME

	2022 RM'000	2021 RM'000
<b>Items that will not be reclassified subsequently to profit or loss</b>		
Remeasurement of defined benefit liability		
Before tax	2,010	2,571
Tax expense	(482)	(617)
Net of tax	1,528	1,954

## 25. EARNINGS PER ORDINARY SHARE

The calculation of basic earnings per ordinary share at 31 December 2022 was based on the profit attributable to ordinary shareholders and the number of ordinary shares in issue, calculated as follows:

	2022	2021
Net profit attributable to shareholders (RM'000)	300,589	238,471
Number of ordinary share units in issue ('000)	270,000	270,000
Basic earnings per share (sen)	111.3	88.3

Diluted EPS is not presented as the Company has no potential shares or other instruments with dilutive effects.

## 26. DIVIDENDS

Dividends recognised by the Company:

	Sen per share	Total amount RM'000	Date of payment
<b>2022</b>			
Final 2021 ordinary	20.0	54,000	5 July 2022 and 8 July 2022
<b>2021</b>			
Final 2020 ordinary	5.0	13,500	30 June 2021 and 2 July 2021

After the end of the reporting period, the following dividend was proposed by the Directors. The dividend will be recognised in subsequent financial period upon approval by the owners of the Company.

	Sen per share	Total amount RM'000
Final 2022 ordinary	25.0	67,500

## 27. OPERATING SEGMENT

The Company is organised as one integrated business segment which operates to manufacture and sell petroleum products. These integrated activities are known across the petroleum industry as the Downstream segment. As such, the assets and liabilities are disclosed within the financial statements as one segment.

Revenues are mainly derived from the sale of petroleum products to domestic customers including its affiliates and competitors. A breakdown of the revenues by geographical location is as follows:

	2022 RM'000	2021 RM'000
Malaysia	16,508,702	8,105,490
Singapore	1,841,371	1,077,023
	<b>18,350,073</b>	<b>9,182,513</b>

### Major customer

The following is a major customer with revenue equal or more than 10% of the Company's total revenue:

	2022 RM'000	2021 RM'000
Related party		
- Petron Fuel International Sdn. Bhd.	4,258,804	1,985,525

Other than this major customer, there are no individual customers contributing to equal or more than 10% of the Company's total revenue for the current and previous financial year.

All non-current assets of the Company are located in Malaysia.

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## 28. FINANCIAL INSTRUMENTS

### 28.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- (a) Amortised cost (AC);
- (b) Fair value through profit or loss (FVTPL)
  - Mandatorily required by MFRS 9

	Carrying amount RM'000	AC RM'000	FVTPL RM'000
<b>2022</b>			
<b>Financial assets</b>			
Cash and cash equivalents	200,876	200,876	-
Derivative financial assets	22,737	-	22,737
Trade and other receivables	1,270,626	1,270,626	-
	<b>1,494,239</b>	<b>1,471,502</b>	<b>22,737</b>
<b>Financial liabilities</b>			
Loans and borrowings	(1,100,000)	(1,100,000)	-
Trade and other payables	(1,218,057)	(1,218,057)	-
Lease liabilities	(53,324)	(53,324)	-
Derivative financial liabilities	(24,545)	-	(24,545)
	<b>(2,395,926)</b>	<b>(2,371,381)</b>	<b>(24,545)</b>
<b>2021</b>			
<b>Financial assets</b>			
Cash and cash equivalents	254,076	254,076	-
Derivative financial assets	11,287	-	11,287
Trade and other receivables	895,687	895,687	-
	<b>1,161,050</b>	<b>1,149,763</b>	<b>11,287</b>
<b>Financial liabilities</b>			
Loans and borrowings	(1,026,916)	(1,026,916)	-
Trade and other payables	(1,053,000)	(1,053,000)	-
Lease liabilities	(53,064)	(53,064)	-
Derivative financial liabilities	(28,511)	-	(28,511)
	<b>(2,161,491)</b>	<b>(2,132,980)</b>	<b>(28,511)</b>



## 28. FINANCIAL INSTRUMENTS (CONTINUED)

### 28.2 Net gains and losses arising from financial instruments

	2022 RM'000	2021 RM'000
Net losses on:		
Fair value through profit or loss	(520,197)	(111,642)
Financial liabilities measured at amortised cost		
- Finance costs	(44,498)	(26,996)
- Unrealised foreign exchange gain	569	3,197
- Realised foreign exchange loss	(22,229)	(16,407)
	(66,158)	(40,206)
Financial assets measured at amortised cost		
- Finance income	6,516	2,422
- Net reversal/(impairment loss) on trade and other receivables	397	(1,825)
- Unrealised foreign exchange loss	(524)	(666)
- Realised foreign exchange gain	14,384	6,607
	20,773	6,538
	(565,582)	(145,310)

### 28.3 Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

### 28.4 Credit risk

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk arises principally from its receivables from customers.

#### Receivables

*Risk management objectives, policies and processes for managing the risk*

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on customers requiring credit over a certain amount.

## 28. FINANCIAL INSTRUMENTS (CONTINUED)

### 28.4 Credit risk (continued)

#### Receivables (continued)

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Company. The Company uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant past due balances more than its credit term, which are deemed to have higher credit risk, are monitored individually.

The exposure of credit risk for trade receivables as at the end of the reporting period by geographic region was:

	2022 RM'000	2021 RM'000
Domestic	93,240	56,074
Foreign	148,366	70,881
	241,606	126,955

#### Impairment losses

The Company uses a provision matrix using historical credit loss experience over the past three years to measure expected credit losses (ECLs) on receivables.

## 28. FINANCIAL INSTRUMENTS (CONTINUED)

### 28.4 Credit risk (continued)

#### Receivables (continued)

##### Impairment losses for trade receivables

The Company maintains an ageing analysis for trade receivables only. The following table provides information about the exposure to credit risk and ECLs on trade receivables as at 31 December 2022.

	Gross RM'000	Impairment RM'000	Net RM'000
<b>2022</b>			
Current	241,608	(2)	241,606
Past due 1 - 90 days	388	(388)	-
	<b>241,996</b>	<b>(390)</b>	<b>241,606</b>
<b>2021</b>			
Current	127,108	(153)	126,955
Past due 1 - 90 days	470	(470)	-
	<b>127,578</b>	<b>(623)</b>	<b>126,955</b>

The movements in the allowance for impairment losses of trade receivables during the financial year were:

	2022 RM'000	2021 RM'000
At 1 January	623	382
Allowance made during the year	-	275
Reversal of impairment loss	(233)	(34)
At 31 December	<b>390</b>	623

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Company is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivables directly.

##### Impairment losses for other receivables

Assessment was made resulting in the increase in the allowance for impairment of other receivables amounting to RM117,000 (2021: increase of RM1,584,000). There was a reversal of allowance for impairment of other receivables amounting to RM281,000 during the year.

## 28. FINANCIAL INSTRUMENTS (CONTINUED)

### 28.4 Credit risk (continued)

#### Inter-company advances

##### Risk management objectives, policies and processes for managing the risk

The Company provides advances to related companies. The Company monitors the results of the related companies regularly.

##### Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Advances are only provided to related companies which are wholly owned by the immediate holding company.

##### Impairment losses

As at the end of the reporting period, there was no indication that advances to related companies are not recoverable.

#### Cash and cash equivalents

##### Exposure to credit risk, credit quality and collateral

The credit risk for cash and cash equivalents is deemed negligible, since the counterparties are considered reputable entities.

### 28.5 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's exposure to liquidity risk arises principally from its various payables and loans and borrowings.

The Company maintains a level of cash and cash equivalents, and bank facilities deemed adequate by management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due. The Company reviews its revolving credit facilities on a periodic basis. In prior year, the Company subscribed to the fund pooling arrangements with its affiliates, Petron Fuel International Sdn. Bhd. and Petron Oil (M) Sdn. Bhd. which allows the Company to either draw cash from the pool in the event of a shortfall, or place cash into the pool in the event of excess, at competitive interest rates on a daily basis. This inter-company financing arrangement has ceased in March 2021.

The Company continues to optimise the mix of its borrowing facilities to maximise financing flexibility whilst reducing financing cost. These facilities are short-term in nature unless opportunities arise to secure favourable longer term borrowing facilities.

Liquidity risk may also arise if debtors are not able to settle obligations to the Company within the normal credit term. To manage this risk, the Company periodically assesses the financial viability of debtors and may require certain debtors to provide bank guarantees or other security.

## 28. FINANCIAL INSTRUMENTS (CONTINUED)

### 28.5 Liquidity risk (continued)

#### Maturity analysis

The table below summarises the maturity profile of the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM'000	Contractual interest rate/coupon	Contractual cash flows RM'000	Under			
				1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
<b>2022</b>							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	1,218,057	-	1,218,057	1,218,057	-	-	-
Lease liabilities	53,324	3.8% - 8.5%	106,266	4,623	3,976	12,008	85,659
Loans and borrowings	1,100,000	3.9%	1,102,040	1,102,040	-	-	-
Revolving credit	2,371,381		2,426,363	2,324,720	3,976	12,008	85,659
<i>Derivative financial liabilities</i>							
Forward exchange contracts (gross settled):							
Outflow	-	-	418,440	418,440	-	-	-
Inflow	(985)	-	(419,425)	(419,425)	-	-	-
Commodity swaps (gross settled):							
Outflow	2,793	-	198,286	198,286	-	-	-
Inflow	-	-	(195,493)	(195,493)	-	-	-
	<b>2,373,189</b>		<b>2,428,171</b>	<b>2,326,528</b>	<b>3,976</b>	<b>12,008</b>	<b>85,659</b>

## 28. FINANCIAL INSTRUMENTS (CONTINUED)

### 28.5 Liquidity risk (continued)

	Carrying amount RM'000	Contractual interest rate/coupon	Contractual cash flows RM'000	Under			
				1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
<b>2021</b>							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	1,053,000	-	1,053,000	1,053,000	-	-	-
Lease liabilities	53,064	3.8% - 8.5%	111,484	5,059	4,766	11,192	90,467
Loans and borrowings	1,026,916	2.7%	1,029,422	1,029,422	-	-	-
Revolving credit	2,132,980		2,193,906	2,087,481	4,766	11,192	90,467
<i>Derivative financial liabilities</i>							
Forward exchange contracts (gross settled):							
Outflow	2,050	-	443,757	443,757	-	-	-
Inflow	-	-	(441,707)	(441,707)	-	-	-
Commodity swaps (gross settled):							
Outflow	15,174	-	220,278	220,278	-	-	-
Inflow	-	-	(205,104)	(205,104)	-	-	-
	<b>2,150,204</b>		<b>2,211,130</b>	<b>2,104,705</b>	<b>4,766</b>	<b>11,192</b>	<b>90,467</b>

## 28. FINANCIAL INSTRUMENTS (CONTINUED)

### 28.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices, will affect the Company's financial position or cash flows.

#### 28.6.1 Currency risk

The Company is exposed to foreign currency (a currency which is other than the functional currency of the Company) risk on sales, purchases, loans and borrowings that are denominated in a currency other than the functional currency of the Company. The currencies giving rise to this risk are primarily U.S. Dollar (USD), Japanese Yen (JPY), Singapore Dollar (SGD), and European Union Euro (EUR) (2021: USD, JPY, SGD and EUR).

*Risk management objectives, policies and processes for managing the risk*

The Company uses forward exchange contracts to manage its foreign currency risk. All forward contracts have maturities of one year or less after the end of the reporting period.

*Exposure to foreign currency risk*

The Company's exposure to foreign currency risk, based on carrying amounts as at the end of the reporting period was:

	Denominated in			
	USD RM'000	JPY RM'000	SGD RM'000	EUR RM'000
<b>2022</b>				
Cash and cash equivalents	89,015	-	-	-
Trade and other receivables	148,366	-	-	-
Trade and other payables	(663,292)	(1,553)	(773)	(2,757)
Exposure before forward exchange contracts	(425,911)	(1,553)	(773)	(2,757)
Forward exchange contracts	418,440	-	-	-
<b>Net exposure</b>	<b>(7,471)</b>	<b>(1,553)</b>	<b>(773)</b>	<b>(2,757)</b>

## 28. FINANCIAL INSTRUMENTS (CONTINUED)

### 28.6 Market risk (continued)

#### 28.6.1 Currency risk (continued)

	Denominated in			
	USD RM'000	JPY RM'000	SGD RM'000	EUR RM'000
<b>2021</b>				
Cash and cash equivalents	11,306	-	-	-
Trade and other receivables	70,881	-	-	-
Loans and borrowings	(91,916)	-	-	-
Trade and other payables	(441,288)	(182)	(652)	(2,611)
Exposure before forward exchange contracts	(451,017)	(182)	(652)	(2,611)
Forward exchange contracts	443,757	-	-	-
<b>Net exposure</b>	<b>(7,260)</b>	<b>(182)</b>	<b>(652)</b>	<b>(2,611)</b>

*Currency risk sensitivity analysis*

Foreign currency risk mainly arises from USD. The exposure to other currencies is not material and hence, sensitivity analysis is not presented.

A 10% (2021:10%) strengthening of the RM against USD at the end of the reporting period would have increased equity and after-tax profit by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	Profit after tax	
	2022 RM'000	2021 RM'000
USD	568	552

A 10% (2021:10%) weakening of RM against USD at the end of the reporting period would have had equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables remained constant.

#### 28.6.2 Interest rate risk

The Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short-term receivables and payables are not significantly exposed to interest rate risk.

*Risk management objectives, practice and processes for managing the risk*

Interest rate exposure arising from the Company's borrowings is managed through monitoring and reviewing interest rate changes in the market and its impact to the Company's financial performance. The Company does not use derivative financial instruments to hedge its debt obligations.

## 28. FINANCIAL INSTRUMENTS (CONTINUED)

### 28.6 Market risk (continued)

#### 28.6.2 Interest rate risk (continued)

##### *Exposure to interest rate risk*

The interest rate profile of the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	2022 RM'000	2021 RM'000
<b>Floating rate instruments</b>		
Financial liabilities	(1,100,000)	(1,026,916)

##### *Interest rate risk sensitivity analysis*

##### *Cash flow sensitivity analysis for variable rate instruments*

The borrowings are generally based on floating interest rate unless opportunities arise for competitive fixed rate financing. The Company's financing arrangements are typically tracked against the KLIBOR (Kuala Lumpur Interbank Offered Rate) and SOFR (Secured Overnight Financing Rate). The impact of a 10 basis point (bp) change in interest rate affecting the Company's borrowings would not be material to the Company's financial statements.

A change of 10 basis points in interest rate at the end of the reporting period would have (decreased)/increased equity and after-tax profit by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

	Profit after tax			
	2022		2021	
	10 bp increase RM'000	10 bp decrease RM'000	10 bp increase RM'000	10 bp decrease RM'000
Floating rate instruments	(52)	52	(35)	35

## 28. FINANCIAL INSTRUMENTS (CONTINUED)

### 28.6 Market risk (continued)

#### 28.6.3 Commodity price risk

Commodity price risk is the risk that future cash flows from a financial instrument will fluctuate because of changes in market prices.

##### *Risk management objectives, policies and processes for managing the risk*

The Company uses commodity swap contracts to mitigate its price risk on important commodities under approved policy by the Management. Prices of crude and selected petroleum products are fixed at levels acceptable to the Company through hedging, thus protecting inventory cost and preserving margins. All commodity derivative contracts have maturities of one year or less after the end of the reporting period.

##### *Commodity price risk sensitivity analysis*

Commodity swaps are held for trading and measured at fair value through profit or loss.

A change of 10% in the commodity price at the reporting date, holding other assumptions constant, would have (decreased)/increased equity and after-tax profit by the amounts shown below.

	Profit after tax	
	2022 RM'000	2021 RM'000
10% increase in commodity price	(10,693)	(17,092)
10% decrease in commodity price	10,693	17,092

## 28. FINANCIAL INSTRUMENTS (CONTINUED)

### 28.7 Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position where the Company currently has an enforceable legal right to set off the amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

	Gross amounts RM'000	Gross amounts set off in the statement of financial position RM'000	Net amounts presented in the statement of financial position RM'000
<b>At 31 December 2022</b>			
<i>Financial assets</i>			
Trade and other receivables	1,416,114	(145,488)	1,270,626
<i>Financial liabilities</i>			
Trade and other payables	1,363,545	(145,488)	1,218,057
<b>At 31 December 2021</b>			
<i>Financial assets</i>			
Trade and other receivables	1,066,392	(170,705)	895,687
<i>Financial liabilities</i>			
Trade and other payables	1,223,705	(170,705)	1,053,000

## 28. FINANCIAL INSTRUMENTS (CONTINUED)

### 28.8 Fair value information

The carrying amounts of cash and cash equivalents, short-term receivables and payables and short-term borrowings reasonably approximate fair values due to the relatively short-term nature of these financial instruments.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position:

	Fair value of financial instruments carried at fair value				Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	
<b>2022</b>					
<b>Financial assets</b>					
Forward exchange contracts	-	1,047	-	1,047	1,047
Commodity swaps	-	21,690	-	21,690	21,690
	-	22,737	-	22,737	22,737
<b>Financial liabilities</b>					
Forward exchange contracts	-	(62)	-	(62)	(62)
Commodity swaps	-	(24,483)	-	(24,483)	(24,483)
	-	(24,545)	-	(24,545)	(24,545)
<b>2021</b>					
<b>Financial assets</b>					
Forward exchange contracts	-	136	-	136	136
Commodity swaps	-	11,151	-	11,151	11,151
	-	11,287	-	11,287	11,287
<b>Financial liabilities</b>					
Forward exchange contracts	-	(2,186)	-	(2,186)	(2,186)
Commodity swaps	-	(26,325)	-	(26,325)	(26,325)
	-	(28,511)	-	(28,511)	(28,511)

## 28. FINANCIAL INSTRUMENTS (CONTINUED)

### 28.8 Fair value information (continued)

#### Level 2 fair value

##### Derivatives

##### Forward exchange contracts

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

##### Commodity swaps

The fair value of commodity swaps is estimated using forward pricing model based on market observable inputs.

#### Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the financial year (2021: no transfer in either directions).

## 29. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to maintain a strong capital base and safeguard the Company's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company monitors capital via carrying amount of equity as stated in statement of financial position.

The debt-to-equity ratios as at 31 December 2022 and 31 December 2021 were as follows:

	2022 RM'000	2021 RM'000
Loans and borrowings (Note 13)	1,100,000	1,026,916
Lease liabilities	53,324	53,064
<b>Total debt</b>	<b>1,153,324</b>	1,079,980
<b>Total equity</b>	<b>2,216,639</b>	1,968,522
<b>Debt-to-equity ratios</b>	<b>0.52</b>	0.55

There was no change in the Company's approach to capital management during the financial year.

## 30. CAPITAL AND OTHER COMMITMENTS

	2022 RM'000	2021 RM'000
<b>Capital expenditure commitments</b>		
Contracted but not provided for		
Plant and equipment	29,810	25,666
Investment properties	25,433	26,124

There is no capital expenditure contracted for the jointly-owned assets of the Multi-Product Pipeline during the year (2021: RM40,000).

## 31. RELATED PARTIES

### Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. Key management personnel includes all the Directors, and certain members of senior management of the Company.

Petron Fuel International Sdn. Bhd. and Petron Oil (M) Sdn. Bhd. are subsidiaries of the immediate holding company whereas Petron Singapore Trading Pte. Ltd. is a subsidiary of the intermediate holding company.

The Company has related party relationship with its holding companies, significant investors, related companies and key management personnel.

### Significant related party transactions

In the ordinary course of business, the Company undertakes transactions with related parties which include the sale and purchase of products carried out on commercial terms and conditions negotiated amongst the related parties, and the sharing of services and facilities at cost apportioned on a mutually agreed basis.

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Company are shown below. The balances related to the below transactions are shown in Note 5 and 14.

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## 31. RELATED PARTIES (CONTINUED)

### Significant related party transactions (continued)

	2022 RM'000	2021 RM'000
Purchase of petroleum products from related companies:		
Petron Fuel International Sdn. Bhd.	1,938,401	1,177,614
Petron Singapore Trading Pte. Ltd.	1,147,106	336,292
Sale of petroleum products to related companies:		
Petron Fuel International Sdn. Bhd.	4,258,804	1,985,525
Petron Oil (M) Sdn. Bhd.	30,925	-
Petron Singapore Trading Pte. Ltd.	-	29,545
Central management, shared facilities and service costs with related companies:		
Petron Fuel International Sdn. Bhd. and Petron Oil (M) Sdn. Bhd.		
Charged from:	102,843	66,132
Charged to:	128	848
Key management personnel:		
<i>Non-executive independent directors</i>		
Fees	507	390
Other short-term benefits	338	288
	<b>845</b>	<b>678</b>

## 32. INTEREST IN JOINT OPERATIONS

Details of the joint operations are as follows:

Name of joint operation	Other joint operation parties	Principal place of business	Principal activity	Percentage of ownership	
				2022	2021
Joint Venture Agreement for Multi-Product Pipeline and Distribution Terminal	Petronas Dagangan Berhad (PDB) and Shell Malaysia Trading Sendirian Berhad (SMTSB)	Port Dickson	Construct, own and operate the MPP	20%	20%
Joint Facilities Operating Agreement	Hengyuan Refining Company Bhd (Operator)	Port Dickson	Construct and maintain common carrier pipeline facilities	50%	50%

## 33. OTHER PROCEEDING

On 20 May 2022, the Company was served with a Notice of Arbitration by MTC Engineering Sdn. Bhd. (MESB) in relation to MESB claim for alleged outstanding additional costs arising from the execution of a project known as Pipeline End Manifold (PLEM) Fabrication and Marine Equipment Installation for Marine Import Facilities 2 Project at Petron Port Dickson Refinery. The sum claimed is RM50,497,251 including interest, costs, and other reliefs.

On 29 June 2022, MESB registered the claim with the Asian International Arbitration Centre (AIAC). The Company's solicitors had written to AIAC to put on record that the preconditions to arbitration have not been fulfilled and the Company reserves the right to challenge jurisdiction.

On 30 September 2022, the AIAC has appointed an Arbitrator for this matter. The first procedural hearing was fixed on 19 October 2022, with further procedural hearing scheduled on 23 May 2023. The Company will defend the claim as it is of the opinion the claim is without basis or merit. Accordingly, no provision is required for this claim.



# STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

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In the opinion of the Directors, the financial statements set out on pages 98 to 159 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 December 2022 and of its financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

.....  
**Lubin B. Nepomuceno**

.....  
**Y. Bhg. Datuk Nik Mohd Hasyudeen Bin Yusoff**

Date: 6 March 2023

# STATUTORY DECLARATION

SECTION 251(1)(B) OF THE COMPANIES ACT 2016

I, **Mark Tristan D. Caparas**, the officer primarily responsible for the financial management of Petron Malaysia Refining & Marketing Bhd, do solemnly and sincerely declare that the financial statements set out on pages 98 to 159 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named at Kuala Lumpur in the Federal Territory on 6 March 2023.

.....  
**Mark Tristan D. Caparas**

Before me:

.....  
Commissioner for Oaths  
Kuala Lumpur

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PETRON MALAYSIA REFINING & MARKETING BERHAD  
(INCORPORATED IN MALAYSIA)  
REGISTRATION NO. 196001000260 (3927-V)

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## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Our opinion

In our opinion, the financial statements of Petron Malaysia Refining & Marketing Berhad ("the Company") give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

### What we have audited

We have audited the financial statements of the Company, which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 98 to 159.

### Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Independence and other ethical responsibilities*

We are independent of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

### Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Company. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PETRON MALAYSIA REFINING & MARKETING BERHAD  
(INCORPORATED IN MALAYSIA)  
REGISTRATION NO. 196001000260 (3927-V)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

### Key audit matters

### How our audit addressed the key audit matters

#### **Recoverability of the carrying amount of investment property, property, plant and equipment and right-of-use assets**

Refer to Note 1.4 Use of estimates and judgements: Impairment assessment of non-financial assets, Note 2 - Significant accounting policies: Note 2.4 - Property, plant and equipment, Note 2.5 - Leases, Note 2.6 - Investment property, Note 8 - Property, plant and equipment, Note 9 - Investment property and Note 10 - Right-of-use assets.

The Company performed impairment assessments on its investment property, property, plant and equipment and right-of-use assets (collectively referred to as ("the assets")) during the year as there were indicators of impairment. The Company determined the recoverable amounts of assets based on the higher of value in use ("VIU") and fair value less cost to sell ("FVLCTS") method.

We focused on this area due to the magnitude of the carrying amounts of the assets and the estimation of the recoverable amounts which requires significant judgements and estimates in determining projected cashflows and the discount rate.

Based on the impairment assessment performed, the Company concluded that no impairment was required except for two freehold lands where their recoverable amounts were lower than their carrying amounts, resulting in impairment loss of RM1.1 million recognised as set out in Note 9 to the financial statements.

We performed the following audit procedures:

- We evaluated management's basis of determining the cash generating units ("CGUs") of the respective assets, which represents the smallest identifiable group of assets that generate independent cash inflows;
- We evaluated the Company's impairment methodology and tested the mathematical accuracy of the VIU and FVLCTS models used by management where applicable;
- We performed the following on the VIU calculations which were based on the Company's projected cashflows over the expected useful lives of the respective assets:
  - a) Discussed with management and the Directors the key assumptions applied in determining projected cashflows. The project cashflows of the assets used for impairment assessment have been approved by the Company;
  - b) Compared the key assumptions used including refining and product margins and production and sales volumes to historical results achieved by the Company and long term oil and gas price outlook to industry forecast;
  - c) Discussed with management the expected useful life of respective assets applied in the VIU calculation;
  - d) Checked reasonableness of the growth rate and discount rate with assistance of our valuation experts by benchmarking to industry reports; and
  - e) Checked the sensitivity analysis performed by management on key assumptions disclosed in Note 1.4.
- Where the recoverable amounts are determined based on the FVLCTS model, we checked management's internal valuation and the relevant supporting documents used for the internal valuation performed by management.

Based on the procedures performed above, we did not find any material exception to the Company's impairment assessment.

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

### Key audit matters

### How our audit addressed the key audit matters

#### Accuracy and occurrence of revenue transactions

Refer to Note 2 - Significant accounting policies: Note 2.14 - Revenue and other income and Note 19 - Revenue.

The Company's revenue of RM18.4 billion during the financial year ended 31 December 2022 are mainly derived from the sale of petroleum products which includes the Government subsidies and net of Government duties.

We focused on accuracy and occurrence of the revenue transactions given large sale volumes of different petroleum products and price changes.

We performed the following audit procedures:

- Evaluated and tested the IT general controls and key controls over the capturing and recording of revenue transactions; authorisation of price changes and the input of this information into the billing system; and accuracy of calculation of amounts billed to customers;
- For revenue derived from the sale of petroleum products, we obtained and validated supporting evidence such as customer contracts, invoices and relevant supporting documents to test the occurrence and accuracy on a test basis;
- Performed cut-off testing on a test basis for revenue transactions before and after the financial year end to supporting documents to assess whether these transactions are recorded in the correct period;
- Reviewed management's assessment of the identification of separate performance obligations over material customer contracts and sighted to the customer contracts on a test basis;
- Tested the inputs used by management to compute the subsidies and duties from the Government to the letters issued by the Ministry of Finance on a test basis; and
- Examined and tested material non-standard journal entries and other adjustments posted to revenue and related accounts.

Based on the procedures performed above, we did not find any material exceptions in the revenue recognised during the financial year.

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

### Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report, which we obtained prior to the date of this auditors' report, and other sections in the 2022 Annual Report, which is expected to be made available to us after that date. Other information does not include the financial statements of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PETRON MALAYSIA REFINING & MARKETING BERHAD  
(INCORPORATED IN MALAYSIA)  
REGISTRATION NO. 196001000260 (3927-V)

# INFORMATION ON SHAREHOLDINGS

AS AT 20 MARCH 2023

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## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

### Auditors' responsibilities for the audit of the financial statements (continued)

- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**PRICEWATERHOUSECOOPERS PLT**  
LLP0014401-LCA & AF 1146  
Chartered Accountants

**SOO KWAI FONG**  
03144/07/2023 J  
Chartered Accountant

Kuala Lumpur  
6 March 2023

Class of share: Ordinary Share Unit  
Voting right: One vote per share unit

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Units Held	% of Issued Capital
Less than 100	602	5.554	11,351	0.004
100 – 1,000	4,314	39.804	3,186,495	1.180
1,001 – 10,000	4,997	46.106	18,728,557	6.936
10,001 – 100,000	848	7.824	21,671,096	8.026
100,001 – 13,499,999	76	0.701	28,223,438	10.453
13,500,000 and above	1	0.009	198,179,063	73.399
	10,838	100.00	270,000,000	100.00

### THIRTY LARGEST SHAREHOLDERS

As at 20 March 2023

Name	No. of Units Held	% of Issued Capital
1. MAYBANK NOMINEES (TEMPATAN) SDN BHD PETRON OIL & GAS INTERNATIONAL SDN BHD	198,179,063	73.399
2. CITIGROUP NOMINEES (ASING) SDN BHD CBLDN FOR POLUNIN EMERGING MARKETS SMALL CAP FUND, LLC	3,402,286	1.260
3. PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN HOCK CHENG (E-BMM)	3,200,000	1.185
4. NEOH CHOO EE & COMPANY, SDN. BERHAD	1,600,000	0.592
5. TAN KAH HOCK	1,600,000	0.592
6. CIMB GROUP NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR DBS BANK LTD (SFS)	783,500	0.290
7. RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HILARY FERNANDEZ	781,600	0.289
8. TAN HOCK CHENG	772,000	0.285
9. CGS-CIMB NOMINEES (ASING) SDN BHD EXEMPT AN FOR CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD. (RETAIL CLIENTS)	730,948	0.270
10. JOHAN ENTERPRISE SDN. BHD.	702,000	0.260
11. ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHONG YIEW ON (6000006)	655,400	0.242
12. HSBC NOMINEES (ASING) SDN BHD J. P. MORGAN SECURITIES PLC	551,312	0.204
13. YAYASAN GURU TUN HUSSEIN ONN	539,200	0.199

Name	No. of Units Held	% of Issued Capital
14. PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE LAK CHYE @ LI CHOY HIN (E-IMO)	524,400	0.194
15. UOB KAY HIAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	507,385	0.187
16. CHIA KUN JUN	474,000	0.175
17. UNIVERSAL TRUSTEE (MALAYSIA) BERHAD KAF TACTICAL FUND	400,000	0.148
18. STARVIEW RESTORAN SDN. BHD.	380,000	0.140
19. MAYBANK NOMINEES (TEMPATAN) SDN BHD WONG CHOY FONG	350,500	0.129
20. CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC	311,604	0.115
21. ELETECHNICS SDN BHD	300,000	0.111
22. KIM POH HOLDINGS SDN BHD	300,000	0.111
23. REUBEN TAN CHERH CHUNG	300,000	0.111
24. UOB KAY HIAN NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM TEONG LEONG	300,000	0.111
25. YONG MIAU LIM	299,600	0.110
26. PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE LAK CHYE @ LI CHOY HIN (E-IMO)	283,000	0.104
27. NEW TONG FONG PLYWOOD SDN BHD	280,000	0.103
28. LIM SOO HIAN	250,000	0.092
29. RONIE TAN CHOO SENG	250,000	0.092
30. RONIE TAN CHOO SENG	250,000	0.092
<b>TOTAL</b>	<b>219,257,798</b>	<b>81.206</b>

## SUBSTANTIAL SHAREHOLDER

As at 20 March 2023

Name	No. of Units Held	% of Issued Capital
1. MAYBANK NOMINEES (TEMPATAN) SDN BHD PETRON OIL & GAS INTERNATIONAL SDN BHD	198,179,063	73.399

Tenure	Land area (sq m)	Description of properties	Acquisition date	Expiry date	Age	Net book value
<b>NEGERI SEMBILAN</b>						
F	1,634,812	Refinery, storage and distribution terminal	Revalued in 1982	NA	63	37,758,660
Port Dickson Refinery Lot 1222, 1593-1595, 1757, 1803, 1805, 1836, 1838, 1926-1930, 2645-2647, 12111-12112, 30151-30156 Mukim Port Dickson, Negeri Sembilan						
L	744,189	MPP/KVDT facilities	01.03.2001	01.02.2100	22	17,502,546
MPP and KVDT						
L	4,190	Service station	01.01.2016	04.01.2036	7	14,303,843
PETRON RSA Seremban Northbound Lot 2378, KM271.5, Lebuhraya Kuala Lumpur - Seremban (Arah Utara), 71900 Seremban, Negeri Sembilan						
F	5,603	Service station	04.02.2019	NA	4	9,529,735
PETRON Bandar Ainsdale Lot PT 36339, Jalan Ainsdale 15/4, Bandar Ainsdale, 70200 Seremban, Negeri Sembilan						
<b>PERAK</b>						
L	14,343	Industrial plant facilities	01.03.2019	13.03.2096	4	16,202,762
Lumut PME Plant Lot 15636, Lumut Port Industrial Park, Mukim Lumut, Jalan Kampung Acheh, 32100 Sitiawan, Perak						
L	4,674	Service station	01.08.2018	31.07.2038	4	9,541,367
PETRON Bukit Gantang Lay-by Southbound KM225.1, Lebuhraya Utara-Selatan (Arah Selatan), Kawasan Rehat Bukit Gantang, 34850 Changkat Jering, Perak						
<b>PENANG</b>						
F	44,659	Storage and distribution terminal	Revalued in 1982	NA	63	11,747,420
Bagan Luar Terminal Lot 95-125, 2327-2338 Section 4, Butterworth, Seberang Perai Utara, Pulau Pinang						
<b>SELANGOR</b>						
L	5,853	Service station	16.03.2017	15.03.2047	6	14,973,126
PETRON NKVE KL Bound Lot PT 1953, KM10.8 (Arah Timur), Lebuhraya Baru Lembah Klang, Seksyen U1, 40150 Shah Alam, Selangor						
L	6,481	Service station	30.11.2021	30.11.2051	1	11,168,428
PETRON Ukay Perdana Lot 127455, Seksyen 2, 68000 Bandar Ulu Kelang, Selangor						
L	4,601	Service station	08.10.2019	07.10.2049	3	11,101,457
PETRON Persiaran Mokhtar Dahari Lot PT 40164, Mukim Bukit Raja, Bukit Chera, 40170 Shah Alam, Selangor						

Abbreviations: L - Leasehold F - Freehold NA - Not applicable

# DISCLOSURE OF RECURRENT RELATED PARTY TRANSACTIONS

At the AGM held on 16 June 2022, the Company obtained a shareholders' mandate to renew the Recurrent Related Party Transactions of revenue or trading nature with Petron Singapore Trading Pte. Ltd. ("PSTPL").

In accordance with the Bursa Malaysia Securities Berhad's Main Market Listing Requirements, the details of recurrent related party transactions conducted during the financial year ended 31 December 2022 pursuant to the shareholders' mandate are disclosed as follows: -

Nature of transaction	RM'000
Purchase of petroleum products	1,147,106

The Board of Directors of the Company will be proposing for the new and renewal of Recurrent Related Party Transactions mandate. A Circular to the Shareholders for said renewal dated 27 April 2023 ("Circular") has also been dispatched to shareholders along with the Annual Report 2022. Further details about the related party transactions arising from the mandate obtained on 16 June 2022 are contained in the Circular.

#### Notes:

PSTPL, a company incorporated in Singapore, is a wholly owned subsidiary of the intermediate holding company, Petron Corporation.

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Sixty-Fourth (64th) Annual General Meeting ("AGM") of the Company will be held at the Mutiara Grand Ballroom, Royale Chulan Damansara, 2A, Jln PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Thursday, 15 June 2023 at 2:00 p.m., for the purpose of transacting the following business:

1. To receive the Company's Audited Accounts for the year ended 31 December 2022 and the Directors' and Auditors Reports thereon.
2. To approve the declaration of final dividend of 25 sen per ordinary share for the year ended 31 December 2022. **(Ordinary Resolution 1)**
3. a) To re-elect Mr. Lubin B. Nepomuceno retiring in accordance to Article 103 and 104 of the Company's Constitution. **(Ordinary Resolution 2)**  
 b) To re-elect Ms. Aurora T. Calderon retiring in accordance to Article 103 and 104 of the Company's Constitution. **(Ordinary Resolution 3)**  
 c) To re-elect Y. Bhg. Dato' Noorizah Binti Hj. Abd Hamid retiring in accordance to Article 103 and 104 of the Company's Constitution. **(Ordinary Resolution 4)**
4. To appoint Ms. Chua See Hua, who has served for more than ten (10) years, as an Independent Director in compliance with Practice 5.3 of the Malaysia Code on Corporate Governance 2021. **(Ordinary Resolution 5)**
5. To approve the payment of Directors' fees and benefits payable to the Independent Director with effect from 1 January 2023 until the next Annual General Meeting of the Company. **(Ordinary Resolution 6)**
6. To appoint Messrs PricewaterhouseCoopers PLT as Auditor of the Company and to authorize the Directors to determine their remuneration. **(Ordinary Resolution 7)**
7. As Special Business, to consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

#### PROPOSED RENEWAL AND NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE OR TRADING NATURE

"THAT subject always to the Companies Act, 2016 ("the Act"), the Constitution of PMRMB and 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 Sections 2.5.1 and 2.5.2 of the Circular to Shareholders dated 27 April 2023 ("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 ("Proposed Mandates").

AND THAT the Proposed Mandates shall commence immediately upon passing of this ordinary resolution and 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 general meeting,

whichever is the earlier.

AND FURTHER THAT the Directors of the Company be and hereby empowered and authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to this Ordinary Resolution." **(Ordinary Resolution 8)**

8. To transact any other business of the Company.

# NOTICE OF ANNUAL GENERAL MEETING

## NOTICE OF BOOK CLOSURE

NOTICE IS HEREBY GIVEN that:

**For purpose of attendance at the Annual General Meeting:** shareholders who are registered in the Register of Members and Record of Depositors as at the close of business on 8 June 2023. Only a Depositor whose name appears on such Record of Depositors shall be entitled to attend and vote at this meeting or appoint proxy or proxies to attend and/or vote in his/her stead.

**For purposes of dividend entitlement:** shareholders who are registered in the Register of Members and Record of Depositors as at the close of business on 20 June 2023, shall be entitled to the final dividend which, if approved by the shareholders at the Annual General Meeting, will be paid on 4 July 2023.

A shareholder shall qualify for entitlement only in respect of:

- Securities transferred to the Depositor's Securities Account before 4:30p.m. on 20 June 2023 in respect of transfers;
- Securities deposited into the Depositor's Securities Account before 12:30p.m. on 16 June 2023 in respect of securities which are exempted from mandatory deposit; and
- Securities bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

## BY ORDER OF THE BOARD

### Manoj Devadasan

SSM PC No. 202008001784 (LS0006885)

Company Secretary

27 April 2023

## PROXY

A member of the Company entitled to attend and vote at the AGM is entitled to appoint not more than two (2) proxies to attend and vote instead of the member. A proxy need not be a member of the Company. Where a member is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, that hold shares for multiple beneficiaries in one securities account ("Omnibus Account"), there is no limit on the number of proxies it may appoint in respect of such Omnibus Account.

The instrument appointing a Proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority shall be deposited at the Share Registrar's office, Tricor Investor & Issuing House Services Sdn. Bhd. at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur. In the case of an appointment made via TIIH Online, the proxy form must be deposited at <https://tiih.online>. All proxy forms submitted must be received by the Company not less than twenty-four (24) hours before the time set for the AGM.

For the purpose of determining a member who shall be entitled to attend this AGM, only a depositor whose name appears on such Record of Depositors as at 8 June 2023 shall be entitled to attend, speak and vote at the AGM or appoint proxy or proxies to attend, speak and/or vote in his/her stead.

## ANNUAL REPORT 2022

The Annual Report 2022 and other accompanying documents are available online on the Company website at <https://www.petron.com.my/investor-relations>.

The Notification to Shareholders will be sent by electronic mail to Shareholders who have maintained their e-mail addresses in the Record of Depositors with Bursa Malaysia Depository Sdn. Bhd.

Please be advised that any request for hard copies of the Annual Report will be processed and forwarded to the requesting shareholders at the first reasonable opportunity.

# STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

## 1. In-Person Annual General Meeting

For 2023, the AGM will be held in-person at the designated venue of the AGM in Royale Chulan Damansara.

There are no plans for a hybrid meeting (that has both an in-person and a virtual meeting) given uncertainty over internet and other service stability (outside the control of the Company or its agents) and potential disruption to the AGM.

## 2. Directors standing for re-election/appointment

- Mr. Lubin B. Nepomuceno, Ms. Aurora T. Calderon and Y. Bhg. Dato' Noorizah Binti Hj. Abdul Hamid, retire by rotation and are eligible for re-election pursuant to Article 103 and 104 of the Company's Constitution.
- Ms. Chua See Hua, who has served on the Board for more than ten (10) years, in compliance with the Malaysian Code on Corporate Governance 2021, will retire at the conclusion of the AGM. The Board is however desirous of appointing Ms. Chua See Hua for another term as an Independent Director. The Board is of the opinion that Ms. Chua See Hua, who is also the Chairperson of the Nominating Committee and the senior most Independent Director, has a wealth of experience and knowledge about the Company's business and the oil & gas industry and can greatly contribute to the continued excellence in the functioning of the Nominating Committee and the Board. Further, she can continue to contribute by providing sound advice to the Independent Directors and the Board as a whole, guiding the Company in its plans and policies, and at the same time, acting to protect the interest of minority shareholders.

Ms. Chua has contributed greatly on implementing the independent annual evaluation process for the Board for the Company to adhere to the recommendation of the CG Code 2021.

Ms. Chua's appointment as recommended shall (per recommendation of the CG Code 2021) be by means of a two-tier voting and the Board strongly urges minority shareholders to support her appointment at the AGM.

- The Nominating Committee following its annual evaluation of the Board's performance, concluded that Mr. Lubin B. Nepomuceno, Ms. Aurora T. Calderon, Y. Bhg. Dato' Noorizah Binti Hj Abdul Hamid and Ms. Chua See Hua, in performing their duties as Directors, have met and/or exceeded expectations.

The Board (based on representations by the Nominating Committee) recommends to the shareholders that Mr. Lubin B. Nepomuceno, Ms. Aurora T. Calderon, Y. Bhg. Dato' Noorizah Binti Hj Abdul Hamid be re-elected to the Board and that Ms. Chua See Hua be appointed to the Board for another one-year term as an Independent Director.

The above Directors profile containing their qualifications, experience and other directorships can be viewed on pages 47-52.

## 3. Directors Benefit

- Section 230(1) of the Act provides amongst others, that "fees" of the Directors and "any benefits" payable to the Directors of a listed company and its subsidiaries must be approved at a general meeting. Pursuant thereto, shareholders' approval is sought for the payment of Directors' fees and the benefits payable to the Directors as follows:
  - RM93,600 per annum as directors' fee to each Independent Director of the Company. This remuneration remain unchanged from the previous year;
  - RM3,000 as meeting allowance for each meeting of the Board and of the Board Committees that an Independent Director (who is the Chairperson of a Committee) attends. This remains unchanged from the previous year;
  - RM2,500 as meeting allowance for each meeting of the Board and of the Board Committees that an Independent Director (who is not the Chairperson of a Committee) attends. This remains unchanged from the previous year;
  - RM700 per month to each Independent Director as fuel allowance, on reimbursement basis. This remains unchanged from the previous year; and
  - RM25,000 as an ex-gratia payment to each Independent Director of the Company for services rendered to the Company in 2022.

# STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

ANNUAL REPORT 2022

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It is to be noted that the Board in making the above recommendation wishes the shareholders to note the following:

- (i) A competitive remuneration package is necessary to attract and retain high quality Independent Directors that will then best serve the interests of the minority shareholders (and the Board and Company).
- (ii) All Independent Directors abstained from participation in or voting on the matter at the Board Meeting when it was tabled.

#### 4. Proposed Renewal and New Shareholders' Mandate for Recurrent Related Party Transactions of Revenue or Trading Nature

This resolution is primarily to give flexibility to the Company to enter into recurrent related party transactions of revenue or trading nature with the Directors/Major Shareholders or persons connected with the Directors/Major Shareholders.

Following from the initial mandate given by shareholders at the AGM in 2021, and considering the financial benefit to the Company, the proposal before the shareholders is for a Renewal and New Shareholders' Mandate for Recurrent Related Party Transactions of Revenue or Trading Nature that will commence immediately upon approval by the shareholders and be in force for another year until the conclusion of the AGM in 2024.

Further information of Proposed Renewal and New Shareholders' Mandate for Recurrent Related Party Transactions of Revenue or Trading Nature is contained in the Circular to Shareholders dated 27 April 2023.

#### 5. Mode of Voting

In line with the recommendation of the Malaysian Code on Corporate Governance 2021, and for the purpose of providing fair representation of votes based on shareholding, voting at the Annual General Meeting shall be by Poll.

#### 6. Details of Directors standing for re-election/appointment

- (i) **Profiles**  
The profiles of the Directors standing for re-election/appointment are set out in pages 47 to 52 of the Annual Report.
- (ii) **Statement of shareholdings**  
None of the Directors standing for re-election/appointment hold shares in the Company.
- (iii) **Family relationship**  
None of the Directors standing for re-election/appointment has any family relationship with any Director and/or major shareholder of the Company.
- (iv) **Conflicts of interest**  
None of the Directors standing for re-election/appointment has any conflicts of interest with the Company.
- (v) **Conviction for offences (excluding traffic offences), sanctions or penalty**  
None of the Directors standing for re-election/appointment has been convicted for offences within the past five (5) years nor was there any director imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.



PETRON MALAYSIA REFINING  
& MARKETING BHD  
Registration No. 196001000260 (3927-V)

CDS Account No. of Authorised Nominee:

## PROXY FORM

I/We \_\_\_\_\_ (Name of Company/Business/individual's full name)  
in Block Capitals (as per NRIC)), NRIC/Company No. \_\_\_\_\_ (new) \_\_\_\_\_ (old)  
of \_\_\_\_\_ (full address)  
being a member/members of the Company, hereby appoint \_\_\_\_\_ (full name of proxy)  
NRIC/Company No. \_\_\_\_\_ (new) \_\_\_\_\_ (old)  
of \_\_\_\_\_ (full address)

or failing which the Chairman of the Annual General Meeting as my/our Proxy to attend and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on Thursday June 15, 2023 at 2:00p.m. and at any adjournment thereof.

**My/Our instruction to my/our proxy (on each Agenda Item as per the Notice of Meeting) are as follows:**

Resolution No.	Agenda Item	For	Against
	To receive the Company's Audited Accounts	-NIL-	-NIL-
1.	To approve the declaration of final dividend		
2.	To Re-elect Mr Lubin B. Nepomuceno		
3.	To Re-elect Ms Aurora T. Calderon		
4.	To Re-elect Y. Bhg. Dato' Noorizah Binti Hj. Abd Hamid		
5.	Appointment of Ms. Chua See Hua		
6.	Payment of Directors' fees and benefits for 2023		
7.	Appointment of Messrs PricewaterhouseCoopers as Auditor and authorize the Directors to determine their remuneration		
8.	To approve Renewal and New Shareholders' Mandate for Recurrent Related Party Transactions of Revenue or Trading Nature		

(Please indicate an "X" in the spaces provided on how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his/her discretion)

\_\_\_\_\_  
Signature/Common Seal

Number of shares held : \_\_\_\_\_

Date : \_\_\_\_\_

Contact No : \_\_\_\_\_

#### Notes:

A Member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two (2) proxies to attend and vote instead of the Member. In the case of a corporation, the Proxy Form must be executed under the corporation's Common Seal or under the hand of an officer or attorney duly authorised. A Member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of the Member. A proxy need not be a member of the Company. Where a member is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, which hold shares for multiple beneficiaries in one securities account ("Omnibus Account"), there is no limit on the number of proxies it may appoint in respect of such Omnibus Account. The instrument appointing a proxy shall be deposited at the Share Registrar's office at **Unit 32-01, Level 32, Tower A, Vertical Business Suite Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur** or the Customer Service Centre at **Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur**, alternatively online via our share Registrars' website, TIIH Online at <https://tiah.online>, not less than 24 hours before the time set for the meeting.



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**AFFIX  
STAMP  
HERE**

The Share Registrar  
**TRICOR INVESTOR & ISSUING HOUSE SERVICES SDN BHD**  
Unit 32-01, Level 32, Tower A,  
Vertical Business Suite,  
Avenue 3, Bangsar South,  
No. 8, Jalan Kerinchi,  
59200 Kuala Lumpur, Malaysia



**PETRON MALAYSIA REFINING &  
MARKETING BHD**

Registration No. 196001000260 (3927-V)

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Fax: +603-20828578  
E-mail: [contactus@petron.com](mailto:contactus@petron.com)

[www.petron.com.my](http://www.petron.com.my)

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