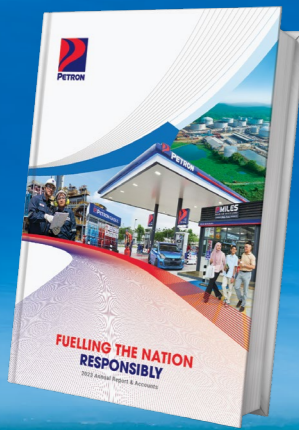




# FUELLING THE NATION RESPONSIBLY

2023 Annual Report & Accounts



## FUELLING THE NATION RESPONSIBLY

Having fuelled Malaysians for over a decade, Petron remains committed to mobilising the nation's economy responsibly and sustainably. Guided by the three focus areas – advancing ethical business growth, protecting the environment and nature, and fostering societal well-being – we are all set to make strong strides forward on our sustainability journey.

Our cover reflects our responsible approach to harnessing the synergistic strengths of our employees, business partners and local community. We aim to effectively meet stakeholder needs while balancing business growth with environmental stewardship and community well-being.

As Petron helps propel Malaysia forward through energy security, we are mindful of our economic, environmental and social impact and are committed to Fuelling The Nation Responsibly.


## 65<sup>th</sup> ANNUAL GENERAL MEETING


### VENUE


Ballroom, Sime Darby Convention Centre  
Kuala Lumpur  
1A, Jalan Bukit Kiara 1,  
60000 Kuala Lumpur,  
Wilayah Persekutuan Kuala Lumpur.


### DATE & TIME


13 June 2024 (Thursday)  
2:00 p.m.

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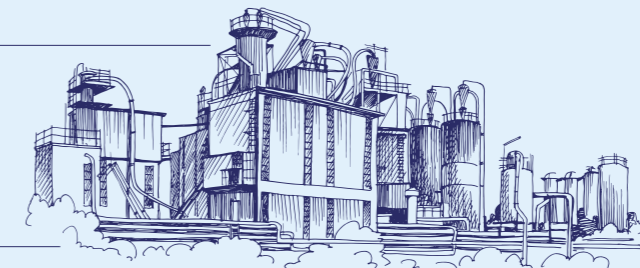
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




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

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Scan this QR code to view our Annual Report 2023 PDF online version  
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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:

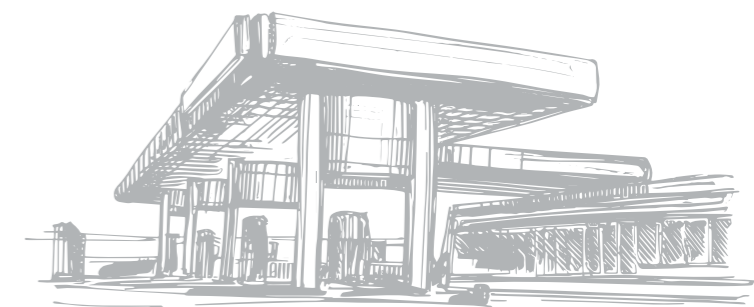
- Being an integral part of our customers' lives, exceeding expectations and meeting changing needs, delivering a consistent customer experience through quality products and innovative services
- Developing strategic partnerships in pursuit of growth opportunities
- Fostering an entrepreneurial culture 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



# HOW OUR PRODUCTS REACH YOU

## HOW OUR PRODUCTS REACH YOU



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

- Gasoline 100, 97, 95 RON
- Automotive Diesel Oil (ADO)
- Liquefied Petroleum Gas (LPG)
- Jet Fuel
- Naphtha
- Low Sulfur Waxy Residue (LSWR)



3

### TRANSPORTATION, STORAGE, LOGISTICS

#### TERMINAL

##### Our Facilities in Malaysia

- Port Dickson Terminal, Negeri Sembilan
- Bagan Luar Terminal, Penang
- Lumut PME Plant, Perak
- Kuantan Terminal, Pahang\*
- Westport Terminal (JV-BHP), Selangor\*
- KLIA Aviation Depot, Selangor



- Klang Valley Distribution Terminal (JV-Petronas/Shell), Selangor
- Pasir Gudang Terminal (JV-Chevron), Johor\*
- Sepangar Bay Terminal, Sabah\*
- Sandakan Terminal, Sabah\*
- Tawau Terminal, Sabah\*

\* Petron Malaysia Refining & Marketing Bhd (PMRMB)'s sister companies' facilities

4

### END USERS

#### RETAIL



More than 770 retail service stations nationwide provide a delightful and rewarding one-stop experience to cater to diverse customer needs.

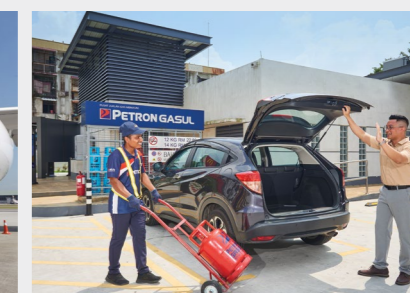
#### COMMERCIAL

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 draft.



##### Gasul

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

# OUR PEAK MOMENTS IN 2023

**Petron Malaysia** takes pride in commemorating the significant moments of FY 2023. These include the successful expansion of its retail network and non-fuel business, the establishment of strategic partnerships, and meaningful contributions to society. Additionally, the dedicated efforts to accelerate sustainability have always been a primary focus. The Company remains committed to creating a positive impact on the environment while consistently mobilising the country with top-of-the-line products.



## OUR PEAK MOMENTS IN 2023

JAN



### Win Blackpink World Tour [Born Pink] Kuala Lumpur Tickets With Petron's Collect & Win

Petron customers were treated to the much anticipated Black Pink [Born Pink] World Tour in Kuala Lumpur through the 'Collect & Win Tickets' contest, participated in by all our service stations nationwide.

FEB



### Petron's Back-To-School Initiative

Back-To-School (BTS) is a Volunteerism-In-Action (VIA) initiative that sponsors B40 school children for their academic preparations. The team collaborated with the National Higher Education Fund Cooperation (PTPTN) and other partners like MYDIN and Popular Bookstore to provide school uniforms, books and stationery vouchers to deserving children selected by the state Education Office in Klang Valley and students from Sekolah Kebangsaan Port Dickson.

MAR



### Petron Gasul at Desa Pandan's Ramadan Bazar

Over 200 bazar traders at the Desa Pandan's Ramadan Bazar were sponsored by Petron Gasul. It has become an annual tradition since 2022 to help bazar traders earn a living while easing the burden on buyers. We also distributed more than 300 packs of Bubur Lambuk at the bazar for those in need.

APR



### Jom Bantu Türkiye Donation Drive

We ran a donation drive and raised more than RM900,000 in cash to aid earthquake victims in Türkiye. This donation drive was a cumulative effort made possible by our employees and service station dealers.

MAY



### Port Dickson Refinery Community Briefing and Hari Raya Celebration

We understand the importance of open communication with the community to exemplify our safety values. Along with the Hari Raya celebration, our Port Dickson Refinery (PDR) conducted its annual community session with the fenceline community to increase safety awareness and highlight our safety achievements. This is also part of our efforts to ensure flawless operations at our refinery.

JUN



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

The 64<sup>th</sup> AGM of PMRMB was successfully held on 15 June 2023. Our General Manager, Faridah Ali presented an overview of PMRMB's FY2022 and 1Q23 performances.

## OUR PEAK MOMENTS IN 2023

JUL



### First Win at The Royal Society for The Prevention of Accidents (RoSPA) Health & Safety Awards 2023

Petron's Kuantan Terminal was honored with the Silver Award from RoSPA in July 2023, marking Petron's first overseas recognition, and demonstrating its commitment to health and safety excellence.



### Mangrove Conservation Plan in Collaboration With Local Partners

On 26 July, Petron's Lumut PME Plant (LPP) launched Mangrove Conservation and Protection plan in collaboration with Majlis Perbandaran Manjung (MPM), Persatuan Aktivis Sahabat Alam (KUASA), and the local Department of Environment (DOE). The partnership was a vital step in our sustainability efforts and Corporate Social Responsibility (CSR) Green Programme, involving Petron employees, school children, and external partners to contribute to UN Sustainable Development Goals.

AUG



### National Day Celebration with Petron's Employees

As we ushered in our 66<sup>th</sup> National Day, the Petron Volunteerism in Action (VIA) team brought all the employees together to ignite the spirit of patriotism. We kicked off our celebration with a 'Mocktail Challenge' with each participating team consisting of multiracial team members. We also collected VIA cash donations from employees through Local Breakfast and National Day merchant sales.

SEP



### Collaboration with the Government Ministry to Uplift and Support Local Communities

Petron joined forces with the Ministry of Domestic Trade and Cost of Living (MDTCOL) to support the 'Kembara Rahmah 2023' programme. Petron Bukit Lanjan Northbound service station was the first pit-stop for this meaningful social initiative, as we welcomed 73 MDTCOL members who started their journey from Dataran Kemerdekaan Shah Alam to deliver Bakul Rahmah for the occupants of Rumah Sejahtera Warga Emas Kerling, Hulu Selangor.

OCT



### Petron Dealers Received Commendation Letters by Royal Malaysia Police (PDRM)

26 Petron dealers were recognised by the PDRM for their invaluable contributions to the Go-To-Safety-Point (GTSP) programme in 2022.

NOV



### Nine Awards Secured at 41<sup>st</sup> Malaysian Society for Occupational, Safety and Health Award (MSOSH) Awards Ceremony

Petron Malaysia achieved a historic milestone by securing nine awards, including three Grand Awards, three Gold Class 1, and three Gold Merit Awards, at the 41<sup>st</sup> MSOSH Award, highlighting its commitment to the highest safety and health standards across our terminals and refinery.

DEC



### The Launch of Jom Jalan-Jalan Seoul Pump and Win Campaign

Petron introduced its 'Jom Jalan-Jalan Seoul' Pump and Win Campaign in December 2023, offering P-Miles customers a chance to win an all-expenses-paid trip to South Korea, accompanied by cultural experiences, performances, and exciting prizes throughout the three-month campaign period.



### Eight Consecutive Wins at Putra Brand Awards 2023

Petron Malaysia achieved an impressive 8<sup>th</sup> consecutive win, securing the Silver award in the Automotive – Fuel, Lubricants, and Accessories category at the esteemed Putra Brand Awards 2023, reinforcing our position as a beloved brand in the oil and gas industry.

## OUR PEAK MOMENTS IN 2023

# CORPORATE PROFILE

## WE ARE PETRON

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

### Our Structure

Petron Malaysia Group comprises **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.

### WHAT OUR PETRON BRAND STANDS FOR



**Innovative products**





**Excellent service**





**Successful partnerships built on trust**





**Caring for our customers**



# CORPORATE PROFILE

## OUR BUSINESS OFFERINGS

Our Business	Our Facilities	We Create Value by
<b>Refinery</b> 	<b>Port Dickson Refinery, Negeri Sembilan</b> <ul style="list-style-type: none"><li>• Possesses a crude distillation capacity of 88,000 barrels per day</li><li>• Produces a wide range of petroleum products that includes Gasoline, Jet Fuel, Automotive Diesel Oil, LPG, Naphtha and Low-Sulphur Waxy Residue</li></ul>	<ul style="list-style-type: none"><li>• Providing the Malaysian market and essential industries with a sustainable supply of <b>quality</b> and <b>cleaner fuel products</b> for the nation.</li></ul>
<b>Terminals</b> 	<b>10 strategically located terminals and 1 PME plant</b> <ul style="list-style-type: none"><li>• Port Dickson Terminal, Negeri Sembilan</li><li>• Bagan Luar Terminal, Penang</li><li>• Kuantan Terminal, Pahang*</li><li>• Westport Terminal (JV-BHP), Selangor*</li><li>• KLIA Aviation Depot, Selangor</li><li>• Klang Valley Distribution Terminal (JV-Petronas/Shell), Selangor</li><li>• Pasir Gudang Terminal (JV-Chevron), Johor*</li><li>• Sepangar Bay Terminal, Sabah*</li><li>• Sandakan Terminal, Sabah*</li><li>• Tawau Terminal, Sabah*</li><li>• Lumut PME Plant, Perak</li></ul> <p><small>* PMRMB's sister companies' facilities.</small></p>	<ul style="list-style-type: none"><li>• Distributing our <b>reliable, top-of-the-line fuels and LPG</b>.</li><li>• Maintaining award-winning terminals that are vital for ensuring the safety, <b>stability and efficiency</b> of the supply chain.</li><li>• <b>Delivering flawless operations</b> – in 2023, we achieved a significant milestone of 35.46 million injury-free man-hours, and 26.82 years without Loss Time Injury (LTI).</li></ul>
<b>Retail</b> 	<b>Our robust distribution network</b> <ul style="list-style-type: none"><li>• More than 770 retail service stations nationwide</li><li>• More than 200 allied businesses at retail service stations</li></ul>	<ul style="list-style-type: none"><li>• Providing <b>reliable and quality top-of-the-line fuels</b>: Blaze 97 RON Euro 4M, Blaze 95 RON, Turbo Diesel Euro 5 and Diesel Max.</li><li>• Maintaining our position as the <b>only player in the market</b> that provides the <b>Blaze 100 RON</b> fuel for our customers.</li><li>• Ensuring our chain of <b>one-stop convenience</b> stores under the Treats brand, provides unique experiences that cater to diverse customer needs.</li><li>• Delivering a <b>consistent customer experience</b> through <b>quality products, innovative and excellent customer services</b>, as well as <b>convenient non-fuel offerings</b>.</li></ul>
<b>LPG</b> 	<b>Our innovative products and services</b> <ul style="list-style-type: none"><li>• More than 180 retail service stations offer cash and carry LPG</li><li>• Our efficient and clean burning LPG comes in 12 kg, 14 kg and 50 kg variants</li></ul>	<ul style="list-style-type: none"><li>• Providing <b>efficient energy with the blue flame from Gasul</b> – an indication that your gas appliance is in good working order for Malaysian households and eateries for cooking, lighting, etc.</li></ul>
<b>Industrial</b> 	<b>Industrial and Commercial</b> <ul style="list-style-type: none"><li>• Supply fuels to unbranded mini stations, transportation, power plants, plantations, airlines and lubes workshops</li></ul>	<ul style="list-style-type: none"><li>• Providing a range of <b>clean and high-quality industrial products</b> to fuel the <b>Malaysian economy</b>.</li></ul>

CORPORATE  
PROFILE

OUR COMMITMENT TO RESPONSIBLE AND SUSTAINABLE DEVELOPMENT

As a fast-growing ASEAN energy player, we place sustainability at the core of our business to fuel the nation responsibly. Our commitment to sustainable development through environmental protection, social responsibility and economic progress remains steadfast.

Through the collective experience and expertise of our highly skilled and motivated management and personnel, coupled with our robust foundations in the oil and gas industry, we are dedicated and passionate about realising our vision of becoming the leading provider of total customer solutions in the oil sector and its allied businesses.

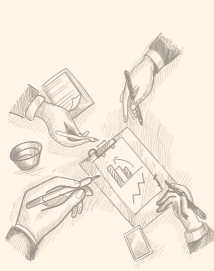
OUR COMPETITIVE ADVANTAGE

Resilient  
Financial  
Position



Our resilient financial position is a result of a stable financial base, strong sales volume, and healthy financial record, backed by our prudent risk management measures and robust focus on operational excellence. These position us as a steadfast and reliable entity in the market, capable of navigating challenges and sustaining long-term success.

Robust  
Distribution  
Network



As an Asian company with a global mindset, we aim to be an integral part of the journey of every Malaysian. We proudly manage an oil refinery in Port Dickson and distribute our top-of-the-class fuels from 10 strategically located terminals and 1 PME plant. In addition, we boast a network of more than 770 retail service stations nationwide. This robust distribution infrastructure ensures the efficient and reliable delivery of our products, contributing significantly to our competitive edge in meeting the energy needs of the Malaysian market.

Safe, Efficient  
and Sustainable  
Operations



Safety, health, and environmentally friendly operations remain our priorities. Our distribution and terminal operations continued to operate efficiently and flawlessly with zero unplanned downtime and on-time delivery throughout the year. Our outstanding track record enables us to prioritise the well-being of our employees, maintain compliance with industry standards, and foster a secure working environment. This commitment not only reflects our dedication to the welfare of our team but also reinforces our reputation as a responsible and reliable organisation within our industry.

Excellent  
Customer Service  
and Innovative  
Products



Delivering excellence in service has always been synonymous with the Petron brand. We persistently strive to offer innovative products, cutting-edge services, and a rewarding experience to our customers. Our dedication to exceeding expectations not only establishes a strong foundation for customer satisfaction but also contributes to building lasting relationships.

A Strong  
Workforce and  
the Support of  
our Partners and  
Stakeholders



At Petron, our people are the heart and soul of our success. Their unwavering dedication, professionalism, and support have led to the milestones we celebrate today. Through their commitment and hard work, we continue to thrive and make a positive impact in the industry.

2023  
KEY HIGHLIGHTS

AS AT 31 DECEMBER 2023

FINANCIAL  
HIGHLIGHTS



TOTAL SALES VOLUME

37.2  
million barrels

FY2022 33.8 million barrels

+10% ▲



REVENUE

RM17.2  
billion

FY2022 RM18.4 billion

-7% ▼



PROFIT FOR THE YEAR

RM272  
million

FY2022 RM301 million

-10% ▼

\* Petron Malaysia Group

BUSINESS  
HIGHLIGHTS

23 new retail service stations\*  
with more than 770 retail service  
stations nationwide

Expanded cash and carry LPG to

44 retail service stations\*  
with more than 180 retail service  
stations nationwide

22 new allied businesses\*  
with more than 200 allied businesses  
available nationwide

660 employees\*  
66:34 male to female ratio

8<sup>th</sup> time winning silver  
in Putra Brand Awards

Achieved  
35.46 million injury-free  
man-hours and 26.8 years without  
Loss Time Injury (LTI) at the Group's  
terminals

7<sup>th</sup> time winning the Malaysian  
Society for Occupational Safety and  
Health (MSOSH) Grand Award

1<sup>st</sup> time winning the international  
award for The Royal Society for the  
Prevention of Accidents RoSPA (UK)

SUSTAINABILITY  
HIGHLIGHTS



ECONOMIC &  
GOVERNANCE

- RM 1.2 million invested, benefitting over 7,000 beneficiaries
- More than 8,000 jobs supported across our retail, LPG and supplier networks
- 100% employees and Board of Directors received training on anti-corruption
- Zero reported incidents of corruption



ENVIRONMENT

- Reduced total group Scope 2 GHG Emissions by 4% (FY2022: 74 ktCO<sub>2</sub>e)
- Increased total group hazardous waste diverted from disposal by 76% compared (FY2022: 244 tonnes)
- Reduced total group water consumption by 30% (FY2022: 249 ML)
- Collaboration with Universiti Putra Malaysia on biodiversity conservation and circular economy









SOCIAL

- Provided employment and career opportunities to 660 employees with average 28.8 hours trained per employee
- Zero Fatalities and Lost-Time Injury
- Received 3 Grand awards, 3 Gold Merit awards and 3 Gold Class 1 awards from MSOSH for our outstanding occupational safety and health (OSH) performance

# AWARDS AND CERTIFICATIONS

AS AT 31 DECEMBER 2023


## AWARDS

	<b>Putra Brand Awards 2023</b> <b>Silver Award</b> Automotive - Fuel, Lubricants & Accessories
	<b>The Royal Society for The Prevention of Accidents (RoSPA) Health &amp; Safety Awards 2023</b> <b>Silver Award</b> Kuantan Terminal*
	<b>Malaysia's 100 Leading Graduate Employers 2023</b> <b>Winner</b> Best Newcomer
	<b>Malaysian Society for Occupational, Safety and Health Awards (MSOSH) 2023</b> <b>Grand Award</b> Kuantan Terminal*, Pasir Gudang JV Terminal*, Bagan Luar Terminal <b>Gold Merit Award</b> Sepangar Bay Terminal*, Sandakan Terminal*, Tawau Terminal* <b>Gold Class 1 Award</b> Port Dickson Refinery, Port Dickson Terminal, KLIA Aviation Depot
	<b>GRADUAN Brand Awards 2023</b> <b>2nd Runner Up</b> Malaysia's Most Preferred Employer 2023 - Energy Sector
	<b>Graduates' Choice Award, 2024 Graduates' Choice of Employers to Work For (received in 2023)</b> <b>4th Place</b> Oil & Gas category <b>8th Place</b> Convenience Store category

\* PMRMB's sister companies' facilities.

# AWARDS AND CERTIFICATIONS

## CERTIFICATIONS

	<b>3-Star Rating</b> Sepangar Bay Terminal*, Bagan Luar Terminal, Port Dickson Terminal, Pasir Gudang JV Terminal*, Sandakan Terminal*, Tawau Terminal*
	<b>2-Star Rating</b> Kuantan Terminal*
	<b>Integrated Management System (ISO 9001, ISO 14001, ISO 45001)</b> Bagan Luar Terminal, Kuantan Terminal*, Port Dickson Terminal, Pasir Gudang JV Terminal*
	<b>Quality Management System (ISO9001)</b> KLIA Aviation Depot, Sepangar Bay Terminal*, Sandakan Terminal*, Tawau Terminal*
	<b>Malaysian Sustainable Palm Oil (MSP0) Certification</b> Bagan Luar Terminal, Lumut PME Plant
	<b>HALAL Certification from JAKIM</b> Lumut PME Plant
	<b>KOSHER Certification from Orthodox Jewish Community of Singapore</b> Lumut PME Plant

\* PMRMB's sister companies' facilities.

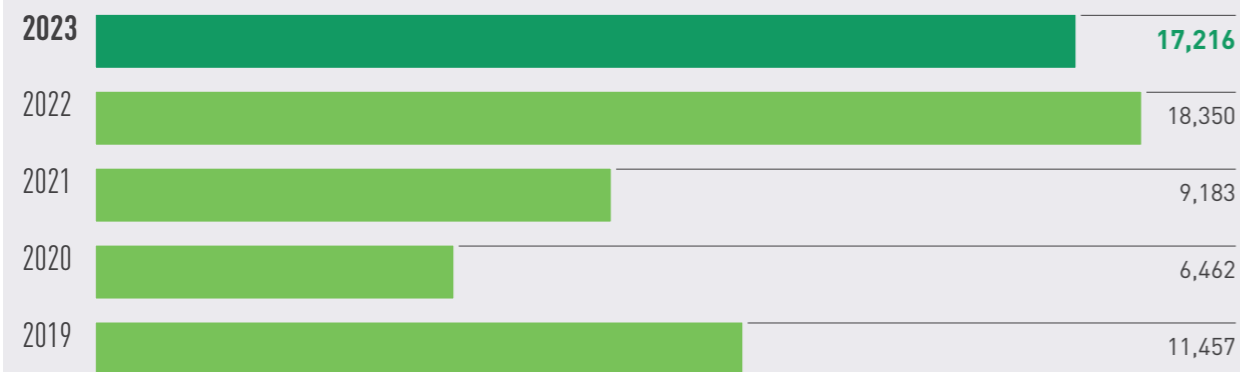
# FIVE-YEAR SUMMARY CHARTS

## FINANCIAL HIGHLIGHTS

RM Million	2019	2020	2021	2022	2023
Revenue	11,457	6,462	9,183	18,350	<b>17,216</b>
Profit/(Loss) for the year	177	[13]	238	301	<b>272</b>
Total assets employed	3,180	2,978	4,295	4,764	<b>4,697</b>
Total equity	1,786	1,742	1,969	2,217	<b>2,421</b>
Sales volume (million barrels)	36.3	28.6	26.4	33.8	<b>37.2</b>

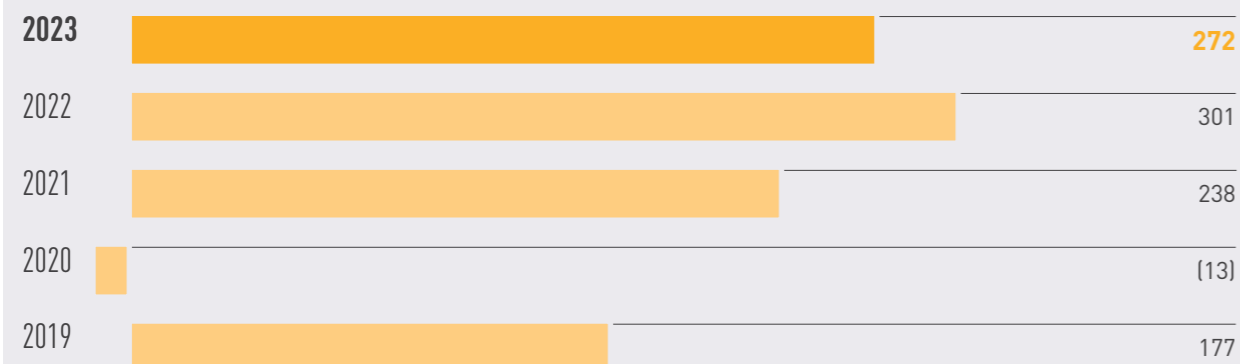
## REVENUE

(RM Million)



## PROFIT/(LOSS) FOR THE YEAR

(RM Million)

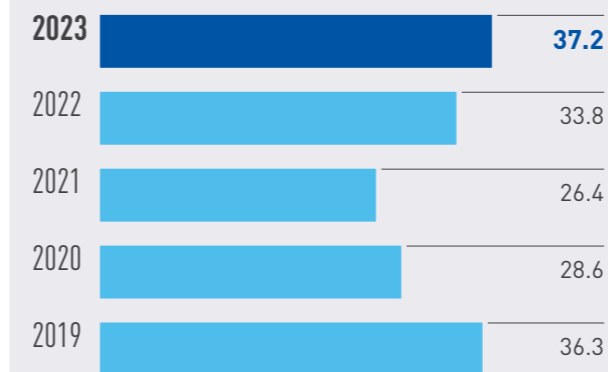


## SHAREHOLDERS' INFORMATION

RM Million	2019	2020	2021	2022	2023
Earnings/(Loss) per ordinary share (sen)	65.6	[4.9]	88.3	111.3	<b>100.8</b>
Dividends per ordinary share (sen)	12.0	5.0	20.0	25.0	<b>23.0</b>
Dividend yield (%)	2.0	1.2	4.4	5.1	<b>5.1</b>
Share Price (RM)					
- Highest	7.50	6.75	5.41	7.73	<b>5.16</b>
- Lowest	4.92	2.49	4.05	4.18	<b>4.30</b>
- Average	5.99	4.03	4.52	4.92	<b>4.55</b>
Number of employees at year-end	349	341	241	265	<b>258</b>

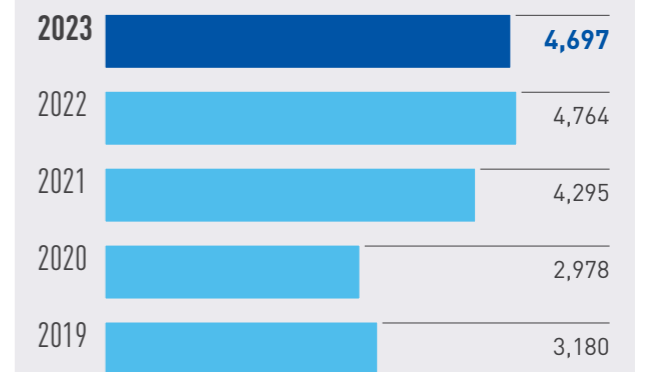
## SALES VOLUME

(Million barrels)



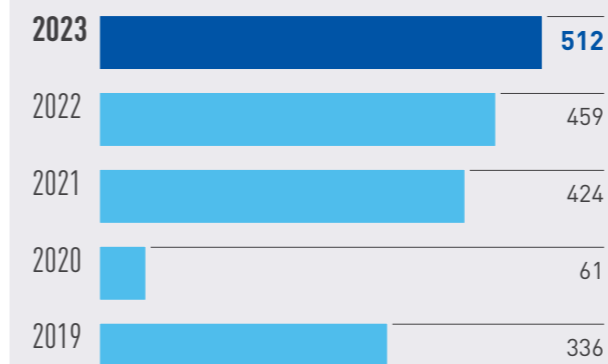
## TOTAL ASSETS EMPLOYED

(RM Million)



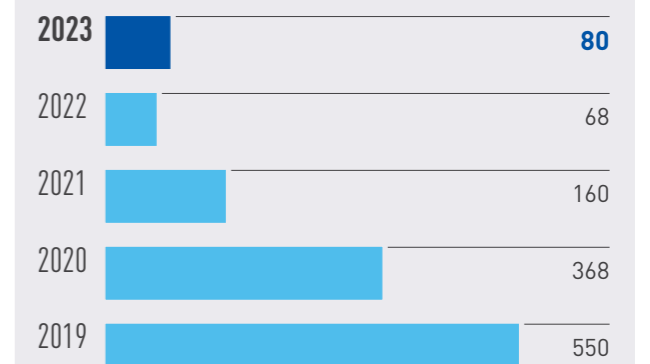
## EBITDA

(RM Million)



## CAPITAL EXPENDITURE

(RM Million)



## FIVE-YEAR SUMMARY CHARTS

# CHAIRMAN'S STATEMENT

## DEAR SHAREHOLDERS,

2023 was a great year for Petron Malaysia as we solidified our market position and laid stronger foundations for sustainable and long-term growth. Despite market volatility and disruptions from geopolitical conflicts, we focused on expanding our market presence, enhancing our brand, and optimising our operations.

*Ramon S. Ang*  
Chairman

Sales Volume  
**37.2** million barrels  
higher than  
**33.8** million barrels in 2022

Gross Profit  
**RM564** million  
higher than  
**RM533** million in 2022

Operating Income  
**RM349** million  
higher than  
**RM318** million in 2022

Our drive towards sustainability is evident in our Economic, Environmental, and Social (EES) initiatives. Overall, these combined efforts led to improved productivity, reduced carbon footprint, and a more efficient and stronger business for us.

### A VOLATILE INDUSTRY LANDSCAPE

In 2023, the global economy struggled with the impact of post-pandemic recalibrations amid continued geopolitical tensions. The oil market was not spared and continued to be affected by such environment. As oil prices corrected from the peak levels in 2022, the benchmark Dated Brent averaged US\$83 per barrel, about 18% lower than its US\$101 average in the prior year. Global demand especially from major economies faced headwinds from high inflation and elevated borrowing rates,

constraining business confidence and consumer sentiments. On the other hand, OPEC+'s continued production cuts tightened global oil supply to balance the tepid demand growth. The ongoing geopolitical tensions in Europe and Middle East, which later exacerbated into a regional conflict affecting major trade routes, added further pressure and volatility to the oil market.

In Malaysia, the economy showed resilience from strong domestic demand, with Gross Domestic Product growth normalising to 3.7% in 2023 from 8.7% in 2022, in line with the global trend. While the country's growth has moderated due to a challenging external environment, Petron Malaysia continued to fuel and mobilise the nation through its top-of-the-class products and unrivalled customer service.

### STRONG FINANCIAL PERFORMANCE AMID CHALLENGES

Buoyed by improved domestic demand and higher refinery production, we sold 37.2 million barrels in 2023, up 10% from 33.8 million barrels in the preceding year. This marks our biggest sales volume so far since Petron commenced operations in Malaysia in 2012.

Total revenues reached RM17.2 billion, slightly down by 7% from 2022 as the increase in sales volume was offset by lower prices. Notwithstanding the drop in revenues, gross profit grew by 6% to RM564 million while operating income improved by 10% to RM349 million, driven by the Company's sustained efforts in mitigating the impact of price volatility, prudent spending, and optimised refining operations. The minimal tax allowance availed in 2023 compared to the preceding year resulted in a net profit of RM272 million, below the RM301 million recorded in 2022.

### SUSTAINING OUR COMPETITIVE ADVANTAGE

The business environment has significantly evolved in the post-pandemic era. Petron Malaysia is carefully adapting to the changes by realigning our strategies and priorities, enhancing capabilities to manage risks, and optimising resources to remain relevant and competitive.

Throughout the year, we grew our retail presence, secured new commercial accounts, embraced digitalisation, and unveiled new marketing programmes to enhance brand value. These approaches not only broadened our retail and commercial customer base but also earned us accolades for marketplace innovation and excellence.

With more than 770 retail service stations in our Group network, we continued to transform them into one-stop shops to provide better value for our customers.

Our efforts proved fruitful as we made it to Malaysia's Top 5 most trusted companies from over a hundred other brands in multinational market research firm IPSOS' (Institut Public de Sondage d'Opinion Secteur)<sup>1</sup> Trust Track for the second straight year.

### OPTIMISING OUR SUPPLY CHAIN AND REFINERY OPERATIONS

Petron Malaysia continued to improve its supply, refinery, and distribution operations. The Diesel Hydrotreater (DHT) facility at our Port Dickson Refinery (PDR) enhanced our crude diversification initiative, allowing us to process over 95% of our crude feedstock from local sources. Our conscious efforts in ensuring reliable and optimised refinery operations also resulted in a 10% growth in production volume. Better operational efficiency also reduced the refinery's energy consumption by 4% for every barrel of processed crude.

<sup>1</sup> IPSOS is one of the world largest market research and public opinion consulting firms.



A pioneer in the market, Petron is offering "cash and carry" of LPG cooking gas at selected retail service stations

CHAIRMAN'S  
STATEMENT



Port Dickson Refinery continues to maintain an optimal performance to maximise the favourable refining margins in the region

Our distribution and terminal operations also delivered a remarkable performance. We achieved 35.46 million injury-free man-hours and 26.8 years without Loss Time Injury (LTI) at the Group's terminals. This enabled us to meet the increase in fuel demand safely and reliably. Our diligent safety and environmental compliance was bestowed with the prestigious RoSPA



Driven by operational excellence, our plant and terminals continue to deliver flawless operations to ensure seamless terminal throughput and delivery

international safety award as well as multiple accolades at the 41<sup>st</sup> MSOSH awards ceremony. This, is our best result in our long history of being recognised by the MSOSH so far.

OUR COMMITMENT TO  
SUSTAINABILITY

Petron Malaysia is deeply committed towards sustainability. In 2023, we continued to roll out key Environmental, Social, Governance (ESG) initiatives which include energy-saving measures like LED lighting and solar power adoption, water conservation through rainwater harvesting, waste management and conversion, and community engagement as well as green programmes in support of local communities. We sealed a partnership with Universiti Putra Malaysia (UPM) that will further strengthen our efforts on carbon sequestration and biodiversity conservation as well as circular economy projects. These programmes are detailed in our standalone Sustainability Report, a testament to our commitment

towards a sustainable future in line with national and global sustainability objectives.

A strong culture of accountability and corporate governance ensures that we operate according to high ethical standards. Moreover, as part of our sustainability journey, we are taking proactive steps to adhere to the evolving sustainability reporting requirements even ahead of the mandated implementation. In 2023, we aligned with Bursa Malaysia's Enhanced Sustainability Reporting Disclosures and sought external expertise for climate-related services, mainly focusing on GHG inventory and measurement.

Our Board of Directors oversees the Group's sustainability direction, ensuring our Economic, Environmental and Social elements are embedded across the organisation. In 2022, we formed the Board Sustainability Committee (BSC) to assist our Board of Directors in reviewing our ESG strategies, targets, and programmes. We are

guided by our enhanced sustainability framework, which underscores our commitment to generating positive economic impact, reducing our environmental footprint, and bolstering our social contributions.

OUR JOURNEY AHEAD

We are confident that we will be able to navigate the future equipped with financial resilience, enhanced operational efficiencies, innovative offerings, prudent risk and resource management as well as sustainable and fair business practices. To support the country in nation-building, Petron Malaysia will remain committed as a reliable fuel supplier in Malaysia amidst the changing market conditions and external challenges.

ACKNOWLEDGMENTS

On behalf of the Board of Directors, we extend our heartfelt appreciation to our shareholders, employees, customers, business partners, dealers, and other stakeholders for their unwavering support. I, personally, am grateful to our Board of Directors, then and now, for their invaluable service and stewardship that has helped shape the success of Petron Malaysia.

Mr. Ferdinand K. Constantino stepped down in July 2023 as Non-Independent and Non-Executive Director and as Chairman of the Board Sustainability Council. Similarly, Ms. Chua See Hua, our Independent Director will retire and relinquish her roles as Chairperson of the Nominating Committee and a Board Audit & Risk Management Committee

member at the upcoming Annual General Meeting. Mr. Constantino and Ms. Chua both served as directors of the Company for over a decade, and we are deeply grateful for their contributions to Petron Malaysia. At the same time, we welcome our new Executive Director, Ms. Jacqueline L. Ang, who joined us in August 2023, bringing in her years of experience in Petron Corporation.

Our relentless pursuit of excellence and dedication continues. Our stakeholders' trust in our vision lies at the core of a promising and sustainable future for Petron Malaysia. Our heartfelt thanks to each of you for being an integral part of our journey.

**RAMON S. ANG**  
Chairman



The service station is fitted with energy efficient LED lightings under the canopy

CHAIRMAN'S  
STATEMENT

# MANAGEMENT DISCUSSION AND ANALYSIS

In another challenging year, the **Petron Malaysia Group** (“the Group”) composed of **Petron Malaysia Refining & Marketing Bhd** (“PMRMB” or “the Company”), its sister companies **Petron Fuel International Sdn. Bhd.** (“PFISB”), and **Petron Oil (M) Sdn. Bhd.** (“POMSB”) continued to respond to the country’s fuel needs, spurring economic growth and mobilising the nation, through innovative and high-quality products.

The programmes and strategies that allowed us to meet our goals and targets for the year are detailed in this section of the Annual Report together with our prospects and plans moving forward.

## OUR STRATEGIC OBJECTIVES

Amid volatile market conditions exacerbated by geopolitical uncertainties, the Company remained resilient concluding 2023 with strong results. In pursuing our objectives, we executed our plans and initiatives aligned with our vision to become the leading provider of total customer solutions in the oil sector and its allied businesses.

As we worked on meeting our goals, we also strengthened our presence and relevance in a dynamic and evolving marketplace, seizing and maximising every opportunity and overcoming challenges along the way.

OUR STRATEGIC OBJECTIVES	
Brand Building and Market Expansion	
➤	A wider network of reliable retail service stations
➤	Innovative and high-quality products and services supported by effective marketing programmes
➤	Expansion of profitable commercial businesses through tie-ups and solicitation of major accounts
Supply Chain and Refinery Improvements	
➤	Diversified crude and finished product sourcing and pro-active inventory management
➤	Refining and distribution operational reliability and efficiency enhancements
➤	Prudent risk management



## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS SEGMENT REVIEWS



## Retail

### Staying Resilient in a Dynamic Market

In 2023, Malaysia’s fuel retail segment registered healthy volume growth as the country continued to recover from the pandemic. With higher fuel demand, especially for gasoline during festive seasons, the Company’s Retail segment achieved a 4% increase in sales volume versus the previous year, creating a new record for Petron since it commenced operations in Malaysia 2012.

### Driving Success Through Innovation and Customer Engagement

Despite tough competition, we added 23 new retail service stations across the Group, increasing our presence to more than 770 retail service stations nationwide.

As the local economy regained momentum, we strengthened our engagement and offered more value to our customers through targeted technology solutions and new partnerships with fellow brand leaders. This is a testament to our commitment to continually elevate customer satisfaction.

In 2023, we upgraded our Indoor and Outdoor Payment Terminal or IOPT 2.0 infrastructure, enabling contactless payment and redemption of loyalty points at the pump. Half of our retail

service stations are now offering this added convenience, and we expect full implementation by mid-2024.

To increase awareness on the benefits of going cashless, we strengthened our partnership with PayNet Malaysia for the ‘Fuel Up & Sweep with MyDebit’ promo as we gave 60 lucky winners a chance to do a Supermarket Sweep in early 2024. As we strived to stay relevant through our promotional activities, we held a “Collect & Win Tickets” contest where winners were treated to the much-anticipated Black Pink [Born Pink] World Tour in Kuala Lumpur. We ran our third ‘Jom Jalan-Jalan’ Pump and Win campaign in December 2023, offering winners an all-expenses-paid holiday to South Korea in collaboration with the Korea Tourism Organisation and ONE TV Asia.



Our newly installed outdoor payment terminal offers the convenience of contactless payment and point redemption at pumps

MANAGEMENT DISCUSSION  
AND ANALYSIS



Petron Malaysia's strategic alliance with Korea Tourism Organization (KTO) Malaysia Office and ONE TV Asia to launch the 'Jom Jalan-Jalan Seoul' Campaign where PMiles members can win an all-expenses-paid trip to Korea

The year saw us entering new strategic partnerships for exclusive deals and flash sales for our P-Miles members, enhancing their experience and rewarding loyalty to Petron. Our collaborations with brands like ZUS Coffee, Klook, and Fipper Collection gave unique value propositions to our loyal members and at the same time attracted interests from new members. As a result of these efforts, our Petron Mobile Application (PMA) saw a remarkable increase in membership in 2023, proving the success of our cardless loyalty programme and customer engagement efforts.

Transforming the Retail Customer Journey

In 2020, we introduced our new innovative and minimalist industrial-style service station design. To make it even more sustainable, we incorporated new design features to draw in more natural light, improve ventilation through higher ceiling, and lessen environmental impact with LED lights and a rainwater harvesting system. In 2023, nine of our stations have activated solar panels, with several more in the pipeline.

In support of building a circular economy, we partnered with KLEAN Malaysia and introduced the Smart AI-driven reverse vending machine or

KLEAN initiative, which uses artificial intelligence to promote and reward recycling. This new initiative was kicked off at our Klang Valley station in December 2023.

As we care for our communities, several initiatives were rolled out including 'Roti Rahmah Bersama Petron', 'Jom Bantu Türkiye Donation Drive,' and 'Ramadan Free Food Giveaway' involving more than 400 of our retail service stations nationwide who took part in distributing free food to customers for 'breaking fast'.

To promote environmental awareness, we rolled out the 'Adopt a Plant' campaign with the help of our service station dealers who planted and gave away more than 30,000 plants to the



Our retail service stations are equipped with solar power panels supplying renewable energy

customers. Boosting national pride, we organised the 'Merdeka & Hari Malaysia Spot the Car' programme, rewarding customers who were spotted displaying Petron Merdeka car stickers. Through these campaigns and initiatives, we successfully enhanced our market presence, deepened customer engagement, and reinforced our commitment to sustainability.

We continued to diversify our non-fuel business through new partnerships, particularly in convenience retailing. We welcomed popular brands like Krispy Kreme and San Francisco Coffee into our Treats convenience stores. We also introduced a San Francisco Coffee outlet in November 2023 and added two Krispy Kreme outlets at our retail service stations. Our partnerships with other brands like Costa Coffee, Rotiboy, McDonald's, Kejap Food, Dunkin', and MyRide CarWash were also reinforced as they expanded their business with us. Today, we have more than 200 allied businesses at retail service stations, making our retail service stations a "one-stop-centre" catering to motorists' fuel needs and more.

Championing Service Excellence

Keeping our restroom facilities clean and functional is a basic but

critical aspect of our commitment to customer service excellence. This is why in 2018, we launched the 'Tandas Kita Bersih' programme to make sure that our restrooms are clean, safe, and well-maintained. The programme is aligned with the United Nations Sustainable Development Goal 6, and also contributes to promoting tourism as we maintain cleanliness in our retail facilities.

Based on toilet ratings that we received in 2023, about 80% of our toilets were rated with 4 and 5 stars. Nineteen retail service stations received clean toilet awards from local and international bodies among them, the Ministry of Housing and Local Government (KPKT), the ASEAN Tourism Standard, and other state authorities. To make sure our service station staff are well-equipped, we provide comprehensive trainings and recognise their efforts through a reward programme we have in place.

We promote safety across our retail service stations. Each dealer undergoes training using the self-regulation audit checklist provided by the Department of Occupational Safety and Health (DOSH). They are equipped to conduct thorough self-audit assessments prior to the physical DOSH audit. As of 2023, more than 50% of our retail service stations have attained a satisfactory grade, reflecting our commitment to safety.

This complements our Go-To-Safety-Point programme, a collaboration with Royal Malaysia Police (PDRM) that aims to ensure the safety and security of local communities. It has now transformed our more than 770 retail service stations into safe locations to provide early emergency assistance.

As we solidify our retail service stations being a 'one-stop-centre' for our customers, we acknowledge that access to prayer facilities is of utmost



Petron Stadium Hang Jebat, Malacca won the ASEAN Public Toilet Award in 2023

importance to Muslim travellers. Thus, more than 70% of Petron Surau were *Qibla*-certified by the state religious departments.

Our achievements at prestigious industry awards highlight Petron's commitment in prioritising its customers. At the Agency of The Year Awards & The MARKies 2023 event, Petron was honoured with a silver award in the 'Most Effective Use - Loyalty & CRM' category for

our 'TENtu Happy Truck: Spreading Happiness and Building Brands Loyalty' campaign. We also secured a silver award under the 'Automotive - Fuel, Lubricants & Accessories' category at the Putra Brand Awards 2023. This is our 8<sup>th</sup> time winning the Putra Brand Awards, reflecting our unwavering commitment to deliver superior customer experiences, and affirming our position as a leading brand in the industry.



Our "Tandas Kita Bersih" aims to maintain a culture of cleanliness and sanitation at our service station to provide a satisfying customer experience

MANAGEMENT DISCUSSION  
AND ANALYSIS

## MANAGEMENT DISCUSSION AND ANALYSIS



### Commercial

#### Resilience Amid a Competitive Landscape

In 2023, the Commercial segment was significantly affected by the volatility and disparity between Retail and Commercial diesel prices. Along with pressure from post-pandemic inflation, diesel demand from the industrial sector was constrained. The Company focused on optimising its margins and maintaining prudent credit management while pursuing

new industrial accounts. We successfully retained and high-graded major customers in the plantation, fishery, and power sectors.

#### Stronger Post-Pandemic LPG Business

Petron was the first player to offer domestic LPG cylinders at retail service stations to provide convenience to our customers. In 2023, we expanded our 'Cash and Carry' service with another 44 retail service stations, making the service available to our customers at more than 180 retail service stations in Peninsular Malaysia. This has enabled us to broaden our market reach and establish a stronger brand

presence in the LPG sector. We plan to expand this offering in more retail service stations in 2024.

Our LPG business saw further growth in the post-pandemic era, which we attribute to our good relationship with our dealers, effective cylinder management, and operational efficiency. Among the highlights of the year was the 'Petron Selera Tradisi Bersama Gasul' heritage cooking contest as a way to reinforce Petron Gasul's image as a trusted and preferred LPG choice. We invited the public to share their cherished heritage recipes on Petron Malaysia's official social media page. The winning recipes were featured in an exclusive Petron Gasul booklet.



We supply Petron LPG for household, commercial and industrial customers

## MANAGEMENT DISCUSSION AND ANALYSIS

During Ramadan, we participated in several corporate social responsibility (CSR) events, such as the Bazar Ramadan at Desa Pandan, Kuala Lumpur, and *bubur lambuk* distribution with *Rasa Magazine* for 'Unsung Heroes' and communities in Shah Alam, Selangor. These engagements provided a platform for Petron Malaysia to showcase the Gasul brand and at the same time, give back to the community.

#### Remarkable Aviation Growth

In 2023, our aviation business grew alongside the continued recovery of the tourism industry. We successfully secured new aviation accounts while strengthening existing ones, delivering an overall 33% improvement in jet fuel sales volume compared to the year before.



Petron LPG was the official sponsor of cooking gas for the RASA Bubur Lambuk Warisan 2023 Programme



We supply high-quality jet fuel at key airports to international and domestic carriers

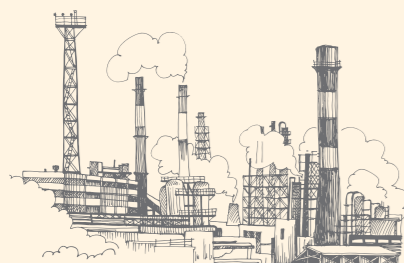
## MANAGEMENT DISCUSSION AND ANALYSIS



We optimise terminal operations to improve efficiency and productivity



## Supply, Refinery and Distribution



### Ensuring Optimal Supply and Refining Operation

With the Diesel Hydrotreater (DHT) facility at our Port Dickson Refinery (PDR), we continued our crude diversification programme, allowing us to avail more Malaysian crude oil. During the year, while PDR successfully processed its maiden US shale crude West Texas Light as part of its feedstock diversification strategy, more than 95% of the crude and condensate processed by the refinery was Malaysia Crude Oil (MCO). This emphasises our support to the Malaysian economy and our commitment to minimising our carbon footprint via shorter freight distance cargoes.

We successfully implemented scheduled maintenance with zero Loss Time Injury (LTI) at our refinery, terminals, and plant. Further, through our term supply and chartering arrangements, we were able to effectively address the regional tightness in product, crude, and vessel availability, avoiding unnecessary downtime in our supply chain and operations.

### Enhancing Margins and Refinery Output

In 2023, PDR continued its strategic focus on margin improvement by ensuring reliable and optimised operations with 10% higher crude inputs and enhanced output yield

especially for higher value products. Additionally, other initiatives contributed to further savings including managing exposures against price and foreign currency exchange volatilities. This is done through our robust risk management programme, supply chain discipline, logistics and freight cost optimisation, and proactive inventory management.

### Prioritising Operational Excellence and Safety

Petron also made significant strides in upgrading its terminals and plant facilities to cope with the growth in demand. Infrastructure upgrades at the KLIA Aviation Depot and tank storage optimisation initiatives at the refinery and terminals significantly improved our service reliability and efficiency. These efforts underscore our dedication towards operational excellence and our strategic focus in meeting the dynamic needs of our customers.

Our Distribution and Terminal Operations ensured supply reliability in a safe and flawless manner. Amid the increase in the number of product

deliveries, we continued to sustain a milestone 35.46 million injury free manhours and 26.8 years without Loss Time Injury (LTI), demonstrating our unwavering commitment to operational excellence and a safe working environment for all stakeholders. We also achieved zero unplanned equipment downtime, ensuring on time delivery and high product quality standards with no incidents reported across all terminals.

Our refinery and terminals also maintained their Integrated Management System (IMS) certification, including ISO 14001:2015 Environmental Management System, ISO 9001:2015 Quality Management System and ISO 45001:2018 for Occupational Health and Safety. SIRIM, the ISO certification body, conducts annual audits to ensure our full compliance and adherence to these strict global standards. Additionally, our sister company's terminals in Sabah obtained its ISO 9001:2015 in December 2021.

Our efforts proved successful as our terminals continued to be

recognised for their commitment to occupational safety and health. In 2023, the Group's Kuantan Terminal won The Royal Society for the Prevention of Accidents (RoSPA) international award for the first time. Petron was presented with the Silver Award, honouring our dedication to sustaining a safe and injury-free work environment.

At the 41<sup>st</sup> Malaysian Society for Occupational Safety and Health (MSOSH) Awards Ceremony in November 2023, the Group received its best recognition with a total of nine awards - three Grand Awards, three Gold Merit Awards, and three Gold Class 1 Awards. These accolades across various platforms underscore Petron Malaysia unwavering commitment to safety, health, and environmental stewardship, reinforcing our position as a leader in operational excellence.

Lumut PME Plant (LPP) is a biodiesel plant that provides high quality and reliable supply of palm oil methyl ester (PME) to our terminals at Bagan Luar, Port Dickson and Klang Valley Distribution Terminal. In 2023, the plant successfully went through and completed a routine plant maintenance without any LTI or near loss incident. LPP's PME is sustainably produced and certified by the Malaysia Sustainable Palm Oil (MSPO) Council.

LPP continues to operate with a Preferential Certificate of Origin (PCO) issued by 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.



We bagged 9 awards for the first time at the 41<sup>st</sup> Malaysian Society for Occupational, Safety and Health Awards (MSOSH)

## MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION  
AND ANALYSIS

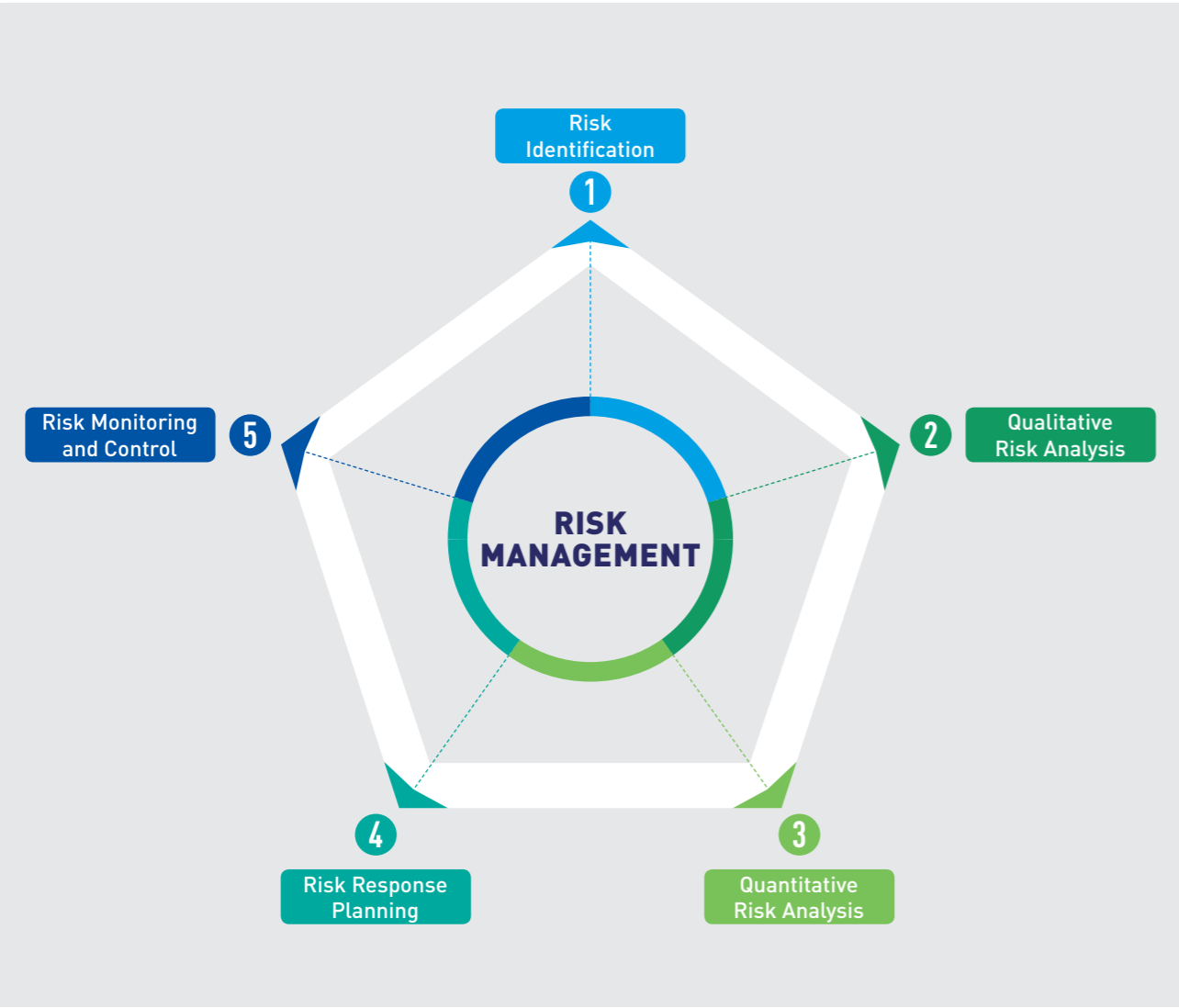
RISK MANAGEMENT

Petron remains committed to maintaining safe and reliable operations. The identification and management of relevant risks are embedded in the Company’s operating procedures, which are faithfully complied with by a skilled and committed workforce. Our operations are guided by clear policies, procedures, practices, and management systems aimed at achieving operational excellence.

The Board Audit & Risk Management Committee is aware of the various challenges and inherent risks associated with running a publicly listed downstream oil and gas company. These include, among others, financial, foreign exchange, legal compliance, supply of crude and products, distribution, environmental issues, industrial requirements, safety, and human resource management. The Board ensures that Petron adheres to a comprehensive management integrity system, which encompasses risk management and internal control processes, to guarantee uninterrupted business operations.

The Board believes that risks can be effectively mitigated by having a robust system capable of recognising and addressing the Company’s principal risks.

Our Risk Management Strategy is shown in the following diagram:



MANAGEMENT DISCUSSION  
AND ANALYSIS

Any condition or situation with the potential to harm our business performance is considered a risk. In the following narrative, we discuss the four categories of risk that are most likely to impact our business and the risk mitigation strategies we have adopted to address these risks.

OPERATIONAL RISK

Our facilities are constructed in line with industry standards and regulatory requirements. To ensure uninterrupted operations, we prioritise operational integrity at our PDR, LPP and fuel terminals. Incidents such as process equipment failures can cause unplanned shutdowns, while any fire breakouts can render our facilities inoperable, all of which can disrupt our supply chain.

To mitigate these operational risks, all Petron operating sites are mandated to conform to the stringent requirements of Petron’s Operations Integrity Management System or POIMS. As a member of the Petroleum Industry of Malaysia Mutual Aid Group (PIMMAG) and the Oil Spill Response Limited (OSRL), we have support to tackle any potential oil spill incidents in Malaysian or international waters. The commissioning of the DHT plant has expanded PDR’s processing capabilities to include a broader range of crudes.

Most of the Company’s business processes, systems and operations are dependent and interlinked using information technology (IT). Our reliance on IT introduces cybersecurity risks, which we counter with robust IT security measures, including firewalls, anti-malware software, and cyber-attack prevention tools. We have also implemented a tailored Information Security Management System (ISMS), based on our parent company’s model but adapted for Petron Malaysia. The ISMS encompasses comprehensive policies, procedures, and system changes to safeguard our data, systems, and operations ensuring the integrity and reliability of our operations.

We have also added sustainability as a key risk to ensure that we operate our facilities in a sustainable manner. To address sustainability risks, the Company focuses on key areas, including governance, environment, and the social aspects of sustainability. For more information on Sustainability Risks, refer to Risks and Opportunities section in our 2023 Sustainability Report.

FINANCIAL RISK

Price volatility in crude oil and products directly affects our financial performance. To manage this, our Commodity Risk Management Committee convenes weekly or as needed to guide inventory management decisions and apply our commodity hedging strategies. To mitigate exposure to foreign exchange volatility, US dollar-denominated assets and liabilities are also hedged with reputable counterparty banks.

Delays or non-receipt of government subsidies can strain our operational cash flow and working capital. We proactively engage with government bodies to secure timely reimbursements and ensure the accuracy and completeness of our reports and submissions to relevant government agencies. Additionally, we maintain robust borrowing facilities with our partner banks to bridge any funding gaps due to subsidy collection delays.

Our constant dialogue with the government keeps us well-prepared for any shifts in policies, such as market or price deregulation, ensuring our adaptability and responsiveness to regulatory changes.

MANAGEMENT DISCUSSION  
AND ANALYSIS

STRATEGIC/MARKET RISK

We have implemented a robust product quality management system to maintain stringent control over product quality and minimise the risk of adverse incidents, ensuring efficient resolution of customer complaints, particularly those related to quality.

Petron's refinery and fuel terminal operations in Peninsular Malaysia hold certifications under the Integrated Management System, including ISO 9001:2015 for Quality, ISO 14001:2015 for Environment, and ISO 45001:2018 for Occupational Health and Safety. Moreover, the ISO certification body, namely SIRIM, conducts annual audits to confirm our strict compliance with these global standards. Additionally, our sister company's terminals in Sabah achieved ISO 9001:2015 certification in December 2021.

We adhere strictly to environmental regulations and integrate protective measures into our daily operations, aiming to decrease the use of non-renewable energy and treated water. We have also designed our plant operations to minimise waste and ensure safe disposal practices. Furthermore, we actively engage with local communities in the areas we operate in as part of our commitment to social responsibility, reinforcing our dedication to sustainable and responsible business practices.

HAZARD RISK

We have developed an Emergency Response Plan (ERP) and Business Continuity Plan (BCP) to address any potential issues that may arise, including the impact of cybersecurity threats. Our Business Units regularly conduct drill exercises at their operating sites to ensure preparedness for such incidents. We have established procedures and controls aimed at eliminating work-related injuries or illnesses among employees, as well as preventing third-party liabilities and property damage.

During the COVID-19 pandemic and its transition to an endemic phase, we mandated full vaccination for all employees, including booster shots. Those testing positive for COVID-19 or identified as close contacts were required to quarantine at home, with a return to work only permitted following clearance from a Company-Appointed Doctor. Despite the World Health Organization's reclassification of COVID-19, we have maintained these health and safety protocols.

Each Business Unit tests the effectiveness of these plans annually, ensuring our ongoing readiness to manage and respond to any incidents effectively.

MANAGEMENT DISCUSSION  
AND ANALYSIS

FINANCIAL PERFORMANCE

The Company continued to deliver strong volume growth equivalent to 37.2 million barrels, up 10% from 33.8 million barrels in 2022 on the back of sustained domestic demand growth and supported by 10% higher production from the refinery.

The financial year 2023 was marked by business challenges arising from the downtrend in oil prices, weighed down by a fragile global economic recovery due to persistently high inflation and recessionary risk amid elevated interest rates. Average Dated Brent crude price ended 18% lower at US\$83 per barrel in 2023 compared to US\$101 in 2022.

Despite market challenges, the Company's operating income improved by 10% to RM349 million owing to strong sales volume growth, effective inventory risk management, optimised refining operation, and prudent operating expenditure.

Even with higher prevailing interest rate and oil price volatility, the Company managed to reduce its financing cost thru optimised bank borrowings and well-placed

commodity and forex hedges. PMRMB posted a net profit of RM272 million, 10% below the RM301 million in 2022 due to higher income tax provision due to the absence of tax incentives availed in 2022.

REVENUE AND GROSS PROFIT

Despite the 10% sales volume growth, revenues of RM17.2 billion came in 7% lower than the prior year due to lower oil prices prevailing in 2023. The resulting gross profit, however, was 6% better at RM564 million from RM533 million in prior year, driven by effective inventory and price risk management and higher refinery utilisation.

DIVIDENDS

During the Annual General Meeting held in June 2023, the shareholders approved a dividend payout of 25 sen per share for the financial year 2022. For the financial year 2023, the Company is recommending a dividend payout of 23 sen per share which translates to about 23% of the 2023 net profit. The payout, considered among others the cash position, working capital and capital expenditure requirements of the Company.

TOTAL SALES VOLUME

(Million barrels)



REVENUE

(RM Billion)

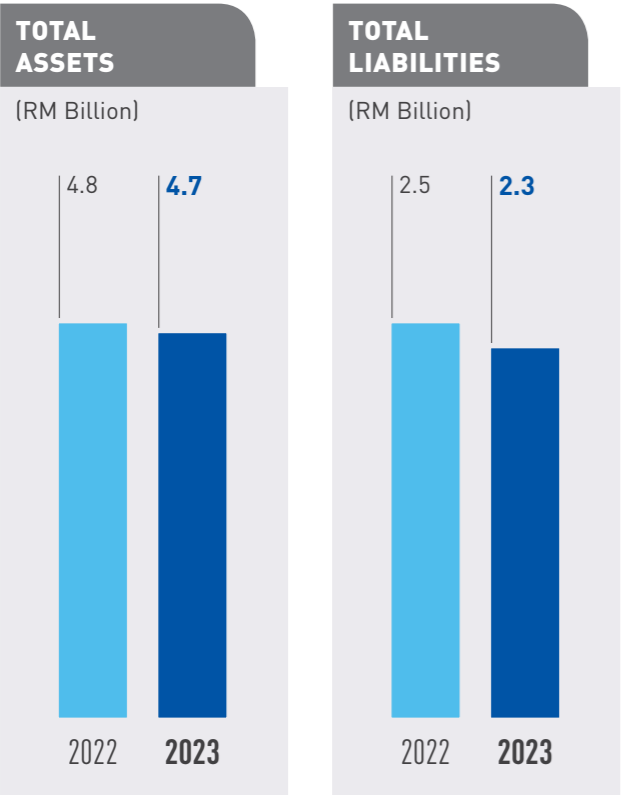


GROSS PROFIT

(RM Million)



MANAGEMENT DISCUSSION  
AND ANALYSIS



FINANCIAL POSITION

The Company concluded 2023 with total assets at RM4.7 billion, almost flat compared to 2022’s RM4.8 billion assets. Cash balance was reduced partly from bank loan repayment while the inventories declined due to lower oil prices, partly offset by the increase in receivables arising from higher sales volume. Meanwhile, the Company’s liabilities decreased by 11% to RM2.3 billion from RM2.5 billion in 2022 as lower oil prices resulted in reduced trade and other payables, as well as repayment of short term bank loans.

CAPITAL EXPENDITURE

With the continued spending on retail network expansion, refinery and terminal facilities upgrade projects, the Company’s total capital expenditures (CAPEX) spent for the year was 18% higher at RM80 million compared to RM68 million in 2022.

SHAREHOLDERS’ EQUITY

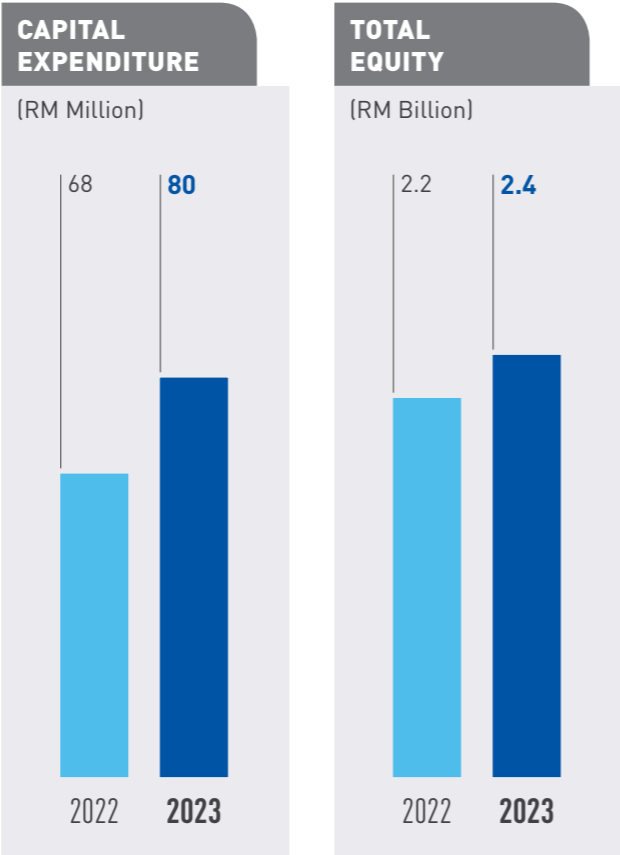
The Company’s share capital remained at RM143 million while retained earnings increased by 10% to RM2.3 billion

from RM2.1 billion in 2022 from the RM272 million net profit generated during the year, less dividends declared and paid.

FORWARD-LOOKING STATEMENT

Global oil demand can be weighed down by the fragile global economic growth as major economies continued to face high prevailing interest rates tempering business confidence and consumer sentiments. While OPEC+ extended voluntary production cuts into 2024, oil supply risk concerns can potentially escalate from the ongoing geopolitical tensions in Eastern Europe and the Middle East which may develop into a larger regional conflict affecting global trade flows.

Notwithstanding the business risks and challenges, Petron will continue to pursue growth opportunities through investments in retail network expansion, supply chain optimisation, and sustainability. The Company remains steadfast in undertaking a proactive stance to operate sustainably for the benefit of its stakeholders and to reduce its carbon footprint.



SUSTAINABILITY  
STATEMENT

ABOUT THIS REPORT

This is Petron Malaysia’s annual sustainability statement for the financial year ending 31 December 2023. This report provides an update on the progress of our sustainability initiatives and performances on Material Matters.

Reporting Period, Scope and Boundaries

This report covers the operations of Petron Malaysia Group that include Petron Malaysia Refining & Marketing Bhd, Petron Fuel International Sdn. Bhd. and Petron Oil (M) Sdn. Bhd., from 1 January to 31 December 2023, unless otherwise specified.

Reporting Frameworks and Standards

This report has been prepared with reference to the Global Reporting Initiative (GRI) Standards and GRI 11: Oil and Gas Sector 2021 as well as the following reporting frameworks:

- Bursa Malaysia Sustainability Reporting Guide (3<sup>rd</sup> Edition)
- Malaysian Code on Corporate Governance (MCCG) of Securities Commission Malaysia
- United Nations Sustainable Development Goals (UN SDGs)

- Task Force on Climate-related Financial Disclosures (TCFD)

Assurance

To ensure the accuracy and transparency of our disclosures, this report has been internally reviewed on key Environmental data by Petron Corporation’s Internal Audit.

We shall continue to further enhance our data accuracy and quality to strengthen our disclosures moving forward. In addition, we plan to expand the scope of the review.

Board of Directors’ Approval

The Board of Directors was presented with the performance of our Material Matters and approved by the Board on 14 March 2024.

Feedback

We welcome feedback from our stakeholders. For any comments and queries, please send to [corporate.sustainability@petron.com.my](mailto:corporate.sustainability@petron.com.my).

Note: This Sustainability Statement should be read in tandem with our 2023 standalone Sustainability Report.



SUSTAINABILITY  
STATEMENT

## SUSTAINABILITY FRAMEWORK

Petron Malaysia operates within a sustainability framework that is central to generating enduring value for all stakeholders. We are part of San Miguel Corporation which commits to achieve net zero by 2050, consistent with Malaysia's aspiration of being carbon neutral by 2050.

Our sustainability framework is anchored on the three pillars of Economic, Environmental, and Social (EES) considerations, each with specific focus areas. In 2022, we incorporated into the framework Petron Malaysia's core values: Excellence, Customer Focus, Innovation, Teamwork, Ethics, and Safety. This enhancement has allowed us to weave these values into our sustainability efforts, creating a more robust and holistic approach across all aspects of our operations.

## OUR VISION

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

## OUR MISSION

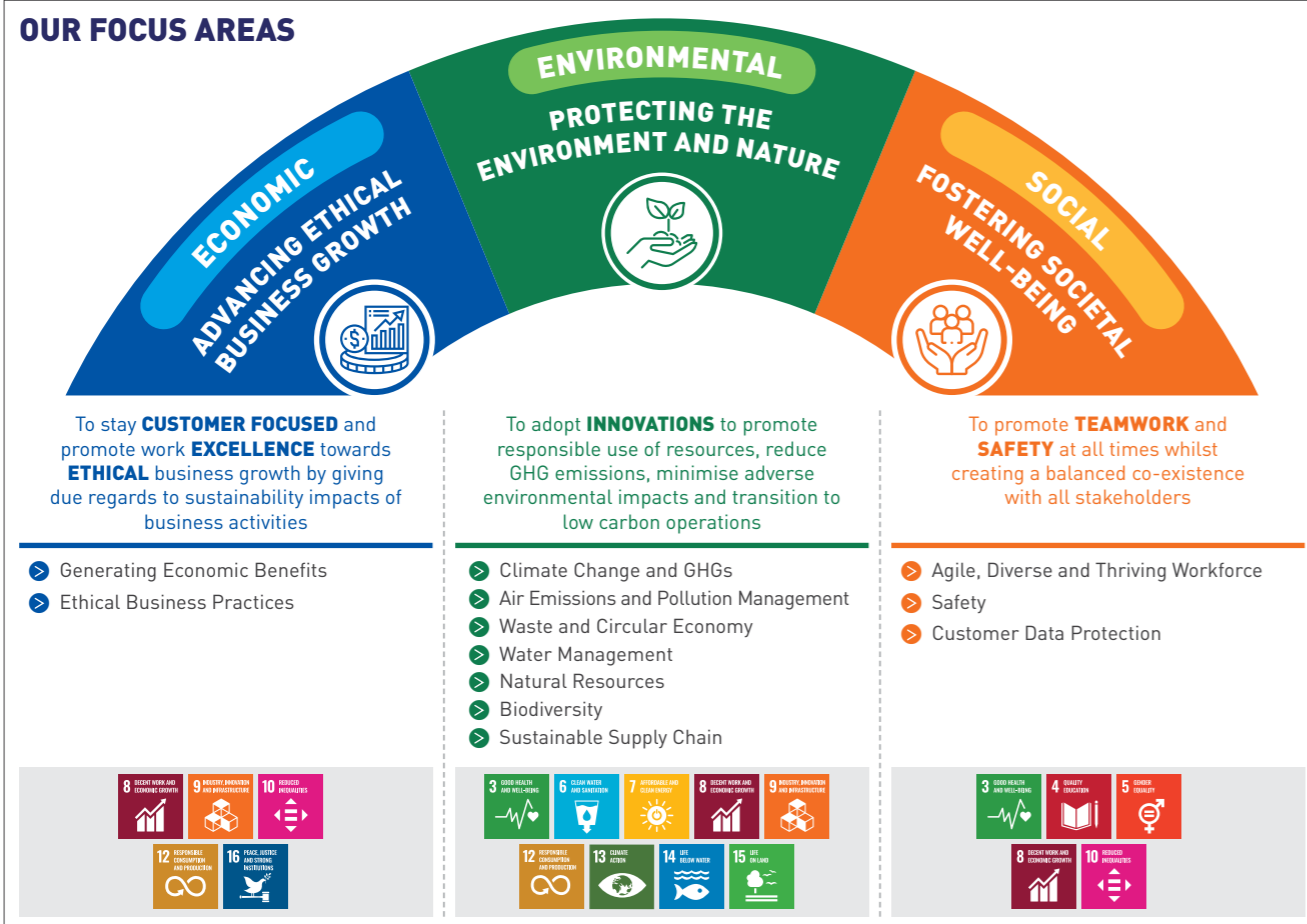
We will achieve this by:

- 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



## OUR FOCUS AREAS

SUSTAINABILITY  
STATEMENT

## OUR APPROACH TO SUSTAINABILITY

We recognise the importance of the impacts of the Company's activities on the environment and society. Therefore, our approach involves making sustainability a part of decision-making at all levels in our business, balancing environmental, social and governance considerations with our business strategies.

## Economic – Advancing Ethical Business Growth

## ► Generating Economic Benefits

## Why it Matters?

Generating economic benefits is crucial because it allows us to make direct and indirect contributions to the economy through our operations. This includes paying taxes and wages, procuring from local suppliers, and supporting job creation along our supply chain. Such contributions are vital for the development of public infrastructure and social investments in the communities where we operate.

## Our Approach

We generate economic benefits through:

- Enhancing Petron Malaysia brand and strengthening brand equity, leading to increased sales, profit, and wealth distribution.
- Boosting organisational value and expanding the visibility of products and services.
- Increasing transparency and bolstering the confidence of investors and lenders.

## Moving Forward

We remain committed to managing the impacts of our activities to ensure long-term sustainable business growth while continuing to contribute to the national economy through top of the class products and services.

## ► Ethical Business Practices

## Why It Matters?

We have a responsibility to maintain integrity in our business and we expect the same from our supply chain. We strongly believe in fair business dealings as any unethical practices like corruption, embezzlement, fraud, and false claims lead to economic disparities and worsen inequality. These practices can also fuel environmental degradation and human rights violations.

## Our Approach

We emphasis ethical business practices through our Ethics and Business Integrity Policy in our Standards of Business Conduct. As such we comply with all the necessary laws including the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act (AMLA) 2001.

## Moving Forward

We will continue to uphold ethical business practices and exercising good corporate governance across our operations while keeping abreast with the latest related regulations.

## Environmental - Protecting the Environment and Nature

## ► Climate Change and GHGs

## Why it Matters?

The burning of fossil fuels generates greenhouse gas (GHG) emissions, which contributes to global warming and leads to climate change. Climate change can severely affect the environment and the socioeconomic systems society has in place. Similarly climate change also poses risks to our operations, supply chain, and overall business continuity. We are aware of the significant role we play in responding to the global climate change emergency.

## Our Approach

We are committed to address climate risks associated with our operations and supply chain. We are actively advancing our production efficiency, stakeholder relations, and product diversification by integrating climate risk management and sustainable practices into our operations. The Company focuses on reducing greenhouse gas emissions, expanding its range of low-carbon products and services, and incorporating climate resilience into its business model. This approach enhances competitiveness through innovation in renewable energy, supply chain management, and data analysis, ensuring transparent communication with stakeholders and aligning with global climate objectives.

## Moving Forward

We have taken initial steps to adopt the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations. In 2022, we developed a Climate Action Guide that will help us in developing our climate change strategy. This strategy will determine our long-term climate action plans.

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Environmental - Protecting the Environment and Nature

► Air Emissions and Pollution Management

<b>Why it Matters?</b> Besides greenhouse gasses, we recognise that our operations and products may contribute to other various forms of environmental pollution, including air, soil, water, noise and light pollution. As such, we are committed to minimise the negative environmental impacts through meeting all the relevant standards and government regulations.	<b>Our Approach</b> We continually monitor and work to improve the impacts and effectiveness of our products and processes to reduce potential pollution and associated treatment and remediation costs. In addition, we also observe community grievances on pollution incidents. We set targets for resolution time to make sure all grievances are closed in a timely manner.
<b>Moving Forward</b> We are committed to minimising harmful air emissions and pollution resulting from our operations and products.	

► Waste and Circular Economy

<b>Why it Matters?</b> The traditional linear concept of “take, make and dispose” can lead to negative environmental impacts and cannot be sustained as the earth’s resources will eventually deplete or become unavailable for use. We have a responsibility to address our waste-related impacts resulting from our operations and supply chain and to implement circular economy principles in our processes.	<b>Our Approach</b> We are intensifying our research and development efforts to embed circular economy principles into our products and services. These include improving the recovery of scheduled waste, repurposing non-scheduled waste and adopting sustainable packaging solutions.
<b>Moving Forward</b> We will continue to expand our efforts in minimising waste and promoting circularity in our operations.	

► Water Management

<b>Why it Matters?</b> Water is an essential resource for people and our operations. As it is a commodity we share with society, we are committed to responsibly managing our water consumption and wastewater discharge across all operations and within our supply chain.	<b>Our Approach</b> We are adopting advanced water technologies for recycling and treatment to ensure conservation of water and availability during water supply disruptions and reduce long-term costs. Additionally, we encourage harvesting rainwater at our facilities, including retail service stations, for non-portable purposes such as landscaping and toilet flushing.
<b>Moving Forward</b> We are dedicated to the conservation and protection of water resources, recognising their critical importance not only to our operations but also to the communities and ecosystems we share them with. Our commitment involves implementing sustainable water management practices, enhancing the efficiency of our water use and ensuring the quality of water we discharge back into the environment. We will continue to engage in partnerships with NGOs, government agencies, and communities to exchange expertise and collaboratively tackle water challenges.	

Environmental - Protecting the Environment and Nature

► Natural Resources

<b>Why it Matters?</b> Our operations, which rely on natural resources like crude oil and minerals as raw materials, can contribute to resource depletion. As such we consider it essential for us to address this reliance responsibly. It is our aim to minimise our impact on the availability of these crucial resources while ensuring the continuous provision of our products and services.	<b>Our Approach</b> We provide energy that fuel the country’s economy and mobility. And we achieve this by using sustainable raw materials and advanced technologies to reduce dependency on non-renewable resources. These include producing renewable biodiesel, leveraging solar energy across our operations, utilising chemical-free processes, and employing recycled or biobased materials for packaging.  We continue to find ways to work towards achieving a balance between growing responsibly and generating profits.
<b>Moving Forward</b> We will continue to improve our operational efficiency, explore renewable energy opportunities, use sustainable raw materials and adopt advanced technologies to decrease our reliance on non-renewable resources.	

► Biodiversity

<b>Why it Matters?</b> Any unintentional release of waste, including hazardous spills and leaks from our operations, poses a risk of contaminating land and water bodies, which can adversely affect local ecosystems and species. Construction activities, such as building new facilities or infrastructure, and processes within our supply chain, like crude oil extraction, can lead to habitat disruption. As such, it is our duty to mitigate our impact on biodiversity and take proactive measures to preserve natural habitats in areas where we operate.	<b>Our Approach</b> Petron is dedicated to safeguarding ecosystems through targeted investments in biodiversity conservation programmes identified for their high conservation value. This strategic approach is integral to our environmental stewardship efforts, aimed at mitigating the impact of our operations on biodiversity.
<b>Moving Forward</b> Petron will continue to protect biodiversity by actively participating in conservation and restoration initiatives, while also collaborating with partners to minimise our environmental impact and enhance natural habitats.	

► Sustainable Supply Chain

<b>Why it Matters?</b> The oil and gas industry is experiencing growing expectations and requirements from governments and various stakeholders with regards to supply chain responsibility. We acknowledge that our end-to-end supply chain activities affect our productivity and have the potential to generate significant environmental and social impacts, including pollution and human rights violations.	<b>Our Approach</b> Our strategy involves implementing sustainable procurement practices and supply chain sustainability programmes to ensure risks and opportunities across the supply chain are addressed. Key areas of focus encompass anti-corruption measures and environmental practices.
<b>Moving Forward</b> We will remain committed to preventing and mitigating negative environmental and social impacts within our supply chain moving forward.	

Social - Fostering Societal Well-Being

► Agile, Diverse & Thriving Workforce

<b>Why it Matters?</b> We are cognisant that our employees play a vital role in realising our Company’s vision and mission. This commitment involves ensuring equitable treatment within the workplace and adhering to principles of diversity, equity, and inclusion (DEI).	<b>Our Approach</b> We establish workforce development programmes with the aim of nurturing a workforce that is equipped to navigate the variables of changing landscape including the transition to a low-carbon future. We also strive to retain our talent by providing a conducive and safe work environment that fosters innovation and career growth without discrimination.
<b>Moving Forward</b> We will continue to focus on our goal of developing an agile and resilient workforce for the future with the focus to equip them with capabilities to adapt to rapidly changing business environment.	

► Safety












<b>Why it Matters?</b> It is our responsibility to address the inherent safety and health risks associated with our operations and products. These risks include injuries and illnesses affecting employees, contractors, customers, and the public. This responsibility extends across our operations and throughout our supply chain.	<b>Our Approach</b> We are committed to embedding a culture of safety wherever we operate and address health and safety risks that can affect our employees and those we interact with. This is aligned with our Safety, Security, Health and Environment Policy in our Standards of Business Conduct. We achieve this through ongoing safety risks assessments, education, rigorous training, and strict adherence to safety protocols.  Furthermore, by incorporating innovative solutions and technology, we aim to enhance our safety measures. We also engage in national occupational safety and health benchmarking and awards to establish our reputation as a safety-conscious operator.
<b>Moving Forward</b> We will continuously strive to promote a positive safety culture not only to our employees and contractors but also to the communities in which we operate. Safety is a value that we consistently strive towards. By practising safety at all times, we aim to protect not only our employees and assets but also the environment and society at large.	

► Customer Data Protection

<b>Why it Matters?</b> Protecting our customers’ personal data is of paramount importance. We are committed to maintain highest standards and best practices in the collection, utilisation, and protection of our customers’ personal information to prevent data breaches and safeguard their privacy rights. Ensuring the confidentiality and integrity of customer data is critical to preserving trust with our customers.	<b>Our Approach</b> In compliance with the Personal Data Protection Act (PDPA) 2010, we continue to review and enhance our data protection measures and vigilantly monitor cyber threats to uphold and strengthen the confidence of our customers.
<b>Moving Forward</b> We are dedicated to the conservation and protection of water resources, recognising their critical importance not only to our operations but also to the communities and ecosystems we share them with. Our commitment involves implementing sustainable water management practices, enhancing the efficiency of our water use, and ensuring the quality of water we discharge back into the environment. We will continue to engage in partnerships with NGOs, government agencies, and communities to exchange expertise and collaboratively tackle water challenges.	

PERFORMANCE DATA TABLE

Petron Malaysia Refining & Marketing Bhd as a Listed Issuer is required to provide mandatory ESG disclosures as part of the Main Market Listing Requirements, in line with the enhanced Bursa Malaysia Sustainability Reporting Guide, 3<sup>rd</sup> Edition. The following performance data table, downloaded from the ESG Reporting Platform summarises indicators and the Company’s targets that are pertinent against the 11 Bursa Common Sustainability Matters:

 Community/Society	 Supply chain management
 Anti-corruption	 Labour practices and standards
 Energy management	 Diversity
 Emissions management	 Health and safety
 Waste Management	 Data privacy and security
 Water	

To ensure the accuracy and transparency of our disclosures, key Environmental data indicated in the table below have been internally reviewed by Petron Corporation’s Internal Audit and have been approved by the Board Audit & Risk Management Committee.

We shall continue to further enhance our data accuracy and quality to strengthen our disclosures moving forward. In addition, we plan to expand the scope of the review.

Indicator	Measurement Unit	2021	2022	2023	Target
<b>Bursa [Community/Society]</b>					
Bursa C2(a) Total amount invested in the community where the target beneficiaries are external to the listed issuer	MYR	155,966.77	608,315.59	<b>1,153,726.60</b>	Increase amount invested in the community by 5%
Bursa C2(b) Total number of beneficiaries of the investment in communities	Number	28,189	5,245	<b>7,763</b>	Increase number of beneficiaries by 5%
<b>Bursa [Anti-corruption]</b>					
<b>Bursa C1(a) Percentage of employees who have received training on anti-corruption by employee category</b>					
Management	Percentage	100.00	56.00	<b>47.00</b>	Increase number of employees trained on Standards of Business Conduct to 100%
Non-Management	Percentage	100.00	22.00	<b>64.00</b>	
Bursa C1(b) Percentage of operations assessed for corruption-related risks	Percentage	100.00	100.00	<b>0.00</b>	100% of operations assessed for corruption-related risks
Bursa C1(c) Confirmed incidents of corruption and action taken	Number	0	0	<b>0</b>	

Notes:  
1. All targets are against our base year 2022  
2. Our current targets set are short-term to be achieved by 2025

Internal assurance	External assurance	No assurance	[*] Restated
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SUSTAINABILITY  
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Indicator	Measurement Unit	2021	2022	2023	Target
Bursa (Energy management)					
Bursa C4(a) Total energy consumption	Megawatt	809,223.00	984,406.00	980,803.00	
Bursa (Emissions management)					
Bursa C11(a) Scope 1 emissions in tonnes of CO <sub>2</sub> e	Metric tonnes	151,265.00	181,916.00	190,607.00	Reduce GHG emissions intensity by 4% (Scope 1 & 2)
Bursa C11(b) Scope 2 emissions in tonnes of CO <sub>2</sub> e	Metric tonnes	57,628.00	74,370.00	70,971.00	
Bursa (Waste management)					
Bursa C10(a) Total waste generated	Metric tonnes	1,374.00	3,048.00	482.00	
Bursa C10(a)(i) Total waste diverted from disposal	Metric tonnes	1,098.00	2,916.00	431.00	
Bursa C10(a)(iii) Total waste directed to disposal	Metric tonnes	276.00	132.00	51.00	Reduce intensity of hazardous waste sent to disposal by 2%
Bursa (Water)					
Bursa C9(a) Total volume of water used	Megalitres	134.00	249.00	175.00	Reduce water consumption intensity by 2%
Bursa (Supply chain management)					
Bursa C7(a) Proportion of spending on local suppliers	Percentage	50.00	46.00	46.00	
Bursa (Labour practices and standards)					
Bursa C6(a) Total hours of training by employee category					
Management	Hours	3,419	11,757	16,694	Increase average training hours by employee category 32 hours (Management) 15 hours (Non-Management)
Non-Management	Hours	4,190	3,726	2,338	
Bursa C6(b) Percentage of employees that are contractors or temporary staff	Percentage	-	19.00	4.00	
Bursa C6(c) Total number of employee turnover by employee category					
Management	Number	45	47	43	
Non-Management	Number	2	5	10	
Bursa C6(d) Number of substantiated complaints concerning human rights violations	Number	-	-	0	

Notes:  
1. All targets are against our base year 2022  
2. Our current targets set are short-term to be achieved by 2025

Internal assurance	External assurance	No assurance	[*] Restated
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SUSTAINABILITY  
STATEMENT

Indicator	Measurement Unit	2021	2022	2023	Target
Bursa (Diversity)					
Bursa C3(a) Percentage of employees by gender and age group, for each employee category					
Age Group by Employee Category					
Management Under 30	Percentage	17.00	18.00	17.00	
Management Between 30-50	Percentage	70.00	70.00	73.00	
Management Above 50	Percentage	13.00	12.00	11.00	
Non-Management Under 30	Percentage	20.00	24.00	25.00	
Non-Management Between 30-50	Percentage	60.00	61.00	62.00	
Non-Management Above 50	Percentage	20.00	15.00	13.00	
Gender Group by Employee Category					
Management Male	Percentage	55.00	57.00	57.00	
Management Female	Percentage	45.00	43.00	43.00	
Non-Management Male	Percentage	95.00	96.00	94.00	
Non-Management Female	Percentage	5.00	4.00	6.00	
Bursa C3(b) Percentage of directors by gender and age group					
Male	Percentage	67.00	67.00	56.00	
Female	Percentage	33.00	33.00	44.00	
Under 30	Percentage	0.00	0.00	0.00	
Between 30-50	Percentage	0.00	0.00	11.00	
Above 50	Percentage	100.00	100.00	89.00	
Bursa (Health and safety)					
Bursa C5(a) Number of work-related fatalities	Number	1	0	0	Zero work-related fatalities
Bursa C5(b) Lost time incident rate ("LTIR")	Rate	0.1	0	0	Zero Lost Time Injury Rate
Bursa C5(c) Number of employees trained on health and safety standards	Number	213	281	369	100% of employees (in Operations) attend mandatory training on health & safety
Bursa (Data privacy and security)					
Bursa C8(a) Number of substantiated complaints concerning breaches of customer privacy and losses of customer data	Number	0	0	0	

For more detailed sustainability disclosures and information, please refer to our standalone 2023 Sustainability Report.

Notes:  
1. All targets are against our base year 2022  
2. Our current targets set are short-term to be achieved by 2025

Internal assurance	External assurance	No assurance	[*] Restated
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# CORPORATE INFORMATION

## PETRON MALAYSIA REFINING & MARKETING BHD

Registration No. 196001000260 (3927-V)

### DIRECTORS

**Mr. Ramon S. Ang**

Chairman, Executive Director

**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

**Ms. Jacqueline L. Ang**

Executive Director

*(appointed with effect from 2 August 2023)*

### 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

**Email** : is.enquiry@my.tricorglobal.com

### Customer Service Centre

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

### AUDITOR

**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

# PROFILE OF BOARD OF DIRECTORS



## MR. RAMON S. ANG

Chairman, Executive Director



**Age**  
70 Years Old



**Gender**  
Male



**Nationality**  
Filipino

Mr. Ramon S. Ang was appointed as a Director on 30 March 2012 and then 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. He 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. He 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 as President, Vice Chairman and CEO of San Miguel Food and Beverage, Inc., and as Chairman & CEO, President and COO of San Miguel 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.

PROFILE OF  
BOARD OF DIRECTORS



Y. BHG. DATUK NIK MOHD HASYUDEEN BIN YUSOFF  
*Independent Director*

 **Age**  
59 Years Old |  **Gender**  
Male |  **Nationality**  
Malaysian

Chairman of the Board Audit & Risk Management Committee	Member of Nominating Committee
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Y. Bhg. Datuk Nik Mohd Hasyudeen Yusoff was appointed to the Board as an Independent Director on 1 February 2022. In October 2023, he was appointed as a member and trustee on the board of Program Pertukaran Fellowship Perdana Menteri Malaysia. Datuk Nik Mohd Hasyudeen is also presently a Non-Independent and Non-Executive Director of Bank Islam Malaysia Berhad, USAS Holdings Berhad, and the Malaysia Professional Accountancy Centre. His extensive experience in the corporate sector includes roles as Group Managing Director and CEO of Lembaga Tabung Haji, Independent Non-Executive Chairman of Cagamas Holdings Berhad, and Independent Non-Executive Chairman of BIMB Investment Management Berhad. He also served as a Public Interest Director at the Federation of Investment Managers Malaysia, board member of Universiti Utara Malaysia, and member of the Corporate Debt Restructuring Committee of Bank Negara Malaysia. His tenure as the Executive Director in charge of Market and Corporate Supervision at the Securities Commission Malaysia, Executive Chairman of the Audit Oversight Board, member of the Bursa Malaysia Listing Committee, and member of the Operational Review Panel of the Malaysian Anti-Corruption Commission, all reflect his regulatory experience. Datuk Nik Mohd Hasyudeen has also held the positions of President of the Malaysian Institute of Accountants, Vice-President of the ASEAN Federation of Accountants, and member of the Executive and Strategy Committees of the Confederation of Asian and Pacific Accountants. He graduated with a Degree in Accountancy from Curtin University of Technology, Australia and is a Fellow of CPA Australia.

PROFILE OF  
BOARD OF DIRECTORS



MS. CHUA SEE HUA  
*Independent Director*

 **Age**  
70 Years Old |  **Gender**  
Female |  **Nationality**  
Malaysian

Member of the Board Audit & Risk Management Committee	Chairperson of the Nominating Committee
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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 from 1985 with a number of leading firms including Skrine & Co (1985-1989) and Raslan Loong (1997-2010), where she was a Partner. 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 to 1997). Ms. Chua was appointed as an independent director to Matrix Concept Holdings Berhad in November 2020. She graduated with a B.A. (Law) from the University of East London, United Kingdom and completed her Master of Law at the University of Cambridge, specialising in companies and securities law and international law.

PROFILE OF  
BOARD OF DIRECTORS



MR. FONG SEOW KEE  
*Independent Director*

 **Age**  
67 Years Old |  **Gender**  
Male |  **Nationality**  
Malaysian

Member of the Board Audit & Risk Management Committee

Member of the 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 technology investments. In 2000, he co-founded an investment management and advisory firm and managed a technology-focused venture capital fund owned by the 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 as 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 also served as a senior independent director of GHL Systems Bhd, a leading ASEAN payment solutions provider. Since 2018, he has been an adjunct faculty member coordinating the fintech segment in the Financial Institutions Directors' Education programme for the Iclif Executive Education Centre at Asia School of Business. Currently, he is an Independent Non-Executive Director of RAM Rating Services Bhd and a Non-Independent Non-Executive Director of Bond Pricing Agency Malaysia Sdn. Bhd. He is also a Non-Independent Non-Executive Director of Generali Life Insurance Malaysia Bhd. Mr. Fong graduated with a B.A. (Hons) Economics and Social Studies from the University of Manchester, England. He is a Fellow of the Institute of Chartered Accountants in England & Wales and a member of the Malaysian Institute of Accountants.

PROFILE OF  
BOARD OF DIRECTORS



MR. ANTONIO M. CAILAO  
*Independent Director*

 **Age**  
77 Years Old |  **Gender**  
Male |  **Nationality**  
Filipino

Member of the Board Audit & Risk Management Committee

Member of the Nominating Committee

Mr. Antonio M. Cailao was appointed to the Board on 23 November 2017. He is currently a Faculty Lecturer at the Institute of Corporate Directors (Philippines) and an Accredited Speaker recognised by the Security and Exchange Commission Philippines. 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 responsibility. 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, he served as 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 exercises. Mr. Cailao obtained a Bachelor of Business Administration (1968) and an MBA (1973) from the University of the Philippines. He has completed the Executive Development Programme from Columbia University, New York, USA (1989) and also the Professional Directors Programme – Certified Independent Directors by the Institute of Corporate Directors (2007).

PROFILE OF  
BOARD OF DIRECTORS



Y. BHG. DATO' NOORIZAH BINTI HJ ABD HAMID  
*Independent Director*

 **Age**  
64 Years Old |  **Gender**  
Female |  **Nationality**  
Malaysian

Member of the Board Audit & Risk Management Committee

Member of the Board Sustainability Committee

Y. Bhg. Dato' Noorizah Binti Hj Abd Hamid was appointed to the Board as an Independent Director on 27 February 2020. She was the former Non-Executive Chairperson and Managing Director/Chief Executive Officer of PLUS Expressways International Berhad as well as the former Managing Director of PLUS Malaysia Berhad and PLUS Expressways Berhad. Presently, she sits on the Board of Directors of Scientex Berhad and Land & General Berhad. She is also a Non-Executive Director of Mass Rapid Transit Corporation Sdn. Bhd. (which is wholly owned by the Minister of Finance Incorporated Malaysia and its subsidiary Malaysia Rapid Transit System Sdn. Bhd.) and PNB Merdeka Venture Sdn. Bhd. 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 of Business Administration (Finance and Management) from Central Michigan University, the United States of America in 1982 and 1984 respectively.

PROFILE OF  
BOARD OF DIRECTORS



MR. LUBIN B. NEPOMUCENO  
*Chief Executive Officer, Executive Director*

 **Age**  
73 Years Old |  **Gender**  
Male |  **Nationality**  
Filipino

Chairman of the 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 several 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 Master of Business Administration from 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.

PROFILE OF  
BOARD OF DIRECTORS



MS. AURORA T. CALDERON

Executive Director

 **Age**  
69 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 San Miguel Global Power Holdings Corp. 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 of Business Administration from the Ateneo de Manila University in 1980. She is a member of the Financial Executives Institute of the Philippines or FINEX's Capital Market Development Committee, Director of the Market Governance Board of the Philippine Dealing System Holdings, and a member of the Philippines Institute of Certified Public Accountants.

PROFILE OF  
BOARD OF DIRECTORS



MS. JACQUELINE L. ANG

Executive Director

 **Age**  
38 Years Old

 **Gender**  
Female

 **Nationality**  
Filipino

Member of the Board Sustainability Committee




Ms. Jacqueline L. Ang was appointed to the Board on 2 August 2023. Ms. Ang has served as Assistant Vice President for Procurement of Petron Corporation since 1 March 2018. Prior to that, she worked for Petron Malaysia Refining & Marketing Bhd's ultimate holding company, San Miguel Corporation, in Mergers and Acquisitions (2010-2014) and Corporate Finance (2009). Ms. Ang holds a Bachelor of Arts in Economics from the Ateneo De Manila University, Philippines. Ms. Ang is the daughter of Mr. Ramon S. Ang, the Executive Director and Chairman of Petron Malaysia Refining & Marketing Bhd.

# PROFILE OF MANAGEMENT COMMITTEE

## PROFILE OF MANAGEMENT COMMITTEE

### MR. LUBIN B. NEPOMUCENO

Chief Executive Officer and  
Executive Director  
Chairman of the Management Committee  
Chairman of the Board Sustainability  
Committee

	<b>Age</b> 73 Years Old
	<b>Gender</b> Male
	<b>Nationality</b> 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.
- He was appointed as the Chairman of the Board Sustainability Committee effective 10 August 2023.

### PN. FARIDAH ALI

General Manager

	<b>Age</b> 59 Years Old
	<b>Gender</b> Female
	<b>Nationality</b> 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 from 2012 until she assumed her current 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.

### MR. MARK TRISTAN D. CAPARAS

Chief Finance Officer

	<b>Age</b> 41 Years Old
	<b>Gender</b> Male
	<b>Nationality</b> Filipino

**Qualifications:**




- B.Sc. in Business Administration & Accountancy (Magna Cum Laude), University of the Philippines.
- Master of Business Administration (Hons.), Ateneo Graduate School of Business.
- Certified Public Accountant, 17th place 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 a Credit Analyst. Over time he was appointed to various positions of increasing responsibility within Controllers including the areas of Finance, Treasury and Compliance.

### MR. MANOJ DEVADASAN

General Counsel/Company Secretary/  
Compliance Officer

	<b>Age</b> 60 Years Old
	<b>Gender</b> Male
	<b>Nationality</b> Malaysian

**Qualifications:**




- B. Soc. Sc. (Hons.) (Law/Politics), University of Keele, United Kingdom.
- Barrister-at-Law (Lincoln’s Inn, United Kingdom).
- Master in Law (LL.M), University of Malaya, Malaysia.
- Licensed Company Secretary.

**Working Experience:**

- Mr. Manoj Devadasan has held the position of General Counsel/ Company Secretary of PMRMB since 2012.
- He also serves as the General Counsel/Company Secretary 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 the then Esso Malaysia Berhad) from 2006.

### Y. BHG. DATO’ RAJA SALLEHUDIN RAJA LOPE AHMAD

Head of Refinery

	<b>Age</b> 59 Years Old
	<b>Gender</b> Male
	<b>Nationality</b> Malaysian

**Qualifications:**



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

**Working Experience:**

- Dato’ Raja Sallehudin Raja Lope Ahmad was appointed the 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.

### EN. MOHD NIZAM MANSOR

Head of Supply & Distribution

	<b>Age</b> 56 Years Old
	<b>Gender</b> Male
	<b>Nationality</b> 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 as Refinery Coordination & Business Support Manager, member of the Global Marine Transportation Optimisation group and Supply Associate.

PROFILE OF  
MANAGEMENT COMMITTEE

PN. SHALIZA  
MOHD. SIDEK

Head of Retail Business

	<b>Age</b> 52 Years Old
	<b>Gender</b> Female
	<b>Nationality</b> 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.

EN. MOHD ASRI  
BIN IBRAHIM

Head of Commercial Business

	<b>Age</b> 50 Years Old
	<b>Gender</b> Male
	<b>Nationality</b> Malaysian

Qualifications:

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

Working Experience:

- En. 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. They also do not have any conflicts of interest or potential conflicts of interest, including interests in any competing business with Petron Malaysia Refining & Marketing Bhd. Furthermore, none have been convicted of any offences within the past five (5) years, nor have they been subjected to any penalties by the relevant regulatory bodies during the financial year 2023.*

*The disclosure of 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 “the 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 2023, the Board had nine (9) members, with five (5) Independent Directors and four (4) Executive Directors (including the Chairman). This composition ensures a majority of Independent Directors on the Board.

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 ability 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 2023, the Board comprised of a majority of Independent Directors (as well as met the minimum requirement for thirty per cent [30%] women Directors on the Board) thus meeting the recommendations of the CG Code 2021 in regard to Board composition.

Independent Director, Ms. Chua See Hua, who is also the Chairperson of the Nominating Committee, will have exceeded a tenure of twelve (12) years on the Board

immediately before the upcoming Annual General Meeting in 2024. As per the recommendation of the CG Code 2021, Ms. Chua See Hua will retire from the Board at the conclusion of the Annual General Meeting in 2024.

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 carried out as part of the evaluation and ratings assists the Nominating Committee in considering if the Committee should endorse a re-election and make a recommendation to the Board to support such a re-election. Other factors taken into account include 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 the limitations on the tenure of Independent Directors as recommended by the CG Code 2021.

CORPORATE GOVERNANCE  
OVERVIEW STATEMENT

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 the 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, the responsibilities specifically reserved for the Board and the Board’s other responsibilities. It also covers the Board composition, the individual roles of the Chairman and the Chief Executive Officer, the annual assessment of the Board, Board Committees and individual Directors, the 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 were incorporated into the Board Charter as part of the 2018 review.

However, recognising that the Board cannot manage day-to-day operational matters, the 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 levels of authority that have 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.

The 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

“EACH INDEPENDENT  
DIRECTOR BRINGS  
INVALUABLE JUDGMENT  
AND SKILLS TO BEAR ON  
ISSUES OF STRATEGY,  
PERFORMANCE,  
RESOURCE ALLOCATION,  
RISK MANAGEMENT  
AND STANDARDS OF  
CONDUCT.”

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 as and 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 Executive, Non-Executive and Independent Directors.

Recognising 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. Mr. Fong is the most senior Independent Director and shareholders are at liberty to approach him, 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 to directly contact 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 and gas business. The engagement with Independent Directors also enables the Company to manage Minority Shareholders’ expectation that their rights continue to be protected.

CORPORATE GOVERNANCE  
OVERVIEW STATEMENT

The strategic plans of the Company and the annual operating plans to grow the business, including the key factors taken into consideration in the 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 mid-year review at the 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 and gas business in Malaysia) in the more than 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 and 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 – the 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 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 the berthing of larger vessels thus reducing supply costs. At the same time, the carbon footprint will be reduced as a smaller number of vessels is used. The MIF2 is also expected to help reduce demurrage costs due to vessel berthing congestion;
- The strong financial position of the Company; and
- The Company’s consistent market capitalisation and healthy dividend payouts that benefit 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 for over twenty-five (25) years without any lost time injury (“LTI”). In 2023, we achieved a significant milestone of 35.46 million LTI-free man-hours, equivalent to 26.82 years, demonstrating our unwavering commitment to operational excellence and a safe working environment for our employees.

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 2023 in line with the recommendations of the CG Code 2021. In this regard, a task force 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 newly set up Sustainability 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 thus enabling the Refinery to produce low sulphur Euro 5 fuels;
- The MIF2 that allows bigger vessels to berth at the marine jetty thus reducing more frequent shipping needs and in turn reducing the overall carbon footprint;
- Water treatment at the refinery using natural/ biological means;
- Rainwater harvesting, planned installation of solar panels at retail service stations, the use of Petron-designated ‘modular stations’ that are more environmentally friendly, re-designed Convenience Stores that are designed to be energy efficient;
- Investment in a Bio-Fuel plant – the only oil company in Malaysia to do so; and
- Selecting suppliers and vendors who have a clear sustainability record.

CORPORATE GOVERNANCE  
OVERVIEW STATEMENT

Management has undertaken a structured approach in the compilation of the data for more systematic reporting. The Sustainability Report 2022 was released as part of the Company’s sustainability reporting efforts.

The Manager of the Corporate Affairs Department is the person identified to manage day-to-day sustainability-related matters such as the implementation of sustainability strategies and the provision of advice on integrating sustainability strategies and plans in 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 comprises of two (2) Independent Directors and two (2) Executive Directors. The Sustainability Committee is supported by a Sustainability Council headed by the General Manager, comprised of Senior Management personnel and a Technical Working Group represented by personnel from relevant Departments.

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. Titled “ExCITES”, it incorporates key values that will ensure the Company’s success and long-term sustainability. Petron’s ExCITES stresses 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 departmental effort. This move has empowered employees and is ensuring that they take ownership of and are helping drive the ExCITES values. The ExCITES programme has since been refreshed with the infusion of an additional emphasis on ‘teamwork’ to strengthen comradery in the workforce to enable the Company to achieve its long-term goals and ambition. As the Company moves towards embracing the new post-pandemic norms and its forward-looking plans, the ExCITES values will again be brought to the fore to ensure that the Company maintains a focus on continued and sustainable success. 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 risks are at all times kept in mind when 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 that risks (as in all businesses) are an 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 necessary consideration for its sustainability. The matters pertaining to risk management can be further viewed under the Statement of Risk Management and Internal Controls on pages 76 to 80, as well as the Board Audit & Risk Management Committee Report on 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 takeover 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 the Chief Executive Officer of the 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 the span of more than ten (10) years since the takeover, led the Company to its present success as a major downstream oil and 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 decision. 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 divergent views, the matter will be referred by the Chairman to the Management for further review (to take into consideration views expressed by Board members) and for the 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 discussions), 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 his expectations.

The Chairman reviews plans by Management to engage stakeholders and shareholders. Communication plans and proposed meetings (for example with potential investors, plant visit requests, visits by regulators and other government officials, etc.), including plans on any 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 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, the details of which can be viewed in Part D of this Corporate Governance Overview Statement. The Chairman of the Board is not to 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 positions 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 of 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.

CORPORATE GOVERNANCE  
OVERVIEW STATEMENT

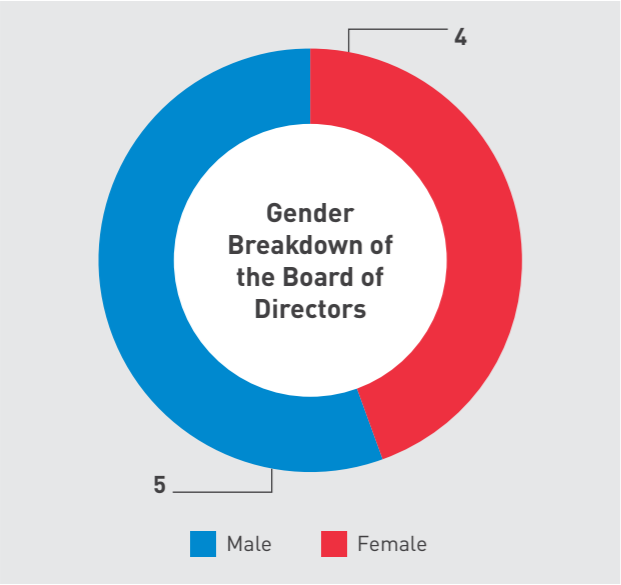
CORPORATE GOVERNANCE  
OVERVIEW STATEMENT

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 seeks 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. They include qualified engineers, accountants, a banker and a lawyer with diverse experience, including in the downstream oil and gas industry, banking, corporate advisory, finance and venture capital work. This diverse pool of highly talented individuals 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 2023, the Board was comprised of nine (9) members, four (4) of whom were women Directors. Of the four (4) women Directors, two (2) were Independent Directors (one of whom was also the Chairperson of the Nominating Committee), and two (2) were Executive Directors.



With regard to the selection of candidates for Board appointments, the Board does not rely only on the Board members but also on 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 the Management and two (2) by a consultant. In each case, an extensive review is 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 consultants. This same process was applied in 2023 when a new Executive 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 on pages 86 to 89.**

Remuneration Committee

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

- 1

The Chairman and three (3) Executive Directors (that includes the Chief Executive Officer) of the Company, do not receive any remuneration from the Company; and
- 2

As the (then) Remuneration Committee was comprised of only Independent Directors and would only be reviewing and recommending their own remuneration, the Remuneration Committee members opined that there was a conflict of interest.

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Diversity in Senior Management

The Company’s Code of Conduct, called the Standards of Business Conduct, specifies that the Company is an equal opportunity 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 a woman manager to replace a man in the key position of General Manager of Petron in Malaysia as was the case with the Head of Department (Retail). 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/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 has decades of experience in the downstream oil and gas business and in their respective fields of expertise, all of which help 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 hold the key portfolios of General Manager and Head of Retail Business, respectively.

The next line of Managers as part of the Company’s (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 with increasing responsibility and are undergoing mentoring with a view to being appointed to their identified Senior Management roles one day.


The Remuneration Committee also played no role in relation to the remuneration 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 bonuses (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 remuneration following 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 with regard to the determination of the Independent Directors’ remuneration. 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 the decision-making process at the relevant Board meeting that determines 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 has 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 ongoing 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 can be found on pages 52 to 54.**

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Effective Stakeholder Communications

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

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 the 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 comprehensive and compulsory training on the Standards of Business Conduct. Such training for new hires is conducted twice yearly. In 2018, a refresher training course on the Code of Conduct was implemented for all employees. Another refresher training course was also conducted and completed in 2023. The next training session is scheduled for 2025. In the interim, as part of the induction training for new employees, a session on the Code of Conduct is also provided.

In 2022, Internal Audit completed a review of the Company’s Anti-Corruption and 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 also provides for whistle-blower protection.

In order for such information to be forthcoming, employees (as part of their training on the Code of Conduct) are 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 the 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 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 efforts to address 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
- The commencement (in December 2019) of a series of training sessions to inform the employees of the impact of the new law, not only on employees but also the corporate liability risk to the Company and its Directors and Senior Management. The training continued in 2020 to ensure all employees were trained on what was expected of them in helping to implement the Company’s requirements and the expected behaviour from each employee.

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- 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, and approval processes for exceptions.

- 4
- The 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, and approval processes for exceptions.

- 6
- In light of the revised 2022 Standards of Business Conduct, training nationwide for all employees commenced in 2022 and was completed in 2023.

- 7
- The Company also conducted a training and compliance programme for employees to ensure better understanding of their responsibilities as well as to ensure strict compliance with applicable laws and regulations relating to anti-money laundering and counter-financing of terrorism.

- 8
- Background checks during recruitment of employees were performed particularly for employees in management positions and tasked with decision-making obligations.

- 9
- Performed know-your-client/risk assessments 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 the integrity of counterparties.

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

B. EFFECTIVE AUDIT AND RISK MANAGEMENT

The report of the Board Audit & Risk Management Committee (including its composition, role and activities) can be found on 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 endorsement 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 the list of the Company’s authorised signatories; and
- Risk management updates.

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Both the Internal Audit Department 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 and be reviewed by the Board Audit & Risk Management Committee. The views expressed at the Board Audit & Risk Management Committee meeting will then be 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

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 the field of 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 clarification 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 their 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 auditors 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 discussions 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;
- The nature and extent of non-audit services and the level of fees; and
- The external auditor’s independence and continued independence.

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This process includes obtaining assurances from the external auditor that each of its partner(s) and personnel is free from 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 from any conflicts or potential conflicts of interest.

Relationship with the Internal Auditor

The Company’s internal audit function is undertaken by an internal audit group based in Manila, at Petron Corporation, which 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 receives 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 the Management of the Company has no control over the internal audit function. To ensure independence from the Management, the internal audit personnel assigned to the Company’s internal audit function are not subject to any determination of their assignments, promotions or remuneration (or increase thereto) by the Company’s Management. In order to maintain total independence from the Company’s Management, their remuneration is not set or paid by the Company. The cost incurred for internal audit in 2023 was RM265,143.65.

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 audits 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. Furthermore, 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 2023 as well as the closing out of recommendations made by the internal audit team. 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, as per the 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 undertake an internal audit of the Company and their qualification and experience; and if the internal audit is carried out in accordance with the 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, the follow-through action, and the 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 as well as to suggest improvements and seek process and control synergy. This has been an important focus area for internal audit since 2012.

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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 on pages 76 to 80. The SORMIC has been reviewed by the 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, operational integrity, internal control and legal and environmental compliance. As these management systems were previously adopted by the Board and were used by the Company for many years, their continued usage was deemed suitable upon the takeover of the Company by Petron Corporation in 2012. Employees, contractors and vendors will continue to be guided by these same systems until such a time that they are revised. As the systems involve employees, contractors and vendors whose engagement spanned the takeover, it was recognised that a sudden change in the systems (and the consequential need to provided fresh training to 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 Board Audit & Risk Management Committee meetings.

These were the key risks identified to be managed in 2023:

- 1Commodity Price volatility (Crude/Finished Product);
- 2Forex volatility;
- 3Crude/product supply disruption;
- 4Delay in government’s subsidy reimbursement;
- 5Major incidents rendering facilities inoperable (Port Dickson Refinery and Terminals);
- 6The pandemic;
- 7Access to external financing; and
- 8Sustainability – considering the importance of ESG matters.

Since 2022, considering the importance of ESG, Management has opted to place the non-adherence to ESG requirements, as well as reporting and impact on the Company thereof 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 the supply of petroleum products, to managing ESG compliance and reporting. Apart from the various control processes in place to ensure financial matters are properly managed, the Board regularly reviews the necessary delegation of authority in the Company to various functions including the formulation and designation of authorised signatories in respect of 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.

The following sums up the process of how the risk controls are reviewed and managed:

- 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 to all Departments be they 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 which have SSHE 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 control 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 MMLR, but also compliance with the Company’s policies on the 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 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 solutions could 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 reviews 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.

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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 stakeholders and require that all such reporting 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 responses 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 2023, 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 to engage stakeholders and maintain a healthy line of communication with them. The Board is also mindful that:

- 1

The downstream oil and gas business in Malaysia is highly competitive and much of the information (especially on strategy and business plans and investment) is highly confidential in nature; and
- 2

There are no other publicly listed integrated downstream oil and gas company (with both a refinery and a retail/commercial business) in Malaysia (like PMRMB), 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 interests of the Company, the Board and Management recognise the need for transparency to be tempered with discretion.

Nevertheless, the Board and Management also recognise the need to communicate effectively with shareholders. The Board values and encourages dialogue with the shareholders to establish a better understanding of the Company’s objectives 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 dialogue 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 team.

At the Annual General Meeting, a Management presentation will be made on 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 has 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 the 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, as required by the MMLR.

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

SHAREHOLDERS

The 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 the lead for investor relations. Where the information sought is not unpublished price-sensitive information, written responses or verbal responses are provided.

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

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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 was helpful, especially during the movement restrictions required due to the Covid-19 pandemic, when considering the internet and system stability issues that are 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 Annual General Meetings will continue to be in-person meetings. This, in our opinion, allows for better interaction and fuller and more meaningful discourse between the Board, the Management and shareholders.

The summary of proceedings and questions and answers to the Annual General Meeting held in 2023 was posted on the Company website within thirty (30) days of the Meeting.

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 and gas industry, are synonymous and interlinked.

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CUSTOMERS

As our 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 practices.

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

The following are the priority areas that the Company focuses on:

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 2023 are as follows:

Directors	Board of Directors Meeting		Board Audit & Risk Management Committee Meeting		Nominating Committee Meeting		Annual General Meeting
	Held	Attended	Held	Attended	Held	Attended	
Mr. Ramon S. Ang	5	5					✓
Ms. Aurora T. Calderon	5	5					✓
Mr. Lubin B. Nepomuceno	5	5					✓
Mr. Ferdinand K. Constantino <i>(retired w.e.f. 11.7.2023)</i>	3	3	1	1			✓
Ms. Jacqueline L. Ang <i>(appointed w.e.f. 2.8.2023)</i>	2	2					
Ms. Chua See Hua	5	5	5	5	2	2	✓
Y. Bhg. Datuk Nik Mohd Hasyudeen Bin Yusoff	5	5	5	5	2	2	✓
Mr. Fong Seow Kee	5	5	5	5			✓
Mr. Antonio M. Cailao	5	5	5	5			✓
Y. Bhg. Dato’ Noorizah Binti Hj Abd Hamid	5	5	5	5			✓

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Remuneration to the Independent Directors in 2023

As approved by the Shareholders at the Annual General Meeting on 15 June 2023, the benefits paid to the Independent Directors for 2023 are as follows:

- An annual fee of RM93,600 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 RM25,000 for each Independent Director who served a full term in 2022.

	Directors’ Fees	Allowance		Fuel Reimbursement	TOTAL
		Attendance Allowance	Ex-Gratia Benefits		
Independent Directors	RM	RM	RM	RM	RM
Ms. Chua See Hua	93,600.00	45,000.00	25,000.00	4,565.42	168,165.42
Y. Bhg. Datuk Nik Mohd Hasyudeen Bin Yusoff	93,600.00	42,000.00	22,916.67	7,089.88	165,606.55
Mr. Fong Seow Kee	93,600.00	40,000.00	25,000.00	3,415.00	162,015.00
Mr. Antonio M. Cailao	93,600.00	30,000.00	25,000.00	7,525.50	156,125.50
Y. Bhg. Dato’ Noorizah Binti Hj Abd Hamid	93,600.00	40,000.00	25,000.00	5,410.56	164,010.56
TOTAL	468,000.00	197,000.00	122,916.67	28,006.36	815,923.03

Remuneration Paid to Senior Management in 2023

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

1

MR. LUBIN B. NEPOMUCENO  
(Chief Executive Officer)

2

PN. FARIDAH ALI  
(General Manager)

3

MR. MARK TRISTAN D. CAPARAS  
(Chief Finance Officer)

4

MR. MANOJ DEVADASAN  
(General Counsel/Company Secretary/  
Compliance Officer)

5

Y. BHG. DATO’ RAJA SALLEHUDIN B.  
RAJA LOPE AHMAD  
(Head of Refinery)

6

MR. MOHD. NIZAM B. MANSOR  
(Supply & Distribution Head)

The total remuneration of the top six (6) Senior Management (attributable to the Company) in 2023 was RM3,975,686.97. 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 remuneration.

CORPORATE GOVERNANCE  
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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 employees of the parent company or a sister company that provides services to PMRMB via agreements to share resources. The sum stated above is that attributable to PMRMB. 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 2023. The Company does not provide any share option scheme for Senior Management personnel.
- The total bonuses paid in 2023 comprised of two (2) months contractual bonus as per the regular employment terms for the Senior Management personnel.

Training Attended by Directors in 2023

Directors	Date
<b>Mr. Ramon S. Ang</b>	
<ul style="list-style-type: none"><li>• AMLA and CTF Training for Board of Directors and Senior Management by the Association of Remittance Company Compliance Officers (ARCCO) an Anti-Money Laundering Council (AMLC) Accredited Training Provider (ITP-004)</li></ul>	14 Mar 2023
<ul style="list-style-type: none"><li>• Seminar on Prevention of Bribery Ordinance (under anti-corruption) by the Hong Kong Institute of Directors</li></ul>	24 Oct 2023
<ul style="list-style-type: none"><li>• Corporate Governance for Publicly Listed Companies and the Manual on Corporate Governance of San Miguel Corporation by the Centre for Global Practices</li></ul>	10 Nov 2023
<ul style="list-style-type: none"><li>• Anti-Money Laundering/Countering Financing of Terrorism &amp; Anti-Corruption (AML/CFT) – by Manoj Devadasan, General Counsel for Petron Malaysia</li></ul>	23 Nov 2023
<b>Mr. Lubin B. Nepomuceno</b>	
<ul style="list-style-type: none"><li>• Petron Visioning Workshop</li></ul>	14 Jul 2023
<ul style="list-style-type: none"><li>• Advocacy Session from PMRMB for Directors and CEOs of Main Market Listed Issuers by Bursa Malaysia</li></ul>	22 Aug 2023
<ul style="list-style-type: none"><li>• Corporate Governance Training</li></ul>	20 Sep 2023
<ul style="list-style-type: none"><li>• Anti-Money Laundering/Countering Financing of Terrorism &amp; Anti-Corruption (AML/CFT) – by Manoj Devadasan, General Counsel for Petron Malaysia</li></ul>	23 Nov 2023
<b>Ms. Aurora T. Calderon</b>	
<ul style="list-style-type: none"><li>• ARCCO AMLA Training Foundation – c/o Petrogen</li></ul>	14 Mar 2023
<ul style="list-style-type: none"><li>• Navigating Global Uncertainties Towards Sustainable Growth c/o FINEX</li></ul>	6 Oct 2023
<ul style="list-style-type: none"><li>• SMC Townhall</li></ul>	20 Oct 2023
<ul style="list-style-type: none"><li>• Anti-Money Laundering/Countering Financing of Terrorism &amp; Anti-Corruption (AML/CFT) – by Manoj Devadasan, General Counsel for Petron Malaysia</li></ul>	23 Nov 2023
<ul style="list-style-type: none"><li>• SMC Sustainability Management Programme</li></ul>	30 Nov 2023

CORPORATE GOVERNANCE  
OVERVIEW STATEMENT

Directors	Date
<b>Ms. Jacqueline L. Ang</b>	
<ul style="list-style-type: none"><li>• Petron Visioning Workshop</li></ul>	14 Jul 2023
<ul style="list-style-type: none"><li>• Financial Analysis for Non-Financial Managers from Insead, The Business School for the World</li></ul>	Oct-Nov 2023
<ul style="list-style-type: none"><li>• Bursa Malaysia Mandatory Accreditation Programme (MAP) from the Institute of Corporate Directors Malaysia (ICDM)</li></ul>	23-26 Oct 2023
<ul style="list-style-type: none"><li>• Anti-Money Laundering/Countering Financing of Terrorism &amp; Anti-Corruption (AML/CFT) – by Manoj Devadasan, General Counsel for Petron Malaysia</li></ul>	23 Nov 2023
<b>Y. Bhg. Datuk Nik Mohd Hasyudeen Yusoff</b>	
<ul style="list-style-type: none"><li>• Commodity Risk Management Overview Session by Petron Malaysia</li></ul>	23 Feb 2023
<ul style="list-style-type: none"><li>• Advanced Course in Maqasid Methodology by Maqasid Institute</li></ul>	8 Mar 2023
<ul style="list-style-type: none"><li>• Coffee with Compliance – FINE2BHONEST by Bank Islam</li></ul>	18 May 2023
<ul style="list-style-type: none"><li>• Emulate Prophetic Leadership by Compliance BIMB</li></ul>	16 Jun 2023
<ul style="list-style-type: none"><li>• Ethical Leadership Helps Shape Organisational Values &amp; Cultures by Compliance BIMB</li></ul>	16 Jun 2023
<ul style="list-style-type: none"><li>• MIA International Accountants Conference 2023</li></ul>	13-14 Jun 2023
<ul style="list-style-type: none"><li>• Directors’ Conference 2023 Bank Islam Group (Harmonising Talent and Governance: Leverage ESG for Sustainability Retention by Bank Islam</li></ul>	7 Aug 2023
<ul style="list-style-type: none"><li>• IFAC Sustainability Virtual Summit-Asia Pacific by IFAC</li></ul>	27-28 Sep 2023
<ul style="list-style-type: none"><li>• Directors’ Training: AML/CFT &amp; TFS by Bank Islam</li></ul>	18 Oct 2023
<ul style="list-style-type: none"><li>• JC3 Journey to Zero 2023 Conference by JC3</li></ul>	23-25 Oct 2023
<ul style="list-style-type: none"><li>• Anti-Money Laundering/Countering Financing of Terrorism &amp; Anti-Corruption (AML/CFT) – by Manoj Devadasan, General Counsel for Petron Malaysia</li></ul>	23 Nov 2023
<b>Ms. Chua See Hua</b>	
<ul style="list-style-type: none"><li>• Commodity Risk Management Overview Session by Petron Malaysia</li></ul>	23 Feb 2023
<ul style="list-style-type: none"><li>• Rajah &amp; Tann Learning Bytes Series 2003: Digital Tokens – A Whole New Frontier</li></ul>	22 Mar 2023
<ul style="list-style-type: none"><li>• Bursa: Advocacy Sessions for Directors and CEOs of Main Market Listed Issuers</li></ul>	19 Sep 2023
<ul style="list-style-type: none"><li>• Bank Negara Malaysia and Securities Commission Malaysia: JC3 Journey to Zero Conference 2023</li></ul>	23-25 Oct 2023
<ul style="list-style-type: none"><li>• Anti-Money Laundering/Countering Financing of Terrorism &amp; Anti-Corruption (AML/CFT) – by Manoj Devadasan, General Counsel for Petron Malaysia</li></ul>	23 Nov 2023
<b>Mr. Fong Seow Kee</b>	
<ul style="list-style-type: none"><li>• Commodity Risk Management Overview Session by Petron Malaysia</li></ul>	23 Feb 2023
<ul style="list-style-type: none"><li>• EC-Council Global Services: Board of Directors Cybersecurity Awareness by Generali</li></ul>	6 Jun 2023
<ul style="list-style-type: none"><li>• RAM Forum: Emerging Risks - How Can Malaysia Steer Ahead?</li></ul>	31 Oct 2023
<ul style="list-style-type: none"><li>• Anti-Money Laundering/Countering Financing of Terrorism &amp; Anti-Corruption (AML/CFT) – by Manoj Devadasan, General Counsel for Petron Malaysia</li></ul>	23 Nov 2023

CORPORATE GOVERNANCE  
OVERVIEW STATEMENT

Directors	Date
Mr. Antonio M. Cailao	
• Commodity Risk Management Overview Session by Petron Malaysia	23 Feb 2023
• Distinguished Corporate Governance Speaker Series: ESG Monitoring and Goals Tracking: Integrating ESG in Everyday Operations	30 Mar 2023
• Directors' Duties & Responsibilities and Disclosure Obligations under Philippine Law on Climate Change Risks	27 Apr 2023
• Masterclass Season 3 Teaser	23 Jun 2023
• Distinguished Corporate Governance Speaker Series: Enabling Sustainability Culture	27 Jun 2023
• Masterclass: Redefining the Future of Finance: Fintech's Role in Shaping our Economy	28 Jul 2023
• BDI Report Launch: Building Better Boards Through Diversity	15 Aug 2023
• Masterclass: The Governance of Family Firms: Emerging Perspectives from Established Models	25 Aug 2023
• Distinguished Corporate Governance Speaker Series: ESG and Sustainability: How are they Different and How Companies Can Tackle Both?	1 Sep 2023
• Distinguished Corporate Governance Speaker Series: Sustainability Standards and Frameworks: How to Navigate the Alphabet Soup	15 Sep 2023
• Masterclass: Adopting an Entrepreneurial Mindset: A Primer for Board Directors	29 Sep 2023
• Masterclass: Transforming Companies with Digital-Disruption-Ready Boards of Directors	27 Oct 2023
• Anti-Money Laundering/Countering Financing of Terrorism & Anti-Corruption (AML/CFT) – by Manoj Devadasan, General Counsel for Petron Malaysia	23 Nov 2023
• ACGS 3.0 Briefing	23 Nov 2023
• Masterclass: The Brand Architecture: A Valuable Framework for Setting Strategy	15 Dec 2023
Y. Bhg Dato' Noorizah Hj Abd Hamid	
• Commodity Risk Management Overview Session by Petron Malaysia	23 Feb 2023
• Cybersecurity – A Boardroom Agenda (L&G) ICDM Programme - by Lee Hun Ther, APAC CTO, Ridge Security	28 Mar 2023
• PNB Knowledge Forum 2023 Harnessing Innovation and Technology for Sustainable Business	27 Jul 2023
• Women in Rail Conference	3 Aug 2023
• ICDM – Introduction to Corporate Directorship in The New Era of ESG	11 Sep 2023
• Anti-Money Laundering/Countering Financing of Terrorism & Anti-Corruption (AML/CFT) – by Manoj Devadasan, General Counsel for Petron Malaysia	23 Nov 2023
• PNB Planet Cyber – Securing the Future – Elevating Cyber Resilience	28 Nov 2023

CORPORATE GOVERNANCE  
OVERVIEW STATEMENT

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 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 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. Furthermore, 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 2023 that are of a related party nature have been duly disclosed to Bursa Malaysia 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 2023.

OTHER INFORMATION

Family Relationship

Ms. Jacqueline L. Ang is the daughter of Mr. Ramon S. Ang, Executive Director and Chairman of the Company. None of the other 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 or potential conflict of interest, including interest in any competing business, 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 14 March 2024.

# 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, whilst vendors and contractors are reminded of the need to comply with the Code of Conduct. All new employees are required to undergo mandatory training on the Code of Conduct. Where there are any violations, 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 and the requirement for declaration/review and approval are strictly enforced.

## STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

A company-wide refresher training on the Code of Conduct was completed in 2023 following a project 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) A revised gift entertainment policy to capture current legal requirements pertaining to anti-corruption;
- (b) A new whistle-blower policy;
- (c) A new anti-money laundering policy;
- (d) revision to the harassment policy to add in policy against sexual harassment; and
- (e) 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 was completed in 2023. The revised Code of Conduct, which is published on the company’s website will also be communicated to all vendors and contractors.

- 5

In relation to amendments to the Malaysian Anti-Corruption Commission Act 2009, the training for all Petron personnel was continuously conducted in 2023. 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.

In 2022/2023 the Company completed a risk evaluation exercise on all the departments’ relating to anti-money laundering and anti-corruption management. The findings from the risk evaluation exercise indicated that:

1. The Company, based on its non-complex business model has an overall low-risk in relation to exposure to money laundering/terrorism financing; and
2. The Company, based on its stringent controls (both financial and operations) has a low-risk in relation to corrupt practices.

The next risk evaluation will be conducted in 2025.

STATEMENT OF RISK MANAGEMENT  
AND INTERNAL CONTROL

In 2023, the Company’s anti-money laundering/counter-financing of terrorism protocols/process and procedures were also audited by the central bank (Bank Negara Malaysia). Whilst there were no adverse findings, the Company has moved to implement the recommendations proposed by the central bank. In this regard, the following are to be noted:

- (a) Training on anti-money laundering (as well as anti-corruption management) was conducted for the entire Board of Directors (November 2023);
- (b) Compliance reporting is also provided to the Board of Directors (and not just the Board Audit & Risk Management Committee) as a permanent agenda item in all quarterly board meetings (effective November 2023); and
- (c) To conduct further training for personnel involved in relevant business departments and at Controllers on anti-money laundering and following the training, to conduct an evaluation of their understanding.

In relation to anti-money laundering/counter-financing of terrorism compliance, to-date three (3) personnel of the Company achieved professional qualification from International Compliance Association (ICA)/Asian Institute of Chartered Bankers (AICB) Advanced Certification in Anti-Money Laundering/Counter Financing in Terrorism (ACAML).

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 BOARD RECOGNISES THAT RISKS CAN BE MITIGATED (AND EVEN ELIMINATED) BY HAVING IN PLACE AN EFFECTIVE SYSTEM OF INTERNAL CONTROLS.”

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.

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) which was adopted from the parent company’s ISMS but localised for Petron Malaysia’s requirements.

STATEMENT OF RISK MANAGEMENT  
AND INTERNAL CONTROL

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 Authorized signatories;

7

Risk Management updates were included as a fixed item in all Quarterly Board Audit & Risk Management Committee 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. Effective November 2023, a compliance update is also provided to Board of Directors at its quarterly meetings.

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.

STATEMENT OF RISK MANAGEMENT  
AND INTERNAL CONTROL

Our terminals continue to be recognised for their commitment to outstanding occupational safety and health performance. In 2023, Petron’s Kuantan Terminal won the overseas safety award for the first time – The Royal Society for the Prevention of Accidents (RoSPA). It is a British charity that aims to save lives and prevent life-changing injuries resulting from accidents. Petron’s team has been presented with the Silver award, which usually receives more than 2,000 entries yearly, covering nearly 50 countries and reaching over seven million employees.

At the 41<sup>st</sup> Malaysian Society for Occupational Safety and Health (MSOSH) Awards Ceremony in November 2023, we brought home 9 awards for the first time for our terminals and refinery. The Bagan Luar, Kuantan and Pasir Gudang Terminal bagged Grand Awards; the Sepangar Bay, Sandakan and Tawau Terminal garnered Gold Merit Awards; while the Port Dickson Refinery, Port Dickson Terminal and KLIA Aviation Depot received Gold Class 1 Awards. This is a recognition of 2 of our business core values – Excellence and Safety. The win shows our strong safety culture in our operation, which applies to our employees and contractors.

At the Prime Minister’s Hibiscus Award 2021/2022 event held in June 2023, the Pasir Gudang Terminal and Port Dickson Refinery were honoured with the Exceptional Achievement award, while the Bagan Luar, Kuantan, and Sepangar Bay Terminals received Notable Achievement Awards, underscoring Petron’s dedication to environmental sustainability. Moreover, the Klang Valley Distribution Terminal and the Pasir Gudang Terminal underwent Manila Controls Audits, achieving ‘Very Satisfactory’ ratings with scores above 92%, affirming our high standards in operational control and asset management. These accolades across various platforms underscore Petron’s unwavering commitment to safety, health, and environmental stewardship, reinforcing our position as a leader in operational excellence.

Petron’s Distribution and Terminal Operations deliver supply reliability safely and flawlessly. In 2023, we achieved a significant milestone of 35.46 million injury-

“WE BROUGHT HOME  
9 AWARDS FOR THE  
FIRST TIME FOR OUR  
TERMINALS AND  
REFINERY.”

free man-hours, and 26.82 years without Loss Time Injury, demonstrating our unwavering commitment to operational excellence and a safe working environment for our employees.

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 2023 and up to the date of this Report) are operating adequately and effectively, in all material respects.

This Statement is dated 14 March 2024.

BOARD AUDIT & RISK MANAGEMENT  
COMMITTEE REPORT

As at 31 December 2023, the Board Audit & Risk Management Committee (“Committee”) comprised five (5) Independent Directors, namely:

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

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, Y. Bhg. Datuk Nik Mohd Hasyudeen Bin Yusoff was appointed as the Chairman of the Committee on 10 August 2022.

The profile of the Committee members can be found on pages 44 to 48.

The Secretary to the Committee is the General Counsel/ Company Secretary of the Company. The Committee’s Terms of Reference can be found on the Company’s website. The Terms of Reference were last reviewed and updated in 2019.

The Committee held five (5) regular meetings during the last financial year. The details of the attendance of each Committee member have been tabulated in the Corporate Governance Overview Statement, which can be found on page 70. 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 2023. The Internal Auditor provided updates to the Committee at the May and November meetings in 2023.

Consistent with Petron’s corporate governance culture and to ensure that Independent Directors are kept fully abreast of all matters pertaining to the Company, the Management has

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 or her 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.

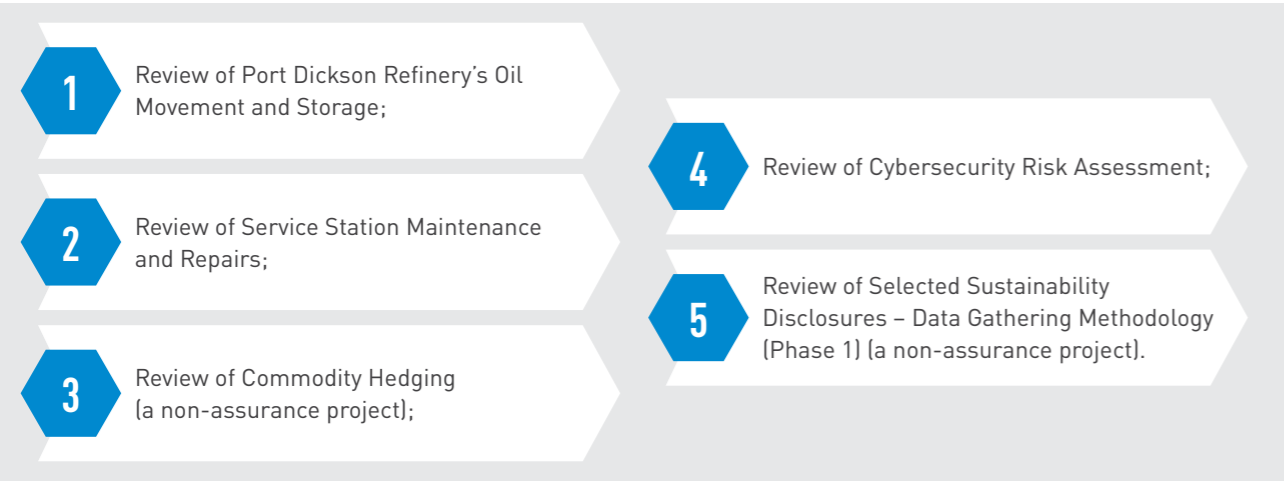
INTERNAL AUDIT

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 the downstream oil and gas business and this enables the Internal Auditor to conduct the audits efficiently and with minimal need for familiarisation. This expertise also positions the Internal Auditor to provide Management with substantial insights and recommendations for process improvements within the Company’s systems. More information on the internal audit function can be viewed within the Corporate Governance Statement on [www.petron.com.my](http://www.petron.com.my).

BOARD AUDIT & RISK MANAGEMENT  
COMMITTEE REPORT

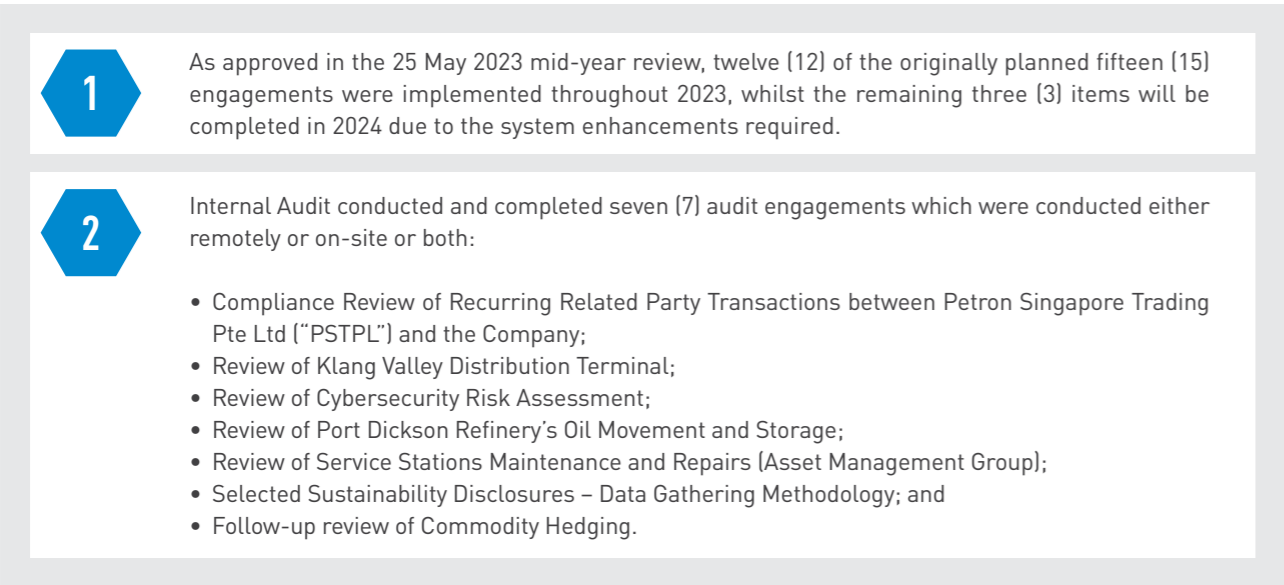
Meeting with the Internal Auditor (23 November 2023)

Following the mid-year review with Internal Audit on 25 May 2023, the Committee reviewed the completed audit engagements (which included Internal Control Ratings) in 2023. These were executed remotely and on-site, with no major issues that had a significant impact on the Company’s financial statements and business operations:



Status of Audit Plan

The status of the 2023 Audit Plan follows:



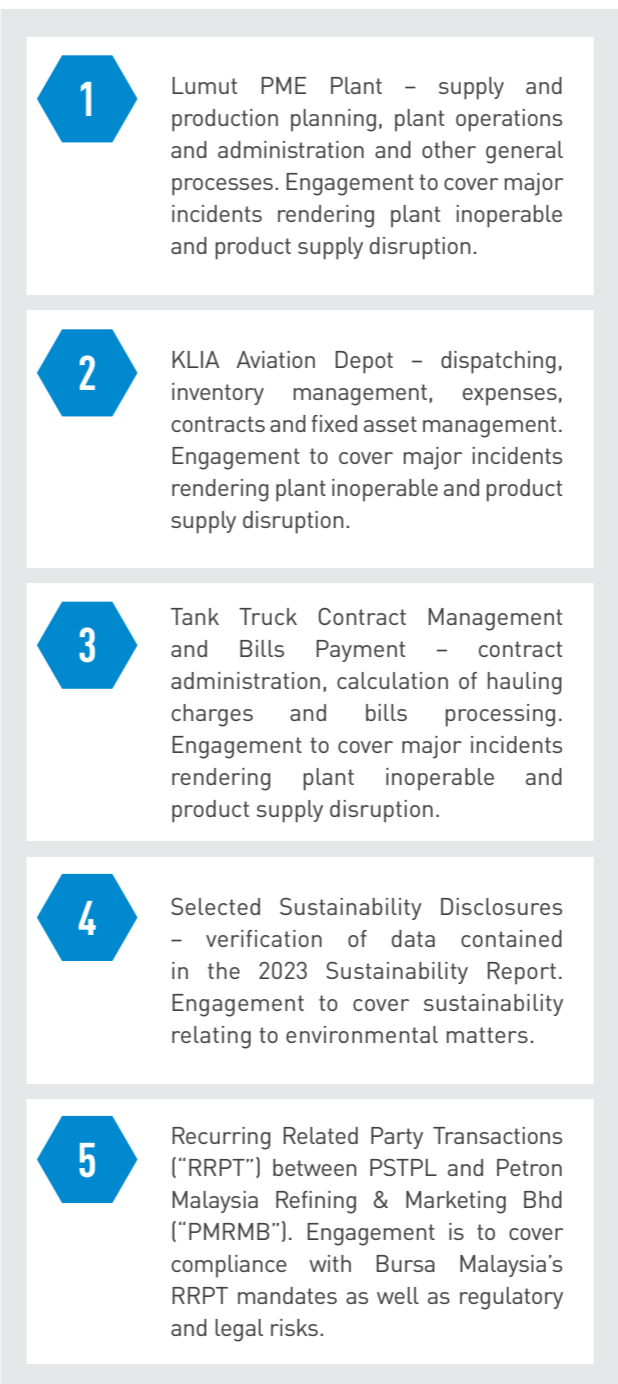
Internal Controls Assessment

There were no major issues noted that had a significant impact on the Company’s financial statements and business operations.

BOARD AUDIT & RISK MANAGEMENT  
COMMITTEE REPORT

Audit Plan for 2024

The Committee at its meeting on 23 November 2023, approved five (5) audit engagements for 2024. These will entail the following:



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

- Whilst the internal audit function 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 the 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 2023 follows:

Review of Risk Management Matters

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

Since 2017, Risk Management has been 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 Risks’ identified to be managed in 2023. Thus, the major risks for 2023 would be:

- Commodity Price Volatility (Crude/Finished Product);
- Forex Volatility;
- Crude/Product Supply Disruption;
- Delay in Government’s Subsidy Reimbursement;
- Major Incidents Rendering Facilities Inoperable (Port Dickson Refinery and Terminals);
- Pandemic;
- Access to External Financing; and
- Sustainability (considering the importance of Environment, Social and Governance matters).

BOARD AUDIT & RISK MANAGEMENT  
COMMITTEE REPORT

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 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 relating to crude/product supply, station construction and human resources management.

Review with The Internal Auditor and External Auditor

In 2023, PwC met with the Committee on 23 November 2023 to present and seek approval for the 2023 Audit Plan and Strategy. The matters discussed at this meeting included:

- 1

The scope of the audit and that the audit would be conducted based on the Approved Standards on Auditing in Malaysia;
- 2

Assurance on the independence of PwC;
- 3

Understanding the changes affecting PMRMB's business;
- 4

Risk assessment and focus areas for 2023 audit;
- 5

Key audit matters;
- 6

Reliance on Internal Auditors; and
- 7

Audit of IT Systems.

On 22 February 2024, PwC presented the audit findings in relation to the audit for the year ended 31 December 2023 (to be included in the 2023 Annual Report) to the Committee. A summary of the discussion is as follows:

Audit Focus Areas

The Audit Focus Areas identified were:

- 1

Recoverability of the carrying amount of non-financials assets;
- 2

Accuracy and occurrence of revenue transactions; and
- 3

Valuation of Inventories.

Review of the Annual Report

As required under the auditing standards, PwC reviewed the statements contained in the Company's 2023 Annual Report which was obtained after the date of the auditor's report to identify any inconsistency with material information that PwC is aware of and to identify the same for the Management.

Statement of Risk Management and Internal Control ("SORMIC")

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 caused PwC to believe that the SORMIC was not prepared, in all material respects, in accordance with the reporting criteria as set out in the 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 respects, in accordance with the SRMICG.

PwC also highlighted that the Management had been fully cooperative and had provided PwC the necessary documentation and explanations. The Committee was informed by PwC that it had not come across any offences 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 the Internal Auditor and External Auditor that the 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 23 November 2023, the Committee also received assurances from PwC that the Internal Auditor had 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 23 November 2023 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 2024, 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 programmes, processes, results of the internal audit programme, investigations undertaken, or actions that had been taken, that needed to be reported to the Board in 2024.

Endorsement of Financial Statements

The Committee reviewed and reported to the Board the quarterly results and the financial statements for the year ending 31 December 2023, including the statement of financial position and statement of profit or loss and other comprehensive income, prior to the submission of the statements to the Board for approval. The Committee also paid particular attention to ensuring compliance with changes in existing accounting policies as well as implementation of new accounting policies, and significant and unusual events (if any). The Committee also reviewed and ensured compliance with legal requirements including disclosures to the stock exchange and the relevant authorities.

Endorsement of Major Transactions and Recurring Related Party Transactions

The Committee endorsed the Circular to Shareholders in relation to the Proposed New Shareholders' Mandate for RRPT of Revenue or a Trading Nature ("Mandate") for approval by shareholders at the 2023 Annual General Meeting. There were no undisclosed related party transactions in 2023. The Mandate was subsequently approved by the shareholders.

BOARD AUDIT & RISK MANAGEMENT  
COMMITTEE REPORT

Review of Other Significant Matters

Apart from major transactions and related party transactions, the Committee at all quarterly meetings in 2023, 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

Revisions 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 22 February 2024 and 14 March 2024:

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 be recommended to the shareholders at the Annual General Meeting for reappointment as auditors for 2024; and that

(b) The Board be authorised to determine the External Auditor's fees for the 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 14 March 2024.

# NOMINATING COMMITTEE REPORT

## NOMINATING COMMITTEE REPORT

### ESTABLISHMENT OF THE 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 <i>(Independent Director) – Chairperson of the Nominating Committee</i>		
Y. BHG. DATUK NIK MOHD HASYUDEEN BIN YUSOFF <i>(Independent Director)</i>	MR. ANTONIO M. CAILAO <i>(Independent Director) (appointed with effect from 2 August 2023)</i>	MR. FERDINAND K. CONSTANTINO <i>(Non-Executive Director) (resigned with effect from 11 July 2023)</i>

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

### ROLE OF THE NOMINATING COMMITTEE AND ACTIVITIES IN 2023

#### Annual Assessment and Evaluation

Apart from reviewing and making recommendations on candidates to the Board, 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 instruct the Management to plan induction training programmes for new Directors (on request) to acquaint them with their fiduciary duties and the need for compliance with securities and corporate laws. As directed by the Chairperson of

the Nominating Committee, all Directors are informed of available training programmes by the Company Secretary, and where requested by the Directors, the Company will arrange for Directors to attend such training programmes.

Ms. Jacqueline L. Ang was appointed as an Executive Director and member of the Board of Directors of the Company effective 2 August 2023. She has completed her Mandatory Accreditation Programme (“MAP”), a requirement for her formal onboarding as a first-time director of the Company which is listed on Bursa Malaysia, ensuring full compliance with paragraph 15.08 of the Main Market Listing Requirements.

#### 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 are also keen to ensure diversity not only in gender but also in relation to age and ethnicity.

The Nominating Committee recognises the Government’s call for diversity by ensuring that at least one-third of the Board comprises women Directors, a goal that the Nominating Committee continually strives to achieve and maintain. There are currently three (3) women Directors on the Board of the Company, two (2) of whom are Independent Directors. As such, the Board currently meets the minimum recommendation for thirty percent (30%) women Directors as stipulated by the Malaysian Code on Corporate Governance 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, to ensure consistency with the Malaysian Code on Corporate Governance 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 2023, the Nominating Committee carried out the following activities:

a	Ensured the performance evaluations of the Directors included a review of the performance of the Board in addressing the Company’s material sustainability risks and opportunities;
b	Conducted and reviewed 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;
c	Conducted a review of the candidates to retire by rotation (i.e., Mr. Ramon S. Ang, Mr. Antonio M. Cailao and Y. Bhg. Datuk Nik Mohd Hasyudeen Yusoff) and recommended their re-election at the 2024 Annual General Meeting;
d	Reviewed the candidate proposed for appointment as an Executive Director (i.e., Ms. Jacqueline L. Ang) who was appointed to the Board on 2 August 2024;
e	Directed the induction programmes for the new member of the Board, Ms. Jacqueline L. Ang, which covered, amongst other topics, the Company’s corporate information, governance framework and management information;
f	Made arrangements for Ms. Jacqueline L. Ang to attend the MAP for all new directors of public listed companies in October 2023 (required to be completed within four (4) months of appointment); and
g	Following the resignation of Mr. Ferdinand K. Constantino from the Board of Directors and the Nominating Committee effective 11 July 2023, conducted a review of candidates proposed as members of the Nominating Committee. Upon his fitness and proper assessment and approval of the Board of Directors, Mr. Antonio M. Cailao was appointed as a member of the Nominating Committee effective 2 August 2023.

NOMINATING  
COMMITTEE REPORT

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). New requirements were also introduced to enhance board quality, integrity and diversity. Among other requirements, a PLC is required to appoint at least one woman Director and have in place a Fit and Proper Policy for the appointment and re-election of its Directors.

APPOINTMENT OF DIRECTOR(S) IN 2023

On 2 August 2023, Ms. Jacqueline L. Ang was appointed to the Board as an Executive Director. Following her appointment to the Board, Ms. Ang was then appointed as a member of the Board Sustainability Committee effective 2 August 2023.

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 the Directors 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 training sessions attended by Directors, their attendance record at meetings (including their level of participation) as well as their level of compliance with legal requirements, including the Main Market Listing Requirements (“MMLR”).

For the 2023 annual evaluation, a revised and enhanced evaluation survey, as recommended by the Nominating Committee upon engagement with Internal Audit, was utilised. The survey comprises six (6) sets of questionnaires that the respective Directors are required to complete, evaluating through self-assessment and/or peer-assessment aspects such as (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 individual Directors’ performance and contributions to the Board, and (vi) the Board’s performance in addressing the Company’s material sustainability risks and opportunities.

In 2023, 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 to obtain feedback. The study and findings were then discussed by Internal Audit with the Chairperson of the Nominating Committee and with the Management. Key suggestions were included in the documentation that then formed the revised annual evaluations for the Directors for 2023.

The 2023 annual evaluation was completed in February 2024 and the results were presented to the Nominating Committee and the Board on 14 March 2024. A summary of the results follows:

• Independence

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

• Board Committee Evaluations

There were no adverse finding and the average rating of the Audit Committee was 4.86 (marginally lower than the 4.93 rating in 2022) while the Nominating Committee’s average rating was 4.91 (marginally lower than the 4.97 rating in 2022). In 2023, the evaluation of the Board Sustainability Committee commenced with this committee achieving a 4.57 rating. All these Committees received a ‘Consistently Good’ rating.

• Board Evaluation

The ratings received indicated an overall average of 4.64 (lower than the 4.82 rating received in 2022) indicating ‘Consistently Good’.

• Board Skill Evaluation (Peer Assessment)

The Directors received ratings of between 4.53 and 4.69 overall (marginally lower than the rating in 2022 of between 4.75 and 4.93), indicating that, on average, each Director was ranked as ‘Consistently Good’.

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

Each Director received a rating of between 4.42 and 4.76 (marginally lower than the rating in 2022 of between 4.72 and 4.98), again indicating that, on average, each Director was ranked as ‘Consistently Good’.

• Sustainability (ESG) Evaluation

The average rating for Sustainability was at 4.26 which is an improved rating over the 3.94 rating received in 2022.

The evaluation of the independence of the Independent Directors indicated that all the Independent Directors fulfilled all the 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 and she will retire at the conclusion of the Annual General Meeting in 2024.

The Board was satisfied with the results of the other evaluations, which showed that the Directors, the Board Committees and the Board had achieved overall ratings of ‘Consistently Good’, and that the Board composition had the right mix of skills and experience as well as 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 pertaining to the re-election of retiring Directors.

The Company’s Chief Executive Officer, Chief Finance Officer, Company Secretary and other members of the Management Committee (collectively “Key Executives”) all 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 who do not have any role in determining the results of the evaluation, the ranking, the salary increments and other remuneration, if any.

The Nominating Committee plans to have the 2024 evaluation conducted in collaboration with an independent consultant.

Election/Re-election/Appointment of Directors

The Nominating Committee at its meeting on 14 March 2024, also evaluated the Directors standing for election/re-election/appointment to the Board. The Nominating Committee, having access to the evaluation results on Directors’ performance, and having assessed each Director for reappointment as a Director based on criteria set out in the Company’s Fit and Proper Policy, recommended:

a

That three (3) Directors, namely Mr. Ramon S. Ang (Executive Director), Mr. Antonio M. Cailao (Independent Director) and Y. Bhg. Datuk Nik Mohd Hasyudeen Yusoff (Independent Director) shall retire by rotation at the forthcoming Annual General Meeting. The Committee, having considered the excellent evaluation ratings from the Annual Evaluation of these three (3) retiring Directors and considering the time they have available to devote to Petron Malaysia Refining & Marketing Bhd, proposed to the Board to recommend the respective Directors’ re-election to the shareholders at the Annual General Meeting.

b

That Ms. Jacqueline L. Ang (Executive Director) who was appointed effective 2 August 2023, shall retire at the upcoming Annual General Meeting 2024, but is eligible to be elected to the Board. In this regard, the Committee proposed that the Board recommend to the shareholders at the Annual General Meeting 2024, that Ms. Jacqueline L. Ang be elected to the Board.

c

That Independent Director (and Chairperson of the Nominating Committee), Ms. Chua See Hua, who has exceeded twelve (12) cumulative years in office as an Independent Director, shall retire at the upcoming Annual General Meeting.

This report is dated 14 March 2024.

NOMINATING  
COMMITTEE REPORT

# BOARD SUSTAINABILITY COMMITTEE REPORT

## ESTABLISHMENT OF THE 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 steering sustainability efforts and reporting on the

Company's sustainability progress to comply with the recommendations of the Malaysian Code on Corporate Governance 2021. The Board Sustainability Committee also ensure alignment of the Company's Sustainability efforts and reporting with Petron Corporation and San Miguel Corporation Group.

In August 2023, Mr. Ferdinand K. Constantino resigned as Chairman of the Board Sustainability Committee and was replaced by Mr. Lubin B. Nepomuceno.

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

<b>MR. LUBIN B. NEPOMUCENO</b> <i>Chairman of the Committee</i> <i>(appointed with effect from 10 August 2023)</i>		
<b>MR. FONG SEOW KEE</b> <i>(Independent Director)</i>	<b>Y. BHG. DATO' NOORIZAH ABDUL HAMID</b> <i>(Independent Director)</i>	<b>MS. JACQUELINE L. ANG</b> <i>(Executive Director)</i> <i>(with effect from 2 August 2023)</i>

The current advisors to the Board Sustainability Committee are as follows:

<b>MR. EMMANUEL E. ERAÑA</b>	<b>MR. JAIME O. LU</b>	<b>MS. MIA L. SANTOS-DELOS REYES</b>
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## ROLE OF THE BOARD SUSTAINABILITY COMMITTEE

Apart from steering sustainability efforts and undertaking the sustainability reporting of the Company as mentioned above, the Board Sustainability Committee is responsible for assisting the Board of Directors and/or the Chairman of the Board by reviewing the Company's sustainability strategies, targets and programmes. The Committee is also to guide the Board of Directors/Chairman of the Board/Management on all matters relating to Petron Malaysia'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.

## MEETINGS

Four (4) Board Sustainability Committee meetings were held in 2023 on 2 March, 22 May, 10 August and 9 November, respectively.

## 2023 SUSTAINABILITY ACTIVITIES

The updates on the Company's 2023 sustainability activities can be found in Petron Malaysia Refining & Marketing Bhd's standalone 2023 Sustainability Report.

# FINANCIAL STATEMENTS

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# DIRECTORS’ REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

The Directors have pleasure in submitting their report and the audited financial statements of the Company for the financial year ended 31 December 2023.

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 financial year	272,061

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 25 sen per ordinary share totalling RM67,500,000 in respect of the financial year ended 31 December 2022, declared on 15 June 2023 and paid on 30 June 2023 and 4 July 2023.

The final ordinary dividend recommended by the Directors in respect of the financial year ended 31 December 2023 is 23 sen per ordinary share totalling RM62,100,000 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
- Ms. Jacqueline L. Ang (appointed on 2 August 2023)
- Mr. Ferdinand K. Constantino (resigned on 11 July 2023)

## DIRECTORS’ REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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 1.1.2023	Acquired	Sold	At 31.12.2023
Common shares of ultimate holding company (San Miguel Corporation)				
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*
Common shares of intermediate holding company (Petron Corporation)				
Ramon S. Ang	1,000	-	-	1,000
Lubin B. Nepomuceno	5,000	-	-	5,000
Aurora T. Calderon	1,000	-	-	1,000

\* Denotes the shareholdings at 11 July 2023.

None of the other Directors holding office as at 31 December 2023 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:

	2023 RM’000
Non-executive independent directors	
Fees	468
Other short-term benefits	348
	816

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 financial 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 2023 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 2023 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: 4 March 2024

# STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Note	2023 RM'000	2022 RM'000
<b>Assets</b>			
Cash and cash equivalents	3	116,168	200,876
Derivative financial assets	4	48,126	22,737
Trade and other receivables	5	1,333,584	1,270,626
Inventories	6	1,049,135	1,090,472
Other current assets	7	9,233	5,972
Tax recoverable		5,731	1,930
<b>Total current assets</b>		<b>2,561,977</b>	<b>2,592,613</b>
Property, plant and equipment	8	1,442,893	1,481,409
Investment properties	9	635,887	634,185
Right-of-use assets	10	33,589	34,261
Long-term assets	11	21,761	20,872
Intangible assets – software	12	1,287	918
<b>Total non-current assets</b>		<b>2,135,417</b>	<b>2,171,645</b>
<b>Total assets</b>		<b>4,697,394</b>	<b>4,764,258</b>
<b>Liabilities</b>			
Loans and borrowings	13	950,000	1,100,000
Trade and other payables	14	1,014,534	1,218,057
Retirement benefit obligations	15	1,936	1,936
Lease liabilities		17,167	6,614
Asset retirement obligations	16	2,782	2,127
Derivative financial liabilities	4	15,509	24,545
<b>Total current liabilities</b>		<b>2,001,928</b>	<b>2,353,279</b>
Retirement benefit obligations	15	19,856	19,218
Deferred tax liabilities	17	192,923	119,775
Lease liabilities		53,010	46,710
Asset retirement obligations	16	8,427	8,637
<b>Total non-current liabilities</b>		<b>274,216</b>	<b>194,340</b>
<b>Total liabilities</b>		<b>2,276,144</b>	<b>2,547,619</b>
<b>Equity</b>			
Share capital	18	143,000	143,000
Retained earnings		2,278,250	2,073,639
<b>Total equity</b>		<b>2,421,250</b>	<b>2,216,639</b>
<b>Total equity and liabilities</b>		<b>4,697,394</b>	<b>4,764,258</b>

The notes on pages 102 to 152 are an integral part of these financial statements.

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	2023 RM'000	2022 RM'000
Revenue	19	17,216,282	18,350,073
Cost of sales		(16,652,375)	(17,817,374)
<b>Gross profit</b>		<b>563,907</b>	<b>532,699</b>
Other operating income		72,787	61,107
Other operating expenses	20	(280,521)	(266,597)
Administrative expenses		(6,890)	(9,376)
<b>Results from operating activities</b>		<b>349,283</b>	<b>317,833</b>
Finance income		6,501	6,516
Other income		49,774	21,028
Finance costs	21	(37,905)	(44,498)
<b>Profit before tax</b>	22	<b>367,653</b>	<b>300,879</b>
Tax expense	23	(95,592)	(290)
<b>Profit for the financial year</b>		<b>272,061</b>	<b>300,589</b>
<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	50	1,528
<b>Other comprehensive income for the financial year, net of tax</b>		<b>50</b>	<b>1,528</b>
<b>Total comprehensive income for the financial year</b>		<b>272,111</b>	<b>302,117</b>
<b>Basic earnings per ordinary share (sen)</b>	25	<b>100.8</b>	<b>111.3</b>

The notes on pages 102 to 152 are an integral part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	Non-distributable Share capital RM'000	Distributable Retained earnings RM'000	Total equity RM'000
<b>Note 18</b>				
<b>At 1 January 2022</b>		143,000	1,825,522	1,968,522
Remeasurement of defined benefit liability	24	-	1,528	1,528
Profit for the financial year		-	300,589	300,589
<b>Total comprehensive income for the financial year</b>		-	302,117	302,117
Dividends paid	26	-	(54,000)	(54,000)
<b>At 31 December 2022/1 January 2023</b>		<b>143,000</b>	<b>2,073,639</b>	<b>2,216,639</b>
Remeasurement of defined benefit liability	24	-	50	50
Profit for the financial year		-	272,061	272,061
<b>Total comprehensive income for the financial year</b>		-	272,111	272,111
Dividends paid	26	-	(67,500)	(67,500)
<b>At 31 December 2023</b>		<b>143,000</b>	<b>2,278,250</b>	<b>2,421,250</b>

The notes on pages 102 to 152 are an integral part of these financial statements.

# STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	2023 RM'000	2022 RM'000
<b>Cash flows from operating activities</b>			
Profit before tax		367,653	300,879
Adjustments for:			
Amortisation of intangible assets	12	1,667	242
Amortisation of long-term assets	11	5,224	2,305
Depreciation of investment properties	9	33,875	35,299
Depreciation of property, plant and equipment	8	87,276	87,106
Depreciation of right-of-use assets	10	611	631
Finance costs	21	37,905	44,498
Finance income		(6,501)	(6,516)
Net loss on disposal of property, plant and equipment		143	-
Net impairment loss on investment properties	9	356	1,133
Impairment loss on property, plant and equipment	8	3,855	-
Impairment loss on trade and other receivables	28	42	117
Net reversal of impairment loss on slow moving materials and supplies	6	(13)	(386)
Retirement benefit costs	15	2,574	2,556
Reversal of impairment loss on trade and other receivables	28	(137)	(514)
Reversal of write-down of inventories to net realisable value		(18,750)	-
Unrealised foreign exchange gain		(2,093)	(45)
Unrealised (gain)/loss on derivatives		(32,617)	1,808
Write-down of inventories to net realisable value	6	21,715	18,750
Write-off of investment properties	9	-	9
Write-off of property, plant and equipment	8	730	62
<b>Operating profit before changes in working capital</b>		<b>503,515</b>	<b>487,934</b>
Change in inventories		38,384	(215,328)
Change in long-term assets		4,647	986
Change in trade and other payables and other financial liabilities		(224,121)	134,993
Change in trade and other receivables and other financial assets		(46,691)	(362,637)
<b>Cash from operations</b>		<b>275,734</b>	<b>45,948</b>
Interest paid		(34,637)	(35,155)
Interest received		6,501	6,516
Tax paid		(26,246)	(19,506)
Tax refund		-	1,298
Retirement benefits paid	15	(1,886)	(1,250)
<b>Net cash from/(used in) operating activities</b>		<b>219,466</b>	<b>(2,149)</b>

The notes on pages 102 to 152 are an integral part of these financial statements.

STATEMENT OF  
CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	2023 RM'000	2022 RM'000
<b>Cash flows from investing activities</b>			
Acquisition of investment properties		(13,107)	(10,194)
Acquisition of property, plant and equipment		(53,422)	(52,835)
Payment for long-term assets	11	(13,124)	(5,248)
Proceeds from disposal of property, plant and equipment		14	87
<b>Net cash used in investing activities</b>		<b>(79,639)</b>	<b>(68,190)</b>
<b>Cash flows from financing activities</b>			
Dividends paid	26	(67,500)	(54,000)
Net (repayment of)/proceeds from borrowings		(150,000)	73,084
Payment of lease liabilities		(6,379)	(1,736)
<b>Net cash (used in)/from financing activities</b>		<b>(223,879)</b>	<b>17,348</b>
<b>Net change in cash and cash equivalents</b>		<b>(84,052)</b>	<b>(52,991)</b>
Effect of exchange rate fluctuations on cash held		(656)	(209)
Cash and cash equivalents at 1 January		200,876	254,076
<b>Cash and cash equivalents at 31 December</b>	3	<b>116,168</b>	<b>200,876</b>

CASH OUTFLOWS FOR LEASES AS A LESSEE

Total cash outflows for leases amounted to RM9,275,000 (2022: RM4,557,000) comprised of principal and interest payments on lease liabilities.

STATEMENT OF  
CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	Loans and borrowings RM'000	Lease liabilities RM'000	Total RM'000
<b>At 1 January 2022</b>	1,026,916	53,064	1,079,980
<b>Changes from financing cash flows</b>			
Proceeds from loans and borrowings	4,662,563	-	4,662,563
Repayment of loans and borrowings	(4,589,479)	-	(4,589,479)
Payment of lease liabilities	-	(1,736)	(1,736)
Total changes from financing cash flows	73,084	(1,736)	71,348
Other changes:			
Accrued interest	-	456	456
Acquisition of new leases	-	1,782	1,782
Remeasurement of lease liabilities	-	(242)	(242)
<b>At 31 December 2022/1 January 2023</b>	<b>1,100,000</b>	<b>53,324</b>	<b>1,153,324</b>
<b>Changes from financing cash flows</b>			
Proceeds from loans and borrowings	5,329,546	-	5,329,546
Repayment of loans and borrowings	(5,479,546)	-	(5,479,546)
Payment of lease liabilities	-	(6,379)	(6,379)
Total changes from financing cash flows	(150,000)	(6,379)	(156,379)
Other changes:			
Accrued interest	-	405	405
Acquisition of new leases	-	22,749	22,749
Remeasurement of lease liabilities	-	78	78
<b>At 31 December 2023</b>	<b>950,000</b>	<b>70,177</b>	<b>1,020,177</b>

# NOTES TO THE 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 4 March 2024.

**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 2023, the Company adopted the following accounting standards, 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 2023:

- Amendments to MFRS 101, MFRS Practice Statement 2 and MFRS 108 – *Disclosure of Accounting Policies and Definition of Accounting Estimates*
- Amendments to MFRS 112, Income Taxes – *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

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 financial statements of the Company in the future.

## NOTES TO THE FINANCIAL STATEMENTS

**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 2024***

- Amendments to MFRS 7 and MFRS 107, *Financial Instruments – Disclosures and Statement of Cash Flows – Supplier Finance Arrangements*
- 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 and Classification of Liabilities as Current or Non-current*

***MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2025***

- Amendments to MFRS 121, *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability*

***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 2024 for those amendments that are effective for annual periods beginning on or after 1 January 2024 except for Amendments to MFRS 7 and MFRS 107, *Financial Instruments – Disclosures and Statement of Cash Flows – Supplier Finance Arrangements* which are not applicable to the Company.
- from the annual period beginning on 1 January 2025 for those amendments that are effective for annual periods beginning on or after 1 January 2025.

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 programme 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, POME plant, terminals 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 RM1,113,300,000, POME plant of RM49,570,000, terminals of RM19,543,000 and retail service stations of RM931,243,000 (2022: RM1,138,243,000, RM51,861,000, RM22,010,000 and RM938,659,000). The non-financial assets were then identified per CGU. The Company used both value in use and fair value less costs of disposal, as applicable, as the CGUs' recoverable amounts.

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 approved long range plan for 15 years (2022: 10 years) anchored on the budget approved by the Company for financial year 2024 and extended beyond 15 years if necessary based on 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 11.1% (2022: 11.5%) 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).

1. BASIS OF PREPARATION (CONTINUED)

1.4 Use of estimates and judgements (continued)

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

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 may 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:

a) Refinery

- 3% (2022: 3%) decrease in the refining margins will not result in the CGUs' recoverable amounts being lower than the carrying amounts.
- 5% (2022: 5%) decrease in the production volume will not result in the CGUs' recoverable amounts being lower than the carrying amounts.
- 0.5% (2022: 0.5%) increase in the pre-tax discount rate will not result in the CGUs' recoverable amounts being lower than the carrying amounts.

b) Retail (comprised of service stations and terminals that represent individual CGU)

- 2% (2022: 3%) decrease in the product margins will not result in the CGUs' recoverable amounts being lower than the carrying amounts.
- 4% (2022: 5%) decrease in the sales volume will not result in the CGUs' recoverable amounts being lower than the carrying amounts.
- 0.4% (2022: 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 2023, except for the two service stations and two leasehold lands as disclosed in Note 9.

2. MATERIAL ACCOUNTING POLICIES

The material 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.

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.1 Joint arrangements (continued)

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.

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.

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3 Financial instruments (continued)

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

*Financial assets (continued)*

(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. MATERIAL 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. MATERIAL 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. MATERIAL ACCOUNTING POLICIES (CONTINUED)

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;
- 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.

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.5 Leases (continued)

(ii) Recognition and initial measurement (continued)

(a) As a lessee (continued)

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.

(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, Revenue from Contract with Customers, 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.

NOTES TO THE  
FINANCIAL STATEMENTS

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

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).

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.

NOTES TO THE  
FINANCIAL STATEMENTS

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

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.

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 are relevant and available without undue cost or effort. These include 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.

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.10 Impairment (continued)

(ii) Other assets (continued)

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.

2.11 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.

(iii) 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.

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.12 Employee benefits (continued)

(iii) Defined benefit plans (continued)

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.

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.

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.14 Revenue and other income (continued)

(i) Sale of goods (continued)

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 programme 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;
- (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. MATERIAL ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTES TO THE  
FINANCIAL STATEMENTS

## 2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

## 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.

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

	2023 RM'000	2022 RM'000
Cash and bank balances	116,168	200,876

NOTES TO THE  
FINANCIAL STATEMENTS

## 4. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

	2023			2022		
	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	140,065	-	(2,215)	418,440	1,047	(62)
- Commodity swaps	404,743	48,126	(13,294)	198,286	21,690	(24,483)
	544,808	48,126	(15,509)	616,726	22,737	(24,545)

Forward exchange contracts are used to manage the foreign currency exposures arising from the Company's receivables, payables and 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

	2023 RM'000	2022 RM'000
<b>Trade</b>		
Trade receivables	341,742	241,996
Less: Impairment allowance	(20)	(390)
	341,722	241,606
Amounts due from related company	264,777	247,110
	606,499	488,716
<b>Non-trade</b>		
Subsidy receivables	678,996	697,881
Amounts due from related companies	-	68
Other receivables	48,089	83,961
	727,085	781,910
	1,333,584	1,270,626

## 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

	2023 RM'000	2022 RM'000
Crude oil	355,272	328,411
Petroleum products	673,155	740,988
Materials and supplies	20,708	21,073
	1,049,135	1,090,472
Recognised in profit or loss:		
Inventories recognised as cost of sales	16,506,698	17,177,642
Included within inventories recognised as cost of sales are:		
Impairment loss on slow moving materials and supplies	10	23
Reversal of slow moving materials and supplies	(23)	(409)
Reversal of write-down to net realisable value	(18,750)	-
Write-down to net realisable value	21,715	18,750

7. OTHER CURRENT ASSETS

	2023 RM'000	2022 RM'000
Prepayments	9,233	5,972

NOTES TO THE  
FINANCIAL STATEMENTS

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>Cost</b>							
1 January 2022	23,183	70,107	1,949,626	453,048	95,934	75,072	2,666,970
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 2022/1 January 2023	23,183	78,863	1,993,589	509,777	57,495	49,508	2,712,415
Addition	-	58	20,291	16,581	456	18,152	55,538
Disposal	-	-	-	(705)	-	(53)	(758)
Write-off	-	-	-	(273)	-	(594)	(867)
Reclassification to intangible assets	-	-	-	-	-	(2,036)	(2,036)
Reclassification	-	712	5,652	10,921	221	(17,506)	-
At 31 December 2023	23,183	79,633	2,019,532	536,301	58,172	47,471	2,764,292

NOTES TO THE  
FINANCIAL STATEMENTS

8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	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 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 from investment properties	-	(9)	2,750	27,968	(30,709)	-	-
At 31 December 2022/1 January 2023	-	41,263	819,149	321,796	48,798	-	1,231,006
Depreciation for the year	-	2,155	58,858	23,945	2,318	-	87,276
Disposal	-	-	-	(601)	-	-	(601)
Write-off	-	-	-	(137)	-	-	(137)
Reclassification	-	-	-	(8)	8	-	-
At 31 December 2023	-	43,418	878,007	344,995	51,124	-	1,317,544
<b>Accumulated impairment</b>							
1 January 2023	-	-	-	-	-	-	-
Impairment during the year	-	-	-	3,855	-	-	3,855
At 31 December 2023	-	-	-	3,855	-	-	3,855
<b>Carrying amount</b>							
1 January 2022	23,183	31,064	1,192,465	181,552	18,913	75,072	1,522,249
At 31 December 2022/1 January 2023	23,183	37,600	1,174,440	187,981	8,697	49,508	1,481,409
At 31 December 2023	23,183	36,215	1,141,525	187,451	7,048	47,471	1,442,893

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.

The impairment losses provided for the year pertain to existing indoor and outdoor payment terminals of service stations being replaced and upgraded for better functionalities.

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 RM77,198,000 (2022: RM82,397,000).
- Company's 50% participating interest in the jointly-owned assets of the common carrier pipeline facilities amounting to RM19,692,000 (2022: RM17,762,000).

These rental income from certain service station equipment charged to dealers are recognised in profit or loss:

	2023 RM'000	2022 RM'000
Rental income	6,790	6,517

The operating lease income to be received are as follows:

	2023 RM'000	2022 RM'000
Less than one year	5,142	5,326
One to two years	2,650	3,408
Two to five years	5,410	6,027
More than five years	9,298	11,860
Total undiscounted lease income	22,500	26,621

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:

- (i) carrying amounts of refinery plant and equipment
- (ii) carrying amounts of deferred tax assets and liabilities

Total refinery crude consumption of the PDR for the financial year, estimated by management for the computation of depreciation, has increased by 6.7%. This has resulted in decrease in depreciation for the year by RM1,904,000.

NOTES TO THE  
FINANCIAL STATEMENTS

## 9. INVESTMENT PROPERTIES

	Freehold land RM'000	Leasehold land RM'000	Buildings and improvements RM'000	Capital project in-progress RM'000	Total RM'000
<b>Cost</b>					
At 1 January 2022	177,793	488,642	546,127	3,705	1,216,267
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 2022/1 January 2023	<b>177,793</b>	<b>493,074</b>	<b>552,130</b>	<b>8,320</b>	<b>1,231,317</b>
Addition	-	<b>26,214</b>	<b>3,457</b>	<b>6,163</b>	<b>35,834</b>
Reclassification	-	-	<b>3,346</b>	<b>(3,346)</b>	-
Remeasurement	-	<b>74</b>	<b>25</b>	-	<b>99</b>
At 31 December 2023	<b>177,793</b>	<b>519,362</b>	<b>558,958</b>	<b>11,137</b>	<b>1,267,250</b>

**Accumulated depreciation**

At 1 January 2022	-	227,686	333,555	-	561,241
Depreciation for the year	-	16,097	19,202	-	35,299
Write-off	-	-	(11)	-	(11)
Remeasurements	-	(530)	-	-	(530)
At 31 December 2022/1 January 2023	-	<b>243,253</b>	<b>352,746</b>	-	<b>595,999</b>
Depreciation for the year	-	<b>15,436</b>	<b>18,439</b>	-	<b>33,875</b>
At 31 December 2023	-	<b>258,689</b>	<b>371,185</b>	-	<b>629,874</b>

**Accumulated impairment**

At 1 January 2022	-	-	-	-	-
Impairment for the year	1,133	-	-	-	1,133
At 31 December 2022/1 January 2023	<b>1,133</b>	-	-	-	<b>1,133</b>
Impairment for the year	-	<b>850</b>	-	-	<b>850</b>
Reversal of impairment	<b>(494)</b>	-	-	-	<b>(494)</b>
At 31 December 2023	<b>639</b>	<b>850</b>	-	-	<b>1,489</b>

**Carrying amount**

At 1 January 2022	177,793	260,956	212,572	3,705	655,026
At 31 December 2022/1 January 2023	<b>176,660</b>	<b>249,821</b>	<b>199,384</b>	<b>8,320</b>	<b>634,185</b>
At 31 December 2023	<b>177,154</b>	<b>259,823</b>	<b>187,773</b>	<b>11,137</b>	<b>635,887</b>

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FINANCIAL STATEMENTS

## 9. INVESTMENT PROPERTIES (CONTINUED)

The freehold land, leasehold land and buildings and improvements are in respect of the service stations leased to the dealers.

In prior year, 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 discount rates.

The impairment losses recognised for the year pertain to two leasehold lands and two service stations with recoverable amounts lower than the assets' carrying amounts. These leasehold lands will be developed as service stations when the market condition in their areas improves. There was a reversal of impairment loss recognised for the year in respect of one freehold land with recoverable amount higher than the asset's carrying amount.

The following profit or loss items are related to investment properties:

	2023 RM'000	2022 RM'000
Rental income	<b>49,730</b>	41,045
Direct expenses	<b>36,685</b>	40,732

The operating lease income to be received are as follows:

	2023 RM'000	2022 RM'000
Less than one year	<b>37,223</b>	30,891
One to two years	<b>10,877</b>	12,552
Two to five years	<b>1,259</b>	3,113
Total undiscounted lease income	<b>49,359</b>	46,556

**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 2023 was RM1,493,563,000 (2022: RM1,459,535,000) 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.

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9. INVESTMENT PROPERTIES (CONTINUED)

Level 3 fair value (continued)

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

	2023			2022		
	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	30,833	3,428	34,261	31,310	3,581	34,891
Depreciation for the year	(475)	(136)	(611)	(478)	(153)	(631)
Remeasurements	(61)	-	(61)	1	-	1
At 31 December	30,297	3,292	33,589	30,833	3,428	34,261

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 RM18,217,000 (2022: RM18,456,000) 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.

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10. RIGHT-OF-USE ASSETS (CONTINUED)

Extension options (continued)

	Lease liabilities recognised RM'000	Potential undiscounted future lease payments not included in lease liabilities* RM'000	Historical rate of extension options exercised %
2023			
Investment properties	69,026	101,590	93
Right-of-use assets	1,151	2,155	100
2022			
Investment properties	52,513	72,696	92
Right-of-use assets	811	2,155	100

\* Pertains to leases with extension option that may be exercised in the future.

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 RM103,745,000 (2022: RM74,851,000) 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 RM17,283,000 and RM171,000 (2022: RM11,119,000 and RM162,000) respectively.

11. LONG-TERM ASSETS

	2023 RM'000	2022 RM'000
Prepaid lease rentals	8,391	8,115
Deposits	4,244	4,453
Marketing assistance to dealers and others	9,126	8,304
	21,761	20,872
The movement in the long-term assets is as follows:		
At 1 January	20,872	20,079
Addition	13,124	5,248
Amortisation for the year	(5,224)	(2,305)
Reclassification to investment properties	-	(1,259)
Others	(7,011)	(891)
At 31 December	21,761	20,872

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FINANCIAL STATEMENTS

## 11. LONG-TERM ASSETS (CONTINUED)

**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 RM9,160,000 (2022: RM14,629,000).

**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.

## 12. INTANGIBLE ASSETS - SOFTWARE

	Total RM'000
<b>Cost</b>	
At 1 January 2022/31 December 2022/1 January 2023	24,420
Reclassification from property, plant and equipment	2,036
At 31 December 2023	26,456
<b>Accumulated amortisation</b>	
At 1 January 2022	23,260
Amortisation for the year	242
At 31 December 2022/1 January 2023	23,502
Amortisation for the year	1,667
At 31 December 2023	25,169
<b>Carrying amount</b>	
At 1 January 2022	1,160
At 31 December 2022/1 January 2023	918
At 31 December 2023	1,287

## 13. LOANS AND BORROWINGS

	2023 RM'000	2022 RM'000
<b>Current</b>		
Revolving credit – unsecured	950,000	1,100,000

The Company's borrowings consist of short-term bilateral loans and trade financing with various local financial institutions for working capital requirements.

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## 14. TRADE AND OTHER PAYABLES

	2023 RM'000	2022 RM'000
<b>Trade</b>		
Trade payables	864,337	927,437
Amounts due to related company	22,141	118,802
	886,478	1,046,239
<b>Non-trade</b>		
Accrued expenses	43,405	45,320
Duties and tax payables	7,664	66,782
Amounts due to related companies	15	-
Other payables	76,972	59,716
	128,056	171,818
	1,014,534	1,218,057

**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

	2023 RM'000	2022 RM'000
Current	1,936	1,936
Non-current	19,856	19,218
	21,792	21,154

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. There are no significant changes to the 2021's assumptions.

The defined benefit plan exposes the Company to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

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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:

	2023 RM'000	2022 RM'000
At 1 January	21,154	21,858
<b>Included in profit or loss</b>		
Current service cost	1,565	1,545
Interest cost	1,009	1,011
	2,574	2,556
<b>Included in other comprehensive income</b>		
Remeasurement of retirement benefit obligations		
Actuarial gain arising from:		
- Experience adjustments	(50)	(2,010)
<b>Others</b>		
Benefits paid	(1,886)	(1,250)
At 31 December	21,792	21,154

Actuarial assumptions

Principal actuarial assumptions at the end of the reporting period (expressed as weighted average):

	2023 %	2022 %
Discount rate	5.0	5.0
Future salary growth	5.8	5.8

As at 31 December 2023, the weighted average duration of the defined benefit obligation was 8.64 years (2022: 8.56 years).

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			
	2023		2022	
	Increase RM'000	Decrease RM'000	Increase RM'000	Decrease RM'000
Discount rate (1% movement)	(1,665)	1,941	(1,601)	1,864
Future salary growth (1% movement)	2,662	(2,311)	2,322	(2,028)

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15. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

Sensitivity analysis (continued)

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

	2023 RM'000	2022 RM'000
Current	2,782	2,127
Non-current	8,427	8,637
	11,209	10,764

Movements in the asset retirement obligations are as follows:

	2023 RM'000	2022 RM'000
At 1 January	10,764	7,733
Additions	72	-
Effects of change in estimate	-	2,763
Effects of change in discount rate	20	41
Accretion	353	227
At 31 December	11,209	10,764

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.

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			
	2023		2022	
	Cost increase RM'000	Cost decrease RM'000	Cost increase RM'000	Cost decrease RM'000
Increase/(Decrease) in asset retirement obligations	1,121	(1,121)	1,076	(1,076)

NOTES TO THE  
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## 17. DEFERRED TAX LIABILITIES

## Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Property, plant and equipment	-	-	(204,235)	(185,200)	(204,235)	(185,200)
Investment properties	-	-	(18,492)	(18,275)	(18,492)	(18,275)
Right-of-use assets	-	-	(1,032)	(832)	(1,032)	(832)
Lease liabilities	21,095	20,608	-	-	21,095	20,608
Retirement benefit obligations	2,602	2,491	-	-	2,602	2,491
Asset retirement obligations	1,793	1,427	-	-	1,793	1,427
Reinvestment allowances carry-forward	7,534	54,770	-	-	7,534	54,770
Other items	6,990	5,534	(9,178)	(298)	(2,188)	5,236
Net tax assets/(liabilities)	40,014	84,830	(232,937)	(204,605)	(192,923)	(119,775)

## Movement in temporary differences during the year

	At 1.1.2022	Recognised in profit or loss (Note 23)	Recognised directly in equity (Note 23)	At 31.12.2022	Recognised in profit or loss (Note 23)	At 31.12.2023
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	(161,942)	(23,258)	-	(185,200)	(19,035)	(204,235)
Investment properties	(18,783)	508	-	(18,275)	(217)	(18,492)
Right-of-use assets	(882)	50	-	(832)	(200)	(1,032)
Lease liabilities	20,701	(93)	-	20,608	487	21,095
Retirement benefit obligations	2,314	659	(482)	2,491	111	2,602
Asset retirement obligations	1,284	143	-	1,427	366	1,793
Reinvestment allowances carry-forward	17,205	37,565	-	54,770	(47,236)	7,534
Other items	4,448	788	-	5,236	(7,424)	(2,188)
Net tax liabilities	(135,655)	16,362	(482)	(119,775)	(73,148)	(192,923)

The reinvestment allowances carry-forward can be absorbed by the Company's future taxable profits up to Year of Assessment 2031 (2022: 2031).

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## 17. DEFERRED TAX LIABILITIES (CONTINUED)

## Movement in temporary differences during the year (continued)

Reinvestment allowances ("RA") recognised were arising from the Company's diesel hydrotreater project that was completed in the financial year 2021. In the prior year, 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 assets as a change in estimate.

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.

## 18. SHARE CAPITAL

	2023		2022	
	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.

	2023 RM'000	2022 RM'000
<b>Revenue from contracts with customers</b>		
Third-party sales	13,030,189	14,035,134
Sales to related companies	4,159,694	4,289,729
Other revenues	26,399	25,210
	17,216,282	18,350,073

## NOTES TO THE FINANCIAL STATEMENTS

### 19. REVENUE (CONTINUED)

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 RM16,040,000 (2022: RM15,968,000).

#### Disaggregation of revenue from contracts with customers

Revenue is disaggregated by major trade:

	2023 RM'000	2022 RM'000
Retail	9,228,907	10,142,484
Commercial	1,810,525	2,030,682
Others	6,176,850	6,176,907
	17,216,282	18,350,073

Others include sales of petroleum products to related companies (Note 31).

### 20. OTHER OPERATING EXPENSES

	2023 RM'000	2022 RM'000
Purchased services and utilities	121,040	117,993
Depreciation and amortisation	78,652	78,497
Maintenance and repairs	32,483	29,644
Advertising	11,978	11,335
Employee cost	10,400	9,440
Others	25,968	19,688
	280,521	266,597

The other operating expenses mainly relate to retail service stations and terminal operations.

### 21. FINANCE COSTS

	2023 RM'000	2022 RM'000
Interest expense of financial liabilities measured at amortised cost		
– loans and borrowings	29,944	33,890
Interest expense on lease liabilities	3,301	3,277
Interest expense on asset retirement obligations	353	227
Other finance costs	4,307	7,104
	37,905	44,498

### 22. PROFIT BEFORE TAX

	2023 RM'000	2022 RM'000
<b>Profit before tax is arrived at after charging:</b>		
Amortisation of intangible assets	1,667	242
Audit fees	436	436
Depreciation of right-of-use assets	611	631
Foreign exchange - realised loss	26,101	7,845
Impairment loss on slow moving materials and supplies	10	23
Impairment loss on trade and other receivables	42	117
Investment properties		
– Depreciation	33,875	35,299
– Impairment loss	850	1,133
– Write-off	-	9
Long-term assets		
– Amortisation		
– Prepaid lease rentals	3,905	142
– Marketing assistance to dealers	369	635
– Others	950	1,528
Loss on derivatives	-	520,197
Personnel expenses (including key management personnel)		
– Contributions to Employees' Provident Fund	4,924	4,523
– Retirement benefits	2,574	2,556
– Wages, salaries and others	45,705	40,837
Property, plant and equipment		
– Depreciation	87,276	87,106
– Loss on disposal of property, plant and equipment	157	-
– Impairment loss	3,855	-
– Write-off	730	62
Property rental – short term leases	5,600	2,722
Maintenance and repairs	57,306	44,923
Trucking cost	55,804	51,707
Write-down of inventories to net realisable value	21,715	18,750
<b>and after crediting:</b>		
Finance income	6,501	6,516
Foreign exchange - unrealised gain*	2,093	45
Gain on derivatives*	31,093	-
Gain on disposal of property, plant and equipment	14	-
Rental income^	56,521	47,562
Reversal of impairment loss on investment properties	494	-
Reversal of impairment loss on slow moving materials and supplies	23	409
Reversal of impairment loss on trade and other receivables	137	514
Reversal of write-down of inventories to net realisable value	18,750	-

^ included in other operating income

\* Included in other income

## NOTES TO THE FINANCIAL STATEMENTS

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## 23. TAX EXPENSE

## Recognised in profit or loss

	2023 RM'000	2022 RM'000
<b>Current tax expense</b>		
- Current year	21,449	17,344
- Under/(over) provision in prior year	995	(692)
Total current tax recognised in profit or loss	22,444	16,652
<b>Deferred tax expense/(benefit)</b>		
Origination of temporary differences	72,464	55,964
Under/(over) provision in prior year	684	(72,326)
Total deferred tax recognised in profit or loss	73,148	(16,362)
Total income tax expense	95,592	290
<b>Reconciliation of tax expense</b>		
Profit before tax	367,653	300,879
Income tax calculated using Malaysian tax rate of 24% (2022: 24%)	88,237	72,211
Non-deductible expenses	5,782	6,723
Recognition of reinvestment allowance	(106)	(5,626)
Under/(over) provision in prior year	1,679	(73,018)
	95,592	290
<b>Income tax recognised directly in equity</b>		
Deferred tax		
- Retirement benefit obligations	-	482

While total income tax expense during the year was RM95,592,000 (2022: RM290,000), the Company paid income taxes of RM26,246,000 (2022: RM19,506,000).

In prior year, the over provision of deferred tax expense in 2021 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 RM50,046,000 (2022: RM40,270,000) of the total deferred tax asset arising from reinvestment allowance during the year.

## 24. OTHER COMPREHENSIVE INCOME

	2023 RM'000	2022 RM'000
<b>Items that will not be reclassified subsequently to profit or loss</b>		
Remeasurement of defined benefit liability		
Before tax	50	2,010
Tax expense	-	(482)
Net of tax	50	1,528

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## 25. EARNINGS PER ORDINARY SHARE

The calculation of basic earnings per ordinary share at 31 December 2023 was based on the profit attributable to ordinary shareholders and the number of ordinary shares in issue, calculated as follows:

	2023	2022
Net profit attributable to shareholders (RM'000)	272,061	300,589
Number of ordinary share units in issue ('000)	270,000	270,000
Basic earnings per ordinary share (sen)	100.8	111.3

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>2023</b>			
Final 2022 ordinary	25.0	67,500	30 June 2023 and 4 July 2023
<b>2022</b>			
Final 2021 ordinary	20.0	54,000	5 July 2022 and 8 July 2022

After the end of the reporting period, the following dividend was proposed by the Directors. The dividend will be recognised in subsequent financial year upon approval by the owners of the Company.

	Sen per share	Total amount RM'000
Final 2023 ordinary	23.0	62,100

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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:

	2023 RM'000	2022 RM'000
Malaysia	15,174,786	16,508,702
Singapore	2,041,496	1,841,371
	17,216,282	18,350,073

Major customer

The following is a major customer with revenue equal or more than 10% of the Company's total revenue:

	2023 RM'000	2022 RM'000
Related party		
- Petron Fuel International Sdn. Bhd.	4,101,761	4,258,804

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.

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)

	Carrying amount RM'000	AC RM'000	FVTPL RM'000
2023			
Financial assets			
Cash and cash equivalents	116,168	116,168	-
Deposits	4,244	4,244	-
Derivative financial assets	48,126	-	48,126
Trade and other receivables	1,333,584	1,333,584	-
	1,502,122	1,453,996	48,126
Financial liabilities			
Loans and borrowings	(950,000)	(950,000)	-
Trade and other payables	(1,013,909)	(1,013,909)	-
Lease liabilities	(70,177)	(70,177)	-
Derivative financial liabilities	(15,509)	-	(15,509)
	(2,049,595)	(2,034,086)	(15,509)
2022			
Financial assets			
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	-
	1,494,239	1,471,502	22,737
Financial liabilities			
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)
	(2,395,926)	(2,371,381)	(24,545)

28. FINANCIAL INSTRUMENTS (CONTINUED)

28.2 Net gains and losses arising from financial instruments

	2023 RM'000	2022 RM'000
Net gains/(losses) on:		
Fair value through profit or loss	31,093	(520,197)
Financial liabilities measured at amortised cost		
- Finance costs	(37,905)	(44,498)
- Unrealised foreign exchange gain	6,053	569
- Realised foreign exchange loss	(38,489)	(22,229)
	(70,341)	(66,158)
Financial assets measured at amortised cost		
- Finance income	6,501	6,516
- Net reversal on trade and other receivables	95	397
- Unrealised foreign exchange loss	(3,960)	(524)
- Realised foreign exchange gain	12,388	14,384
	15,024	20,773
	(24,224)	(565,582)

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:

	2023 RM'000	2022 RM'000
Domestic	108,953	93,240
Foreign	232,769	148,366
	341,722	241,606

*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.

*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 2023.

	Gross RM'000	Impairment RM'000	Net RM'000
2023			
Current	340,581	-	340,581
Past due 1 - 90 days	892	-	892
Past due 91 - 180 days	269	(20)	249
	341,742	(20)	341,722
2022			
Current	241,608	(2)	241,606
Past due 1 - 90 days	388	(388)	-
	241,996	(390)	241,606

28. FINANCIAL INSTRUMENTS (CONTINUED)

28.4 Credit risk (continued)

Receivables (continued)

Impairment losses for trade receivables (continued)

The movements in the allowance for impairment losses of trade receivables during the financial year were:

	2023 RM'000	2022 RM'000
At 1 January	390	623
Allowance made during the year	18	-
Write off	(305)	-
Reversal of impairment loss	(83)	(233)
At 31 December	20	390

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 RM24,000 (2022: increase of RM117,000). There was a reversal of allowance for impairment of other receivables amounting to RM54,000 (2022: RM281,000) and write off amounting to RM5,000 during the year.

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.

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			Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
		rate/coupon	interest	cash flows				
2023								
Non-derivative financial liabilities								
Trade and other payables	1,013,909	-	-	1,013,909	-	-	-	-
Lease liabilities	70,177	3.8% - 8.5%	-	114,458	5,576	4,995	12,662	91,225
Loans and borrowings								
Revolving credit	950,000	4.2% - 4.6%	-	951,852	951,852	-	-	-
	2,034,086			2,080,219	1,971,337	4,995	12,662	91,225
Derivative financial liabilities								
Forward exchange contracts (gross settled):								
Outflow	2,215	-	-	140,065	140,065	-	-	-
Inflow	-	-	-	(137,850)	(137,850)	-	-	-
Commodity swaps (gross settled):								
Outflow	-	-	-	404,743	404,743	-	-	-
Inflow	(34,832)	-	-	(439,575)	(439,575)	-	-	-
	2,001,469			2,047,602	1,938,720	4,995	12,662	91,225

NOTES TO THE  
FINANCIAL STATEMENTS

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>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							
Revolving credit	1,100,000	3.9%	1,102,040	1,102,040	-	-	-
	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)	-	-	-
	2,373,189		2,428,171	2,326,528	3,976	12,008	85,659

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) (2022: 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>2023</b>				
Cash and cash equivalents	79,878	-	-	-
Trade and other receivables	232,769	-	-	-
Trade and other payables	(384,892)	(349)	(109)	(1,487)
Exposure before forward exchange contracts	(72,245)	(349)	(109)	(1,487)
Forward exchange contracts	140,065	-	-	-
<b>Net coverage/(exposure)</b>	<b>67,820</b>	<b>(349)</b>	<b>(109)</b>	<b>(1,487)</b>
<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>

*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.

NOTES TO THE  
FINANCIAL STATEMENTS

28. FINANCIAL INSTRUMENTS (CONTINUED)

28.6 Market risk (continued)

28.6.1 Currency risk (continued)

Currency risk sensitivity analysis (continued)

A 10% (2022:10%) 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.

	(Increase)/Decrease in profit after tax	
	2023 RM'000	2022 RM'000
USD	(5,154)	568

A 10% (2022:10%) 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.

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:

	2023 RM'000	2022 RM'000
Floating rate instruments		
Financial liabilities	(950,000)	(1,100,000)

28. FINANCIAL INSTRUMENTS (CONTINUED)

28.6 Market risk (continued)

28.6.2 Interest rate risk (continued)

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			
	2023 10 bp increase RM'000	10 bp decrease RM'000	2022 10 bp increase RM'000	10 bp decrease RM'000
Floating rate instruments	(15)	15	(52)	52

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	
	2023 RM'000	2022 RM'000
10% increase in commodity price	(24,695)	(10,693)
10% decrease in commodity price	24,695	10,693

NOTES TO THE  
FINANCIAL STATEMENTS

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 2023</b>			
<i>Financial assets</i>			
Trade and other receivables	1,481,055	(147,471)	1,333,584
<i>Financial liabilities</i>			
Trade and other payables	1,151,209	(147,471)	1,003,738
<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

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.

NOTES TO THE  
FINANCIAL STATEMENTS

28. FINANCIAL INSTRUMENTS (CONTINUED)

28.8 Fair value information (continued)

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>2023</b>					
<b>Financial assets</b>					
Commodity swaps	-	48,126	-	48,126	48,126
<b>Financial liabilities</b>					
Forward exchange contracts	-	(2,215)	-	(2,215)	(2,215)
Commodity swaps	-	(13,294)	-	(13,294)	(13,294)
	-	(15,509)	-	(15,509)	(15,509)
<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)

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 (2022: no transfer in either directions).

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FINANCIAL STATEMENTS

NOTES TO THE  
FINANCIAL STATEMENTS

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 2023 and 31 December 2022 were as follows:

	2023 RM’000	2022 RM’000
Loans and borrowings (Note 13)	950,000	1,100,000
Lease liabilities	70,177	53,324
Total debt	1,020,177	1,153,324
Total equity	2,421,250	2,216,639
Debt-to-equity ratios	0.42	0.52

There was no change in the Company’s approach to capital management during the financial year.

30. CAPITAL AND OTHER COMMITMENTS

	2023 RM’000	2022 RM’000
<b>Capital expenditure commitments</b>		
Contracted but not yet recognized		
Plant and equipment	58,961	29,810
Investment properties	14,048	25,433

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.

31. RELATED PARTIES (CONTINUED)

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.

	2023 RM’000	2022 RM’000
Purchase of petroleum products from related companies:		
Petron Fuel International Sdn. Bhd.	1,711,299	1,938,401
Petron Singapore Trading Pte. Ltd.	555,415	1,147,106
Sale of petroleum products to related companies:		
Petron Fuel International Sdn. Bhd.	4,101,761	4,258,804
Petron Oil (M) Sdn. Bhd.	-	30,925
Petron Singapore Trading Pte. Ltd.	57,933	-
Central management, shared facilities and service costs with related companies:		
Petron Fuel International Sdn. Bhd.		
Charged from:		
- Access fee	500	500
- Bottling fee	8,003	7,308
- Others	85,824	95,035
Petron Oil (M) Sdn. Bhd.		
Charged to:	-	128
Key management personnel:		
<i>Non-executive independent directors</i>		
Fees	468	507
Other short-term benefits	348	338
	816	845

NOTES TO THE  
FINANCIAL STATEMENTS

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	
				2023	2022
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. Arbitration is currently ongoing with the court hearing fixed from 10 to 14 June 2024. 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

In the opinion of the Directors, the financial statements set out on pages 96 to 152 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 2023 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: 4 March 2024

# STATUTORY DECLARATION

PURSUANT TO 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 96 to 152 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 4 March 2024.

Mark Tristan D. Caparas

Before me:

Commissioner for Oaths  
Kuala Lumpur

# INDEPENDENT AUDITORS’ REPORT

TO THE MEMBERS OF PETRON MALAYSIA REFINING & MARKETING BHD  
(INCORPORATED IN MALAYSIA)  
REGISTRATION NO. 196001000260 (3927-V)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Petron Malaysia Refining & Marketing Bhd (“the Company”) give a true and fair view of the financial position of the Company as at 31 December 2023, 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 2023, 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 material accounting policies, as set out on 96 to 152.

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 BHD (CONTINUED)  
(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
<p><b>Recoverability of the carrying amount of property, plant and equipment, investment properties and right-of-use assets</b></p> <p>Refer to Note 1.4 Use of estimates and judgements: Determining recoverable amounts of non-financial assets, Note 2.4 - Property, plant and equipment, Note 2.5 - Leases, Note 2.6 – Investment properties, Note 2.10 -Impairment, Note 8 - Property, plant and equipment, Note 9 - Investment properties and Note 10 - Right-of-use assets</p> <p>The Company performed impairment assessments on its property, plant and equipment, investment properties and right-of-use assets (collectively referred to as “assets”) during the year as there were indicators of impairment. The Company determined the recoverable amounts of the assets based on the higher of value in use (“VIU”) and fair value less cost to sell (“FVLCTS”) method.</p> <p>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 judgements and estimates in determining projected cashflows and the discount rate.</p> <p>Based on the impairment assessment performed, the Company concluded that no impairment was required except for two leasehold lands and two service stations where their recoverable amounts were lower than their carrying amounts, resulting in an impairment loss of RM850,000 recognised within investment properties as set out in Note 9 to the financial statements.</p>	<p>We performed the following audit procedures:</p> <ol style="list-style-type: none"><li>1) We evaluated management’s basis of determining the cash generating units (“CGUs”) of the respective assets, which represent the smallest identifiable group of assets that generate independent cash inflows;</li><li>2) We evaluated the Company’s impairment methodology and tested the mathematical accuracy of the VIU and FVLCTS models used by management where applicable;</li><li>3) 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:<ol style="list-style-type: none"><li>a) Discussed with management and the Directors the key assumptions applied in determining projected cashflows. The projected cashflows of the assets used for impairment assessment have been approved by the Company;</li><li>b) Compared the key assumptions used including refining and product margins and production and sales volume to historical results achieved by the Company and long term oil and gas price outlook to industry forecast;</li><li>c) Discussed with management the expected useful life of respective assets applied in the VIU calculation;</li><li>d) Checked reasonableness of the growth rate and discount rate with assistance of our valuation experts by benchmarking to industry reports; and</li><li>e) Checked the sensitivity analysis performed by management on key assumptions disclosed in Note 1.4.</li></ol></li><li>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.</li></ol> <p>Based on the procedures performed above, we did not find any material exception to the Company’s impairment assessment.</p>

INDEPENDENT  
AUDITORS’ REPORT

TO THE MEMBERS OF PETRON MALAYSIA REFINING & MARKETING BHD (CONTINUED)  
(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
<p><b>Accuracy and occurrence of revenue transactions</b></p> <p>Refer to Note 2.14 Revenue and other income and Note 19 - Revenue</p> <p>The Company’s revenue of RM17.2 billion during the financial year ended 31 December 2023 are mainly derived from the sale of petroleum products which includes Government subsidies and net of Government duties.</p> <p>We focused on accuracy and occurrence of the revenue transactions given large sale volume of different petroleum products and price changes.</p>	<p>We performed the following audit procedures:</p> <ol style="list-style-type: none"><li>1) 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;</li><li>2) 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 sampling basis;</li><li>3) Reviewed management’s assessment of the identification of separate performance obligations over material customer contracts and sighted to the customer contracts on a sampling basis;</li><li>4) 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 sampling basis; and</li><li>5) Examined and tested material non-standard journal entries and other adjustments posted to revenue accounts.</li></ol> <p><b>Based on the procedures performed above, we did not find any material exceptions in the revenue recognised during the financial year.</b></p>

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 2023 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 and will 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.

INDEPENDENT  
AUDITORS’ REPORT

TO THE MEMBERS OF PETRON MALAYSIA REFINING & MARKETING BHD (CONTINUED)  
(INCORPORATED IN MALAYSIA)  
REGISTRATION NO. 196001000260 (3927-V)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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:

- (a) 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.
- (b) 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.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (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.

INDEPENDENT  
AUDITORS’ REPORT

TO THE MEMBERS OF PETRON MALAYSIA REFINING & MARKETING BHD (CONTINUED)  
(INCORPORATED IN MALAYSIA)  
REGISTRATION NO. 196001000260 (3927-V)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

Kuala Lumpur  
4 March 2024

**SOO KWAI FONG**  
03144/07/2025 J  
Chartered Accountant

# INFORMATION ON SHAREHOLDINGS

AS AT 19 MARCH 2024

**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	647	6.142	11,038	0.004
100 – 1,000	4,132	39.229	3,019,481	1.118
1,001 – 10,000	4,819	45.751	18,232,842	6.752
10,001 – 100,000	856	8.126	21,967,691	8.136
100,001 – 13,499,999	78	0.740	28,589,885	10.588
13,500,000 and above	1	0.009	198,179,063	73.399
	10,533	100.00	270,000,000	100.00

THIRTY LARGEST SHAREHOLDERS

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. Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Hock Cheng (E-BMM)	4,041,000	1.496
3. Citigroup Nominees (Asing) Sdn Bhd CBLDN for Polunin Emerging Markets Small Cap Fund, LLC	3,410,986	1.263
4. Neoh Choo Ee & Company, Sdn. Bhd.	1,800,000	0.666
5. Tan Kah Hock	1,624,000	0.601
6. CIMB Group Nominees (Asing) Sdn. Bhd. Exempt AN for DBS Bank LTD (SFS)	861,700	0.319
7. Tan Hock Cheng	794,000	0.294
8. CGS International Nominees Malaysia (Asing) Sdn. Bhd. Exempt AN for CGS International Securities Singapore Pte. Ltd. (Retail Clients)	662,020	0.245
9. Choo Siew Lian	607,400	0.224
10. Johan Enterprise Sdn. Bhd.	575,200	0.213
11. Yayasan Guru Tun Hussein Onn	539,200	0.199
12. Alliancegroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Chong Yiew On (6000006)	529,200	0.196
13. Citigroup Nominees (Asing) Sdn. Bhd. CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc.	501,545	0.185

## INFORMATION ON SHAREHOLDINGS

AS AT 19 MARCH 2024

Name	No. of Units Held	% of Issued Capital
14. UOB Kay Hian Nominees (Asing) Sdn. Bhd. Exempt AN for UOB Kay Hian Pte. Ltd. (A/C Clients)	497,385	0.184
15. Chia Kun Juan	474,000	0.175
16. HSBC Nominees (Asing) Sdn. Bhd. Exempt AN for The Hongkong and Shanghai Banking Corporation Limited (PB-HKDIV-ACCL)	445,000	0.164
17. Starview Restoran Sdn. Bhd.	438,600	0.162
18. Chong Chiew Tshung	380,000	0.140
19. Yong Miao Lim	379,000	0.140
20. Maybank Nominees (Tempatan) Sdn. Bhd. Wong Choy Fong	350,500	0.129
21. Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Lee Lak Chye @ Li Choy Hin (E-IMO)	329,900	0.122
22. Reuben Tan Cherh Chung	325,000	0.120
23. Eletechnics Sdn. Bhd.	300,000	0.111
24. Kim Poh Holdings Sdn. Bhd.	300,000	0.111
25. UOB Kay Hian Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Lim Teong Leong	300,000	0.111
26. New Tong Fong Plywood Sdn. Bhd.	280,000	0.103
27. Chong Fook Kian	275,000	0.101
28. Lim Soo Hian	250,000	0.092
29. Teo Soo Chuan (Private) Limited	245,000	0.090
30. Rohan A/L Pathmayokan	220,000	0.081
<b>TOTAL</b>	<b>219,914,699</b>	<b>82.449</b>

SUBSTANTIAL SHAREHOLDER

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

# TOP 10 PROPERTIES

AS AT 31 DECEMBER 2023

	Tenure	Land area (sq.m.)	Description of properties	Acquisition date	Expiry date	Age	Net book value
NEGERI SEMBILAN							
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	F	1,634,812	Refinery, storage and distribution terminal	Revalued in 1982	NA	64	36,811,528
MPP and KVDT	L	744,189	MPP/KVDT facilities	01.03.2001	01.02.2100	23	17,845,157
PETRON RSA Seremban Northbound (PBL#305412) Lot 2378, KM271.5, Lebuhraya Kuala Lumpur-Seremban (Arah Utara), 71900 Seremban, Negeri Sembilan	L	4,190	Service station	01.01.2016	04.01.2036	8	13,208,206
PERAK							
Lumut PME Plant Lot 15636, Lumut Port Industrial Park, Mukim Lumut, Jalan Kampung Acheh, 32100 Sitiawan, Perak	L	14,343	Industrial plant facilities	01.03.2019	13.03.2096	5	15,696,016
PETRON Bukit Gantang Lay-by Southbound (PBL#308331) KM225.1, Lebuhraya Utara-Selatan (Arah Selatan), Kawasan Rehat Bukit Gantang, 34850 Changkat Jering, Perak	L	4,674	Service station	01.08.2018	31.07.2038	5	9,691,003
PENANG							
Bagan Luar Terminal Lot 95-125, 2327-2338 Section 4, Butterworth, Seberang Perai Utara, Pulau Pinang	F	44,659	Storage and distribution terminal	Revalued in 1982	NA	64	11,706,707
SELANGOR							
PETRON NKVE KL Bound (PBL#305225) Lot PT 1953, KM10.8 (Arah Timur), Lebuhraya Baru Lembah Klang, Seksyen U1, 40150 Shah Alam, Selangor	L	5,853	Service station	16.03.2017	15.03.2047	7	14,169,189
PETRON Ukay Perdana (PBL#308840) Lot 127455, Seksyen 2, 68000 Bandar Ulu Kelang, Selangor	L	6,481	Service station	30.11.2021	30.11.2051	2	10,774,745
PETRON Persiaran Mokhtar Dahari (PBL#308470) Lot PT 40164, Mukim Bukit Raja, Bukit Cherakah, 40170 Shah Alam, Selangor	L	4,601	Service station	08.10.2019	07.10.2049	4	10,558,993
PETRON Sg Besi East (PBL#101373) 4414 & 4415, Kuala Lumpur-Seremban Expy, Taman Sungai Besi, 55200 Kuala Lumpur	L	3,948	Service station	27.11.2023	26.11.2053	-	17,883,761

Abbreviations: L - Leasehold F - Freehold NA - Not applicable

# DISCLOSURE OF RECURRENT RELATED PARTY TRANSACTIONS

At the AGM held on 15 June 2023, 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 2023 pursuant to the shareholders’ mandate are disclosed as follows: -

Nature of transactions	RM’000
Purchase of petroleum products	555,415
Sale of petroleum products	57,933

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 26 April 2024 (“Circular”) has been published on Bursa website to shareholders along with the Annual Report 2023. Further details about the related party transactions arising from the mandate obtained on 15 June 2023 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-Fifth (65<sup>th</sup>) Annual General Meeting (“AGM”) of the Company will be held at the BALLROOM, SIME DARBY CONVENTION CENTRE, 1A, JALAN BUKIT KIARA, 60000 KUALA LUMPUR on Thursday, 13 June 2024 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 2023 and the Directors’ and Auditors Reports thereon.

2. To approve the declaration of a final dividend of 23 sen per ordinary share for the year ended 31 December 2023.

3. a) To re-elect Mr. Ramon S. Ang retiring in accordance with Article 103 and 104 of the Company’s Constitution.

b) To re-elect Mr. Antonio M. Cailao retiring in accordance with Article 103 and 104 of the Company’s Constitution.

c) To re-elect Y. Bhg. Datuk Nik Mohd Hasyudeen Yusoff retiring in accordance with Article 103 and 104 of the Company’s Constitution.

4. To elect Ms. Jaqueline L. Ang pursuant to Article 109 of the Company’s Constitution.

5. To approve the payment of Directors’ fees and benefits payable to the Independent Directors with effect from 1 January 2024 until the next Annual General Meeting of the Company.

6. To appoint Messrs PricewaterhouseCoopers PLT as the Auditor of the Company and to authorise the Directors to determine their remuneration.

7. As Special Business, to consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

**PROPOSED RENEWAL OF EXISTING SHAREHOLDERS’ MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A 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 a revenue or trading nature with the related parties as specified in Section 2.5 of the Circular to Shareholders dated 26 April 2024 (“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 interests of the minority shareholders of the Company (“Proposed Mandate”).

AND THAT the Proposed Mandate 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 renewed; or

(Ordinary Resolution 1)

(Ordinary Resolution 2)

(Ordinary Resolution 3)

(Ordinary Resolution 4)

(Ordinary Resolution 5)

(Ordinary Resolution 6)

(Ordinary Resolution 7)

- ii. The expiration of the period within which the next AGM is required to be held pursuant to Section 340(2) of the Act (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Act; or
- iii. Revoked or varied by a resolution passed by the shareholders in a general meeting, whichever is the earlier.

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 BOOK CLOSURE**

NOTICE IS HEREBY GIVEN that:

**For the 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 5 June 2024. 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 18 June 2024, shall be entitled to the final dividend which, if approved by the shareholders at the Annual General Meeting, will be paid on 4 July 2024.

A shareholder shall qualify for entitlement only in respect of:

- a) Securities transferred to the Depositor’s Securities Account before 4:30 p.m. on 18 June 2024 in respect of the transfer;
- b) Securities deposited into the Depositor’s Securities Account before 12:30 p.m. on 14 June 2024 in respect of securities which are exempted from mandatory deposit; and
- c) 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

26 April 2024

**NOTICE OF ANNUAL GENERAL MEETING**

NOTICE OF  
ANNUAL GENERAL MEETING

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 holds 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 notarial 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 5 June 2024 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 2023

The Annual Report 2023 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.

REGISTRATION AND REFRESHMENTS

The registration is open from 12:00 p.m. at the meeting venue. Packed meals will be provided to eligible shareholders/proxies upon registration on the day of the 65<sup>th</sup> AGM. Please note due to food safety requirements, no meals will be served after 2.30 p.m., even if shareholders/proxies register to attend after the meeting convenes at 2.00 p.m.

STATEMENT ACCOMPANYING  
NOTICE OF ANNUAL GENERAL MEETING

1. In-person Annual General Meeting

For 2024, the AGM will be held in person at the designated venue of the AGM in Sime Darby Convention Centre, Kuala Lumpur.

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. Ramon S. Ang, Mr. Antonio M. Cailao and Y. Bhg. Datuk Nik Mohd Hasyudeen Yusoff, retire by rotation and are eligible for re-election pursuant to Article 103 and 104 of the Company’s Constitution.
- Ms. Jacqueline L. Ang, who was appointed as an Executive Director by the Board effective 2 August 2023, retires pursuant to Article 109 of the Company’s Constitution and is eligible for election.
- Ms. Chua See Hua, who has served on the Board for more than twelve (12) years, in compliance with the Malaysian Code on Corporate Governance 2021, will retire at the conclusion of the AGM.
- The Nominating Committee following its annual evaluation of the Board’s performance, has concluded that Mr. Ramon S. Ang, Mr. Antonio M. Cailao, Y. Bhg. Datuk Nik Mohd Hasyudeen Yusoff and Ms. Jacqueline L. Ang, 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. Ramon S. Ang, Mr. Antonio M. Cailao, Y. Bhg. Datuk Nik Mohd Hasyudeen Yusoff and Ms. Jacqueline L. Ang be re-elected to the Board.

The above Directors’ profiles containing their qualifications, experience and other directorships can be viewed on pages 43, 44, 45, 47 and 51 of the Annual Report.

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:
  - (a) RM112,320 per annum as Directors’ fee to each Independent Director of the Company. This remuneration is an increase of 20% from the previous year;
  - (b) 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;
  - (c) 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;
  - (d) RM700 per month to each Independent Director as fuel allowance, on a reimbursement basis. This remains unchanged from the previous year; and
  - (e) RM20,000 as an ex-gratia payment to each Independent Director of the Company for services rendered to the Company in 2023.

STATEMENT ACCOMPANYING  
NOTICE OF ANNUAL GENERAL MEETING

It is to be noted that the Board in making the above recommendations wishes the shareholders to note the following:

- (i) A competitive remuneration package is necessary to attract and retain high-quality independent Directors who 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 of Existing Shareholders’ Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

This resolution is primarily to give flexibility to the Company to enter into recurrent related party transactions of a revenue or trading nature with the Directors/Major Shareholders or persons connected with the Directors/Major Shareholders.

Following the initial mandate given by shareholders at the AGM in 2021 and 2023, and considering the financial benefit to the Company, the proposal before the shareholders is for a Renewal of Existing Shareholders’ Mandate for Recurrent Related Party Transactions of a 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 2025.

Further information on the Proposed Renewal of Existing Shareholders’ Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature is contained in the Circular to Shareholders dated 26 April 2024.

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 43, 44, 47 and 51 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

Ms. Jacqueline L. Ang is the daughter of Mr. Ramon S. Ang, the Executive Director and Chairman of the Company. None of the other 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 conflict of interest or potential conflict of interest situation including interest in any other competing business with the Company.

(v) Conviction for offences (excluding traffic offences), sanctions or penalty

None of the Directors standing for re-election/appointment have been convicted of offences within the past five (5) years, nor have any of them been subjected to 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 in capital letters	NRIC (new & old)/Passport No. of Proxy	Proportion of shareholdings to be represented:	
		No. of Shares	%

And if more than one (1) Proxy:

Full name of Proxy in capital letters	NRIC (new & old)/Passport No. of Proxy	Proportion of shareholdings to be represented:	
		No. of Shares	%

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, 13 June 2024 at 2:00 p.m. and at any adjournment thereof.

My/Our instructions 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 a final dividend		
2.	To Re-elect Mr. Ramon S. Ang		
3.	To Re-elect Mr. Antonio M. Cailao		
4.	To Re-elect Y. Bhg. Datuk Nik Mohd Hasyudeen Yusoff		
5.	To Re-elect Ms. Jacqueline L. Ang		
6.	To approve the Payment of Directors’ fees and benefits for 2024		
7.	To appoint Messrs PricewaterhouseCoopers as the Auditor and to authorise the Directors to determine their remuneration		
8.	To approve the Proposed Renewal of Existing Shareholders’ Mandate for Recurrent Related Party Transactions of a 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

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://tiih.online>, not less than 24 hours before the time set for the meeting.

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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

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**PETRON MALAYSIA REFINING  
& MARKETING BHD**  
Registration No. 196001000260 (3927-V)  
  
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