

**SUMMARY OF PROCEEDINGS  
64<sup>th</sup> ANNUAL GENERAL MEETING OF  
PETRON MALAYSIA REFINING & MARKETING BHD  
(15 June 2023)**

**TIME AND PLACE**

The 64<sup>th</sup> Annual General Meeting (“AGM” or “Meeting”) of **PETRON MALAYSIA REFINING & MARKETING BHD** (the “Company” or “PMRMB”) was held at The Mutiara Grand Ballroom, Royale Chulan Damansara, 2A, Jalan PJU7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor, Malaysia. The meeting commenced at 2:00 p.m.

**ATTENDANCE**

In attendance were the following Directors:

- Mr. Ramon S. Ang (Chairman/Executive Director)
- Mr. Lubin B. Nepomuceno (Chief Executive Officer, Executive Director)
- Y. Bhg. Datuk Nik Mohd. Hasyudeen Yusoff (Independent Director)
- Ms. Chua See Hua (Independent Director)
- Fong Seow Kee (Independent Director)
- Y. Bhg. Dato’ Noorizah Abd Hamid (Independent Director)
- Ms. Aurora T. Calderon (Executive Director)
- Mr. Ferdinand K. Constantino (Non-Independent Non-Executive Director)

Director present via video conferencing (MS Teams) from Manila:

- Mr. Antonio Martin Cailao (Independent Director)

In attendance were the following Officers:

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

**SHAREHOLDERS ATTENDANCE/ PROXIES / QUORUM**

A total of 564 shareholders (including 236 shareholders via proxies) had registered to attend the AGM. There being a quorum in attendance, the Chairman of the AGM called the Meeting to order.

**PRESENTATION BY MANAGEMENT**

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

**QUESTIONS FROM SHAREHOLDERS/PROXIES**

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

**RESOLUTIONS**

The respective Resolutions below, were approved and duly carried:

- Resolution 1** - THAT the payment of final dividend of 25 sen per ordinary share for the year ended 31 December 2022, be and is hereby approved.
- Resolution 2** - THAT the re-election of Executive Director Mr. Lubin B. Nepomuceno as a Director of the Company in accordance with Articles 103 and 104 of the Company's Constitution, be and is hereby approved.
- Resolution 3** - THAT the re-election of Executive Director Ms. Aurora T. Calderon as a Director of the Company in accordance with Articles 103 and 104 of the Company's Constitution, be and is hereby approved.
- Resolution 4** - THAT the re-election of Independent Director Y. Bhg. Dato' Noorizah Abdul Hamid as a Director of the Company in accordance with Articles 103 and 104 of the Company's Constitution, be and is hereby approved.

- Resolution 5** - THAT the appointment as an Independent Directors of Ms. Chua See Hua - who has served more than ten (10) years as an Independent Director - in compliance with Practice 5.3 of the Malaysian Code on Corporate Governance 2021, be and is hereby approved.  
(The voting on this resolution was via a two-tier system)
- Resolution 6** - THAT the payment of Directors' Fees for the Independent Directors, as follows:
- (a) Annual Directors Fees of RM93,600 to be paid to each Independent Director in 2023.
  - (b) The following payments from June 15, 2023 until the next Annual General Meeting in 2024:
    - (i) Attendance Allowance of RM3,000 per meeting for each Independent Director Chairperson of a Committee;
    - (ii) Attendance Allowance of RM2,500 per meeting for each Independent Director (who is not a Chairperson of a Committee);
    - (iii) (up to) RM700 per month in fuel allowance /claims by each Independent Director; and
  - (c) An ex-gratia bonus payment of RM25,000 for each Independent Director who served a full term in 2022, for services rendered to the Company be and are hereby approved.
- Resolution 7** - THAT the appointment of Messrs PricewaterhouseCoopers PLT as Auditors of the Company for the financial year ending 31 December 2023, to hold office until the conclusion of the AGM in 2024 (with authorization to the Board of Directors to determine their remuneration), be and is hereby approved.
- Resolution 8** - THAT (as a Special Business) the new mandate and the renewal of existing Shareholders' Mandate for Recurrent Related Party Transactions of Revenue or Trading Nature (and terms therein), as contained in the Circular to Shareholders dated April 27, 2023, be and are hereby approved.

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

**Adjournment**

The Chairman thanked the Shareholders present for their participation and support. There being no further business, the Annual General Meeting was adjourned at 3:25 p.m. with a vote of thanks to the Chair.

## APPENDIX A

### Questions from Shareholders (64<sup>th</sup> Annual General Meeting – “AGM”)

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- *List of questions:*
  - (a) *Received in advance and answered during the AGM*
  - (b) *Asked and responded during the AGM.*
- *Questions of a similar nature that have been grouped for ease of response.*
- *Some of the questions posed have been simplified for clarity.*
- *As mentioned at the AGM, Management will not be responding herein to questions relating to:*
  - (a) *Information relating to other companies (including our parent company or sister companies, such as Petron Fuel International Sdn Bhd)*
  - (b) *Seeking performance or profit forecast relating to Petron Malaysia Refining & Marketing Bhd.*
  - (c) *Seeking information that is business sensitive that needs to keep confidential.*
  - (d) *Information pertaining to agreements with vendors, the disclosure of which may violate confidentiality obligations.*

### **Advanced Questions from Shareholders**

- 1. How is the Geopolitical situation affecting oil prices and the performance of the Company?**
  - Oil prices are affected by various factors in the market, including global supply and demand and geopolitical situations, especially among oil-producing countries.
  - As we maintain a certain inventory level to ensure supply security in the market, we are exposed to risks of oil price volatility such that any sudden and significant drop in prices could have an impact on our Company's financial results as we sell products at market prices which may have already gone lower than the purchase cost.
  - On the other hand, increasing prices require higher working capital which may increase our borrowings resulting in higher financing costs.
  - We always seek price stability to provide the Company with stable margins and working capital.
  
- 2. What are the Company's plans for Sustainability? Are you aiming to achieve Net Zero?**
  - On Net Zero, we are part of our ultimate parent company's commitment to achieve net zero by 2050, consistent with Malaysia's target. Like other multinationals, it is common to target net zero at the group level than on a stand-alone basis.
  - Sustainability is not new to us. We've been investing efforts and resources to support sustainable operations as highlighted in our management presentation on reducing our environmental footprint and creating a positive impact in our communities. We have been reporting this in our Annual Report since 2013, and publishing a stand-alone Sustainability Report since 2018 as well.
  - The Company plays an important role in providing fuel and energy security of the country.

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- While our refinery is not as complex and energy-intensive as other new refineries in the region, we continue implementing initiatives to manage our environmental footprint, especially our GHG emissions, through energy efficiency programs and other means to reduce our carbon footprint.
- We are also the only oil and gas company who invested in the production of Palm Oil Methyl Ester biodiesel, a renewable energy fuel. We plan to put up a bigger PME plant to meet the growing demand for biodiesel.
- We will continue to increase the use of energy-efficient LED lighting and solar energy in our facilities and service stations.
- Our new Diesel Hydrotreater, aside from producing low-sulfur Euro5 diesel, is also operating a Biosulfur Recovery system which uses organic enzymes to remove the sulfur in the diesel. This makes the sulfur by-product to qualify as raw material for fertilizer, eliminating the disposal of hazardous waste.

**3. i) What is the total cost for this newly opened station in Seremban 2, the expected IRR and the payback period?**

**ii) FY2022 net cash used in investing activities of RM 68,190,000, how much is used for retail service stations and for how many retail service stations?**

**iii) What is the investment budget for FY2023 and for building how many retail service stations?**

- We refrain from answering specific operational questions.
- Putting up stations requires many considerations, including cost, size, location and the market to serve. Usually, big highway sites are more expensive and require higher sales to recover the cost of investment compared to smaller sites in rural areas. To give an estimate, a station may cost can range between RM 4 million to RM 30 million.
- 1/3 of the net cash investment in 2022 was for building new stations and ongoing site construction. The balance was mainly to settle the remaining refinery & terminal projects payment.
- Our retail network expansion program is a main driver of our growth strategy and accounts for the bulk of our capital budget in 2023.
- We will disclose actual 2023 capital spending when we release our audited 2023 financial statements, but we are targeting to open more stations this year.

**4. Referring to FY2022 AR, pg. 139.**

**i) Where does this rental income come from?**

**ii) What are the reasons for the 17% yearly increase from RM 40,562,000 FY 2021 to RM47,562,000 FY 2022 and**

**iii) What is the expected rental income for FY 2023?**

- Rental income disclosed in the audited financial statements from service stations' asset rental, including equipment, lube bay, and carwash, among others.
- This also includes rentals from C-stores and allied businesses in our stations.
- The 17% increase was mainly driven by demand recovery post-pandemic.
- We do not provide projections for FY2023. Actual rental income will be disclosed in the 2023 audited financial statements.

**5. Will the Management kindly provide us with the full list of properties as of Dec 2022 or tell us where we can get a copy of the full list?**

- In line with Bursa's listing requirements, only the top 10 properties are disclosed in the annual report.
- We do not disclose the full list of properties because some information is confidential and sensitive in nature.
- To view our full list of service stations, please refer to our Petron Mobile App.

**6. i) Please explain why the 4th quarter loss on derivatives of RM 63,070,000 is much higher than the gross profit of RM 14,766,000.**

**ii) And, what are the volumes (barrels) of commodity swap contracts and average USD gain/(loss) per barrel for Q1, Q2, Q3 and Q4 of 2022?**

- The Q4'2022 derivative losses include both forex and commodity derivative hedges which are meant to protect the Company from exposure to the volatility in exchange rates and oil prices, respectively.
- About 60% of the RM63 million derivative loss in Q4'2022 financial statements pertains to forex hedging loss as the Ringgit suddenly appreciated vs. USD beyond our projected hedge level. Nonetheless, there's compensating forex gain to offset this, but both of them do not affect gross profit as they are recorded as other non-operating items in accordance with financial reporting standards.
- The remaining portion of the derivative loss pertains to commodity hedges, which is recognized in gross profit. However, it is not a disadvantage to incur such losses since corresponding benefits were realized from the increased refining margin.

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- There's also no direct correlation between derivative losses and gross profit, as many other factors affect gross profit other than derivatives.
- On the requested detailed operational information on commodity swap contracts, we are unable to disclose it due to confidentiality agreements with our hedge counterparties.

**7. From a corporate perspective, we received 3 questions on:**

- i) If a higher dividend could be paid considering the completion of the capital project and higher profits**
  - ii) If the payment of an interim dividend instead of a one time final dividend can be paid**
  - iii) if bonus shares could be issued.**
- While we may have completed major projects like DHT (Diesel Hydrotreater) / MIF2 (Marine Import Facilities 2), we will continue to invest in expanding our retail station network and improving our facilities, including our terminals.
  - Further, funding is needed for our daily operations including purchase of crude and products. For this, we continue to employ prudent cash management strategies in using our internally generated fund. As such, paying out unreasonably large dividends may lead to cash constraints for both our short-term liquidity and long-term growth.
  - On the interim dividend – given the volatility in the market, we take a prudent stance to wait and finalize our audited financials, including our cash requirements for the year, before we declare dividends.
  - Regarding bonus share – there are no immediate plans for a bonus issue. Our current focus is to continue to grow and expand our business to ensure sustainable returns on shareholders' investments.
  - However, we note your suggestions and we will continue to evaluate the possibility in the future.

### Shareholders' Questions at the AGM

**1. Does Petron Malaysia have a definite Dividend Policy?**

- We do not have a Dividend Policy.
- After careful assessment, we have decided that it's not practical to have a Dividend Policy for now, given the volatile nature of our business.
- Nevertheless, we are committed to provide a reasonable return to our shareholders in the long term while managing our cash and working capital requirements.



**2. What is the Company's outlook for the coming year?**

- While we continue to pursue growth, the Company does not disclose forward-looking statements including projections.

**3. What is your domestic market share compared to the other market players?**

- Currently, we are in the top 3 oil and gas players in the country with our Retail market share above 20%.

**4. Which segment contributed the most to your 2022 revenues?**

- We view our business as fully integrated.
- You may refer to the revenue breakdown disclosed in note 19 of our 2022 audited financial statements as published in our Annual Report.

**5. Why was there no free parking subsidy for this AGM compared to last year?**

- We apologise for this.
- This is the first time we are using this hotel. Rest assured, we will take care of it moving forward.

**6. All the big players in the market are moving ahead with their Net Zero ambition. What is your transition to Green Energy, and will you venture into EV?**

- Currently, the EV car market is still small in Malaysia. Based on recent information disclosed by the government last year, hybrid and full EV car sales in Malaysia still comprised less than 3% of the total annual vehicle sales.
- Petrol and diesel cars are projected to continue to remain significant in the country as there's no indication that they will be totally phased out within the next few decades.

**7. EV cars are coming very strong but with a lot of uncertainties. A competitor has partnered with a groceries company to convert some petrol stations into a charging hub, where customers can enjoy a one-stop retail experience while waiting for their EV cars to be charged. What's your take on this?**

- We note that hybrid and EV cars are on an increasing trend. The Malaysian Government's aspiration in its recently published National Energy Policy projected that hybrid & full EV cars will account for less than 40% of total cars by 2040.
- However, unlike some European countries, Malaysia is not planning to completely ban petrol and diesel cars.
- Currently, even the fast-charging EV cars require at least 30 minutes to charge. Nevertheless, we will continue to evaluate and monitor the EV technology and will make a decision at the right time, as EV technology continuously evolve at a fast phase.

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**8. If the EV cars trend soars, will this affect your Petrol business?**

- Yes but the current EV technology is still at a very early stage. We will wait for the trend and technology to mature.
- As mentioned, Malaysia has not announced any policy to ban petrol and diesel cars entirely consistent with its long term National Energy Policy.

**9. Petron primarily focuses on the fossil fuel business, but what about your other non-fuel business performances so far? Are there meeting your expectation?**

- Currently our core business remains to be fuel. However, we do pursue non-fuel income opportunities that are profitable.
- We continue to expand our allied businesses with popular food & beverages alliances to complement and optimise the return of our retail service stations.

**10. Moving forward, how do you pick up the current trend in oil & gas industry, and make yourselves better compared to your competitors in the market?**

- We acknowledge the current trend and have been putting a lot of focus and efforts into renewable energy to produce cleaner fuel.
- As highlighted in our management presentation, Petron is the first in the industry to invest in a Palm Oil Methyl Ester (PME) plant and is currently looking at putting up another one.
- We are keeping up with what's going on with renewable energy market and the commitment that we have put forth.

**11. There is a growing trend towards non-fossil-powered vehicles. How long would your business remains profitable and competitive, ensuring shareholder confidence over time?**

- Oil and gas is projected to continue to play a key role in ensuring energy security in the country.
- According to the National Energy Policy issued by the Government recently, oil and gas which accounted for 30% of the country's energy mix in 2018, is projected to remain at 27% in 2040.
- While it is projected to decline by 3%. However in absolute terms, because of the country's growth, the requirements for oil and gas will continue to increase.