



PETRON MALAYSIA REFINING & MARKETING BHD 196001000260 (3927-V)

FUELLING THE NATION'S RECOVERY

2021 ANNUAL REPORT & ACCOUNTS





**EMERGING
STRONGER TO
FUEL THE NATION**

**PORT DICKSON
REFINERY**

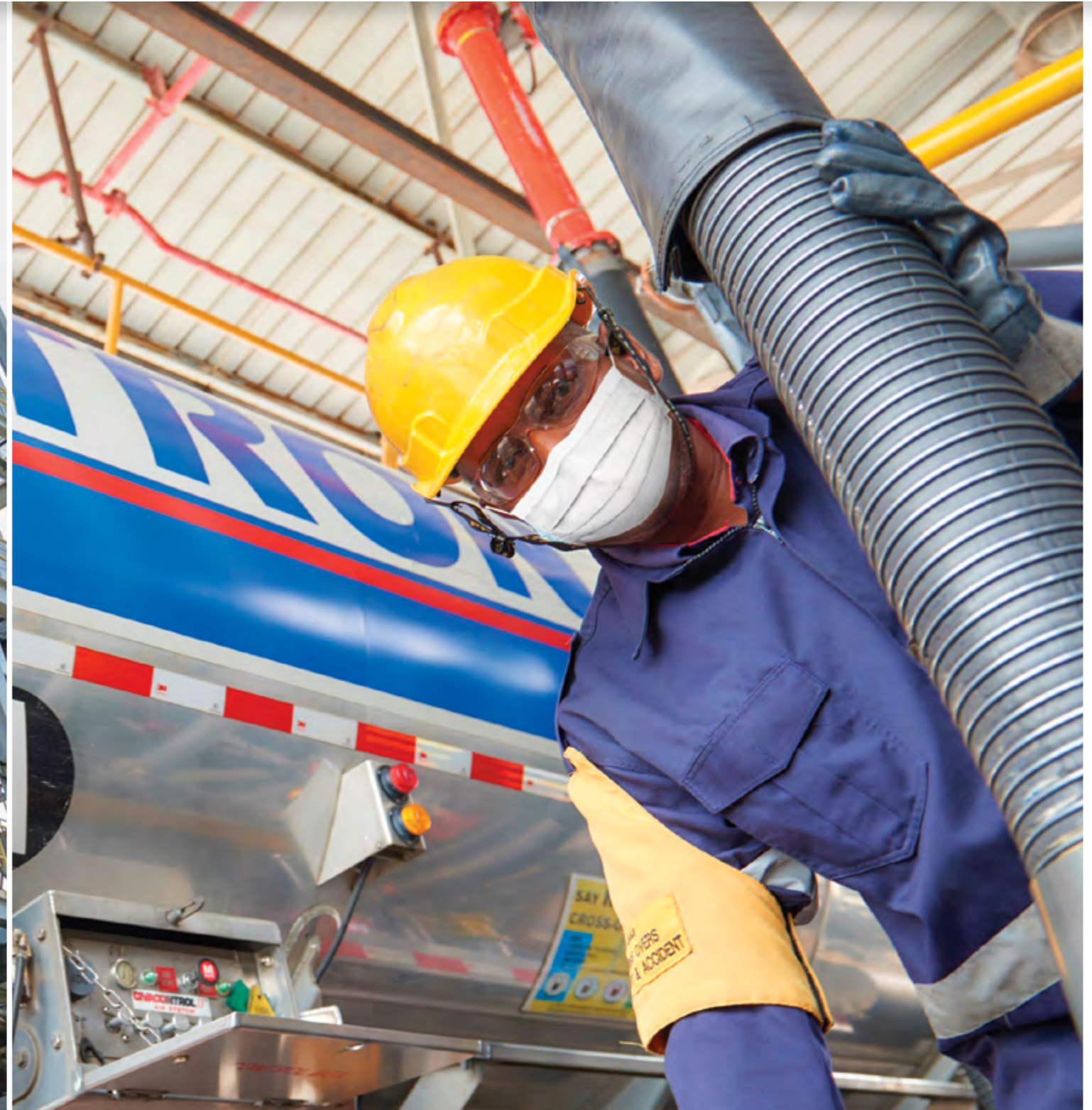


DIESEL HYDROTREATER

Diesel Hydrotreater or DHT is a new diesel processing unit to produce ultra-low sulphur automotive diesel oil or Euro 5 specification diesel in line with the government's Clean Air Action Plan. The DHT was successfully commissioned on 9 April 2021 enabling Port Dickson Refinery to supply Euro 5 diesel to all Petron terminals.

MARINE IMPORT FACILITY 2

Marine Import Facility 2 or MIF2 helps the refinery to cater to higher future demand. With a new single buoy mooring and two new product tanks, the refinery now caters to larger vessels thus reducing congestion, and ultimately carbon emission. The MIF2 was commissioned on 11 September 2021.



DRIVEN BY OPERATIONAL EXCELLENCE

Our Plant and Terminals delivered flawless operations even during challenging times. Through meticulous planning and scheduled maintenance, no unplanned equipment downtime was recorded. With stringent safety procedure, strong team effort, and a customer-centric approach, we won numerous industry awards and recognitions:

- Malaysian Society for Occupational Safety & Health Awards 2020:
 - o Gold Merit Awards for Kuantan Terminal, Pasir Gudang Terminal, Sepangar Bay Terminal and Bagan Luar Terminal
 - o Gold Class 1 Awards for Port Dickson Terminal, KLIA Aviation Depot, Tawau Terminal and Sandakan Terminal
- Annual Quality Environment Challenge 2021: Gold Award for Bagan Luar Terminal
- National Energy Awards (Renewable Energy – Biofuel): Runner Up Winner for Lumut PME Plant

**PME PLANT,
DELIVERY &
TERMINAL
OPERATIONS**

**WE WERE
RECOGNISED FOR
OUR COMMITMENT
TO EXCELLENCE**



FUELLING CUSTOMER CONVENIENCE

Providing our customers with a safe, convenient, and Fuel Happy experience is our priority. We added 18 new service stations under the Petron Malaysia Group, growing our retail network to about 740 service stations nationwide. Increasing product accessibility, our Blaze 100 Euro 4M and Turbo Diesel Euro 5 are now in 108 and 299 service stations, respectively. We now offer well-known food and beverage brands like Costa Coffee, Tealive and Rotiboy at our service stations. Items from our Treats stores can now be delivered to our customers' homes via foodpanda, while 60 of our service stations are now SOCAR rental locations. For our LPG customers, our Gasul LPG "Cash and Carry" at service station is now accessible in nearly 100 Petron service stations.

**WE WIDENED OUR
RETAIL NETWORK
TO REACH MORE
CUSTOMERS**

**PETRON
SERVICE STATION**

SOCIAL SUSTAINABILITY

KEEPING COMMUNITY SAFE

Our collaboration with the Royal Malaysia Police in Go-to-Safety-Point (GTSP) is a concrete manifestation of our core advocacy of public safety under our social sustainability pillar.



LENDING A HAND TO THOSE IN NEED

We regularly join forces with various non-government organisations to ensure the successful implementation of our Corporate Social Responsibility programmes.

FORGING PARTNERSHIPS TO HELP MORE PEOPLE

Through our collaborations with partners and employees, we are able to help more communities and sectors in need.



CARING FOR OTHERS

Fostering the spirit of volunteerism among our employees through Volunteerism In Action (VIA) is crucial to complement our CSR initiatives.



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COVER RATIONALE

FUELLING THE NATION'S RECOVERY

As an integral member of the energy sector, Petron Malaysia is committed to contributing to the nation's recovery. We are dedicated to ensuring our country has a sustainable and reliable supply of petroleum products to power industries, fuel vehicles and empower mobility, and make available clean energy for cooking. We stood with the nation in providing care and comfort to the communities that had been deeply impacted during the pandemic. We utilised new technology in customer engagement to better serve their needs and paving the way for us to grow and thrive in the ever-challenging industry. As we continue to grow our company, we will be mindful of and subscribe to the fundamentals – environment, economic, social, and governance in our business decisions, compliances and actions for our long-term sustainability.

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63rd Annual General Meeting

VENUE: Pullman Kuala Lumpur Bangsar
No 1, Jalan Pantai Jaya, Tower 3,
59200 Kuala Lumpur

DATE: 16 June 2022 (Thursday)
2:00 p.m.

OUR VISION

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

OUR MISSION

WE WILL ACHIEVE THIS BY:

- Being an integral part of our customers' lives, exceeding expectations and meeting changing needs
- 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



CORPORATE PROFILE



Petron Corporation joined Malaysia's dynamic and progressive market with the acquisition of ExxonMobil's downstream businesses in March 2012. Petron subsidiaries in Malaysia comprise of Petron Malaysia Refining & Marketing Bhd ("PMRMB"), a public company listed on the Main Board of Bursa Malaysia, Petron Fuel International Sdn. Bhd. and Petron Oil (M) Sdn. Bhd.

PMRMB owns and operates Petron Port Dickson Refinery (PDR), which has a rated capacity of 88,000 barrels per day, producing a wide range of petroleum products which include gasoline, diesel, liquefied petroleum gas (LPG) and aviation fuel. Our world-class fuels are distributed from 10 strategically-located depots and terminals of Petron subsidiaries in Malaysia.

Through this robust distribution network, we are able to ensure a continuous and reliable supply of quality fuels to our various customers.

As an Asian company with a global mindset, we look forward to becoming an integral part of your lives as we fuel journeys through our network of about 740 service stations nationwide, including service stations that are of our sister companies. We embody what our brand stands for – innovative products, excellent service, successful partnerships built on trust and caring for our customers.

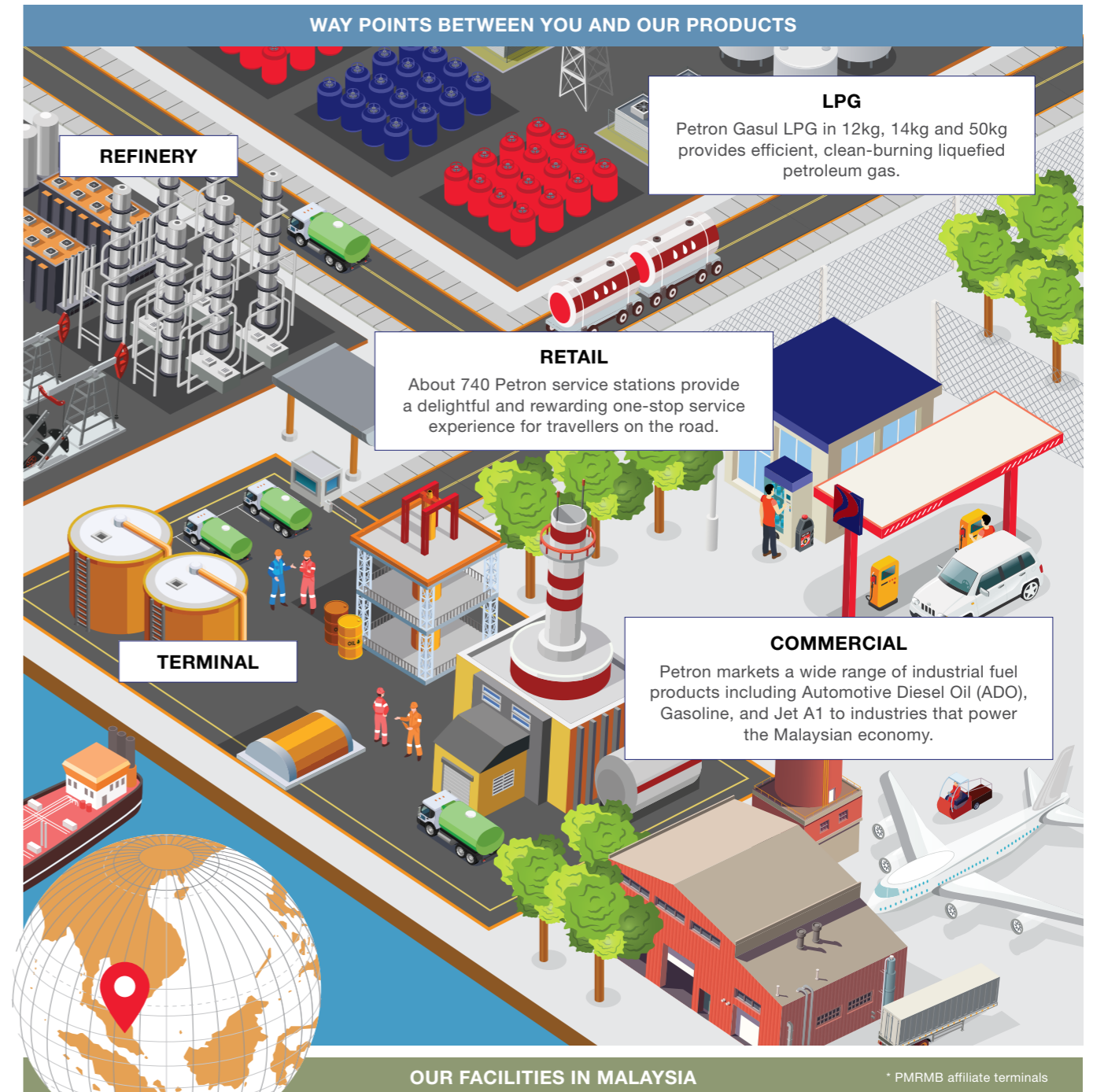
We are proud to be a part of your lives as we fuel safe journeys with our top-of-the-line fuels, Blaze 100RON Euro 4M, Blaze 97RON Euro 4M, Blaze 95RON Euro 4M, Turbo Diesel Euro 5 and Diesel Max Euro 5. Beyond just being a petrol station, Petron service stations also provide a one-stop service experience for travellers on the road. Our convenience store, Treats, offers amenities such as shopping marts and fast-food restaurants.

Petron's premier LPG brand, Petron Gasul, provides efficient energy for Malaysian households. For convenience, Gasul is now available for cash and carry at selected Petron service stations.

We help power the Malaysian economy by providing commercial fuels to key industries.

Beyond our business agenda, we take our corporate and social citizenship to heart by supporting safety, environment and education programmes to ensure sustainability and contribute to social development. Through the combined experience and expertise of our highly-skilled and motivated management and personnel and our strong foundations in the oil & gas industry, we are dedicated and passionate about our vision to be the leading provider of total customer solutions in the oil sector and its allied businesses.

HOW OUR PRODUCTS REACH YOU



- | | | |
|--|--|--|
| 1 Port Dickson Refinery, Negeri Sembilan | 5 Kuantan Terminal, Pahang* | 9 Pasir Gudang Terminal (JV-Chevron), Johor* |
| 2 Port Dickson Terminal, Negeri Sembilan | 6 Westport Terminal (JV-BHP), Selangor* | 10 Sepang Bay Terminal, Sabah* |
| 3 Bagan Luar Terminal, Penang | 7 KLIA Aviation Depot (JV-Petronas/Shell), Kuala Lumpur | 11 Sandakan Terminal, Sabah* |
| 4 Lumut PME Plant, Perak | 8 Klang Valley Distribution Terminal (JV-Petronas/Shell), Selangor | 12 Tawau Terminal, Sabah* |

* PMRMB affiliate terminals

FIVE-YEAR SUMMARY CHARTS

FIVE-YEAR SUMMARY CHARTS

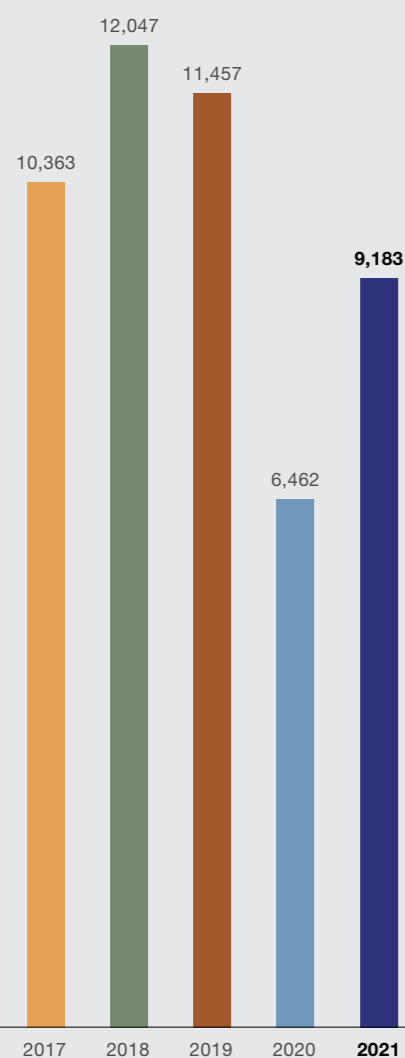
FINANCIAL HIGHLIGHTS

	2021 RM Million	2020 RM Million
Revenue	9,183	6,462
Profit/(Loss) for the year	238	(13)
Total assets employed	4,295	2,978
Total equity	1,969	1,742
Sales volume (thousands barrels per calendar day)	72	78

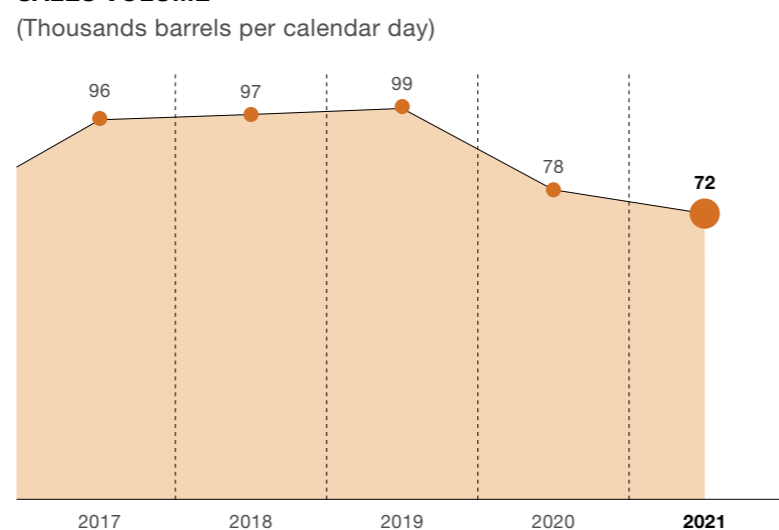
SHAREHOLDERS' INFORMATION

	2017	2018	2019	2020	2021
Earnings/(Loss) per ordinary share (sen)	150.1	83.2	65.6	(4.9)	88.3
Dividends per ordinary share (sen)	25.0	20.0	12.0	5.0	20.0
Dividend yield (%)	3.0	2.3	2.0	1.2	4.4
Share price (RM)					
-Highest	15.06	14.16	7.50	6.75	5.41
-Lowest	4.09	6.01	4.92	2.49	4.05
-Average	8.47	8.59	5.99	4.03	4.52
Number of employees at year-end	328	343	349	341	241

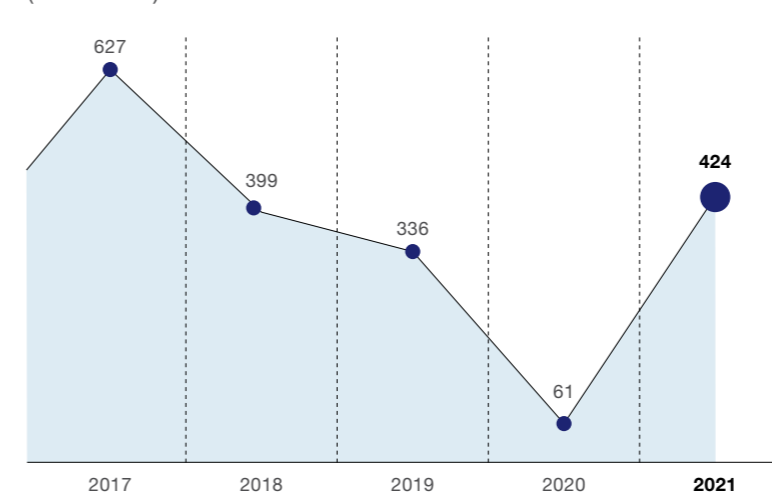
REVENUE (RM Million)



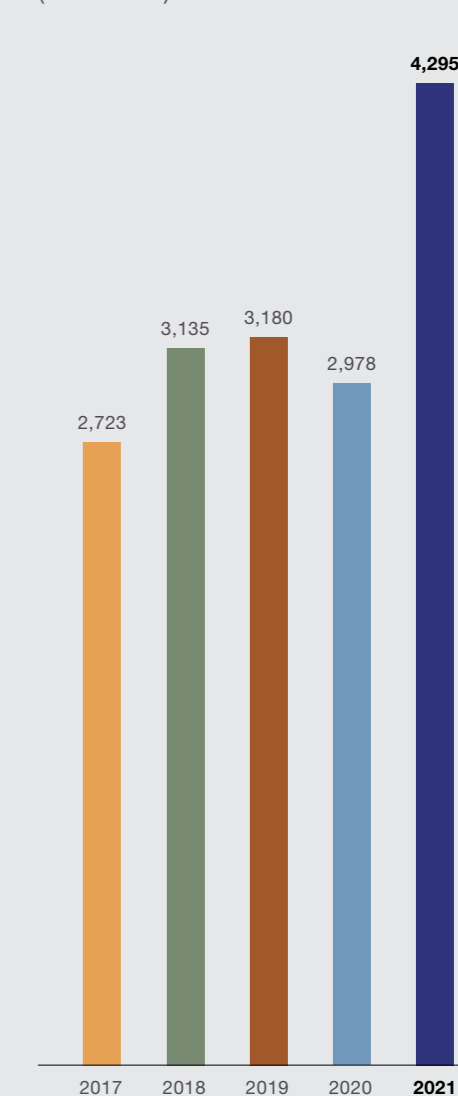
SALES VOLUME (Thousands barrels per calendar day)



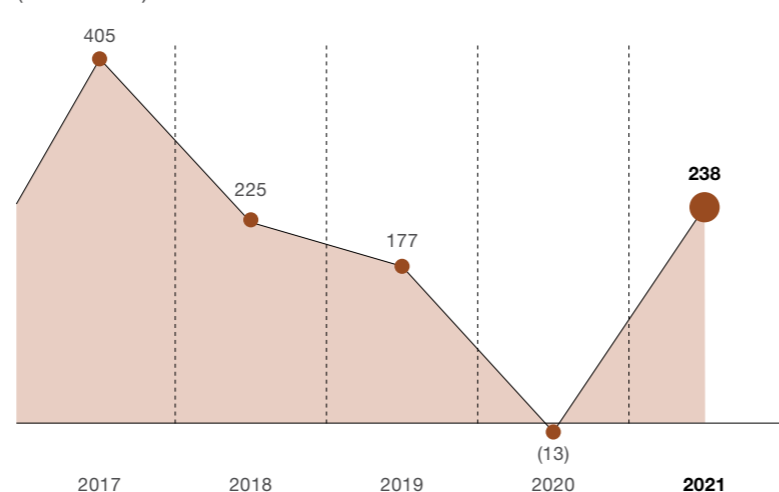
EBITDA (RM Million)



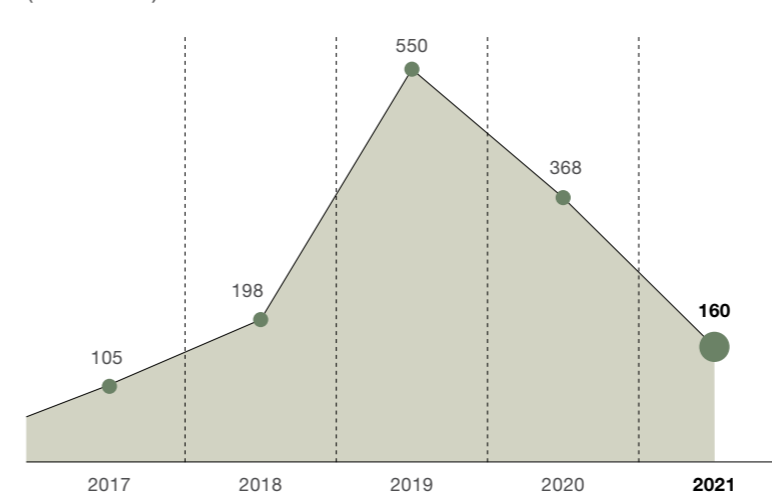
TOTAL ASSETS EMPLOYED (RM Million)



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



CAPITAL EXPENDITURE (RM Million)



CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT



DEAR SHAREHOLDERS,

“ The year 2021 was one of many challenges but also remarkable recovery. As economic conditions surrounding the pandemic improved, we found ourselves transitioning from an exceptionally challenging 2020 to a much more promising industry environment in 2021. ”

In Malaysia, the implementation of the National Recovery Plan has allowed more sectors to re-open. This led to a 3.1% increase in its Gross Domestic Product in 2021, signalling the recovery of the local economy and strengthening our determination to rise above the pandemic's impact.

RAMON S. ANG
Chairman



● Petron Aman Putri service station uses the new design of convenience stores.

SUSTAINED RECOVERY

While domestic demand picked up in the later part of the year, our total sales volume of 26.4 million barrels in 2021 was moderated by the full year impact of the pandemic.

The second year of the pandemic drove oil-producing countries to maintain their production limit to stabilise the oil market. As a result, oil prices rose steadily with benchmark Dated Brent crude averaging US\$71 per barrel in 2021, much higher than the US\$42 per barrel average in 2020.

As prices recovered, our revenue improved by 42% to RM9.2 billion compared to RM6.5 billion in 2020 while gross profit tripled to RM538 million compared to RM167 million in 2020.

Overall, we generated a net profit of RM238 million, a full reversal from our RM13 million net loss in 2020, driven by the uptrend in global oil prices, continued operating cost efficiencies, and recovery in domestic demand in the fourth quarter of 2021.

These results are as much a reflection of an industry primed for recovery as much as our financial resilience and fortitude that were put to the test in the last two years.

MOVING FORWARD

We have adapted well to the challenges of the pandemic. In 2021, our focus remained on optimising our assets, keeping our operations safe and efficient, and ensuring the high standards of our products and processes.

Our two largest investments at Port Dickson Refinery (PDR) were commissioned as planned. With the new Diesel Hydrotreater (DHT), PDR is now capable of processing higher sulphur and lower-priced crudes and, at the same time, produce Euro 5 diesel products in line with the government's new standards for cleaner diesel fuel. The Marine Import Facility 2 (MIF2), which expanded our product storage capacity by half a million barrels, gives us

the capacity to cater to the growing local demand while optimising freight costs as we are now able to import finished products at larger parcels.

Our Lumut PME Plant, which we acquired in 2019 to serve as internal source of palm methyl ester (PME) for our biodiesel products is undergoing capacity expansion to support higher demand for biodiesel. Our end-to-end approach in producing sustainable and more environmental-friendly biodiesel product was recognised when the plant was named Runner-up in the National Energy Awards by the Ministry of Energy and Natural Resources. This process starts from the sourcing of the feedstock, which is supplied by palm oil plantations, mills, and refineries that are Malaysia Sustainable Palm Oil (MSPO) certified.

With the re-opening of the economy, we made sure that our service to the country remained uninterrupted. Our distribution and terminal operations continued to fulfil the fuel requirements of our customers in a safe and timely manner. Despite the decline in the total industry volume, we sustained our retail market share as we further expanded our reach and drove volume growth through effective sales and marketing programmes. Partnering with fellow brand leaders provided us more opportunities to reward and attract customers, while collaborations with government agencies fuelled our support for recovering sectors and local businesses affected by the pandemic. Even as our aviation sales remained to be affected by the pandemic, our LPG and Industrial trades held strong and contributed better margins to our Commercial business.

Our dedicated and hardworking teams are behind each one of these achievements. By living out our values, they were able to do their best work and fuel our success amid unprecedented situations. They, too, were at the forefront of our efforts to help communities affected by the heavy floods that hit Malaysia in 2021 as with the pandemic that continued to affect lives and livelihood. Our people truly are our pillars of strength, resilience, and excellence.

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT



● Through the meticulous planning and execution of our strategic programmes, we completed two major investments in our refinery to deliver high-quality products and cost-efficient operations.

TOP 3

Most Attractive Employer in the Oil & Gas Sector by Graduates' Choice Award

WINNER

Grand Award in Malaysian Society for Occupational Safety & Health Awards for Port Dickson Refinery

RUNNER UP

National Energy Awards 2021 Renewable Energy - Biofuel for Lumut PME Plant

RENEWED CONFIDENCE

Shaped by our values and our past learnings, we are now in a better position to achieve our bigger, long-term goals. We will remain cautious given what's happening in the global market but we are hopeful that 2022 will bring more opportunities for growth and full recovery. We will continue to aspire towards excellence, efficiency, and sustainability, and always with our communities' best interest in mind.

I would like to extend my appreciation to our Board of Directors, especially our Independent Directors, for their steady support and guidance. I would also like to inform our shareholders of the retirement of Y. Bhg. Dato' Zainal Abidin Putih from the Board at the conclusion of the Annual General Meeting on 17 June 2022, in accordance with the Corporate Governance Code 2021. Dato' Zainal Abidin Putih has served the Board since 2003. And on behalf of Petron Malaysia, I would like to express our sincerest gratitude to Dato' Zainal for his sterling service to the Company in his capacity as an Independent Director and as the Chairman of the Audit & Risk Management Committee.



● Our employees are our best assets and together, with our business dealers they help to fuel success and change.

As part of the Board succession plan, I would like to welcome our new Independent Director, Y. Bhg. Datuk Nik Mohd Hasyudeen Yusoff, who brings with him a wealth of regulatory, corporate and accounting experience and expertise that will be invaluable to the Company. I look forward to working closely with Datuk Nik Mohd Hasyudeen as a Board member in furthering the progress of the Company, especially in relation to governance and minority interest protection.

My deepest gratitude to our shareholders, employees, customers, business partners, dealers, and other stakeholders for their trust and support. Because of and through your support, we are inspired to take on bigger responsibilities, new challenges, and greater goals in the future.

Thank you.

RAMON S. ANG
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS



The Petron Malaysia Group, comprising Petron Malaysia Refining & Marketing Bhd. (PMRMB) and its sister companies, Petron Fuel International Sdn. Bhd. (PFISB) and Petron Oil (M) Sdn. Bhd. (POMSB), is Malaysia's third-largest downstream player. ”

The Petron Malaysia Group is a fast-growing ASEAN oil company that operates a refinery, a Palm Methyl Ester (PME) plant, fuel distribution terminals, and a wide network of service stations.



● Port Dickson Refinery Diesel Hydrotreater is the newest facility to produce low sulphur diesel, Euro 5.

STRATEGIC OBJECTIVES

We are committed to our long-term goal of being the leading provider of total customer solutions in the energy sector and allied businesses. As the Covid-19 pandemic continued to pose challenges, we adapted to the shifting business environment and aligned our strategies to mitigate the impact of the pandemic on our business.

Managed inventory levels and prioritised high return projects	Weaker consumer demand due to movement restrictions drove the Company to align its inventory management strategies specifically, the optimisation of refinery production and importation of finished products. We intensified our resource preservation efforts by prioritising projects that offered immediate and high returns.
Enhanced efforts for volume recovery	We accelerated our volume recovery through demand-generating programmes. Amongst them was the expansion of our retail and commercial networks at strategic locations to ensure that we are able to meet higher demand in time for the easing of travel restrictions. We reached out to our customers through marketing programmes and leveraged on partnerships with our dealers and business partners to offer unique promotions and value-added services. We also took extra measures to ensure the safety of our customers by encouraging and closely monitoring the vaccination progress of our employees, service stations dealers and staff, as well as Gasul LPG dealers.

All these efforts and initiatives are aligned with the Company's long-term strategies on brand building, market expansion, and efficiencies in our supply chain.

PETRON STRATEGIC OBJECTIVES

BRAND BUILDING AND MARKET EXPANSION

- ✓ A profitable network of service stations
- ✓ Innovative and high-quality products and services supported by creative marketing programmes
- ✓ Expansion of profitable commercial businesses through tie-ups and solicitation of major accounts

SUPPLY CHAIN AND REFINERY IMPROVEMENTS

- ✓ Efficiency in crude and finished product purchases and prudent inventory management
- ✓ Refinery and logistics expansion and upgrade
- ✓ Robust risk management and enhancing operational excellence

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

- RETAIL
- COMMERCIAL
- SUPPLY, REFINERY & DISTRIBUTION
- HUMAN RESOURCES



● Petron Aman Putri's new Treats concept store features a new, refreshing look to delight both old and new customers.

While almost all essential services sectors were allowed to operate under the National Recovery Plan, the retail service station industry was still affected by restrictions that were imposed, among them shorter operating hours, inter-state and inter-district travel restrictions, closure of international borders and work from home arrangements. These factors resulted in a about 2.84% decline in the total retail industry demand.

With the pandemic still ongoing, we ensured that our customers are safe and protected from the virus. Foremost, our dealers were keen to make sure that all their staff are vaccinated. Safety guidelines such as wearing of face masks, temperature checks, frequent sanitation, and contact tracing remained firmly in place.

Despite lower demand, we continued to invest in further growing our presence. Together with our sister companies, we expanded our retail network with 18 new service stations to bring our total number to about 740 service stations nationwide.

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New service stations streamed under the Petron Malaysia Group in 2021



● Petron Malaysia, in collaboration with the Ministry of Tourism, Arts and Culture launched the 'Jom Jalan Jalan' campaign in welcoming the reopening of domestic interstate travel.

As part of our sustainability initiatives, our new service stations feature an industrial design promoting natural lighting and ventilation. This also incorporates a rainwater harvesting system which reduces the consumption of treated water for non-potable use.

We offer our customers cleaner fuels with all our gasoline products – Blaze 100, Blaze 97, and Blaze 95 – meeting Euro 4M standard specifications. We have also rolled out our Diesel Max Euro 5 nationwide to replace the previous Euro 2 standard diesel, in support of the government's drive to improve air quality including lowering the sulphur content to 10 parts per million (ppm) from 500 ppm. We have also made our premium diesel, Turbo Diesel Euro 5 more accessible to our customers as it is now offered at about 300 service stations nationwide together with our sister companies.

Through the "Tandas Kami Bersih" programme, more than 30% of Petron service stations' toilets received four and five-star ratings from local councils. Furthermore, our stations received 98% good responses on toilet cleanliness gathered through a survey conducted on toilet cleanliness. The clean toilet programme was first launched in 2018 and continued to evolve to become a full-fledged system that sets the standards and guidelines for all Petron stations to be clean and operational. "Tandas Kami Bersih" programme also supports Petron's Sustainability aspiration of promoting a culture of good sanitisation at all Petron service stations. This is in line with the UN Sustainable Development Goal (SDG) 6, which ensures access to clean water and good sanitisation for all.

To address the evolving needs of our customers, we redesigned our convenience stores' digital platform to encourage cashless payments and collaborated with foodpanda to deliver items from our Treats stores to our customers' doorsteps.

We have also enhanced and diversified our non-fuel offerings. We partnered with renowned food and beverage brands such as Costa Coffee, Tealive and Rotiboy. For added convenience, we partnered with a vehicle-sharing service provider, SOCAR, which is now available in over 60 selected service stations located in key markets.

The Company supported small and medium enterprises (SMEs) by promoting their products through our "Sapot Lokal" initiative where we sell local products at our Treats stores, starting with those in the Klang Valley.

We continued to engage our PMiles members and offered more value-adding rewards through collaborations with our partners. We launched the "Jom Jalan-Jalan" campaign with the Ministry of Tourism, Arts and Culture in line with the opening of interstate travel to help promote domestic tourism. We continued our partnership with PayNet to promote MyDebit Card at our service stations. We also delighted our customers with our very popular "Red Hot Special" convenience store promotional programmes where selected products were sold at attractive prices.

We increased customer engagement on social media while continuing to enhance our online presence. With the emergence of various "disruptive technologies" during the pandemic, we embraced the opportunity to improve our customers' experience by incorporating Artificial Intelligence (AI) in our customer interface toolkit. Our AI chatbot, 'Hi Tania' can address about 90% of customer queries. The innovative efforts to attend to our customers online won us Silver for "Best Use of Technology" and Bronze for "Best Customer Experience" in the Loyalty & Engagement Awards 2021.

MANAGEMENT DISCUSSION
AND ANALYSIS

MANAGEMENT DISCUSSION
AND ANALYSIS

RETAIL

COMMERCIAL

SUPPLY, REFINERY & DISTRIBUTION

HUMAN RESOURCES



● Gasul LPG is widely available for home delivery for customer convenience.

While the National Recovery Plan supported higher demand in the fourth quarter, the longer movement restrictions during the first three quarters of 2021 resulted in a year-on-year 5.00% dip in the total commercial industry demand.

Despite dining restrictions, we boosted the market presence of our Petron Gasul LPG. We introduced our Gasul “Cash and Carry” at almost 100 service stations nationwide. We also offered more promotions such as “Gasul Onederful Deals” to reward loyal customers. Cashless payment options using e-wallets or credit cards for home delivery services at selected locations were also made widely available.

The aviation industry remained sluggish during the year as a result of prolonged border control and travel restrictions. Nevertheless, we continued to supply aviation fuel predominantly for domestic and cargo flights. In the fourth quarter, inter-state and international air travel were permitted, thus renewing confidence that demand for aviation fuel will soon recover in the near future.



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**Gasul “Cash and Carry”
outlets at Petron service
stations in 2021**



● We also produce crude glycerine and refined glycerine at our Lumut PME Plant for our commercial customers.

With the acquisition of the Lumut PME Plant in 2019, the Company expanded its business to include selling of crude glycerine and refined glycerine.

As part of Lumut PME Plant’s continued improvement, it had obtained the Preferential Certificates of Origin from the Ministry of International Trade and Industry (MITI) that certifies the origin of glycerine produced at the plant. This allows importers to claim preferential tariff rates within the ASEAN-China Free Trade Agreement (ACFTA), ASEAN-India Free Trade Agreement (AIFTA), and ASEAN Trade in Goods Agreement (ATIGA). Because of this, we were able to win new accounts while continuing to serve the current clients for glycerine and residue sales.

Despite the soft demand and a highly competitive environment in the industrial fuels sector, we focused on strengthening relationships with our customers, allowing us to grow our volumes back to their pre-pandemic level.

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

- RETAIL
- COMMERCIAL
- SUPPLY, REFINERY & DISTRIBUTION
- HUMAN RESOURCES



● The Marine Import Facility 2 connects the offshore facility through 1.5km of pipelines to two-250 kb tanks.

Diversifying Supply

Our refinery processes various types of crude oil supplementing base Tapis crude and Terengganu condensate for an optimal production run. With the successful operation of our Diesel Hydrotreater (DHT) facility, we were able to further diversify our crude slate, which included other Malaysian crude grades like Kidurong, Kimanis and Kikeh, as well as other regional crudes. This allowed PDR to optimise production using a wider and more diversified types of crude oil feedstock without compromising the quality and the safety of our operations.

Fuelling the Nation

Given the slowdown in demand, we optimised the refinery's production run in line with local demand requirements and adjusted the level of our product imports.



largest projects in the refinery, DHT and MIF2 completed in 2021

Despite the still challenging business climate, the refinery continued to add value to the Company as it focused on profitability improvement initiatives such as expense rationalisation. It successfully completed its major projects - the DHT and MIF2 in 2021, which both contributed to operational efficiencies and savings.

The DHT, which was commissioned in the second quarter of 2021, enabled us to diversify our crude slate and process higher sulphur but better value crude oil, improving our feedstock cost and product yield. It allowed us to produce ultra-low sulphur diesel products compliant with Euro 5 specifications, in line with the government's mandate to replace Euro 2 diesel. The Euro 5 diesel produced from PDR were supplied to Peninsular Malaysia terminals meeting the government's implementation date.

The MIF2, which comprised of a new Single Buoy Marine facility, two 250,000-barrel product tanks and pipelines, was fully commissioned in the third quarter of 2021 with the aim to support volume growth through additional product storage capacity. The MIF2 facility provided the Company with the capability to receive and store larger parcel imports for optimised freight and demurrage costs.

The refinery underwent a 30-day planned shutdown for routine maintenance and catalyst regeneration and restarted operation as scheduled in October without any incident.

Distributing Quality Products

The Petron Malaysia Group's Distribution and Terminal operations continued to fulfil product orders to service stations and end-users safely and reliably. With ten facilities throughout the country, we continued to operate flawlessly with zero unplanned downtime and product quality incident. Cumulatively, our terminals achieved 30.75 million man-hours lost-time injury free, equivalent to 24.82 years.

The Group received the prestigious MSOSH awards in recognition for our occupational safety performance. Our Bagan Luar, Kuantan, Sepangar Bay, and Pasir Gudang Terminals won Gold Merit awards, while Port Dickson, KLIA, Tawau, and Sandakan Terminals received Gold Class 1 awards.

Our terminals in Port Dickson, Bagan Luar, including our sister companies' in Kuantan and Pasir Gudang have also sustained the Integrated Management System certification, which included ISO 14001:2015 Environmental Management Systems and ISO 45001: 2018 Occupational Health and Safety Management Systems and ISO 9001:2015 Quality Management Systems.

Sustainable Energy through LPP

The Lumut PME Plant (LPP), our biodiesel plant that supplies palm methyl ester (PME) for our biodiesel products achieved national recognition for its sustainability efforts. The LPP ensured that its biodiesel production is sustainable, starting from the procurement of the feedstock, which is supplied by the palm oil plantations, mills, and refineries that are Malaysia Sustainable Palm Oil (MSPO) certified. Our LPP was awarded as the Runner-up for Renewable Energy – Biofuel in National Energy Awards by the Ministry of Energy and Natural Resources and will represent Malaysia in the ASEAN Energy Award. This award is the most prestigious award that recognises the excellent achievements of local industries, government agencies, and higher institutions toward its sustainable energy agenda.

A routine plant maintenance was completed with its second turnaround in June 2021.

Currently, the LPP is undergoing plant capacity expansion to produce up to 90,000 metric tons of PME per year.

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

SUPPLY, REFINERY & DISTRIBUTION

RETAIL

COMMERCIAL

HUMAN RESOURCES



● Our strength and determination rest in our people. They are our best assets.

Our concern for the health, safety, and well-being of our employees remained as strong as ever.

We continued with the work from home arrangement and weekly split team arrangement from October 2020 until November 2021 and returned to full capacity only after all employees were fully vaccinated. As we understand that work from home can be challenging for some employees, we conducted several virtual talks on mental health and conducted virtual employee engagement programmes.

We established appropriate work protocols and safety guidelines during the pandemic. For added safety measures, workstations have been installed with plastic dividers and the Company arranged for free flu vaccination for all employees.

At work, we ensured strict compliance with standard operating procedures which included daily temperature screening and check-in to MySejahtera contact tracing app, physical distancing in common areas, and conducting meetings virtually.

 **100%**
fully-vaccinated employees to promote safer working environment

In our refinery, plant and all terminals, employees are required to perform weekly Rapid Test Kit (RTK) Self-Test Antigen.

We also continued our employee engagement programmes encompassing key elements such as leadership engagement, training, and personal development which were all done virtually. We believe training and upskilling our employees are important for the company's growth in meeting current and future business requirements. In the third quarter of 2021, we held virtual teambuilding programmes to nurture harmonious work relationships and trust, as well as boost camaraderie and social skills.

Underscoring our efforts to engage with employees and provide a well-rounded work environment, we received the Graduates' Choice Award 2021 for being in the "Top 3 Most Attractive Employers to Work for in the Oil & Gas Sector" for the third consecutive year.

Workforce Diversity

The Company promotes equal employment opportunity that is aligned with local laws, regulations and the Malaysian Government (GOM) policy. This ensures all qualified Malaysians regardless of gender, age and ethnicity get equal employment opportunity. Employees are developed as part of our workforce sustainability and succession plan. This is an ongoing programme that includes personnel rotation to various job functions within the Company to gain more meaningful experience and business exposure. This helps us in ensuring the success and continuity of the Company's plans and operations as well as professional growth for our employees.

The Company adopts personnel policies and programmes according to applicable laws and regulations, including recruitment, work assignment, promotion, transfer, termination, wage and salary administration, and training. Key policies covering, among others, business ethics, conflicts of interests, alcohol and drug use, gifts and entertainment, harassment in the workplace and employees' outside directorships are in Petron Malaysia's Standards of Business Conduct ("Code of Conduct").

It is the Company's workplace policy to:

Develop and support educational programmes, recruitment sources and practices that facilitate the employment of Malaysian nationals, regardless of gender, race and age	Develop and offer work arrangements that help meet the needs of a diverse workforce in balancing work and family obligations	Establish company training and development efforts, practices, and programmes that support diversity in the workforce and enhance the representation of Malaysian nationals, regardless of gender, race and age throughout the Company
Foster a conducive work environment free from sexual, racial, or other forms of harassment	Make reasonable adjustments that enable qualified differently-abled individuals to perform the essential functions of their jobs	Emphasize management responsibility in these matters at every level of the organisation.

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS
RISK MANAGEMENT



● We encourage a work-life balance approach as part of a healthy work environment.

Work-Life Balance

Our office recreation clubs promote a healthy work-life balance for our employees. They serve as a platform to engage with other employees within the Company. Underscoring the motto of “bringing fun to the workplace,” our recreation clubs instill the spirit of togetherness and camaraderie, in line with our ExCITES core values of Teamwork.

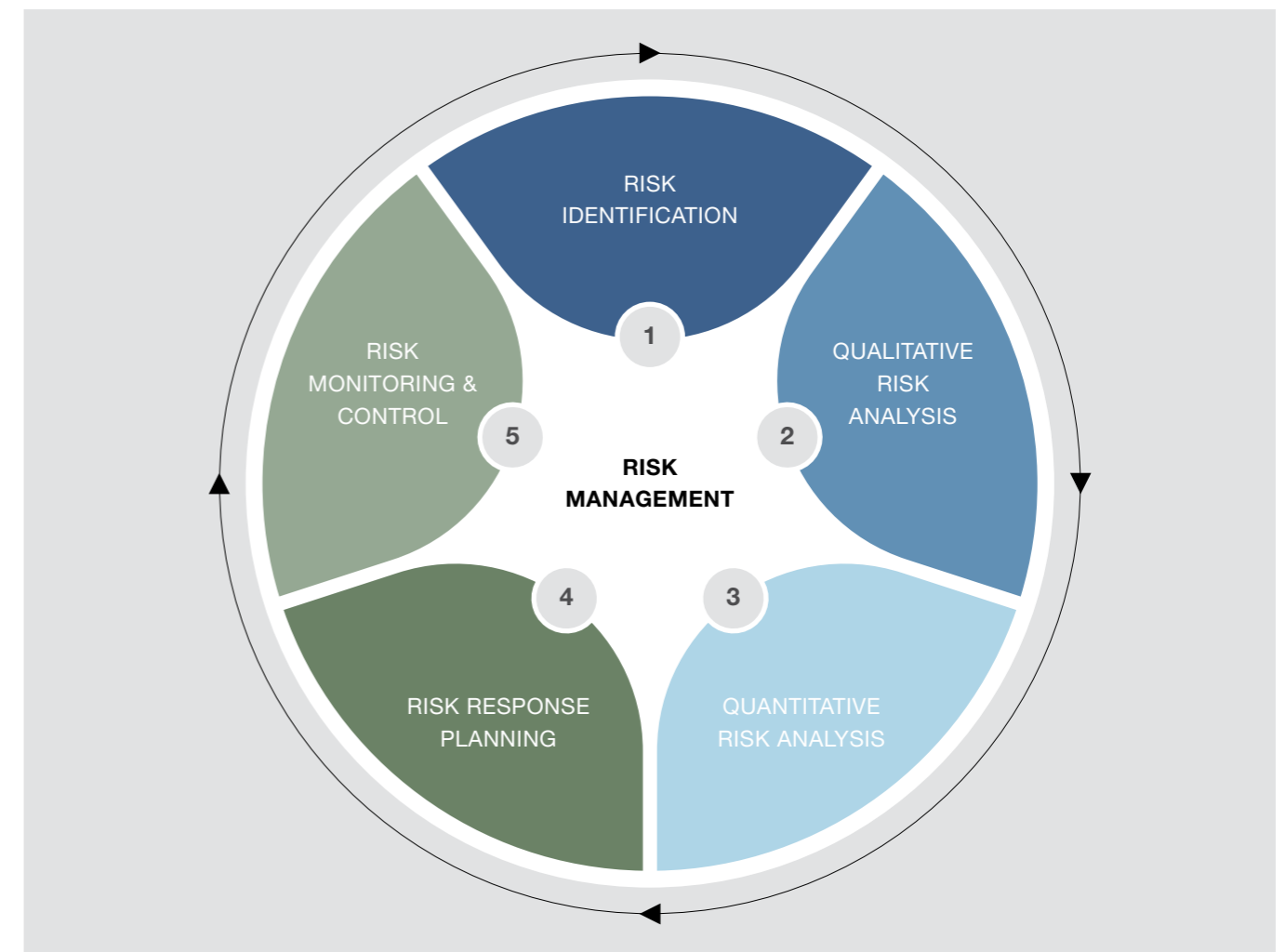
The Company organised both physical as well as virtual activities throughout 2021 to cater to the different interests of our employees. Prior to the MCO, team activities were conducted face-to-face, while during the work from home arrangement, our programmes were conducted using online platforms.

APPROACH TO RISK MANAGEMENT

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

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

Our Risk Management strategy is shown in the diagram below:



MANAGEMENT DISCUSSION AND ANALYSIS

RISK MANAGEMENT

Any condition or situation that has the potential to harm our business performance is referred to as a risk. We classified risks into four (4) categories:

OPERATIONAL RISK	<ul style="list-style-type: none"> Our facilities are built following international industry standards and regulatory requirements. We prioritise operational integrity at our PDR, LPP and fuel terminals to ensure uninterrupted operations. Process equipment failures can cause unplanned shutdowns, and a fire breakout can render our facilities inoperable. These incidents can disrupt our product supply chain to the market. To mitigate the operational risk, all Petron operating sites are required to conform to Petron's Operations Integrity Management System expectations (POIMS). As a member of the Petroleum Industry of Malaysia Mutual Aid Group (PIMMAG) and the Oil Spill Response Limited (OSRL), we are prepared to respond to any potential oil spill incident in Malaysian or international waters. PDR is designed to process light and low sulphur crudes which may constrain an economical crude selection for the refinery. To manage this, we have long and short-term arrangements for crude purchases from both local and international oil producers. Malaysia is an oil producer of low sulphur crude oil and has trading storage located within the country, providing available spot deals to supplement our term arrangements. We also purchase finished products both locally and imported from Singapore. Further, PDR's capability to process a wider variety and higher sulphur crude oil have recently been made possible with the completion and commissioning of the Diesel Hydrotreater (DHT) plant in the second quarter of 2021. The majority of the Company's business processes, systems and operations are dependent and interlinked using information technology (IT). Cybersecurity threats may cause serious disruption or downtime to the Company's operation if not mitigated or avoided. However, we have put in place appropriate IT security measures, not limited to system firewall, anti-malware software and tools to monitor and prevent risks from cyber-attack. The company has implemented a comprehensive Information Security Management System (ISMS) which was adopted from the parent company's ISMS but localised for Petron Malaysia's needs and requirements. The ISMS covers an integrated set of policies, procedures and system changes aimed to protect the Company's data, information, systems and assets, to ensure the integrity and reliability of our operations.
FINANCIAL RISK	<ul style="list-style-type: none"> Volatility in crude and product prices have an impact on the Company's financial performance. The Commodity Risk Management Committee meets weekly and as necessary to steward appropriate inventory management decisions and implement its existing sound commodity hedging strategies. To protect exposures to foreign exchange volatility, US dollar-denominated assets and liabilities are also hedged with reputable counterparty banks. Non-receipt per usual timetable of receivables (subsidies) from the government may have an impact on cash flow for operations and working capital. To address this challenge, steps are being taken to engage with the government to get timely reimbursements and to ensure the accuracy and completeness of documents submitted to relevant government agencies. We also ensure we have sufficient and available borrowing facilities with partner banks to help cover the funding gap in case of a delay in the collection of subsidies. Our continuous engagement with the government will prepare us for any changes in market or price regulation.

MANAGEMENT DISCUSSION AND ANALYSIS

RISK MANAGEMENT

STRATEGIC/ MARKET RISK	<ul style="list-style-type: none"> We established a product quality management system to ensure strict control over product quality and to reduce the likelihood of any untoward incident. This also ensures customer complaints are handled timely and efficiently especially those involving product quality issues. Petron's refinery and fuel terminals in Peninsular Malaysia are certified with Integrated Management System which comprises ISO 9001:2015 for Quality, ISO 14001:2015 for Environment and ISO45001:2018 for Occupational Health and Safety; whereby they are audited annually by ISO certification body, namely the Standard and Industrial Research Institute of Malaysia (SIRIM) to ensure full and faithful adherence and compliance to the standards. Petron Malaysia Group's terminals in Sabah have obtained the ISO 9001:2015 Quality certification in December 2021.
HAZARD RISK	<ul style="list-style-type: none"> The Emergency Response Plan (ERP) and Business Continuity Plan (BCP) are prepared for any potential emerging issues related to the relevant risks, including any potential impact from cybersecurity threats, as well as from the ongoing Covid-19 pandemic. Each Business Unit's operating site conducts periodic drill exercises to assess its readiness to respond to such incidents. Procedures and controls are in place to target zero employees work-related injury or illness, third party liability and property loss. With the emergence of the Covid-19 pandemic, all employees are required to be fully vaccinated including taking a booster dosage. Employees found to be infected with Covid-19 and those in close contact have been instructed to be quarantined at home or in a healthcare facility, subject to the Ministry of Health's advice. A clearance from a Company Appointed Doctor is required before returning to work. The readiness of each plan's ability to respond to such incidents is tested annually by each Business Unit's operating sites.



● 2021 Emergency Response Preparedness (ERP) practice at the Diesel Hydrotreater plant in our Port Dickson Refinery for response readiness and mitigation of disruptions.

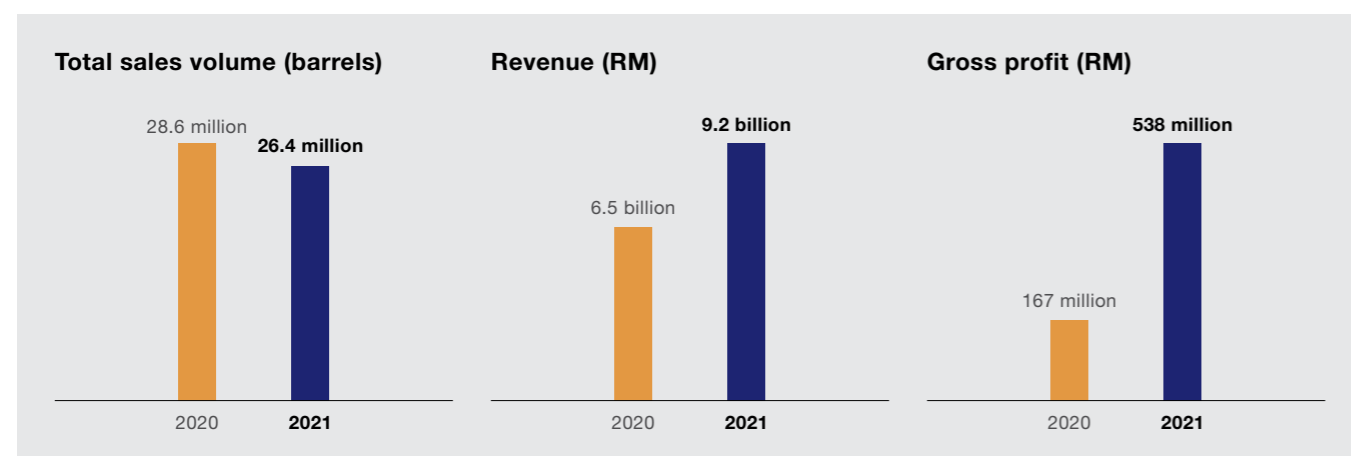
MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

From an exceptionally challenging 2020 with the onset of the Covid-19 pandemic, the global oil market started to recover in 2021. Global efforts to ramp up vaccination and easing travel restrictions boosted oil demand and prices.

The disciplined and prudent efforts by Organisation of the Petroleum Exporting Countries (OPEC) and allied countries to manage their oil production output supported the global oil price recovery, with benchmark Dated Brent crude averaging at US\$71 per barrel in 2021, significantly higher as compared to US\$42 per barrel average in 2020.

With the oil price rebound and gradual domestic sales volume recovery in the second half of 2021, along with improved operational efficiencies, the Company delivered a net profit of RM238 million for the year, a significant turnaround from the RM13 million net loss incurred in 2020.



Revenue and Gross Profit

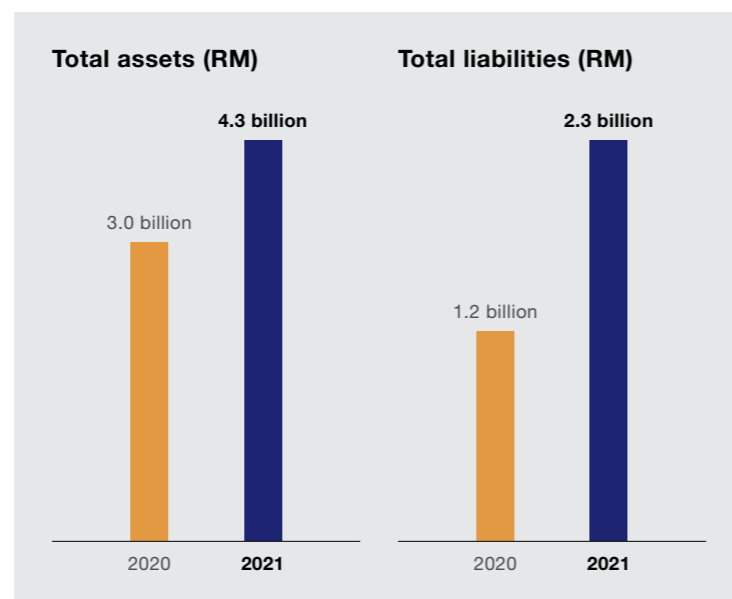
As a result of restricted travel and economic activities from the prolonged lockdowns in 2021, domestic demand softened resulting in a 8% decline in sales volume to 26.4 million barrels, compared to 28.6 million barrels sold in 2020.

Nevertheless, the sustained recovery of oil prices in 2021 cushioned the impact of lower sales volume. The Company's revenue of RM9.2 billion for the year was 42% higher than the RM6.5 billion posted in 2020, while gross profit of RM538 million was more than threefold from the RM167 million recorded in the preceding year.

Dividends

During the Annual General Meeting held in June 2021, shareholders approved a dividend payment of 5 sen per share for the financial year 2020 despite incurring a net loss. For the financial year 2021, the Company is recommending a dividend of 20 sen per

share. The dividend pay-out translated to about 23% of the 2021 net income and considered, among others, the cash position and funding requirements of the Company.



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

Financial Position

The Company's non-current assets stood at RM2.2 billion in 2021 mainly comprised of the recently commissioned DHT and MIF2 projects at the refinery. Total assets increased to RM4.3 billion in 2021 as compared to RM3.0 billion in 2020, mainly due to higher fixed assets from investments in the refinery and retail network, increased inventories and receivables mainly due to uptrend in oil prices.

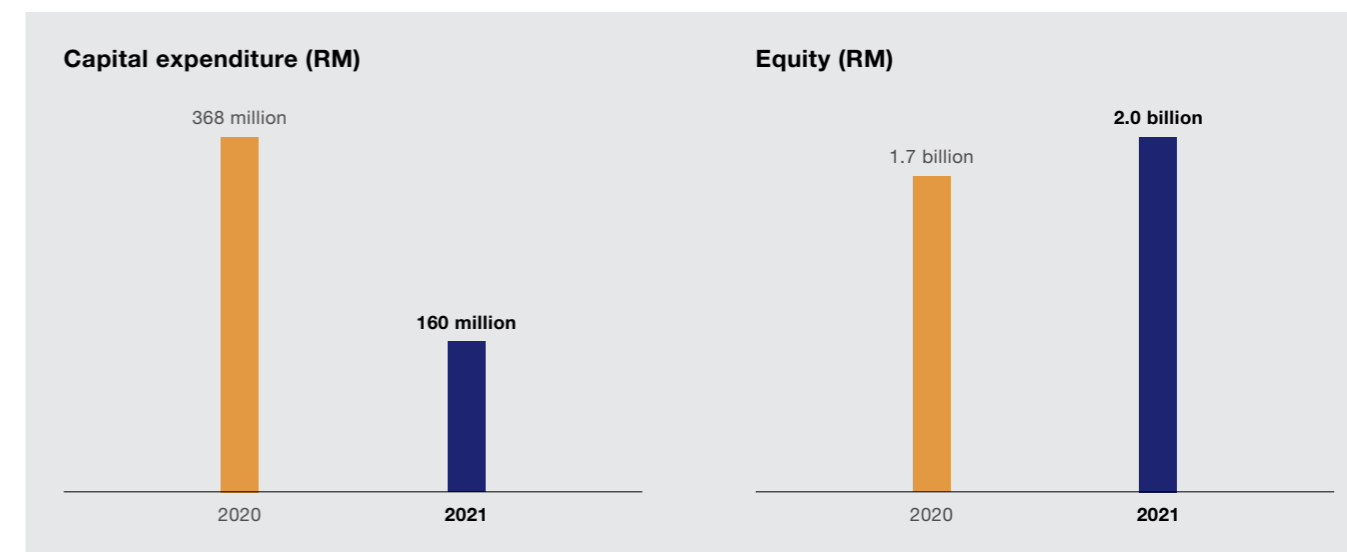
The Company's liabilities also increased to RM2.3 billion at the end of 2021 from RM1.2 billion in 2020 as the elevated oil prices resulted in higher trade payables and borrowings to fund the increase in working capital requirements.

Capital Expenditure

The Company's total capital expenditures for the year was lower at RM160 million compared to RM368 million in 2020, mainly due to the completed DHT and MIF2 and lower spending on retail network expansion projects following the prolonged Covid-19 pandemic and lockdown.

Shareholders' Equity

While the Company's share capital remained at RM143 million, the Company's retained earnings increased to RM1.8 billion in 2021 as compared to RM1.6 billion, mainly due to net income generated during the year.



FORWARD-LOOKING STATEMENT

We look forward to the global and local economic recovery in 2022 and the rebound of oil demand. However, the risks and uncertainties from the resurgence of new Covid-19 variants of concerns may pose renewed threats and dampen the recovery towards pre-pandemic levels. Nevertheless, we are confident that the worst for our business is over and the economic growth outlook remains positive with the resumption of travel and business activities in 2022 as well as the progress and efficacy of the vaccination programmes to mitigate the impact of new infections.

The Company remains committed and focused on its strategic objectives and growth programmes. The commendable turnaround in the 2021 business results was a strong testament to the Company's commitment to deliver sustainable growth and value to its stakeholders.

SUSTAINABILITY STATEMENT

SUSTAINABILITY STATEMENT

Sustainability lies at the core of everything we do in pursuit of a better and more resilient future for all. Encapsulated in our six corporate values – Excellence, Customer Focus, Innovation, Teamwork, Ethics and Safety – sustainability has become our reliable guide, more so given recent challenges, as we attain our vision of being the leading provider of total customer solutions in the oil sector and allied businesses.



We began our sustainability journey early on and have progressively improved our disclosures to better meet reporting standards and requirements. In 2018, we produced our first stand-alone Sustainability Report, which complemented the 2017 PMRMB Annual Report and Accounts. This year, we further improve our sustainability report by aligning our disclosures with international reporting standards and goals to benchmark against best reporting practices.

2021 is our fifth year producing a Sustainability Report, which details Economic, Environmental, Social and Governance (EESG) initiatives, programmes and outcomes. It communicates how we integrate sustainable practices into our daily operations and business management to ensure continuous value creation for our stakeholders.

SCOPE AND BOUNDARIES

This Sustainability Statement covers the integrated sustainability performance of Petron Malaysia Group, which consists of PMRMB, PFISB and POMSB. The reporting period is from 1 January 2021 to 31 December 2021, unless stated otherwise.

REPORTING FRAMEWORK

This Sustainability Statement was prepared with reference to local regulations and international reporting standards as listed below:

- Global Reporting Initiative (GRI) Standards
- Bursa Malaysia's Main Market Listing Requirement (MMLR)
- Bursa Malaysia Sustainability Reporting Guide 2nd Edition (2018)
- Securities Commission's Malaysian Code on Corporate Governance (MCCG) 2021

STAKEHOLDERS

- Shareholders / Investors
- Employees
- Regulators / Authorities
- Customers
- Dealers / Suppliers / Contractors / Business Partners
- Community
- Union

The disclosures in this Sustainability Statement have been aligned with the United Nations Sustainable Development Goals (UN SDGs). The data in this Sustainability Statement was collected based on key performance indicators and our materiality matrix.

The full Sustainability Report 2021 will be available in Q3 2022.

OUR APPROACH TO SUSTAINABILITY

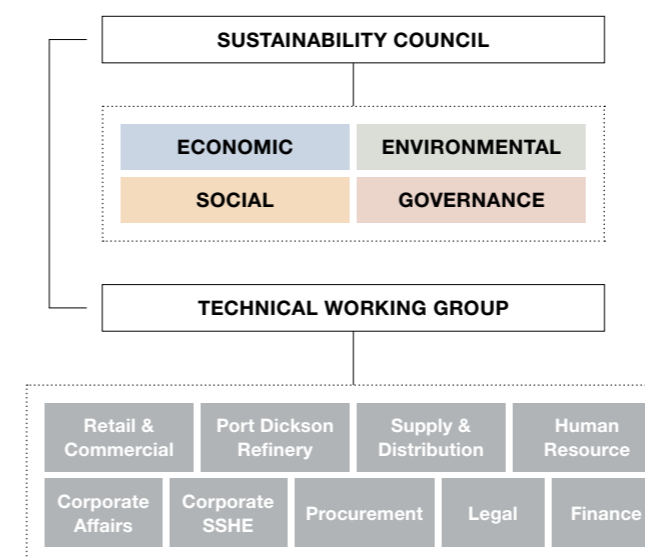
At Petron Malaysia, we strive to integrate sustainable practices into our business management and operations to ensure continuous value creation for our stakeholders. In the year under review, we took a step forward in our sustainability journey to strengthen these practices and revalidated our Sustainability Roadmap, meeting regulatory requirements and adopting best practices.

The Sustainability Roadmap reviews the effectiveness of our governance structure and the relevance of our policies, material matters, key performance indicators (KPIs) and action plans. The goal is to contribute to the sustainable development of the Company as well as the nation, requires alignment of our approach, practices and reports with the Global Reporting Initiative (GRI), FTSE4GOOD Bursa Malaysia Index (FG4BM) and the United Nations Sustainable Development Goals (UN SDGs).

SUSTAINABILITY GOVERNANCE

The Sustainability Council consists of members from the Management Committee who is responsible in managing day to day activities of the Company under the four sustainability pillars of economic, environmental, social and governance. The Council also communicates the organisation's strategies, priorities and targets as well as performance to key stakeholders apart from managing sustainability matters. The Council is supported by a Technical Working Group comprising representatives from key departments across the organisation.

STRUCTURE



FREQUENCY ROLES & RESPONSIBILITIES

FREQUENCY	ROLES & RESPONSIBILITIES
6 times per year	<ul style="list-style-type: none"> • Communicate the company's sustainability strategies, priorities and targets as well as performance to internal and external stakeholders • Drive strategic management of material sustainability matters • Recommend appropriate Sustainability KPIs in addressing the company's material matters
12 times per year	<ul style="list-style-type: none"> • Execute the company's sustainability strategies, priorities and targets • Implement sustainability-related tasks and initiatives on a day-to-day basis • Gather and compile sustainability-related data

SUSTAINABILITY POLICY

We are guided by our Sustainability Policy, which emphasises our commitment to generate business profit while creating a positive impact to society, the nation and the world.

While we have recently highlighted Governance in our updated Sustainability Policy, our corporate governance practices have always been a strong foundation of our business operations as emphasised in the relevant disclosures.

Our policy also addresses economic, environmental and social sustainability, underpinning the organisation's stringent standards to operate the business while minimising its environmental footprint. The policy is accessible on our corporate website.

SUSTAINABILITY STATEMENT

STAKEHOLDER ENGAGEMENT

We define stakeholders as key groups whose actions and decisions are capable of affecting our business activities, results and growth. As an organisation that focuses on long-term sustainable growth, we acknowledge that it is vital to host reviews with our stakeholders and meet their needs by engaging them regularly through various channels. To continue creating value for our stakeholders, we have aligned their key concerns with our sustainability material matters, which also allows us to address any relevant risks and identify opportunities from these concerns.

STAKEHOLDER GROUPS	ENGAGEMENT METHODS	FREQUENCY
SHAREHOLDERS / INVESTORS		
Shareholders and investors are vital for the health and wealth of the Company. Engaging regularly with our shareholders and investors will ensure long-term sustainable business growth.	Annual General Meeting	Annually
	Annual Report & Sustainability Report	Annually
	Announcements	As required
	Corporate website www.petron.com.my	As and when
	Contact local Treasury / Investor Relations group in Manila	As and when
EMPLOYEES		
Employees are the driving force behind Petron. As such, we always strive to meeting their needs and providing a safe, healthy and conducive workplace and ensuring their career development.	Guidance by supervisor	Ongoing
	Intranet / Internal Memo	Ongoing
	Team meetings	Weekly / Monthly / As and when
	Teambuilding sessions	Annually
	Individual development discussions / training	Ongoing
	Formal performance evaluation	Annually
	HR Policies trainings	Ongoing
	Corporate website www.petron.com.my	As and when
REGULATORS / AUTHORITIES		
We seek to work closely with the regulators and authorities to ensure compliance and to keep up with the evolving regulatory landscape.	Meetings	Ongoing
	E-mail communication	Ongoing
	Site visits and inspections	Ongoing
	Periodic report	Monthly / Quarterly / Annually
	Corporate website www.petron.com.my	As and when
CUSTOMERS		
Ensuring customer satisfaction is our priority as we seek to deliver excellence. We will continue to gather feedback from our customers to improve the quality of our customer service and products.	Social media Instagram and Facebook	Ongoing
	E-mail Petron Care petroncare@petron.com.my	As and when
	Corporate website www.petron.com.my	As and when
	Petron Miles Website www.petronmiles.com.my / call PMiles Customer Service Hotline 1300 888 812	As and when

SUSTAINABILITY STATEMENT

STAKEHOLDER GROUPS	ENGAGEMENT METHODS	FREQUENCY
DEALERS / SUPPLIERS / CONTRACTORS / BUSINESS PARTNERS		
We work closely with our dealers, suppliers, contractors and business partners to deliver excellence and explore opportunities for our mutual sustainable growth.	E-mail communication / memo	Ongoing
	Site visits / instant messaging / telephone calls	Ongoing
	Meetings by territory / area	Monthly / Quarterly / Annually
COMMUNITY		
Engaging with the local community where we operate enables us to meet their needs and generate long-lasting positive impacts. We are committed to giving back to society to ensure no one is left behind in our bid to contribute to a sustainable future for all.	Advocacy programmes such as Go-to-Safety-Point, road safety and environment	Annually
	Corporate Social Responsibility (CSR) programmes	Annually
	Fenceline communities discussions / meetings	Quarterly
UNION		
We practise freedom of association and strive to honour our employees' rights as outlined in the Collective Agreements (CA) between the Company and unionised employees. Maintaining industrial harmony through fair negotiation and finalisation of CA every 3 years.	E-mail communication / instant messaging / telephone calls	Ongoing
	Meetings	Quarterly, as and when needed



● Kelantan state level GTSP event.

SUSTAINABILITY STATEMENT

SUSTAINABILITY STATEMENT

MATERIALITY MATTERS

Materiality assessments are integral to our sustainability journey to enable us to understand issues that matter most to our business and stakeholders.

Reassessing our material matters allows us to keep updated and robust particularly in addressing the impact of existing or emerging risks to the business like the Covid-19 pandemic. Generally, it enables us to identify the opportunities and risks of each material matter apart from meeting the needs of our stakeholders.

Our first materiality assessment was conducted in 2016. We review our material matters periodically to ensure relevance to current business landscape and operations as well as consistency to the industry. In 2021, we refreshed our material matters by benchmarking them against industry peers, using guidelines and key indicators from GRI and F4GBM as well as the UN SDGs. As a result, the material matters were grouped into Economic, Environmental, Social and Governance, reflecting the Company's key focus areas in its journey towards sustainability.

Petron Malaysia's Material Matters for 2021

ECONOMIC	ENVIRONMENTAL	SOCIAL	GOVERNANCE
<ul style="list-style-type: none"> Financial Performance Market Presence Procurement Practices Indirect Economic Impact 	<ul style="list-style-type: none"> GHG Emissions Energy Management Water & Effluents Waste Management Environmental Compliance Supplier Environmental Assessment 	<ul style="list-style-type: none"> Workplace Health & Safety Talent Development Employee Diversity & Inclusion Labour Management Relations Freedom of Association & Collective Bargaining Community Inclusivity/Engagement Customer Experience 	<ul style="list-style-type: none"> Ethics & Integrity Risk Management & Business Continuity

KEY PERFORMANCE INDICATORS & ACTION PLANS

Key Performance Indicators (KPIs) and action plans are strategic measures that contribute to the organisation's long-term sustainable growth. As such, we have set KPIs for each material matter by assessing the current programmes and aligning them with sustainability KPIs and incorporating them into our business plan for better focus and implementation.

We will continuously strengthen our sustainability practices to ensure sustainable value creation for the organisation and our stakeholders. We aspire a balance between profit, people and planet as we journey towards a sustainable future for all.

In 2021, we pursued with our sustainability efforts amid challenges from the Covid-19 pandemic by pivoting to mostly virtual platforms to engage with stakeholders and by adhering to strict SOPs while carrying out our programmes.



ECONOMIC

KEY HIGHLIGHTS FOR 2021

Indirect Economic Impact

DHT and MIF2 projects

Generated job opportunities for more than

500 locals

where more than 80% of the total workers employed for the two projects and supported economic activities in the surrounding communities.



GRI 202, 203

Collaborated with the Ministry of Rural Development and the Ministry of Domestic Trade & Consumer Affairs for the "Sapot Lokal" programme. As a two-pronged programme, Sapot Lokal encouraged our customers to buy local products while increasing the shelf space for the rural SMEs to promote their products in our Treats and P-Kedai. In 2021, six Petron stations were launched as pilot Sapot Lokal sites and we plan to expand the programme to more Petron stations in the future.



GRI 203, 204



● Diesel Hydrotreater, PDR

Our Commitment

We are committed in covering all business aspects and areas relevant in creating long-term value for the Company to continue to be financially sustainable. We assure our stakeholders that we have taken into consideration sustainability matters that are crucial to our financial goals and decision making. We will continue to conduct our business activities cognisant of our important role to provide fair and equal employment opportunities.

Our Management Approach

We aim to achieve resilience and a competitive edge in the industry through our effective sales strategies, cost optimisation efforts, prudent use of resources and comprehensive risk management measures. We also promote sustainable procurement practices by ensuring that the materials and services purchased meet the Company's standards at optimal costs and with minimal impact to the environment.

SUSTAINABILITY STATEMENT

SUSTAINABILITY STATEMENT

 ENVIRONMENTAL

KEY HIGHLIGHTS FOR 2021

Carbon Reduction Efforts

Diesel Hydrotreater (DHT), PDR

Completion of catalytic reaction units which produce ultra-low sulphur automotive diesel in compliance with Government's mandate to introduce Euro 5 specification diesel.



Marine Import Facility 2 (MIF2), PDR

Completion of new pipelines and marine import facilities that enable use of bigger vessels thereby reducing frequency of imports.



Wastewater Treatment Plant, Lumut PME Plant

Completed full upgrade capable of processing maximum wastewater rate of 90-100m³ per day to meet Standard B effluent in compliance with Industrial Effluent Regulation (IER).



Lumut PME Plant biodiesel production facility won Runner-up in the National Energy Awards 2021 under Renewable Energy – Biofuel.



● Lumut PME Plant.

Our Commitment

We prioritise environmental sustainability by minimising our operation's carbon footprint and advocating programmes in collaboration with strategic key partners. We are committed to:

- Act with professionalism, integrity and fairness at all times
- Adhere to strict safety and environmental standards
- Promote the best interests of all stakeholders and to care for the community

Our Management Approach

We regularly monitor the rapidly evolving oil and gas landscape and ensure we comply with all applicable environmental regulations and requirements. We also establish targets and monitor results, impacts and matrices across all our operating sites to mitigate any adverse effects of our operations to the environment. To embed sustainability practices in our operations, we implement best practices for continual improvement and strive to inculcate environmental and sustainability awareness among our employees, business partners and community in line with our philosophy 'Protect our Environment Today for a Better Tomorrow'.



The Environmental Business Plan (EBP) sets out year-on-year targets over a five-year period on the impact of site operations and emissions in relation to environment conservation and regulatory compliance.

 SOCIAL

KEY HIGHLIGHTS FOR 2021

Workforce

- Total Employees: 599**
- Unionised employees: **25%**

Female Employee Composition

- Total Workforce **35%**
- Leadership Team **27%**
- Board Composition **33%**



Covid-19 Response

A. Employees

- stringent Covid-19 SOPs
- in Q4 2021, we achieved 100% vaccination for employees and contractors.



B. Disaster Relief Programmes

Contributed essential food items, Gasul (cooking gas), motor oils, mineral water, hand sanitiser and PMiles gift cards to B40 communities, front-liners, vaccination centre volunteers and NGOs.



Clean Toilet Programme

- **30%** of Petron service stations toilets were rated 4 and 5 stars by local councils
- **98%** GOOD response on toilet cleanliness gathered through the Station Toilet QR Code survey to gauge customer satisfaction.



● Food Bank collaboration with KPJ Hospital.

Our Commitment

As a caring organisation, we remain committed to our greatest asset, our employees. We strive to maintain a safe and conducive workplace, embrace diversity, and nurture and develop our workforce to encourage long-term career with the Company. We take pride in our community engagement and outreach programmes to help the less fortunate and educate the younger generation on safety and the environment. We place emphasis on customer service excellence and do our best to understand and meet the needs of our customers.

Our Management Approach

We focus on enhancing the social well-being of our employees as well as local communities, while at the same striving to deliver the best experience to all our customers. To ensure we make informed decisions in our social sustainability programmes, we conduct internal and external surveys, and benchmark against industry peers to gather data.

 GOVERNANCE

Our Commitment

We are committed in upholding the highest standards of governance in our organisation to ensure long-term sustainable growth.

Our Management Approach

We remain guided by our Group corporate governance policies as well as adhering to regulatory guidelines to minimise exposure to regulatory, legal, financial and reputational risks. We endeavour to drive a positive culture of compliance and inculcate good business ethics among our employees as well as business partners and dealers.

Refer to the Corporate Governance section on pages 58 to 80 for details.

CORPORATE INFORMATION

PROFILE OF BOARD OF DIRECTORS

PETRON MALAYSIA REFINING & MARKETING BHD

Registration No. 196001000260 (3927-V)

DIRECTORS

Mr. Ramon S. Ang

Chairman, Executive Director

Y. Bhg. Dato' Zainal Abidin Putih

Independent Director

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

Y. Bhg. Datuk Nik Mohd Hasyudeen Bin Yusoff

Independent Director

Mr. Lubin B. Nepomuceno

Chief Executive Officer, Executive Director

Ms. Aurora T. Calderon

Executive Director

Mr. Ferdinand K. Constantino

Non-Independent Non-Executive Director

COMPANY SECRETARY

Mr. Manoj Devadasan

(LS0006885)

ASSISTANT COMPANY SECRETARY

Datin Shahidah Binti Aris

(ACIS 7070727)

SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn. Bhd. (11324-H)

 Unit 32-01, Level 32, Tower A,
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Malaysia.

Tel : +603-2783 9299

Fax : +603-2783 9222

Customer Service Centre

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

AUDITORS

PricewaterhouseCoopers PLT

(LLP0014401-LCA & AF 1146)

Chartered Accountants

Wilayah Persekutuan, Kuala Lumpur

STOCK EXCHANGE LISTING

Main Board of Bursa Malaysia Securities Berhad

Stock Code: 3042 (Syariah-compliant Securities)

SOLICITORS

 Messrs Raja, Darryl & Loh, Kuala Lumpur
Rosli Dahlan Saravana Partnership

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.

Tel : +603-2082 8400

Fax : +603-2082 8578

Website : www.petron.com.my



MR. RAMON S. ANG

Chairman, Executive Director

68 years old | Male



Filipino

Mr. Ramon S. Ang was appointed as a Director on 30 March 2012 and appointed as Chairman/Chief Executive Officer of the Company on 2 April 2012. On 20 November 2013, Mr. Ang relinquished the position of Chief Executive Officer in adherence to the Malaysian Code on Corporate Governance 2012. Mr. Ang has served as the Chief Executive Officer and Executive Director of Petron Corporation in the Philippines since 8 January 2009 and the President of Petron Corporation since 10 February 2015. Mr. Ang is also the Chairman of a number of Petron Corporation's subsidiaries including its Malaysian subsidiaries, Petron Oil & Gas International Sdn. Bhd., Petron Fuel International Sdn. Bhd. and Petron Oil (M) Sdn. Bhd. Mr. Ang is also President, Vice Chairman, and Chief Operating Officer of Petron Corporation's parent company, San Miguel Corporation and is on the Board of Directors of a number of its subsidiaries including President and CEO of San Miguel Food and Beverage, Inc. and Chairman & CEO, President and COO of SMC Global Power Holdings Corp. Mr. Ang holds a Bachelor of Science degree in Mechanical Engineering from the Far Eastern University, Philippines. He also holds a doctoral degree in Business Engineering (Honoris Causa, 2018) from the Far Eastern University and a Ph.D. in Humanities (Honoris Causa, 1 October 2006) from the National University.

PROFILE OF BOARD OF DIRECTORS

PROFILE OF BOARD OF DIRECTORS


Y. BHG. DATO' ZAINAL ABIDIN PUTIH

Independent Director

76 years old | Male

Malaysian

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

Y. Bhg. Dato' Zainal Abidin Putih was appointed as a Director of the Company on 6 March 2003. Upon qualifying from the Institute of Chartered Accountants in England and Wales, he joined the firm of Hanafiah Raslan & Mohamad, which merged with Ernst & Young in July 2002. He has extensive experience in audit, having worked as a practicing accountant throughout his career covering many principal industries including banks, insurance, energy, transport, manufacturing, government agencies, plantations, properties, hotels, investment companies and unit trusts. He also has a good working knowledge of taxation matters and management consultancy, especially in the areas of acquisitions, takeovers, amalgamations, restructuring and public listing of companies. He plays an active role in the community and the corporate world being a Past President of the Malaysian Institute of Certified Public Accountants. He was also a member of the Malaysian Communication & Multimedia Commission, a body set up by the Malaysian government to oversee the orderly development of the multimedia and telecommunication industry in Malaysia. He was the Chairman of Pengurusan Danaharta Nasional Berhad as well as the Malaysian Accounting Standards Board (MASB). He is currently the Chairman of Land & General Berhad, Tokio Marine Insurans (Malaysia) Berhad and Touch 'n Go Sdn. Bhd. He was appointed to the Board of Directors of Khazanah Nasional Berhad in November 2020. Y. Bhg. Dato' Zainal Abidin Putih also holds directorships in several other private limited companies. He is a Trustee of the National Heart Institute Foundation, a Trustee of the Yayasan Universiti Multimedia (YUM) and is a member of Frost & Sullivan's FinTech Advisory Council. Y. Bhg. Dato' Zainal Abidin Putih is Chairman of the Financial Reporting Foundation (FRF), an appointment by the Minister of Finance. He is a Fellow of the Institute of Chartered Accountants in England and Wales (ICAEW), a Member of the Malaysian Institute of Certified Public Accountants (MICPA) and a Member of the Malaysian Institute of Accountants (MIA).


MS. CHUA SEE HUA

Independent Director

68 years old | Female

Malaysian

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

Ms. Chua See Hua was appointed as a Director of the Company on 31 May 2013. She is an Advocate and Solicitor of the High Court of Malaya, as well as a solicitor admitted in England and Wales, Hong Kong and Singapore. Ms. Chua joined Messrs Christopher & Lee Ong, Advocates & Solicitors, as a partner on 1 March 2021. Prior to that, Ms. Chua was the founding partner of Chua Associates, Advocates and Solicitors; a niche firm she set up in 2010 specialising in corporate, commercial, real estate, finance and capital markets laws. Prior to that Ms. Chua was in legal practice since 1985 with a number of leading firms including Skrine & Co (1985-1989) and as Partner of Raslan Loong (1997-2010). She was also the General Counsel for Ernst & Young in Hong Kong and at the international law firm of Simmons & Simmons in Hong Kong (collectively from 1989-1997). Ms. Chua was appointed as an independent director to Matrix Concept Holdings Berhad in November 2020. Ms. Chua graduated with B.A (law) from the University of East London, United Kingdom. She also completed her Masters in Law at the University of Cambridge specialising in companies & securities laws and international law.

PROFILE OF BOARD OF DIRECTORS

PROFILE OF BOARD OF DIRECTORS



MR. FONG SEOW KEE

Independent Director

65 years old | Male

Malaysian

- Member of the Board Audit & Risk Management Committee

Mr. Fong was appointed as a Director of the Company on 18 August 2016. His career spans more than 40 years in the finance and investment industry. He worked in investment banking in Malaysia and Hong Kong before joining a venture capital group in Singapore where he was responsible for investments across Asia and also the United States. In 2000, he co-founded an investment management and advisory firm and managed a technology focused venture capital fund owned by Ministry of Finance, Malaysia. He has been active in the development of the Capital Market Industry in Malaysia where he has been a member of several regulatory industry working groups. He was previously the Chairman of the Malaysian Venture Capital & Private Equity Association and was involved in the establishment of the Fintech Association of Malaysia, was its founder President and is currently an Advisor. In 2017, he was invited to be a member of the Advisory Committee on Technology for Finance established by Bank Negara Malaysia. He was a senior independent director of GHL Systems Bhd, a leading ASEAN payment solutions provider. Since 2018, he has been a lead faculty at the Asian School of Business, where he runs a programme on fintech for directors of financial institutions. In April 2021, he was appointed as Independent Non-Executive Director of RAM Rating Services Bhd and in December 2021, he was appointed as Non-Independent Non-Executive Director of Bond Pricing Agency Malaysia Sdn Bhd. Mr. Fong graduated with a BA (Hons) Economics and Social Studies from the University of Manchester, England, is a Fellow of the Institute of Chartered Accountants in England & Wales and a member of the Malaysian Institute of Accountants.



MR. ANTONIO M. CAILAO

Independent Director

75 years old | Male

Filipino

- Member of the Board Audit & Risk Management Committee

Antonio M. Cailao was appointed to the Board on 23 November 2017. Mr. Cailao is currently a Faculty Lecturer in the Institute of Corporate Directors (Philippines), and an Accredited Speaker by the Philippine Security and Exchange Commission. Mr. Cailao joined Citibank in 1973 on an Executive Trainee Development programme and went on to serve Citibank in various capacities and positions of increasing responsibilities. In this regard, he has served with Citibank in Manila, Hong Kong, Korea, Venezuela, Vietnam where he established Citibank's presence; and Singapore. His last position with Citibank (from 1997-2001) was in Singapore and Hong Kong as Citibank's Asia Regional Head (Pan Asian Corporations). From 2001 to 2013, Mr. Cailao was Managing Director of Asian Region Head (e-banking and Commercial Banking) for Fleet Bank of Boston (in Singapore). From 2003-2005, Mr. Cailao was the Senior Executive Vice-President/Chief Operating Officer of United Coconut Planters Bank (Philippines) where he initiated and led its financial rehabilitation. From 2007 to 2016, Mr. Cailao was the President and CEO of the Philippine National Oil Company, during which time the government utilised his financial competence in the two biggest landmark privatisation. Mr. Cailao obtained Bachelor of Business Administration (1968) and MBA (1973) from University of the Philippines. He completed an Executive Development Programme from Columbia University, New York, U.S.A (1989) and also Professional Directors Programme – Certified Independent Directors by the Institute of Corporate Directors (2007).

PROFILE OF BOARD OF DIRECTORS

PROFILE OF BOARD OF DIRECTORS


Y. BHG. DATO' NOORIZAH BINTI HJ ABD HAMID

Independent Director

62 years old | Female

Malaysian

- Member of the Board Audit & Risk Management Committee

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


Y. BHG. DATUK NIK MOHD HASYUDEEN BIN YUSOFF

Independent Director

57 years old | Male

Malaysian

- Member of the Board Audit & Risk Management Committee

Y. Bhg. Datuk Nik Mohd Hasyudeen Yusoff was appointed to the Board as an Independent Director on 1 February 2022. Datuk Nik Mohd Hasyudeen is presently a Non-Independent and Non-Executive Director of Bank Islam Malaysia Berhad and a Director of Al Hijrah Media Corporation. His past involvement in the corporate sector included Group Managing Director and CEO of Lembaga Tabung Haji, an Independent Non-Executive Chairman of Cagamas Holdings Berhad, Independent Non-Executive Chairman of BIMB Investment Management Berhad, a Public-Interest Director of the Federation of Investment Managers Malaysia, a board member of Universiti Utara Malaysia and a member of the Corporate Debt Restructuring Committee of Bank Negara Malaysia. He was an Executive Director in charge of Market and Corporate Supervision at the Securities Commission Malaysia and former Executive Chairman of the Audit Oversight Board, a former member of Bursa Malaysia Listing Committee and served on the Operational Review Panel of the Malaysian Anti-Corruption Commission, a former President of Malaysian Institute of Accountants, former Vice-President of the ASEAN Federation of Accountants and served on the Executive and Strategy Committees of the Confederation of Asian and Pacific Accountants. Datuk Nik Mohd Hasyudeen graduated with a Degree in Accountancy from Curtin University of Technology, Australia and is a Fellow of CPA Australia (FCPA).

PROFILE OF BOARD OF DIRECTORS

PROFILE OF BOARD OF DIRECTORS



MR. LUBIN B. NEPOMUCENO

Chief Executive Officer,
Executive Director

71 years old | Male



Filipino

Mr. Lubin B. Nepomuceno was appointed to the Board of the Company on 30 March 2012. On 20 November 2013, Mr. Nepomuceno was also appointed as the Chief Executive Officer, when the offices of Chairman and Chief Executive Officer were separated in line with the recommendations of the Malaysian Code on Corporate Governance 2012. Effective 10 February 2015, he was appointed as General Manager of Petron Corporation. He is also a Director of a number of Petron Corporation's subsidiaries including its Malaysian subsidiaries, Petron Oil & Gas International Sdn. Bhd., Petron Fuel International Sdn. Bhd. and Petron Oil (M) Sdn. Bhd. Mr. Nepomuceno holds a Bachelor of Science degree in Chemical Engineering and a Masters degree in Business Administration from the De La Salle University. He has also attended Advanced Management Programmes at the University of Hawaii, University of Pennsylvania and Japan's Sakura Bank Business Management.



MS. AURORA T. CALDERON

Executive Director

67 years old | Female



Filipino

Ms. Aurora T. Calderon was appointed to the Board of the Company on 30 March 2012. Ms. Calderon has served as a Director of Petron Corporation since 13 August 2010. She also sits on the Board of Directors of several Petron Corporation subsidiaries including Petron Oil & Gas International Sdn. Bhd. Ms. Calderon is also Senior Vice President and Senior Executive Assistant to the President and Chief Operating Officer of San Miguel Corporation and sits on the Board of Directors of San Miguel Corporation and several of its subsidiaries including SMC Global Power Holdings Corporation. She has served as a Director of Manila Electric Company-MERALCO (from January 2009-May 2009), Senior Vice President of Guoco Holdings (1994-1998), Chief Financial Officer and Assistant to the President of PICOP Resources (1990-1998) and Assistant to the President and Strategic Planning at the Elizalde Group (1981-1989). A certified public accountant, she graduated magna cum laude from the University of the East in 1973 with a degree in Business Administration, majoring in Accounting. She earned her Master's degree in Business Administration from the Ateneo de Manila University in 1980. She is a member of the Financial Executives Institute of the Philippines (FINEX) FINEX's Capital Market Development Committee, Director of the Market Governance Board of the Philippine Dealing System Holdings, (PDS), and a member of Philippine Institute of Certified Public Accountants (PICPA).

PROFILE OF BOARD OF DIRECTORS



MR. FERDINAND K. CONSTANTINO

Non-Independent
Non-Executive Director

70 years old | Male



Filipino

- Member of the Nominating Committee

Mr. Ferdinand K. Constantino was appointed to the Board on 30 August 2013. Mr. Constantino is the Group Chief Finance Officer and Treasurer and Corporate Information Officer of San Miguel Corporation (SMC). Mr. Constantino also sits on the boards of several San Miguel subsidiaries. He is the Chairman of San Miguel Foundation. He is the Director/President of Anchor Insurance Brokerage Corporation, Director and Vice-Chairman of SMC Global Power Holdings Corp. and Director of Top Frontier Investment Holdings Inc. He is also a Director of various SMC businesses namely: San Miguel Yamamura Packaging Corporation, San Miguel Pure Foods International, Ltd., San Miguel Holdings Corp. (Infrastructure), Citra Metro Manila Tollways Corporation (Skyway) and Northern Cement Corporation. He was previously SMC Comptroller and Chief Finance Officer of San Miguel Brewery Inc. Mr. Constantino holds a Bachelor's Degree in Economics from the University of the Philippines. He also took graduate courses in Economics and Business in the same university. Mr. Constantino has over 49 years' experience in financial management, financial planning and analysis, financial systems, comptrollership, economic analysis, and strategic planning.

PROFILE OF MANAGEMENT COMMITTEE

MR. LUBIN B. NEPOMUCENO

Chief Executive Officer and Executive Director
Chairman of the Management Committee

71 years old | Male | Filipino

Qualifications:

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

Working Experience:

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

The complete profile for Mr. Nepomuceno can be found in the Profile of Board of Directors on page 52.

PN. FARIDAH ALI

General Manager

57 years old | Female | Malaysian

Qualifications:

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

Working Experience:

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

PROFILE OF MANAGEMENT COMMITTEE

PROFILE OF MANAGEMENT COMMITTEE

MR. CHOONG KUM CHOY

Head of Retail and Commercial Business

59 years old | Male | Malaysian

Qualifications:

- B. Eng (Hons.), (Mechanical Engineering), University of Malaya, Malaysia.

Working Experience:

- Mr. Choong Kum Choy was appointed as the Head of Retail and Commercial Business of Petron Malaysia effective 23 January 2019.
- Mr. Choong Kum Choy was the Head of Commercial Business of Petron Malaysia since 2012 until his present position.
- He was ExxonMobil's Asia Pacific Wholesale Manager and the Country Lead for Industrial and Wholesale Business.

MR. MARK TRISTAN D. CAPARAS

Chief Finance Officer

39 years old | Male | Filipino

Qualifications:

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

Working Experience:

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

MR. MANOJ DEVADASAN

General Counsel/Company Secretary/HR Manager

58 years old | Male | Malaysian

Qualifications:

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

Working Experience:

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

Y. BHG. DATO' RAJA SALLEHUDIN RAJA LOPE AHMAD

Head of Refinery

57 years old | Male | Malaysian

Qualifications:

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

Working Experience:

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

EN. MOHD NIZAM MANSOR

Head of Supply & Distribution

54 years old | Male | Malaysian

Qualifications:

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

Working Experience:

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

None of the Management Committee members have any family relationship with any Director and/or major shareholder of Petron Malaysia Refining & Marketing Bhd, no conflict of interest with Petron Malaysia Refining & Marketing Bhd, not convicted of any offences within the past five (5) years and have not been imposed any penalty by the relevant regulatory bodies during the financial year 2021.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

This Corporate Governance Overview Statement will highlight the following:



A BOARD LEADERSHIP AND ITS EFFECTIVENESS

General

As at 31 December 2021, the Board has nine (9) members, with five (5) Independent Directors, one (1) Non-Executive Director and three (3) Executive Directors (including the Chairman). Effective 1 February 2022, an additional Independent Director was appointed to the Board of Directors in line with the Company’s Board succession plan in 2022. The Company has a majority of Independent Directors.

Independent Directors on the Board

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

Independent Director, Y. Bhg. Dato’ Zainal Abidin Putih, who is also the Chairman of the Board Audit & Risk Management Committee, has exceeded a tenure of twelve

(12) years on the Board, and as recommended by the CG Code 2021, will retire from the Board at the conclusion of the Annual General Meeting in 2022. In relation to his long tenure on the Board since 2003 and his continued annual reappointment to the Board under the CG Code 2017, the Company wishes to state that whilst it recognises the rationale for the imposition of a twelve (12) year tenure limit as familiarity with main shareholders, executive directors and Senior Management may, over a long duration, impinge upon the Independent Directors’ ability to objectively and independently discharge their roles and responsibilities, there were compelling reasons for the retention of Y. Bhg. Dato’ Zainal Abidin Putih.

The Company, however wishes to highlight that whilst Y. Bhg. Dato’ Zainal Abidin Putih may have joined the (then Esso Malaysia Berhad) Board in 2003, the Board and Senior Management of the Company, had substantially changed with the takeover by Petron in 2012. It is also to be noted that the Company and its Board benefitted greatly from the guidance of an experienced and respected Independent Director such as Y. Bhg. Dato’ Zainal Abidin Putih, with his impeccable reputation and vast knowledge and understanding of the Company’s business, will benefit the Company and the Executive Directors in furthering the successful implementation and plans for the development

and sustainability of the Company’s business. Y. Bhg. Dato’ Zainal Abidin Putih’s stellar reputation in the corporate world and in the accounting/auditing profession, coupled with his vast knowledge and experience, enables him to continue to provide the Independent Directors, and the Board as a whole, with wise counsel and at the same time ensure the interest of the Company and the interest of minority shareholders are well protected.

Ms. Chua See Hua would have served a total of ten (10) years immediately before the Annual General Meeting in 2022. Per the recommendation of the CG Code 2021, Ms. Chua See Hua, if she was to be reappointed must undergo a two-tier voting at the Annual General Meeting.

The Board of Directors, having considered the tenure of Ms. Chua See Hua on the Board is of the firm view that she should be re-appointed by the shareholders at the 2022 Annual General Meeting to serve another year in office. The reasons for this include:

- 1 With the retirement of Y. Bhg. Dato’ Zainal Abidin Putih, if Ms. Chua See Hua were to also retire in 2022, there will be a great void in the Board as two (2) of the senior most Independent Directors will be vacating office at the same time. This cannot be in the interest of minority shareholders whose interest they are strong advocates of.
- 2 A staggered retirement/ succession on the Board of senior Independent Directors is not without precedent as the same was done previously in relation to the staggered retirements of Y. Bhg. Tan Sri Dato’ Dr. Syed Jalaludin Syed Salim and Y. Bhg. Tan Sri Abdul Halim Ali, to ensure gradual and planned succession and minimal disruption to the Board.
- 3 Ms. Chua See Hua is also assisting the Board with a review of the Board evaluation criteria in 2022 for implementation in 2023.

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

The election process for Ms. Chua See Hua at the 2022 Annual General Meeting, will follow the ‘two-tier’ voting system prescribed by the CG Code 2021 as the necessary amendments to the Company’s Constitution had been approved at the 2019 Annual General Meeting. The voting on Ms. Chua See Hua’s re-appointment will be conducted by poll.

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

The tenure of Independent Directors is limited in the Board Charter and in 2022, will be amended to be in line with limitations on tenure on Independent Directors as recommended by the CG Code 2021.

The Board Charter

The Company has a Board Charter that has been in place since 1974 and is periodically updated. The most recent update was on 26 August 2021 to incorporate the CG Code 2021 recommendations in relation to tenure of Independent Directors. The Board Charter had in 2018, undergone revisions to meet the requirements of the CG Code 2017. In 2016, as an avenue to communicate the Company’s approach to important governance practices, the Company formalised its Board Charter and made it public by providing access to it on the Company’s

CORPORATE GOVERNANCE OVERVIEW STATEMENT

CORPORATE GOVERNANCE OVERVIEW STATEMENT

website. The Board Charter deals with its purpose, authority, role of the Board, the Board Committees, the relationship between the Board and Management, responsibilities specifically reserved for the Board and the Board's other responsibilities, the Board composition, the individual roles of the Chairman and the Chief Executive Officer, annual assessment of the Board, Board Committees and individual Directors, tenure of Independent Directors, annual election/re-election of Directors, Directors' responsibilities in relation to the Board and Board Committees, meetings of the Board, minutes and review of the Board Charter. Whilst the Board has not appointed a Senior Independent Director, relevant provisions was incorporated into the Board Charter as part of the 2018 review.

However, recognising that the Board cannot manage day to day operational matters, necessary delegation of authority by the Board (as is permitted by law and the constitution of the Company) is in place. Such delegation of authority, as adopted by the Board, acts to identify the roles and responsibilities of the Management Committee and individual Management personnel, as well as the relevant level of authority that has been delegated by the Board. The Board Charter and the Management Committee Charter are reviewed periodically by the Board and updated as necessary. The Management Committee Charter was last reviewed in 2018. An internal review in 2021 concluded that there was no need for any amendments to the Management Committee Charter for the time being. Changes to the delegation of authority to individual Management personnel are reviewed at quarterly meetings by the Board Audit & Risk Management Committee and approved by the Board.

Board's Management of the Company

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

The strategic plans of the Company and the operating plans for the year to grow the business, including the key factors taken into consideration in determination of the plans, are considered and approved by the Board. Approval by the Board is also obtained for the Company's budget. The progress of plans and budget as approved, are reviewed mid-year (following an internal midyear review at Senior Management level) with adjustments made where deemed necessary. Adherence to the budget is also monitored in conjunction with the periodic review of

the financials. The key to the strategic plans of the Company is long-term sustainability. The success of the Company (and indeed its rate of expansion in the downstream oil & gas business in Malaysia) in the ten (10) years since Petron acquired the business in 2012 is reflected by:

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

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

Sustainability

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

- | | |
|---|--|
| <ul style="list-style-type: none"> • The implementation of the DHT to remove sulphur from crude and thus enabling the Refinery to produce low sulphur Euro-5 fuels; | <ul style="list-style-type: none"> • Rainwater harvesting, planned installation of solar panels at service stations, the use of Petron-designed 'modular stations' that are more environmentally friendly, re-designed Convenience Stores that are designed to be energy efficient; |
| <ul style="list-style-type: none"> • The MIF2 that allows for bigger vessel to berth at the marine jetty thus reducing more frequent shipping needs thereby reducing the overall carbon footprint; | <ul style="list-style-type: none"> • Investment in Bio-Fuel plant – the only oil company in Malaysia to do so; and |
| <ul style="list-style-type: none"> • Water treatment at the refinery using natural/biological means; | <ul style="list-style-type: none"> • Selecting suppliers and vendors who have a clear sustainability record. |

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Management is currently compiling the data for a more systematic reporting.

The Report will be released as part of the Company's Sustainability Report 2021.

The Manager of the Corporate Affairs Department is the person identified to manage the day to day Sustainability-related matters such as to implement the strategies and advising on integrating sustainability strategies and plans in the Company's operations. She receives guidance from the General Manager and works closely with the Management Committee members in this regard.

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



While the ExCITES project was driven by Management, it was the employees who formed, planned and executed the project as part of a cross functional Department team effort. This move empowered the employees, and ensured that they take ownership of and help drive the values. In 2019, the ExCITES programme was 'refreshed' with the infusion of additional teamwork emphasis to strengthen comradery in the workforce to enable the Company to achieve its long term goals and ambition. It is to be noted that arising from the several movement control orders in 2020 relating to the Covid-19 pandemic, the implementation of the planned programmes for the 'refreshed' ExCITES had to be put on

hold. However, despite working from home and working on a split team basis for a significant part of the year, the Company's and its employees' ability to manage the business operations and several of its major projects is testimony to ExCITES' values that remained well grounded in Petron's culture. In 2021, as the Company moves towards embracing the new pandemic and post-pandemic norms and its forward plans, the ExCITES' plans will again be brought to the fore to ensure that the Company's continued and sustainable success will always remain focused. A re-launch of ExCITES to once again drive the strong 'Petron Family' values and culture is expected in 2022 as a post pandemic measure to return to and leverage on Petron's strengths.

The Board recognises that the business of the Company is one that has a moderate to high level of risk in terms of business, financial, economic outlook, environmental, safety and community/social risks. These are at all times kept in mind in planning and executing any venture that is to be undertaken by the Company. The Board nevertheless acknowledges that it is there to manage a business and risks (as in all businesses) are inherent part of the business. The Board recognises that identifying and adopting solutions to manage those risks is imperative in business and finding a successful balance between managing risks and promoting the business objectives of the Company is a consideration the Board fully recognises as necessary for its sustainability. The matters pertaining to risk management can be further viewed under the Statement of Risk Management and Internal Controls at pages 81 to 84, as well as the Board Audit & Risk Management Committee Report at pages 85 to 89. An overview of the Company's risk management is also stated below in Part B of this Corporate Governance Overview Statement.

The Chairman of the Board

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

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

Mr. Ang continues to be the driving force behind Petron's plans to further strengthen its market position in Malaysia. Mr. Ang in his capacity as Chairman of the Board, reviews and approves the Agenda for every Board meeting. Similarly, all Board papers and Board resolutions (including those completed via circulars) are reviewed and approved in order that the papers and resolutions meet the needs of the Board in relation to information necessary for the Board to make a determination. As Chairman, with the assistance of the Company Secretary, he ensures that the relevant Board papers are disseminated to the Directors in advance of the Board meetings to enable the Directors to read, understand, evaluate and raise issues for discussion or clarification, before a determination is made by the Board. As a general rule, the Board papers are disseminated at least five (5) days before a meeting. The Chairman chairs meetings of the Board (and leads the Board at the Annual General Meeting). The Chairman seeks the input from members of the Board and encourages members of the Board to express their views; even where the views may be divergent to the proposal moved by Management with the support of the Executive Directors.

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

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

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

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

Directors are also encouraged to attend additional training programmes, details of which can be viewed in Part D of this Corporate Governance Overview Statement. The Chairman of the Board will not also hold office as Chairman of the Board Audit & Risk Management Committee or the Nominating Committee at the same time.

The Chairman and the Chief Executive Officer

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

The Chairman is neither a Member of the Board Audit & Risk Management Committee nor the Nominating Committee.

Mr. Lubin B. Nepomuceno is the Chief Executive Officer. He is also an Executive Director and the Chairman of the Management Committee that is tasked with the day-to-day operational management of the Company.

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

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Diversity on the Board

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

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

As at 31 December 2021, the Board is comprised of nine (9) members of whom three (3) are women Directors. Of the three (3) women Directors, two (2) are Independent Directors (one of whom is also the Chairperson of the Nominating Committee) and one (1) Executive Director.

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

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

Nominating Committee

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

The Nominating Committee's Report can be found at pages 90 to 93.

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

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

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

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

The Board and Management

The Board in ensuring the success of the Company's plans and operations, has in place a highly energetic and motivated team of Senior Management personnel (that form the Management Committee). This Committee is led by the Chief Executive Officer and supported by the General Manager of Petron in Malaysia. The Management Committee is comprised of a mix of Malaysian personnel as well as senior personnel seconded from the parent company (Petron Corporation) each of whom have impeccable qualifications, vast experience in the industry and the management skills necessary to deliver on the plans and objectives of the Company. Each key department is headed by a Head of Department with personnel identified and groomed to eventually succeed the Head of Department as part of the succession plan. This is part of an on-going review and the plans include rotation of the personnel's assignment to various functions within the Company to gain experience and exposure on the overall business and management of the Company. The details of the Management Committee members are as in pages 55 to 57.

Diversity in Senior Management

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

The Company operates purely on a merit-based process in determining hiring and promotions. Gender plays no role whatsoever in the process. For instance, the Company engaged woman manager to replace a man in the key position of General Manager of Petron in Malaysia. Senior Management is made up of seven (7) 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 and Commercial Business, Head of Refinery, Head of Supply & Distribution, and the General Counsel/Company Secretary/HR Manager/ Compliance Officer.

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

Of the Management Committee of seven (7) members, one (1) woman holds the key portfolios of General Manager. The previous Head of Refinery (a woman) retired in 2021 and re-joined the Company on contract as an Adviser on Refinery related matters.

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

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Effective Stakeholder Communications

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

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 to incorporate revised guidelines issued by the parent company in relation to enhanced restrictions on receipt of gifts. Periodic training is also carried out for employees, contractors and vendors to ensure understanding of the requirements. Standard contracts of the Company (including employment contracts and contracts with third party vendors/contractors), also incorporate key provisions of the Code of Conduct as standard terms in such contracts, thus, ensuring the Code of Conduct will be adhered to at all times. All employees of the Company have undergone training on the Standards of Business Conduct and new hires are required to undergo a comprehensive and compulsory training on the Standards of Business Conduct. Such training for new hires is conducted twice yearly. In 2018, a 'refresher' training programme on the Code of Conduct was implemented for all employees. Another refresher was held in 2020 but due to the Covid-19 pandemic, could not be completed for all the staff in 2020 but was conducted online and completed in 2021.

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

In order for such information to be forthcoming, the employees are (as part of their training on the Code of Conduct) provided guidance on how they should report violations and are given assurance of the protection of 'whistle-blowers'.

All investigations are carried out expeditiously and confidentially by the relevant Head of Department and all such investigations are conducted with the support of the offices of the General Counsel and Human Resources Department. The process for any investigations on purported misconduct will be carried out in accordance with the Company's written guidelines on managing misconduct. Where there is any conflict of interest that can impact an independent investigation, the services of the Internal Audit Department can be sought.

The policies on protection of 'whistle-blowers' and conveying the assurance of 'whistle-blowers' protection was reinforced during the 'refresher' training programme for employees in 2020/2021.

It is to be highlighted that a revised set of Code of Conduct that includes revised Policies on sexual harassment, anti-corruption, anti-money laundering and whistle-blower protection policy has been approved for implementation in 2022. The revised Code of Conduct is available on the Company's website at www.petron.com.my.

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

Anti-Corruption Initiatives

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

- 1 Commencement in December 2019 of a series of training to inform the employees of the impact of the new law, not only to the employees, but also the corporate liability risk to the company and its Directors and senior management. The trainings continued in 2020 to ensure all employees are trained on what is expected of them in helping to implement the Company's requirements and the expected behavior from each employee.
- 2 The adoption of the ultimate parent company San Miguel Corporation's policy on gifts and entertainment. This is to be read together with the existing provisions contained in the Company's Standards of Business Conduct.
- 3 The implementation of a new Whistle-Blower protection policy.
- 4 Enforcement of a Petron Malaysia based declaration and review/approval process, in relation to minor exceptions (for reasonable business-related entertainment and low value festive gifts).
- 5 The preparation of a manual to include the Company's policy, action-plan, implementation processes flow, approval processes for exceptions.
- 6 In the third Quarter of 2020, the Company also commenced a refresher course for employees to update on expectations of the Company in relation to Petron's Standards of Business Conduct. However, this was disrupted by the Conditional Movement Control Order restrictions that led to work from home and split team operations. The programme was then completed in 2021.
- 7 The Company also conducted training and compliance programme to ensure understanding by the employees and strict compliance with applicable laws and regulations relating to anti-money laundering and counter financing of terrorism.
- 8 Background checks in recruitment of employees were performed particularly for employees in management positions and tasked with decision-making obligations.
- 9 Also performed was know-your-client/risk assessment whereby Customer Due Diligence (CDD) measures were taken to ascertain customer's identity and establish beneficiaries via documentary evidence prior to any business engagements to assess integrity of counterparties.

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

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EFFECTIVE AUDIT AND RISK MANAGEMENT

Board Audit & Risk Management Committee

Report of the Board Audit & Risk Management Committee (including its composition, role and activities) can be found at pages 85 to 89. As the Board Audit & Risk Management Committee is comprised solely of Independent Directors, and the Board prohibits the appointment of any partner of an audit firm prior to a 'cooling off period' of three (3) years since last serving the Company, the recommendation of the CG Code 2021 in this respect has always been adhered to.

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

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

As part of its risk management initiatives, in 2021, the Committee also reviewed (from the 2nd quarter 2021) the Company's vaccination status amongst its employees and contract staff.

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

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

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

The Chairman of the Board Audit & Risk Management Committee, Y. Bhg. Dato' Zainal Abidin Putih, is a chartered accountant and was a chairman of the board of a major bank. Ms. Chua See Hua is a practicing lawyer specialising mainly in corporate and finance matters. Mr. Fong Seow Kee, is a chartered accountant and was also the chairman of the audit committee of another public listed company. Mr. Antonio M. Cailao is a former senior banker in an international banking group and later headed the Philippine National Oil Company. Y. Bhg. Dato' Noorizah Binti Hj Abd Hamid is qualified in Finance and was the Managing Director of a major infrastructure company. 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.

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

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

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

Chairman of the Board Audit & Risk Management Committee

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

Relationship with External Auditor

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

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

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

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

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

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

Relationship with Internal Auditor

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

The current arrangement ensures that Management of the Company has no control over the function of the internal audit. To ensure independence from Management, the internal audit personnel assigned to the Company's internal audit are not subject to any determination of their assignments, promotions or their remuneration (or increase thereto) by the Company's Management. In order to maintain total independence from the Company's Management, their remunerations are not set or paid by the Company. The cost incurred for internal audit in 2021 was RM68,357.54.

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

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

The Board Audit & Risk Management Committee has reviewed the internal audit findings for 2021 as well as the closing out of recommendations made by the internal audit. The Board Audit & Risk Management Committee has also recognised the new Audit Rating System that was implemented in 2017 in line with the system adopted by the parent company.

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

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

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

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

Risk Management Committee

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

The Company's Statement of Risk Management and Internal Control ("SORMIC") can be found at pages 81 to 84. The SORMIC has been reviewed by external auditor, PricewaterhouseCoopers PLT (PwC).

Controls and Management System

The management systems that are in place are designed to achieve high standards of performance in the areas of safety, operations integrity, internal control and legal and environmental compliance. As these systems have been previously adopted by the Board and were used by the Company for many years, upon the take-over of the Company by Petron Corporation in 2012, these management systems were deemed to continue in operation and employees, contractors and vendors continue to be guided by these same systems until such time they are revised. As the systems involve employees, contractors and vendors whose engagement spanned the take-over, it was recognised that a sudden change in the systems (and providing fresh training to the employees, contractors and vendors) would cause undue strain on the Company's resources. In this regard, the Company has opted to gradually change the systems (where necessary) by introducing new or revised sets of management systems to govern the Company that are in line with the policies and systems of the parent company. The Board and the Board Audit & Risk Management Committee with the assistance of an independent internal audit function, help ensure that the policies and the management systems are fully implemented and consistently enforced.

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

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

Whilst for 2021 the impact of the Covid-19 pandemic was the key risk concern and continues to be a risk factor in 2022, the other key risks identified to be managed in 2022 are:

- 1 crude / product supply disruption
- 2 major incidents rendering the plants/facilities inoperable
- 3 Subsidy reimbursement management
- 4 Commodity price and forex

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

For all of the above, the Company has plans in place to manage such risks be it navigating the Company through the many operational and business disruptions caused by the Covid-19 pandemic, supply and operational disruptions to even managing the ESG compliance and reporting.

Apart from various controls processes in place to ensure financial matters are properly managed, the Board regularly reviews the necessary delegation of authority in the Company on various functions including the formulation and designation of authorised signatories with respect to various business and functional matters based on the value of any given transaction.

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

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

CONTROLS

- Controls are formulated, implemented and enforced strictly at each function and process. This ensures that all matters including day to day operations, procurement of materials and supplies and financial transactions follow set protocols and levels of independent verification. This includes set authority levels for independent verification and independent approvals.
- The controls are applicable in all Departments be it a business or support function.
- As regulatory compliance is key to ensuring the continued operations of the Company, all corporate regulatory matters are reviewed by the Law Department, Controllers Division and the Tax Division. Matters pertaining to safety, security, health and environment ("SSHE") are managed by the SSHE Department in collaboration with the Government Affairs unit. Other day to day business and regulatory matters are also managed by the respective Departments, that have controls and processes in place that are strictly followed.
- The Management Committee and other Heads of Department meet weekly to review the business and the controls issues or any non-compliance (if any). Formulation and recommendation of solutions, to address any controls issues, form part of these discussions.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

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

RISK MANAGEMENT GROUP

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



INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Integrity in Reporting

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

This process will ensure that Reports submitted meet the necessary factual and disclosure integrity required.

In 2021, the Company was not subjected to any sanction or fines by the Securities Commission, Bursa Malaysia, the Companies Commission or other regulatory authority.

Stakeholder Engagement

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

1

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

2

there are no other publicly listed integrated downstream oil & gas company (with both a refinery and a retail/commercial business) in Malaysia (like Petron Malaysia Refining & Marketing Bhd), that are also subject to stakeholder engagement recommendations under the CG Code 2021. Competitors in the industry that are not publicly-listed, are not subject to such disclosure requirements.

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

The Board and Management nevertheless recognise the need to communicate effectively with shareholders. The Board values and encourages dialogue with the shareholders to establish better understanding of the Company's objectives and performance. To this end, suggestions made by shareholders have been incorporated, where appropriate, including the improvement of financial

presentations at general meetings as well as enabling shareholders to visit the office for dialogues or clarification on matters disclosed or pertaining to the Company. The Annual General Meeting provides a suitable forum for the shareholders to hold dialogues with the Board. Additionally, queries from investors and potential investors are dealt with by our Investor Relations.

At the Annual General Meeting, a Management presentation will be made about the Company's performance for the year under review. Some information may also be provided about plans going forward. As a general rule the Company does not make or disclose any future financial performance estimates. The Annual General Meeting allows shareholders to ask questions and seek clarification on the Company, including on its financials, business, operations and governance matters. Shareholders are also allowed to submit written questions in advance and these will be addressed at the Annual General Meeting. Since 2013, all voting on all resolutions tabled at the Annual General Meetings of the Company have been by poll as recommended by the then Malaysian Corporate Governance Code 2012. This method of voting will continue to be applied. Since the 2017 Annual General Meeting, voting has been fully electronic. For efficiency and accuracy of vote tabulation, an independent scrutineer monitors the entire tabulation of proxy submissions and poll voting process. The independent scrutineer is also the one who announces the voting results. In light of the Covid-19 pandemic in 2020 and in 2021, the Company successfully implemented a virtual Annual General Meeting.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

SHAREHOLDERS

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

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

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

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

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

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

The Minutes of the Annual General Meeting in 2022 will be 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 & gas industry, are synonymous and interlinked.

CUSTOMERS

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

DEALERS

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



KEY FOCUS AREAS AND FUTURE PRIORITIES IN RELATION TO CORPORATE GOVERNANCE

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

Constitution

Arising from the Companies Act 2016, the constitution of the Company (previously referred to as the Memorandum and Articles of Association), had been re-drafted to bring it in line with the same and was thereafter approved at the Annual General Meeting in 2019.

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 2021 are as follows;

Directors	Board of Director Meeting		Board Audit & Risk Management Committee Meeting		Nominating Committee Meeting		Annual General Meeting
	Held	Attended	Held	Attended	Held	Attended	
Mr. Ramon S Ang	5	5	-	-	-	-	√
Ms. Aurora T. Calderon	5	5	-	-	-	-	√
Mr. Lubin B. Nepomuceno	5	5	-	-	-	-	√
Mr. Ferdinand K. Constantino	5	5	-	-	2	2	√
Ms. Chua See Hua	5	5	5	5	2	2	√
Y. Bhg. Dato' Zainal Abidin Putih	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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Remunerations to the Independent Directors in 2021

As approved by the Shareholders at the Annual General Meeting on 17 June 2021, the benefits paid to the Independent Directors for 2021 are as follows:

- an Annual Fee of RM78,000 per Independent Director;
- attendance allowance of RM3,000 for the Independent Directors who are Chairpersons of the Board Audit & Risk Management Committee and the Nominating Committee;
- an attendance allowance of RM2,500 for each other Independent Director. The attendance allowance is for each meeting attended by the Independent Director;
- a fuel reimbursement of up to RM700 per month for each Independent Director; and
- an ex-gratia payment of RM15,000 for each Independent Director who served a full term in 2020.

Independent Directors	Directors' Fees RM	Allowance		Fuel Reimbursement RM	TOTAL RM
		Attendance Allowance RM	Ex-Gratia Benefits RM		
Y. Bhg. Dato' Zainal Abidin Putih	78,000.00	48,000.00	15,000.00	929.00	141,929.00
Ms. Chua See Hua	78,000.00	48,000.00	15,000.00	1,847.59	142,847.59
Mr. Fong Seow Kee	78,000.00	35,000.00	15,000.00	5,330.03	133,330.03
Mr. Antonio Martin Cailao	78,000.00	32,500.00	15,000.00	2,903.65	128,403.65
Y. Bhg. Dato' Noorizah Binti Hj Abd Hamid	78,000.00	35,000.00	15,000.00	3,056.35	131,056.35
TOTAL	390,000.00	198,500.00	75,000.00	14,066.62	677,566.62

Remunerations Paid to Senior Management in 2021

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

1	MR. LUBIN B. NEPOMUCENO (Chief Executive Officer)	4	MS. FADZILAH MOHD TAHIR (Head of Refinery) – retired effective 31 October 2021
2	PN. FARIDAH ALI (General Manager)	5	MR. CHOONG KUM CHOY (Head of Retail & Commercial Business)
3	MR. MARK TRISTAN D. CAPARAS (Chief Finance Officer)	6	MR. MANOJ DEVADASAN (General Counsel/Company Secretary/HR Manager/Compliance Officer)

The total remunerations of the top six (6) Senior Management (attributable to the Company) is RM2,478,955.00.

Two of the above Senior Management personnel, namely the Chief Executive Officer and Chief Finance Officer, are employees of Petron Corporation. The Chief Finance Officer is seconded to Petron in Malaysia. Due to privacy requirements, the Company opts not to disclose the components of their remunerations.

In relation to the above total remunerations 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 service to Petron Malaysia Refining & Marketing Bhd via agreements to share resources. The sum of stated above is that attributable to Petron Malaysia Refining & Marketing Bhd. The percentage employed is based on a pre-determined service sharing ratio that would vary depending on the function that they serve. This service sharing ratio may be updated as needed for changes in activity level within each affiliated company.
- The sum is inclusive of salaries, fixed allowances and bonuses paid in 2021. The Company does not provide any share option scheme for Senior Management personnel.
- The total bonuses paid in 2021 comprised of two (2) months contractual bonus as per the regular employment terms for the Senior Management personnel. Unlike in recent years arising from the financial situation of the Company, there was no ex-gratia paid in 2021.

Training Attended by Directors in 2021

Directors	Date
MR. RAMON S. ANG	
• SMC Corporate Governance Seminar	Oct 29
MR. LUBIN B. NEPOMUCENO	
• Petron Corporate Governance Seminar	Sept 23
MS. AURORA T. CALDERON	
• Leadership & Crisis Management Session for SMC Leaders	Jan 13 - 15
• International Women's Day Celebration " May Kwento ako"	Mar 3
• Petron Corporate Governance Seminar	Sep 23
• Finex Convention	Oct 4
• Finex 10th Annual Membership Meeting	Oct 13
MR. FERDINAND K. CONSTANTINO	
• SMC Corporate HR Leadership and Crisis Management Executive Session	Jan 13 - 15
• SMFB 2019 ASEAN Corporate Governance Recognition	Feb 19
• The Manila Times Forum c/o Finex	Feb 26
• BDBLaw: Tax for Law Business, CREATE, Transfer Pricing and Others	Mar 29
• The FINEX CFO Series A Virtual Fireside Chat: Transcending the New Frontier, Leading Beyond Recovery (FKC as speaker)	Apr 16
• DLSU Dasmariñas Graduate Studies in Business: Keeping Business Above Water, Rising through the Pandemic (FKC as speaker)	Jul 3
• The Institute of Internal Auditors Philippines Risk Summit: Resilience and Endurance (FKC as speaker)	Aug 13
• SMFB Corporate Governance Seminar	Sep 3
• 2021 FINEX Conference: Inclusive Disruption, Achieving A Sustainable Future in the New Frontier	Oct 4-8

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Directors	Date
• CFBCI Forum on the Phil Econ Recovery Roadmap 2022 and beyond (Chinese Filipino Business Club, Inc.)	Oct 13
• GSMI Corporate Governance Seminar	Oct 15
• SMC Corporate Governance Seminar	Oct 29
• BSP Multi Dimensional Strategy Toward Post Pandemic Growth	Nov 5
• Petron Environment Summit 2021	Nov 17
• 8th SEC-PSE Corporate Governance and Sustainability for the Next Normal	Nov 19
• DOF BSP Philippine Economic Briefing for Foreign Chambers of Commerce	Nov 29
• SMB Corporate Governance Seminar	Dec 3
MS. CHUA SEE HUA	
• Rajah & Tann Asia: Anti-Corruption Laws in the Region: An Overview of What the Laws Say & How Internal Investigations are Managed	Mar 9
• Joshua Rayan Communications: Making the Business Case for Sustainability	Mar 9
• ICLIF: Nominating and Remuneration Committees – Beyond Box-Ticking & Enhancing Effectiveness	Mar 15 & 16
• Malaysian Institute of Corporate Governance Webinar: RETHINKING CORPORATE RISK TO MANAGE MARKET UNCERTAINTY – <i>Ethics, Regulatory Compliance And Control Environment</i>	Mar 17
• IMF Resident Representative offices in Hong Kong SAR - Global Financial Stability Report	Apr 21
• Securities Industry Development Corporation: Paving the Way for Profitability through Sustainability	Jun 16
• Bursa Malaysia: ESG Webinar for FTSE4Good Bursa Malaysia Index	Jul 6
• Climate Governance Malaysia: ECCC Webinar on Director's Duties and Climate Change	Jul 22
• MICPA-EY Webinar: Setting the ESG Agenda to Achieve Sustainable Long-term Value	Jul 29
• Malaysian Institute of Corporate Governance: Related Party Transactions: why do they matter	Oct 13 & 14
Y. BHG. DATO' ZAINAL ABIDIN PUTIH	
• Integrated Reporting to Integrated Thinking (Presenter: Prof Uantchern Loh, CEO, Black Sun Group (Asia Pacific)) by Land & General / Malaysian Institute of Corporate Governance (MICG)	Mar 8
• FIDE FORUM - Rethinking Our Approach to Cyber Defence in FIs (Presenter : Mr. Ciaran Martin, Founding CEO of National Cyber Security Centre) by TMIM/ FIDE Forum	Mar 11
• Khazanah Nasional Berhad (KNB) Asset Liability Management Workshop (ALM) for ARC Members by Governance, Risk & Compliance Unit of KNB With Mercer	Mar 26
• 2020 Khazanah Deferred Board Strategy Retreat by Khazanah Nasional Berhad	Apr 9 & 10
• BNM-FIDE Forum – MASB Dialogue on MFRS 17 Insurance Contracts – What Every Director Must Know by BNM / FIDE Forum	Apr 20
• CIMB 4th Regional Directors' Sharing Session by CIMB Group	May 7
• TMA Compliance Assurance Program (C.A.M.P.) by Tokio Marine Insuran	Jun 9
• Group Compliance Directors Engagement by Tokio Marine Insuran	Jun 9
• Talk on Implementing Amendments in the Malaysian Code on Corporate Governance (MCCG) (Presenter : Elsa Satkunasingam) by ICLIF / Petron	Jun 14
• Training on Corporate Liability of Section 17A under the Malaysian Anti-Corruption Commission Act 2009 (Speaker : Mr. Jayantha Kumar of MACC) by Touch 'n Go	Jun 16
• JC3 Flagship Conference - Sustaining as a Business Strategy and the Role of Finance by Bank Negara Malaysia & Securities Commission	Jun 23

Directors	Date
• JC3 Flagship Conference - Sustaining Finance for the Private Sector by Bank Negara Malaysia & Securities Commission	Jun 25
• C2 ESG Climate Change and ESG Conference by MIA	Sep 2 & 3
• 2021 Khazanah Megatrends Forum - The Invention of Tomorrow by Khazanah Nasional Bhd	Oct 4 - 6
• 2021 Annual AMLA Training for Board of Directors (Speakers: Radish Singh (ED, Deloitte SEA, Financial Crime Compliance Lead) & Woo Wee Liam (Associate Director, Deloitte SEA. Financial Crime)) by Touch 'n Go Sdn Bhd/Compliance & Governance Team	Nov 23
FONG SEOW KEE	
• Audit Committee Conference by Malaysian Institute of Accountants	Mar 15
• Implementing Amendments in The Malaysian Code of Corporate Governance by Asian School of Business	Jun 1
• Climate Change & ESG Conference by Malaysian Institute of Accountants	Sep 2
• RAM Credit Summit 2021 by RAM Rating Services Bhd	Oct 20
• Talk on Intentional Integrity by Asian School of Business	Oct 28
MR. ANTONIO M. CAILAO	
• Audit Committee Conference 2021 (Agility Empathy and Resilience: How the Audit Committee will Thrive in the New Normal) – jointly conducted by Malaysia Institute of Accountants and The Institute of Internal Auditors Malaysia	Mar 15 & 16
• Crafting Your Own Roadmap: A Personal Governance Workshop by Institute of Corporate Directors Philippines	May 26
• Governance that Speaks: The ASEAN Corporate Governance Scorecard held on – conducted by Institute of Corporate Directors	May 27
• Domestic and International Energy Transition Implications on the Fiducial Responsibilities of Corporate Directors in the – jointly conducted by Institute of Corporate Directors and Institute For Climate And Sustainable Cities	Aug 20
• BSP Circular 114: Guidelines on Reputational Risk Management – conducted by Bankers Institute of the Philippines, Inc.	Nov 26
Y. BHG DATO' NOORIZAH BINTI HJ ABD HAMID	
• From Integrated Reporting to Integrated Thinking by MICG	Mar 8
• MCCG - implementing amendments in MCCG (updated provisions) by Asia Business School. Presenter - Dr Elsa Satkunasingam, Icliff Executive Education Center	Jun 1
• PNB Knowledge Forum 2021 : Rising Above Covid-19 - Reimagining work in Malaysia & beyond	Jul 14
• Khazanah Megatrend Forum 2021 - The Invention of Tomorrow	Oct 4 - 6

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 out in accordance with the applicable approved accounting standards and that they give a true and fair view of the results of the business and state of affairs of the Company for the financial year.

The Directors have carried out their responsibilities by:

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

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

Material Contracts

The Company is not and was not a party to any material contracts involving the Directors' interests during the year. Further, the Company is not and was not a party to any material contracts that are not in its ordinary course of business. All new contracts in 2021 that are of a related party nature have been duly disclosed to Bursa Malaysia Securities Berhad during the year.

Non-Audit Fees

No non-audit fees were paid or are payable to the external auditor, PricewaterhouseCoopers PLT (PwC), by the Company for the financial year ended 31 December 2021.

OTHER INFORMATION

Family Relationship

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

Conflicts of Interest

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

Conviction for Offences (excluding Traffic Offences)

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

Sanctions and/or Penalties

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

This Statement is made in accordance with the resolution of the Board dated 17 March 2022.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

1

The alignment or adoption of best practices from Petron Corporation. These not only assist the Company in identifying the principal risks faced by the Company, but also prescribes the appropriate systems to manage these risks that include the overall control framework, the required control checks and the required assessment on the system's effectiveness.

2

A defined organisational structure with clear lines of accountability and delegation of authority.

3

Reviews of controls including through internal audits being performed periodically and financial audits are subject to annual review by its external auditor. The results are reviewed with various levels of Management and any major concerns are raised to Senior Management and the Board Audit & Risk Management Committee.

4

Key policies covering, among others, business ethics, conflicts of interest, alcohol and drug use, gifts and entertainment, harassment in the workplace and employees' outside directorships are in place in the form of Petron Malaysia's Standards of Business Conduct ("Code of Conduct"). These include requirements to comply with all applicable laws and regulations. The Code of Conduct has been communicated to employees, vendors and contractors. Effective from 2014, trainings are provided periodically to employees, vendors and contractors. All new employees are required to undergo mandatory training on the Code of Conduct. Where there are any violations, a 'controls stand-down' with employees will be carried out to reinforce the need for adherence. These include where there are potential conflict of interests or receipt of gifts, adherence to our internal guidelines. Revised guidelines on receiving of gifts (based on the new policy implemented by Petron Corporation), were implemented in 2017. A company-wide refresher training on the Code of Conduct was completed in 2021 despite the pandemic and various lockdown restrictions. In 2021, a project was undertaken to revise the Code of Conduct by updating the policies therein to be not only in line with Malaysian laws and good practices but also to incorporate, where

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

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 will be rolled out in 2022 and nationwide training to all employees will commence thereafter and expected to be completed by end of 2022. The revised Code of Conduct will also be communicated to all vendors and contractors, and will also be published on the company's website.

5

In relation to amendments to the Malaysian Anti-Corruption Commission Act 2009, the training for all Petron personnel was completed in 2021. 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 Petron 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 Petron.

7

A management integrity system based on Petron Corporation's best practices to assess and sustain the effectiveness of the organisation's system of controls.

8

The effective lines of communications within the Management with regular Management Committee meetings where all matters pertaining to each business unit and function are reviewed. This way any controls related issues are highlighted weekly and the action plans on any identified gaps are dealt with immediately.

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

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

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

The Company's risk management is managed by employing Petron Corporation's Enterprise-Wide Risk Management tools. The exercise points out that the key risks previously identified continue to be the main risks that must be managed even today. The Company, recognising that this is an evolving endeavour, will continue to revisit the risk management preparations that are already in place with the intent to update the tools and assessment, where necessary. Examples of such evolution were the evaluation of the risks of pandemic, business disruption (such as plant and/or operations downtime) as well as information technology (IT) cybersecurity risk in 2021.

As part of the Risk Management review, all business continuity plans of the Company will be periodically reviewed to ensure that the business recovery process in the event of an emergency is sound and effective. In 2020, with the pandemic and the movement control orders, challenges faced by the company were successfully dealt with by the business continuity plan that were immediately activated. This includes matters involving crude and product supply, distribution from terminals to service stations, supply to commercial customers and managing disruptions at service stations due to local operational restrictions and "Covid-19" infections among dealers' personnel. The effectiveness of the business continuity plans also helped the Company in 2021 to complete major projects in the Refinery namely the Diesel Hydrotreater project and the Marine Import Facility 2 Project despite unprecedented challenges due to various pandemic related restrictions.

The Company's business continuity plans proved to be effective in ensuring the Company's interests are protected and the continued supply of petroleum products to the Company's customers continued to be unaffected. The business continuity plans will nevertheless 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, we have 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. 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 our operations.

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

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

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

- 7** Risk Management updates were included as a fixed item in all Quarterly Board Audit & Risk Management Committee Meetings with effect from 2017; and
- 8** Since 2020, a quarterly update to the Board Audit & Risk management Committee on the preparatory plans to meet the requirements of the new Anti-Corruption laws and since 2021 an overall compliance update relating to anti-corruption, anti-money laundering and disciplinary matters is presented to the Board Audit and Risk Management Committee as a quarterly update.

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

The Company has also embarked on a Total Quality Management programme using the internationally recognised Malcolm Baldrige Excellence Framework (locally adapted as the Malaysian Business Excellence Framework). In 2021, the Company's Terminal at Bagan Luar, along with its sister companies, Petron Fuel International Sdn. Bhd.'s Kuantan and Pasir Gudang Terminals and Petron Oil (M) Sdn. Bhd.'s Sepangar Bay Terminal, were recognised by MSOSH with Gold Merit Awards for excellent OSH performance. Furthermore, the

Company's terminal at Port Dickson and KLIA Aviation Depot, along with sister company, Petron Oil (M) Sdn. Bhd.'s Tawau and Sandakan Terminals were awarded by MSOSH with Gold Class 1 Awards for good OSH performance. In 2021, all Petron Malaysia group's Terminals, achieved an outstanding milestone of about 25 years, with 30.75 Million man-hours without any Lost Time Injury to its employees.

From a day to day management perspective, certain other controls are in place for reviews and approvals are 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 2021 and up to the date of this Report) are operating adequately and effectively, in all material respects.

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT

As at 31 December 2021, the Board Audit & Risk Management Committee ("Committee") comprises five (5) Independent Directors, namely:

1	2	3	4	5
Y. BHG. DATO' ZAINAL ABIDIN PUTIH <small>the Chairperson of the Committee</small>	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 Board Audit and Risk Management Committee.

The profile of the Committee members can be found at pages 46 to 51.

The Secretary to the Committee is the General Counsel/ Company Secretary of the Company.

The Committee's Terms of Reference are as contained in the Company's website. The Terms of Reference last reviewed and updated in 2019.

The Committee had five (5) regular meetings during the last financial year. The details of the attendance of each Committee member have been tabulated under the Corporate Governance Statements section, which can be found at page 58 to 80. 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 2021. The internal auditor provided updates to the Committee at the May and November meetings in 2021.

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

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

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

SUMMARY OF ACTIVITIES

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

INTERNAL AUDIT

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

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT

Meeting with the internal auditor (24 November 2021)

Following the mid-year review with Internal Audit on 21 May 2021, the Committee reviewed the completed (with Internal Control Ratings) and on-going audit engagements in 2021, which were executed remotely due to the Government's Movement Control Orders (MCO), with no major issues that have a significant impact on the Company's financial statements and business operations:

<p>1 Review of Win Dispatch and Management System (IT Audit) was completed with rating of 'Very Satisfactory' at 91%.</p>	<p>2 Review of Lumut POME Plant with a rating of 92% in closing stage by end of November 2021.</p>
<p>3 Review of Commodity Hedging Process was completed.</p>	<p>4 Review of Enhanced Retail Automation (ERA) System to be pursued in 2022.</p>

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

Status of Audit Plan

The status of the 2021 Audit Plan, were as follows:

<p>1 As approved in the 21 May 2020 mid-year review, four (4) of the originally planned nine (9) engagements will be pursued for the remainder of 2021, after considering the impact of the Covid-19 pandemic and the MCO.</p>
<p>2 Internal Audit conducted two (2) audit engagements in which were both executed remotely:</p> <ul style="list-style-type: none"> One (1) audit engagement (Review of Win Dispatch and Management System (IT Audit)) was completed; One (1) audit engagement (Review of Lumut POME Plant) was in closing stage, however due to the MCO, the audit engagement is scheduled to be completed by end of November 2021.
<p>3 One (1) audit engagement (Review of Enhanced Retail Automation (ERA) System to be pursued in 2022.</p>

Internal Controls Assessment

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

Audit Plan for 2022

The Committee at its meeting on 24 November 2021, approved four (4) audit engagements for 2022:

<p>1. Carryover: Review of Enhanced Retail Automation (ERA) System (IT Audit) (to be carried out in the 2nd Quarter 2022).</p>
<p>2. Review of Recurrent Related Party Transactions (to be carried out in the 1st Quarter 2022).</p>
<p>2. Review of Bagan Luar Terminal and Port Dickson Terminal (to be carried out in the 3rd Quarter 2022).</p>
<p>4. Review of Compliance with Anti-Money Laundering parameters by Bank Negara Malaysia and Anti-Corruption Management (to be carried out in the 4th Quarter 2022).</p>

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

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

DUTIES OF THE COMMITTEE

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

Review of Risk Management matters

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

Since 2017, Risk Management was included as a fixed agenda item in all quarterly meetings of the Committee.

Whilst for 2021 the impact of the Covid-19 pandemic was the key risk concern and continues to be a risk factor in 2022, Management had determined that there are other 'Major Risk' identified to be managed in 2022. Thus, the major risks for 2022 would be:

MAJOR RISKS FOR 2022
<ul style="list-style-type: none"> pandemic;
<ul style="list-style-type: none"> crude / product supply disruption;
<ul style="list-style-type: none"> major incidents rendering the plants/facilities inoperable;
<ul style="list-style-type: none"> subsidy reimbursement management;
<ul style="list-style-type: none"> commodity price and forex;
<ul style="list-style-type: none"> for 2022, considering the importance of ESG, Management has opted to place the non-adherence to ESG requirements and reporting and impact to the Company therefrom) as a risk factor.

For each of these identified risks, there are risk management tools and existing business continuity programmes in place. In this regard, the Committee was briefed in 2021 on the review of the effectiveness of the Business Continuity Plan (relating to the Refinery

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT

Operations and the potential Supply disruption). The robustness of the business continuity plans enabled the Company to manage the unprecedented disruptions faced by the Company during the Pandemic related restrictions relating to crude/product supply, station construction and human resources management. The business continuity plans also helped the Company complete the Refinery's major projects relating to the Diesel Hydrotreater and Marine Import Facility 2.

Review with the internal auditor and external auditor

In 2021, external auditor, KPMG PLT ("KPMG") met privately with the Committee on 24 February 2021 in relation to the 2020 audited Financial Statements and the review of the Statement of Risk Management and Internal Controls (SORMIC) that were then included in the 2020 Annual Report. The Committee also met privately with the external auditor without the presence of Management. There were no issues arising from this meeting that required further action.

At the 2021 Annual General Meeting, PricewaterhouseCoopers PLT (PwC) was appointed as the external auditor for the year 2021. PwC met with the Committee on 24 November 2021 to present and seek approval of the Committee for the 2021 Audit Plan and Strategy. The matters discussed at this meeting included:

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

On 24 February 2022, PwC presented the audit findings in relation to the audit for the year ended 31 December 2021 (to be included in the 2021 Annual Report) to the Committee. A summary of the discussion is as follows:

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT

Audit Focus Areas

The Audit Focus Areas identified were:

- 1** Significant auditing and accounting matters as follows:
 - Impairment assessment of non-financial assets;
 - Accounting for asset retirement obligations;
 - Going concern assessment;
 - Accounting for leases;
 - Recoverability of trade and other receivables; and
 - Valuation of inventories
- 2** Internal control recommendations
- 3** Corrected and uncorrected misstatements
- 4** Key audit matters
- 5** Transparency Report

Other Audits Matters

PwC also communicated the following matters:

- Audit responsibilities and scope
- Independence
- Fraud and illegal acts
- Developments in laws and regulations
- No significant difficulties or disagreements encountered in performing the audit
- Significant related party transactions
- Compliance with laws and regulations
- Written representations

Review of the Annual Report

As required under the auditing standards, PwC reviewed the statements contained in the Company's 2021 Annual Report which was obtained after the date of the auditor's report to identify any inconsistency with material information that PwC is aware and identify the same for the Management.

Statement of Risk Management and Internal Controls

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

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

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

The Committee had sought and received confirmation at meetings with internal auditor and external auditor that Management and the Company's employees had extended their fullest co-operation to the internal auditor and the external auditor. At the Committee meeting on 24 November 2021, the Committee also received assurances from PwC that the internal auditor shared its findings with PwC.

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

The Committee at its meeting on 24 November 2021 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 2022, were reviewed and approved. The Committee was assured that there was no element of interference or influence by Management with its audit findings.

Reporting of any internal audit issues

There were no special internal audit programme, processes, the results of the internal audit programme, or investigation undertaken, or action that had been taken, that were needed to be reported to the Board in 2022.

Endorsement of Financial Statements

The Committee reviewed and reported to the Board the quarterly results in 2021 and year-end financial statements as at 31 December 2021, including the statement of financial position and statement of profit or loss and other comprehensive income, prior to submission of the statements to the Board for approval. The Committee had also paid particular attention to ensuring compliance with changes in existing accounting policies as well as implementation of new accounting policies, significant and unusual events (if any). The Committee also reviewed and ensured compliance with legal requirements including disclosures to the stock exchange and relevant authorities.

Endorsement of major transactions and related party transactions

The Committee endorsed the Circular to Shareholders in relation to Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of Revenue or Trading Nature ("Mandate") for approval by shareholders at the 2021 Annual General Meeting. There were no undisclosed related party transactions in 2021. The Mandate was subsequently approved by the shareholders.

Review of other significant matters

Apart from major transactions and related party transaction, the Committee at all quarterly meetings in 2021, reviewed:

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

Appointment of External Auditors and Fees

At its meeting on 24 February 2022 and 17 March 2022:

1. The Committee having reviewed the fees payable to PwC, moved to recommend to the Board that the fees of RM390,000 be approved; and
2. The Committee having reviewed PwC's willingness to be re-appointed, the continued independence of PwC as the external auditor, as well as its performance during its term, proposed to the Board that:
 - a) PwC to be recommended to the shareholders at the Annual General Meeting for reappointment as auditors for 2022; and
 - b) The Board be authorised to determine the external auditor's fees for said audit period.

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

This report is dated 17 March 2022.

NOMINATING COMMITTEE REPORT

NOMINATING COMMITTEE REPORT

ESTABLISHMENT OF A NOMINATING COMMITTEE

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

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:

1 MS. CHUA SEE HUA (Independent Director) – Chairperson of the Nominating Committee	2 Y. BHG. DATO’ ZAINAL ABIDIN PUTIH (Independent Director)	3 MR. FERDINAND K. CONSTANTINO (Non-Executive Director)
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The composition of the Nominating Committee complies with the Malaysian Corporate Governance Code 2021.

ROLE OF THE NOMINATING COMMITTEE AND ACTIVITIES IN 2021

Annual Assessment and Evaluation

Apart from reviewing and making recommendations to the Board with regard to candidates as mentioned above, the Nominating Committee is also responsible for the annual assessments and evaluations to assess the effectiveness of the individual Directors, Board Committees and the overall Board on an on-going 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 17 March 2022.

Training Programmes

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

Board Diversity

The Nominating Committee, in recommending candidates, places emphasis on recommending the ‘best person’ for the job and for the Company regardless of race, religion, gender or social background. The same applies to the appointment of Directors to the Board. In considering

candidates for appointment to the Board, the Nominating Committee places emphasis on the candidates’ experience, qualifications, character, integrity, competence and available time to commit to the Company. As is the Company’s practice of diversity, the Board and indeed the Nominating Committee is also keen to ensure diversity not only in gender but also in relation to age and ethnicity.

The Nominating Committee recognises that diversity on the Board in terms of having one-third women directors was a call from the Government, which the Nominating Committee will strive to always achieve and maintain. The Nominating Committee, on 27 February 2020 evaluated and recommended to the Board for the appointment of Y. Bhg. Dato’ Noorizah Binti Hj Abd Hamid to the Board. With this appointment, the Board has a majority of Independent Directors and a minimum of thirty per cent (30%) women Directors on the Board; thus meeting the recommendations of the Malaysian Corporate Governance Code 2017 in regard to the Board composition.

Recommendation for Board Appointments

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

In 2021, the Nominating Committee carried out the following activities:

- a) Conduct and review of the annual evaluation of the Directors, Board and Board Committees for the year ended 2021 and reported same to the Board in March 2022. A report of this evaluation is reported in the Annual Report of 2021;
- b) Review of candidates to retire by rotation and to recommend their re-election (Mr. Ferdinand K. Constantino, Mr. Fong Seow Kee and Mr. Antonio M. Cailao) at the 2022 Annual General Meeting;
- c) Review of the Independent Directors having exceeded nine (9) cumulative years in office and making recommendations to the Board on retention for another term (Ms. Chua See Hua) at the 2022 Annual General Meeting; and
- d) Review of candidate proposed for appointment as Independent Director (Y. Bhg. Datuk Nik Mohd Hasyudeen Bin Yusoff) who was appointed by the Board on 1 February 2022.

APPOINTMENT OF DIRECTOR(S) IN 2022

On 1 February 2022, Y. Bhg. Datuk Nik Mohd Hasyudeen Bin Yusoff was appointed to the Board as an Independent Director.

Annual Review of Board/Committees/Directors Performance

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

NOMINATING COMMITTEE REPORT

A customised evaluation survey as recommended by the Nominating Committee and approved by the Board in 2014 was used for the 2021 annual evaluation. The survey comprises five (5) sets of form of questionnaires required to be completed by the respective Directors evaluating, by self-assessment and/or peer-assessment, in relation to (i) the independence of the Independent Directors (ii) the performance of the Board Committees (iii) the performance of the Board (iv) the Board members' skills sets and (v) the Directors' performance and contribution to the Board.

The 2021 annual evaluation was completed in February 2022 and the results were presented to the Nominating Committee and the Board on 17 March 2022. A summary of the results are as follows:

Independence

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

Board Committee Evaluations

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

Board Evaluation

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

Board Skill Evaluation (Peer Assessment)

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

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

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

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

One (1) of the Independent Directors namely Ms. Chua See Hua has exceeded the recommended nine (9) cumulative years in office but her continued presence on the Board fulfils the necessary requirements as recommended by the Malaysian Corporate Governance Code 2021.

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

The evaluation results were also used by the Nominating Committee in considering and determining its endorsements in relation to the re-election of retiring Directors.

The Nominating Committee also noted that the Chief Executive Officer, Chief Finance Officer, Company Secretary and other members of the Management Committee (collectively "Key Executives") undergo a rigorous annual performance evaluation and ranking process based on set goals and Key Performance Indicators.

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

NOMINATING COMMITTEE REPORT

Election/Re-election/Appointment of Directors

The Nominating Committee at its meeting on 17 March 2022, also evaluated the Directors standing for election/re-election/appointment to the Board. In this regard, the following were considered by the Committee:

- a) That three (3) Directors, namely Mr. Ferdinand K. Constantino (Non-Executive and Non-Independent Director), Mr. Fong Seow Kee and Mr. Antonio M. Cailao (both Independent Directors) shall retire by rotation at the said Annual General Meeting. The Committee, having considered the said three (3) retiring Directors' Annual Evaluation (namely in regard their excellent evaluation ratings) and respective time available to devote to Petron Malaysia Refining & Marketing Bhd, proposed to the Board that the Board recommend to the shareholders at the Annual General Meeting, their respective re-election to the Board.
- b) That Y. Bhg. Datuk Nik Mohd Hasyudeen Bin Yusoff who was appointed effective 1 February 2022, shall retire at the upcoming Annual General Meeting 2022, 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 2022, that Y. Bhg. Datuk Nik Mohd Hasyudeen Bin Yusoff be elected to the Board.
- c) That Independent Director (and Chairman of the Board Audit & Risk Management Committee), Y. Bhg. Dato' Zainal Abidin Putih, who has exceeded twelve (12) cumulative years in office as an Independent Director, shall retire at the upcoming Annual General Meeting.
- d) That Independent Director (and Chairman of the Nominating Committee), Ms. Chua See Hua, who has exceeded nine (9) cumulative years in office as an Independent Director, shall retire at the upcoming Annual General Meeting. In this regard, the Committee considered the following:
 - Ms. Chua See Hua's Annual Evaluation, namely in regard her continued independence, her excellent evaluation ratings and her low number of other directorships and her time available to devote to Petron Malaysia Refining & Marketing Bhd;
 - Her stellar stewardship of the Board Nominating Committee;
 - Her excellent reputation and integrity within the corporate world and especially in the legal profession; and
 - Her vast experience and knowledge of the industry that assists her in providing invaluable advice to the other Independent Directors and the Board as a whole.

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

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

This report is dated 17 March 2022.



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DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Company for the financial year ended 31 December 2021.

Principal activities

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

Ultimate holding company

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

Results

	RM'000
Profit for the year	238,471

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 5 sen per ordinary share totalling RM13,500,000 in respect of the financial year ended 31 December 2020, declared on 17 June 2021 and paid on 30 June 2021 and 2 July 2021.

The final ordinary dividend recommended by the Directors in respect of the financial year ended 31 December 2021 is 20 sen per ordinary share totalling RM54,000,000 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. Dato' Zainal Abidin Putih
- Ms. Chua See Hua
- Mr. Fong Seow Kee
- Mr. Antonio Martin Cailao
- Mr. Lubin B. Nepomuceno
- Ms. Aurora T. Calderon
- Mr. Ferdinand K. Constantino
- Y. Bhg. Dato' Noorizah Binti Hj Abd Hamid
- Y. Bhg. Datuk Nik Mohd Hasyudeen Bin Yusoff (appointed on 1 February 2022)

DIRECTORS' REPORT

DIRECTORS' REPORT

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 31.12.2021
	At 1.1.2021	Acquired	Sold	
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

None of the other Directors holding office as at 31 December 2021 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 in the financial statements 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.

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

Issue of shares and debentures

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

There were no debentures issued during the financial year.

Options granted over unissued shares

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

Indemnity and insurance costs

The indemnity insurance coverage provided for the Directors and officers of the Company is RM15,000,000. The cost of premium incurred for the year amounted to RM62,000. 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.

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 2021 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.

DIRECTORS' REPORT

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

Auditors

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

The auditors' remuneration is disclosed in Note 22 to the financial statements.

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

.....
Ramon S. Ang
Chairman

.....
Lubin B. Nepomuceno
Director

Date: 17 March 2022

	Note	2021 RM'000	2020 RM'000
Assets			
Cash and cash equivalents	3	254,076	139,059
Derivative financial assets	4	11,287	7,838
Trade and other receivables	5	895,687	221,351
Inventories	6	893,508	419,834
Other current assets	7	7,000	7,268
Tax recoverable		374	10,969
Total current assets		2,061,932	806,319
Property, plant and equipment	8	1,522,249	1,456,122
Investment property	9	655,026	653,996
Right-of-use assets	10	34,891	31,856
Long-term assets	11	20,079	28,071
Intangible assets – software	12	1,160	1,401
Total non-current assets		2,233,405	2,171,446
Total assets		4,295,337	2,977,765
Liabilities			
Loans and borrowings	13	1,026,916	420,320
Trade and other payables	14	1,053,000	634,009
Retirement benefit obligations	15	3,260	4,273
Lease liabilities		4,906	1,576
Asset retirement obligations	16	1,229	-
Derivative financial liabilities	4	28,511	13,560
Total current liabilities		2,117,822	1,073,738
Retirement benefit obligations	15	18,598	48,545
Deferred tax liabilities	17	135,655	73,418
Lease liabilities		48,158	40,467
Asset retirement obligations	16	6,504	-
Other non-current liabilities		78	-
Total non-current liabilities		208,993	162,430
Total liabilities		2,326,815	1,236,168
Equity			
Share capital	18	143,000	143,000
Retained earnings		1,825,522	1,598,597
Total equity		1,968,522	1,741,597
Total equity and liabilities		4,295,337	2,977,765

The notes on pages 105 to 162 are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 RM'000	2020 RM'000
Revenue	19	9,182,513	6,461,691
Cost of sales		(8,644,089)	(6,295,051)
Gross profit		538,424	166,640
Other operating income		51,523	55,237
Other operating expenses	20	(237,880)	(227,137)
Administrative expenses		(13,627)	(14,896)
Results from operating activities		338,440	(20,156)
Finance income		2,422	1,890
Other income		7,116	12,475
Finance costs	21	(18,364)	(3,042)
Other expenses		(21,611)	(13,238)
Profit/(Loss) before tax	22	308,003	(22,071)
Tax (expense)/benefit	23	(69,532)	8,756
Profit/(Loss) for the year		238,471	(13,315)
Other comprehensive income, net of tax			
Item that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit liability	24	1,954	1,353
Other comprehensive income for the year, net of tax		1,954	1,353
Total comprehensive income/(loss) for the year		240,425	(11,962)
Basic earnings/(loss) per ordinary share (sen)	25	88.3	(4.9)

The notes on pages 105 to 162 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	Non-distributable Share capital RM'000	Distributable Retained earnings RM'000	Total equity RM'000
		Note 18		
At 1 January 2020		143,000	1,642,959	1,785,959
Remeasurement of defined benefit liability	24	-	1,353	1,353
Loss for the year		-	(13,315)	(13,315)
Total comprehensive loss for the year		-	(11,962)	(11,962)
Dividends paid	26	-	(32,400)	(32,400)
At 31 December 2020/1 January 2021		143,000	1,598,597	1,741,597
Remeasurement of defined benefit liability	24	-	1,954	1,954
Profit for the year		-	238,471	238,471
Total comprehensive income for the year		-	240,425	240,425
Dividends paid	26	-	(13,500)	(13,500)
At 31 December 2021		143,000	1,825,522	1,968,522

The notes on pages 105 to 162 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 RM'000	2020 RM'000
Cash flows from operating activities			
Profit/(Loss) before tax		308,003	(22,071)
Adjustments for:			
Amortisation of intangible assets	12	241	113
Amortisation of long-term assets	11	2,740	5,588
Depreciation of investment property	9	36,918	34,283
Depreciation of property, plant and equipment	8	58,569	46,678
Depreciation of right-of-use assets	10	630	486
Finance costs	21	18,364	3,042
Finance income		(2,422)	(1,890)
Gain on disposal of property, plant and equipment		(65)	(4,411)
Gain on disposal of right-of-use assets		(130)	-
Impairment loss on slow moving materials and supplies	6	409	-
Impairment loss on trade and other receivables	28	1,859	195
Retirement benefit costs	15	5,501	5,874
Reversal of impairment loss on trade and other receivables		(34)	(1,271)
Unrealised foreign exchange (gain)/loss		(2,531)	314
Unrealised loss on derivatives		17,224	5,722
Write-down of inventories to net realisable value	6	2,906	-
Write-off of investment property	9	111	-
Write-off of property, plant and equipment	8	456	154
Operating profit before changes in working capital		448,749	72,806
Change in inventories		(476,989)	286,730
Change in long-term assets		272	(641)
Change in trade and other payables and other financial liabilities		402,420	(444,816)
Change in trade and other receivables and other financial assets		(667,366)	207,396
Cash (used in)/from operations		(292,914)	121,475
Interest paid		(20,097)	(14,747)
Interest received		2,403	1,884
Tax paid		-	(10,489)
Tax refund		2,683	2,364
Retirement benefits paid	15	(5,734)	(4,171)
Net cash (used in)/from operating activities		(313,659)	96,316

	Note	2021 RM'000	2020 RM'000
Cash flows from investing activities			
Acquisition of investment property		(7,047)	(25,752)
Acquisition of property, plant and equipment		(147,706)	(330,463)
Payment for long-term assets		(4,812)	(11,961)
Purchase of intangible assets		-	(131)
Proceeds from disposal of property, plant and equipment		835	4,696
Proceeds from disposal of right-of-use assets		140	-
Net cash used in investing activities		(158,590)	(363,611)
Cash flows from financing activities			
Dividends paid	26	(13,500)	(32,400)
Net proceeds from borrowings		606,706	291,340
Payment of lease liabilities		(5,954)	(7,506)
Net cash from financing activities		587,252	251,434
Net change in cash and cash equivalents		115,003	(15,861)
Effect of exchange rate fluctuations on cash held		14	(1,679)
Cash and cash equivalents at 1 January		139,059	156,599
Cash and cash equivalents at 31 December	3	254,076	139,059

Cash outflows for leases as a lessee

Total cash outflows for leases amounted to RM8,298,000 (2020: RM10,254,000) comprised of principal and interest payments on lease liabilities.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

	Borrowings RM'000	Lease liabilities RM'000	Total RM'000
At 1 January 2020	130,000	33,667	163,667
Changes from financing cash flows			
Proceeds from borrowings	1,061,340	-	1,061,340
Repayment of borrowings	(770,000)	-	(770,000)
Payment of lease liabilities	-	(7,506)	(7,506)
Total changes from financing cash flows	291,340	(7,506)	283,834
Other changes:			
Accrued interest	-	677	677
Acquisition of new leases	-	15,042	15,042
Remeasurement of lease liabilities	-	163	163
Unrealised forex gain	(1,020)	-	(1,020)
At 31 December 2020/1 January 2021	420,320	42,043	462,363
Changes from financing cash flows			
Proceeds from borrowings	1,648,348	-	1,648,348
Repayment of borrowings	(1,041,642)	-	(1,041,642)
Payment of lease liabilities	-	(5,954)	(5,954)
Total changes from financing cash flows	606,706	(5,954)	600,752
Other changes:			
Accrued interest	-	407	407
Acquisition of new leases	-	17,649	17,649
Remeasurement of lease liabilities	-	(1,081)	(1,081)
Unrealised forex gain	(110)	-	(110)
At 31 December 2021	1,026,916	53,064	1,079,980

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 17 March 2022.

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 2021, 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 2021:

- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement*, MFRS 7, *Financial Instruments: Disclosures*, MFRS 4, *Insurance Contracts* and MFRS 16, *Leases – Interest Rate Benchmark Reform - Phase 2*

The Company has floating rate borrowings which are tracked against the Kuala Lumpur Interbank Offered Rate (KLIBOR) and London Interbank Offered Rate (LIBOR). Negotiations on the change in the reform and replacement of benchmark interest rates with local financial institutions are on-going. The impact of the change in reference interest rates would not be material to the Company's financial statements.

The Company also early adopted the following accounting standards, amendments and interpretations of MFRSs effective for annual periods beginning on or after 1 April 2021:

- Amendments to MFRS 16, *Leases – COVID-19-Related Rent Concessions beyond 30 June 2021*

The notes on pages 105 to 162 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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 2022

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards – Subsidiary as a First-time Adopter (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments – Fees in the ‘10 per cent’ Test for Derecognition of Financial Liabilities (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)*

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

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

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

1. Basis of preparation (continued)

1.1 Statement of compliance (continued)

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

- from the annual period beginning on 1 January 2022 for those amendments that are effective for annual periods beginning on or after 1 January 2022, except for Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards – Subsidiary as a First-time Adopter (Annual Improvements to MFRS Standards 2018–2020)*, Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework* and Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)* which are not applicable to the Company.
- from the annual period beginning on 1 January 2023 for those accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2023, except for MFRS 17, *Insurance Contracts* and Amendments to MFRS 17, *Insurance Contracts, Amendments to MFRS 17, Insurance Contracts – Initial Application of MFRS 17 and MFRS 9 – Comparative Information* which are not applicable to the Company.

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.

1.4 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 and Note 16 – measurement of asset retirement obligations.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation (continued)

1.4 Use of estimates and judgements (continued)

- Identification of distinct performance obligation

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

- Determining recoverable amounts of non-financial assets

MFRS 136, *Impairment of Assets* requires that an impairment review be performed on property, plant and equipment, investment property 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 temporary COVID-19 impact on business activities and the carrying amount of the Company's net assets being higher than its market capitalisation.

For the purpose of assessing impairment, the Company identified its major cash generating units (CGUs) based on the nature of its trade and operations as refinery and retail service stations with carrying amounts of RM1,169,698,000 and RM843,015,000 respectively. The non-financial assets were then identified per CGU. The Company used both value in use and fair value less costs of disposal as the CGUs' recoverable amounts.

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 formal budgets approved by the Company for the first 5 years and the periods beyond that assumes a steady growth rate. 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, production and sales volume and growth rate of 3%. 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 9.8% has been applied which reflects market assessment of time value of money and is derived based on the weighted average cost of capital using the Capital Asset Pricing Model (CAPM).

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

1. Basis of preparation (continued)

1.4 Use of estimates and judgements (continued)

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

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% decrease in the refining margins will not result in the CGUs' recoverable amounts being lower than the carrying amounts.
 - 5% decrease in the production volume will not result in the CGUs' recoverable amounts being lower than the carrying amounts.
 - 0.5% decrease in the growth rate will not result in the CGUs' recoverable amounts being lower than the carrying amounts.
 - 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 that represent individual CGU)
 - 3% decrease in the product margins will not result in the CGUs' recoverable amounts being lower than the carrying amounts.
 - 5% decrease in the sales volume will not result in the CGUs' recoverable amounts being lower than the carrying amounts.
 - 0.5% decrease in the growth rate will not result in the CGUs' recoverable amounts being lower than the carrying amounts.
 - 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 2021.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies

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

2.1 Joint arrangements

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

Joint arrangements are classified and accounted for as follows:

- A joint arrangement is classified as joint operation when the Company has rights to the assets and obligations for the liabilities relating to an arrangement. The Company accounts for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation.
- A joint arrangement is classified as joint venture when the Company has rights only to the net assets of the arrangements. The Company accounts for its interest in the joint venture using the equity method, less any impairment losses unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

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.

2. Significant accounting policies (continued)

2.3 Financial instruments (continued)

(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.

(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 the 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)).

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

2.3 Financial instruments (continued)

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

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.

(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.

2. Significant accounting policies (continued)

2.4 Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

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 net within other income and other expenses, respectively in profit or loss.

(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

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

2.4 Property, plant and equipment (continued)

(iii) Depreciation (continued)

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

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

2.5 Leases

(i) Definition of a lease

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

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

2. Significant accounting policies (continued)

2.5 Leases (continued)

(ii) Recognition and initial measurement (continued)

(a) As a lessee (continued)

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

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

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

(b) As a lessor

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

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

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

(iii) Subsequent measurement

(a) As a lessee

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

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

2.5 Leases (continued)

(iii) Subsequent measurement (continued)

(a) As a lessee (continued)

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

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

(b) As a lessor

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

2.6 Investment property

(i) Investment property 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 property 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 property

When an item of property, plant and equipment is transferred to investment property 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 property to property, plant and equipment, the cost of property for subsequent accounting is its carrying amount at the date of change in use.

2. Significant accounting policies (continued)

2.7 Intangible assets

Software cost

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

2.8 Inventories

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

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

2.9 Cash and cash equivalents

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

2.10 Impairment

(i) Financial assets

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

2.10 Impairment (continued)

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

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

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

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

2.11 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.

2. Significant accounting policies (continued)

2.11 Equity instruments (continued)

(ii) Distributions of assets to owners of the Company

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

2.12 Employee benefits

(i) Short-term employee benefits

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

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

(ii) State plans

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

(iii) Defined benefit plans

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

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

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

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 then 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.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

2.12 Employee benefits (continued)

(iii) Defined benefit plans (continued)

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

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

2. Significant accounting policies (continued)

2.14 Revenue and other income (continued)

(i) Sale of goods (continued)

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.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

2. Significant 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 period, adjusted for own shares held.

2. Significant accounting policies (continued)

2.18 Operating segments

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

2.19 Fair value measurement

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

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3. Cash and cash equivalents

	2021 RM'000	2020 RM'000
Fixed deposits	226,500	116,500
Cash and bank balances	27,576	22,559
	254,076	139,059

4. Derivative financial assets/(liabilities)

	2021			2020		
	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	443,757	136	(2,186)	185,686	5	(1,672)
- Commodity swaps	220,278	11,151	(26,325)	481,923	7,833	(11,888)
	664,035	11,287	(28,511)	667,609	7,838	(13,560)

Forward exchange contracts are used to manage the foreign currency exposures arising from the Company's receivables, payables, loans and borrowings denominated in currencies other than the functional currency of the Company. All forward exchange contracts have maturities of one year or less after the end of the reporting period.

Commodity swaps are used to mitigate crude and petroleum products price risks arising from volatile market prices. All commodity derivative contracts have maturities of one year or less after the end of the reporting period.

5. Trade and other receivables

	2021 RM'000	2020 RM'000
Trade		
Trade receivables	127,578	110,557
Less: Impairment allowance	(623)	(382)
	126,955	110,175
Amounts due from related company	85,138	36,706
	212,093	146,881
Non-trade		
Subsidy receivables	632,769	48,321
Amounts due from related companies	121	276
Other receivables	50,704	25,873
	683,594	74,470
	895,687	221,351

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.

6. Inventories

	2021 RM'000	2020 RM'000
Crude oil	322,748	145,304
Petroleum products	552,359	259,401
Materials and supplies	18,401	15,129
	893,508	419,834
Recognised in profit or loss:		
Inventories recognised as cost of sales	8,461,372	6,216,234
Impairment loss on slow moving materials and supplies	409	-
Write-down to net realisable value	2,906	-

NOTES TO THE FINANCIAL STATEMENTS

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7. Other current assets

	2021 RM'000	2020 RM'000
Prepayments	7,000	7,268

8. Property, plant and equipment

	Freehold land improvements RM'000	Buildings 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	
Cost							
1 January 2020	23,468	49,632	1,009,561	403,458	89,002	655,812	2,230,933
Addition	-	137	16,779	26,917	1,704	279,109	324,646
Disposal	(285)	-	-	-	-	-	(285)
Write-off	-	(97)	(397)	48	(175)	-	(621)
Reclassification to intangible assets	-	-	-	-	(1,216)	-	(1,216)
Reclassification to investment property	-	(368)	-	-	-	(9,726)	(10,094)
Reclassification (to)/from long-term assets	-	(382)	-	(155)	-	215	(322)
Reclassification	-	488	1,325	11,329	1,135	(14,277)	-
At 31 December 2020/ 1 January 2021	23,183	49,410	1,027,268	441,597	91,666	909,917	2,543,041
Addition	-	272	121,506	4,329	311	5,308	131,726
Disposal	-	-	-	(773)	-	-	(773)
Write-off	-	-	(415)	(696)	(54)	(67)	(1,232)
Reclassification from/(to) investment property	-	-	-	13	-	(5,674)	(5,661)
Reclassification from long-term assets	-	-	-	-	-	27	27
Reclassification	-	20,425	801,267	8,736	4,011	(834,439)	-
Remeasurements	-	-	-	(158)	-	-	(158)
At 31 December 2021	23,183	70,107	1,949,626	453,048	95,934	75,072	2,666,970

8. Property, plant and equipment (continued)

	Freehold land improvements RM'000	Buildings and terminal plant and equipment RM'000	Refinery and station 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
Accumulated depreciation							
At 1 January 2020	-	36,149	703,725	229,218	71,703	-	1,040,795
Depreciation for the year	-	1,348	21,868	20,358	3,104	-	46,678
Write-off	-	(26)	(397)	131	(175)	-	(467)
Reclassification to investment property	-	(18)	-	-	-	-	(18)
Reclassification to long-term assets	-	(49)	-	(20)	-	-	(69)
At 31 December 2020/ 1 January 2021	-	37,404	725,196	249,687	74,632	-	1,086,919
Depreciation for the year	-	1,639	32,016	22,470	2,444	-	58,569
Disposal	-	-	-	(3)	-	-	(3)
Write-off	-	-	(51)	(670)	(55)	-	(776)
Reclassification from investment property	-	-	-	12	-	-	12
At 31 December 2021	-	39,043	757,161	271,496	77,021	-	1,144,721
Carrying amount							
1 January 2020	23,468	13,483	305,836	174,240	17,299	655,812	1,190,138
At 31 December 2020/ 1 January 2021	23,183	12,006	302,072	191,910	17,034	909,917	1,456,122
At 31 December 2021	23,183	31,064	1,192,465	181,552	18,913	75,072	1,522,249

The remeasurements pertain to the change in the estimates of asset retirement obligations.

Included in the above property, plant and equipment are the net book values for the following:

- Company's 20% participating interest in the jointly-owned assets of the Multi-Product Pipeline (MPP) amounting to RM86,924,000 (2020: RM73,755,000).
- Company's 50% participating interest in the jointly-owned assets of the common carrier pipeline facilities amounting to RM16,012,000 (2020: RM17,188,000).

The Company capitalised finance cost in plant and equipment amounting to RM8,632,000 (2020: RM15,495,000). The capitalisation rates used to determine the amount of interest eligible for capitalisation ranged from 3.0% to 3.2% (2020: 3.1% to 5.1%).

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NOTES TO THE FINANCIAL STATEMENTS

8. Property, plant and equipment (continued)

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

	2021 RM'000	2020 RM'000
Rental income	6,156	4,143

The operating lease income to be received are as follows:

	2021 RM'000	2020 RM'000
Less than one year	4,937	7,537
One to two years	2,677	3,264
Two to five years	5,115	4,052
More than five years	11,310	9,047
Total undiscounted lease income	24,039	23,900

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

9. Investment property

	Freehold land RM'000	Leasehold land RM'000	Buildings and improvements RM'000	Capital project in- progress RM'000	Total RM'000
Cost					
At 1 January 2020	171,936	446,919	480,986	24,763	1,124,604
Addition	-	15,073	14,708	11,044	40,825
Reclassification from long-term assets	-	2,665	-	-	2,665
Reclassification from property, plant and equipment	-	-	368	9,726	10,094
Reclassification	5,857	-	25,807	(31,664)	-
Remeasurements	-	380	-	-	380
At 31 December 2020/1 January 2021	177,793	465,037	521,869	13,869	1,178,568
Addition	-	18,115	7,472	1,314	26,901
Write-off	-	-	(94)	(39)	(133)
Reclassification from long-term assets	-	6,258	-	-	6,258
Reclassification (to)/from property, plant and equipment	-	-	(13)	5,674	5,661
Reclassification	-	-	17,113	(17,113)	-
Remeasurements	-	(768)	(220)	-	(988)
At 31 December 2021	177,793	488,642	546,127	3,705	1,216,267
Accumulated depreciation					
1 January 2020	-	195,783	294,488	-	490,271
Depreciation for the year	-	15,514	18,769	-	34,283
Reclassification from property, plant and equipment	-	-	18	-	18
At 31 December 2020/1 January 2021	-	211,297	313,275	-	524,572
Depreciation for the year	-	16,604	20,314	-	36,918
Write-off	-	-	(22)	-	(22)
Reclassification to property, plant and equipment	-	-	(12)	-	(12)
Remeasurements	-	(215)	-	-	(215)
At 31 December 2021	-	227,686	333,555	-	561,241
Carrying amount					
At 1 January 2020	171,936	251,136	186,498	24,763	634,333
At 31 December 2020/1 January 2021	177,793	253,740	208,594	13,869	653,996
At 31 December 2021	177,793	260,956	212,572	3,705	655,026

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9. Investment property (continued)

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

The investment property is reclassified from property, plant and equipment to reflect the usage of the assets.

The remeasurements pertain to lease reassessments and the change in the estimates of asset retirement obligations.

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

	2021 RM'000	2020 RM'000
Rental income	34,406	38,612
Direct expenses	39,898	40,509

The operating lease income to be received are as follows:

	2021 RM'000	2020 RM'000
Less than one year	28,907	34,919
One to two years	9,888	18,021
Two to five years	1,445	3,315
More than five years	163	-
Total undiscounted lease income	40,403	56,255

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 2021 was RM973,301,000 (2020: RM936,619,000) based on appraisals made by independent property consultant 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.

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9. Investment property (continued)

Level 3 fair value

The fair market value of investment property has been categorised as Level 3 in the fair value hierarchy.

Land

The fair value of land was arrived at using the *Comparison Approach*, which estimates the value of the land based on prices of similar properties recently sold in similar locations or comparable economic areas and adjusted for differences in condition, date of transaction and other relevant characteristics.

Buildings and improvements

The fair values of buildings and improvements were arrived at using the *Depreciated Replacement Cost* method, which estimates the current *replacement cost new* of each of the assets and adjusted for obsolescence, including physical, functional and economic obsolescence.

10. Right-of-use assets

	2021			2020		
	Leasehold land RM'000	Service station equipment RM'000	Total RM'000	Leasehold land RM'000	Service station equipment RM'000	Total RM'000
Leasehold land						
At 1 January	31,856	-	31,856	32,339	-	32,339
Addition	-	944	944	-	-	-
Depreciation for the year	(510)	(120)	(630)	(486)	-	(486)
Disposal	(10)	-	(10)	-	-	-
Reclassification from long-term assets	-	3,157	3,157	-	-	-
Remeasurements	(26)	(400)	(426)	3	-	3
At 31 December	31,310	3,581	34,891	31,856	-	31,856

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 RM18,694,000 (2020: RM18,942,000) for the Company's 20% participating interest in the jointly-owned assets of MPP.

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10. Right-of-use assets (continued)
Extension options

Some leases contain extension options exercisable by the Company. The Company assesses at lease commencement whether it is reasonably certain to exercise these options and reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control. The Company considers all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken.

	Lease liabilities recognised RM'000	Potential undiscounted future lease payments not included in lease liabilities* RM'000	Historical rate of extension options exercised %
Investment property	52,146	70,696	90
Right-of-use assets	918	2,155	100

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

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 property and terminal operations. 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 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 RM72,851,000 as shown in the table above are exercised and the payments are made at the inception of the renewal period, the carrying amount of investment property and right-of-use assets would increase by RM9,852,000 and RM154,000 respectively.

11. Long-term assets

	2021 RM'000	2020 RM'000
Prepaid lease rentals	6,504	13,999
Deposits	4,754	4,583
Marketing assistance to dealers	1,726	2,680
Others	7,095	6,809
	20,079	28,071

The movement in the long-term assets is as follows:

	2021 RM'000	2020 RM'000
At 1 January	28,071	23,469
Addition	4,812	11,961
Amortisation for the year	(2,740)	(5,588)
Reclassification to investment property	(6,258)	(2,665)
Reclassification (to)/from property, plant and equipment	(27)	253
Reclassification to right-of-use assets	(3,157)	-
Others	(622)	641
At 31 December	20,079	28,071

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 RM10,600,000.

Marketing assistance to dealers

The marketing assistance programme is provided to selected dealers to assist in the construction of the service stations in order for the Company to gain access to locations and generate future revenue streams and is amortised over the period of the agreements.

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12. Intangible assets - software

	Total RM'000
Cost	
At 1 January 2020	23,073
Addition	131
Reclassification from property, plant and equipment	1,216
At 31 December 2020/1 January 2021/31 December 2021	24,420
Accumulated amortisation	
At 1 January 2020	22,906
Amortisation for the year	113
At 31 December 2020/1 January 2021	23,019
Amortisation for the year	241
At 31 December 2021	23,260
Carrying amount	
At 1 January 2020	167
At 31 December 2020/1 January 2021	1,401
At 31 December 2021	1,160

13. Loans and borrowings

	2021 RM'000	2020 RM'000
Current		
Revolving credit – unsecured		
- Denominated in RM	935,000	340,000
- Denominated in U.S. Dollar (USD)	91,916	80,320
	1,026,916	420,320

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

14. Trade and other payables

	2021 RM'000	2020 RM'000
Trade		
Trade payables	811,333	429,115
Amounts due to related company	81,492	-
	892,825	429,115
Non-trade		
Accrued expenses	45,787	42,512
Duties and tax payables	65,530	87,988
Amounts due to related companies	39	-
Other payables	48,819	74,394
	160,175	204,894
	1,053,000	634,009

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

	2021 RM'000	2020 RM'000
Current	3,260	4,273
Non-current	18,598	48,545
	21,858	52,818

The Company operates an unfunded defined benefit retirement plan for its regular national employees. The plan assumptions are reappraised every three years by an independent actuary. The latest actuarial appraisal was carried out in December 2021.

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

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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:

	2021 RM'000	2020 RM'000
At 1 January	52,818	52,895
Included in profit or loss		
Current service cost	3,173	3,378
Interest cost	2,328	2,496
	5,501	5,874
Included in other comprehensive income		
Remeasurement of retirement benefit obligations		
Actuarial gain arising from:		
- Experience adjustments	(2,571)	(1,780)
Others		
Benefits paid	(5,734)	(4,171)
Transfer to affiliate	(28,156)	-
	(33,890)	(4,171)
At 31 December	21,858	52,818

Actuarial assumptions

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

	2021 %	2020 %
Discount rate	5.0	5.0
Future salary growth	5.8	5.8

As at 31 December 2021, the weighted average duration of the defined benefit obligation was 7.99 years (2020: 8.33 years).

15. Retirement benefit obligations (continued)
Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligations by the amounts shown below:

	Retirement benefit obligations			
	2021		2020	
	Increase RM'000	Decrease RM'000	Increase RM'000	Decrease RM'000
Discount rate (1% movement)	(1,547)	1,797	(3,907)	4,510
Future salary growth (1% movement)	2,005	(1,760)	5,587	(4,918)

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

	2021 RM'000	2020 RM'000
Current	1,229	-
Non-current	6,504	-
	7,733	-

Movements in the asset retirement obligations are as follows:

	2021 RM'000
At 1 January	-
Additions	5,253
Effects of change in discount rate	(498)
Accretion	2,978
At 31 December	7,733

The Company has asset retirement obligations (ARO) arising from certain provisions of its land lease agreements for the refinery and service stations. The recognition of the obligation requires judgment 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.

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16. Asset retirement obligations (continued)
Sensitivity analysis

A change of 10% in the estimated future dismantling costs at the reporting date, holding other assumptions constant, would have affected the asset retirement obligations by the amount shown below.

	2021	
	Cost increase RM'000	Cost decrease RM'000
Increase/(Decrease) in asset retirement obligations	773	(773)

17. Deferred tax liabilities
Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Property, plant and equipment	-	-	(161,942)	(90,457)	(161,942)	(90,457)
Investment property	-	-	(18,783)	(15,288)	(18,783)	(15,288)
Right-of-use assets	-	-	(882)	(53)	(882)	(53)
Lease liabilities	20,701	15,963	-	-	20,701	15,963
Retirement benefit obligations	2,314	6,096	-	-	2,314	6,096
Asset retirement obligations	1,284	-	-	-	1,284	-
Capital allowances carry-forward	-	8,602	-	-	-	8,602
Reinvestment allowances carry-forward	17,205	-	-	-	17,205	-
Other items	5,090	1,719	(642)	-	4,448	1,719
Net tax assets/(liabilities)	46,594	32,380	(182,249)	(105,798)	(135,655)	(73,418)

17. Deferred tax liabilities (continued)
Movement in temporary differences during the year

	Recognised			Recognised			At 31.12.2021 RM'000
	At 1.1.2020 RM'000	in profit or loss (Note 23) RM'000	directly in equity (Note 23) RM'000	At 31.12.2020 RM'000	in profit or loss (Note 23) RM'000	directly in equity (Note 23) RM'000	
Property, plant and equipment	(81,972)	(8,485)	-	(90,457)	(71,485)	-	(161,942)
Investment property	(11,536)	(3,752)	-	(15,288)	(3,495)	-	(18,783)
Right-of-use assets	(75)	22	-	(53)	(829)	-	(882)
Lease liabilities	12,021	3,942	-	15,963	4,738	-	20,701
Retirement benefit obligations	6,095	428	(427)	6,096	(3,165)	(617)	2,314
Asset retirement obligations	-	-	-	-	1,284	-	1,284
Capital allowances carry-forward	-	8,602	-	8,602	(8,602)	-	-
Reinvestment allowances carry-forward	-	-	-	-	17,205	-	17,205
Other items	170	1,549	-	1,719	2,729	-	4,448
Net tax liabilities	(75,297)	2,306	(427)	(73,418)	(61,620)	(617)	(135,655)

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

18. Share Capital

	2021		2020	
	Number of shares '000	RM'000	Number of shares '000	RM'000
Issued and fully paid:				
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.

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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.

	2021 RM'000	2020 RM'000
Revenue from contracts with customers		
Third-party sales	7,153,984	5,019,341
Sales to related company	2,015,070	1,421,446
Other revenues	13,459	20,904
	9,182,513	6,461,691

Sales represent the value of goods sold inclusive of Government subsidies and net of Government duties.

Included in other revenues are revenues from processing third-party crude amounting to RM5,244,000 (2020: RM12,699,000).

Disaggregation of revenue from contracts with customers

Revenue is disaggregated by major trade:

	2021 RM'000	2020 RM'000
Retail	4,799,841	3,243,902
Commercial	1,261,637	1,122,292
Others	3,121,035	2,095,497
	9,182,513	6,461,691

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

20. Other operating expenses

	2021 RM'000	2020 RM'000
Depreciation and amortisation	77,176	65,893
Purchased services and utilities	72,299	63,847
Maintenance and repairs	29,607	30,055
Employee cost	23,051	28,008
Advertising	18,944	25,550
Others	16,803	13,784
	237,880	227,137

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

21. Finance costs

	2021 RM'000	2020 RM'000
Interest expense of financial liabilities measured at amortised cost – loans and borrowings	18,370	12,275
Interest expense on lease liabilities	2,751	3,425
Interest expense on asset retirement obligations	2,978	-
Other finance costs	2,897	2,837
	26,996	18,537
Recognised in profit or loss	18,364	3,042
Capitalised into property, plant and equipment:		
Interest expense of financial liabilities measured at amortised cost – loans and borrowings	7,003	12,070
Interest expense on lease liabilities	1,629	3,425
	8,632	15,495
	26,996	18,537

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22. Profit/(Loss) before tax

	2021 RM'000	2020 RM'000
Profit/(Loss) before tax is arrived at after charging:		
Amortisation of intangible assets	241	113
Audit fees	390	399
Depreciation of right-of-use assets	630	486
Foreign exchange		
- Realised loss	9,800	1,238
- Unrealised loss	-	314
Impairment loss on slow moving materials and supplies	409	-
Impairment loss on trade and other receivables	1,859	195
Investment property		
- Depreciation	36,918	34,283
- Write-off	111	-
Long-term assets		
- Amortisation		
- Prepaid lease rentals	19	96
- Marketing assistance to dealers	954	1,528
- Others	1,767	3,964
Loss on derivatives	111,642	-
Personnel expenses (including key management personnel)		
- Contributions to Employees' Provident Fund	6,548	7,265
- Retirement benefits	5,501	5,874
- Wages, salaries and others	57,390	62,735
Property, plant and equipment		
- Depreciation	58,569	46,678
- Write-off	456	154
Property rental – short term leases	3,059	2,949
Repair and maintenance	48,862	38,597
Trucking cost	44,972	51,251
Write-down of inventories to net realisable value	2,906	-
and after crediting:		
Finance income	2,422	1,890
Foreign exchange - unrealised gain	2,531	-
Gain on derivatives	-	5,512
Gain on disposal of property, plant and equipment	65	4,411
Gain on disposal of right-of-use assets	130	-
Rental income	40,562	42,755
Reversal of impairment loss on trade and other receivables	34	1,271

23. Tax expense/(benefit)

Recognised in profit or loss

	2021 RM'000	2020 RM'000
Current tax expense/(benefit)		
- Current year	6,602	2,955
- Prior years	1,310	(9,405)
Total current tax recognised in profit or loss	7,912	(6,450)
Deferred tax expense/(benefit)		
Origination/(Reversal) of temporary differences	61,265	(5,195)
Under provision in prior years	355	2,889
Total deferred tax recognised in profit or loss	61,620	(2,306)
Total income tax expense/(benefit)	69,532	(8,756)
Reconciliation of tax expense/(benefit)		
Profit/(Loss) before tax	308,003	(22,071)
Income tax calculated using Malaysian tax rate of 24% (2020: 24%)	73,921	(5,297)
Non-deductible expenses	6,773	4,294
Non-taxable income	-	(1,237)
Derecognition of deferred tax assets on retirement benefit obligations	6,757	-
Recognition of reinvestment allowance	(19,584)	-
Under/(Over) provision in prior years	1,665	(6,516)
	69,532	(8,756)
Income tax recognised directly in equity		
Deferred tax		
- Retirement benefit obligations	617	427

24. Other comprehensive income

	2021 RM'000	2020 RM'000
Items that will not be reclassified subsequently to profit or loss		
Remeasurement of defined benefit liability		
Before tax	2,571	1,780
Tax expense	(617)	(427)
Net of tax	1,954	1,353

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25. Earnings/(Loss) per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2021 was based on the profit attributable to ordinary shareholders and the number of ordinary shares in issue, calculated as follows:

	2021	2020
Net profit/(loss) attributable to shareholders (RM'000)	238,471	(13,315)
Number of ordinary share units in issue ('000)	270,000	270,000
Basic earnings/(loss) per share (sen)	88.3	(4.9)

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
2021			
Final 2020 ordinary	5.0	13,500	30 June 2021 and 2 July 2021
2020			
Final 2019 ordinary	12.0	32,400	3 July 2020

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

	Sen per share	Total amount RM'000
Final 2021 ordinary	20.0	54,000

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:

	2021 RM'000	2020 RM'000
Malaysia	8,105,490	5,811,168
Singapore	1,077,023	650,523
	9,182,513	6,461,691

Major customers

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

	2021 RM'000	2020 RM'000
Related party		
- Petron Fuel International Sdn. Bhd.	1,985,525	1,421,446

Other than this major customer, there are no individual customers contributing to equal or more than 10% of the Company's total revenue for the current and previous financial year.

All non-current assets of the Company are located in Malaysia.

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28. Financial instruments
28.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- (a) Amortised cost (AC);
 (b) Fair value through profit or loss (FVTPL)
 - Mandatorily required by MFRS 9

	Carrying amount RM'000	AC RM'000	FVTPL RM'000
2021			
Financial assets			
Cash and cash equivalents	254,076	254,076	-
Derivative financial assets	11,287	-	11,287
Trade and other receivables	895,687	895,687	-
	1,161,050	1,149,763	11,287
Financial liabilities			
Loans and borrowings	(1,026,916)	(1,026,916)	-
Trade and other payables	(1,053,000)	(1,053,000)	-
Lease liabilities	(53,064)	(53,064)	-
Derivative financial liabilities	(28,511)	-	(28,511)
	(2,161,491)	(2,132,980)	(28,511)
2020			
Financial assets			
Cash and cash equivalents	139,059	139,059	-
Derivative financial assets	7,838	-	7,838
Trade and other receivables	221,351	221,351	-
	368,248	360,410	7,838
Financial liabilities			
Loans and borrowings	(420,320)	(420,320)	-
Trade and other payables	(634,009)	(634,009)	-
Lease liabilities	(42,043)	(42,043)	-
Derivative financial liabilities	(13,560)	-	(13,560)
	(1,109,932)	(1,096,372)	(13,560)

28. Financial instruments (continued)
28.2 Net gains and losses arising from financial instruments

	2021 RM'000	2020 RM'000
Net (losses)/gains on:		
Fair value through profit or loss	(111,642)	5,512
Financial liabilities measured at amortised cost		
- Finance costs	(26,996)	(18,537)
- Unrealised foreign exchange gain	3,197	2,685
- Realised foreign exchange loss	(16,407)	(3,531)
	(40,206)	(19,383)
Financial assets measured at amortised cost		
- Finance income	2,422	1,890
- Net impairment (loss)/reversal of impairment loss on trade and other receivables	(1,825)	1,076
- Unrealised foreign exchange loss	(666)	(2,999)
- Realised foreign exchange gain	6,607	2,293
	6,538	2,260
	(145,310)	(11,611)

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.

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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:

	2021 RM'000	2020 RM'000
Domestic	56,074	52,458
Foreign	70,881	57,717
	126,955	110,175

Impairment losses

The Company uses a provision matrix using historical credit loss experience over the past three years to measure expected credit losses (ECLs) on receivables.

28. Financial instruments (continued)

28.4 Credit risk (continued)

Receivables (continued)

Impairment losses for trade receivables

The Company maintains an ageing analysis for trade receivables only. The following table provides information about the exposure to credit risk and ECLs on trade receivables as at 31 December 2021.

	Gross RM'000	Impairment RM'000	Net RM'000
2021			
Current	127,108	(153)	126,955
Past due 1 - 90 days	470	(470)	-
	127,578	(623)	126,955
2020			
Current	109,094	-	109,094
Past due 1 - 90 days	1,159	(78)	1,081
Past due more than 365 days	304	(304)	-
	110,557	(382)	110,175

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

	2021 RM'000	2020 RM'000
At 1 January	382	746
Allowance made during the year	275	195
Reversal of impairment loss	(34)	(364)
Write-off	-	(195)
At 31 December	623	382

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.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

28. Financial instruments (continued)

28.4 Credit risk (continued)

Receivables (continued)

Impairment losses for other receivables

Assessment was made resulting in the increase in the allowance for impairment of other receivables amounting to RM1,584,000 (2020: decrease of RM907,000).

Inter-company advances

Risk management objectives, policies and processes for managing the risk

The Company provides advances to related companies. The Company monitors the results of the related companies regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Advances are only provided to related companies which are wholly owned by the immediate holding company.

Impairment losses

As at the end of the reporting period, there was no indication that advances to related companies are not recoverable.

Cash and cash equivalents

Exposure to credit risk, credit quality and collateral

The credit risk for cash and cash equivalents is deemed negligible, since the counterparties are considered reputable entities.

28. Financial instruments (continued)

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, bank facilities and inter-company financing arrangement deemed adequate by management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due. The Company reviews its revolving credit facilities on a periodic basis. In addition, the Company subscribed to the fund pooling arrangements with its affiliates, Petron Fuel International Sdn. Bhd. and Petron Oil (M) Sdn. Bhd. which allows the Company to either draw cash from the pool in the event of a shortfall, or place cash into the pool in the event of excess, at competitive interest rates on a daily basis. This inter-company financing arrangement has ceased in March 2021.

The Company continues to optimise the mix of its borrowing facilities to maximise financing flexibility whilst reducing financing cost. These facilities are short-term in nature unless opportunities arise to secure favourable longer term borrowing facilities.

Liquidity risk may also arise if debtors are not able to settle obligations to the Company within the normal credit term. To manage this risk, the Company periodically assesses the financial viability of debtors and may require certain debtors to provide bank guarantees or other security.

There may be potential financial liquidity constraint that the Company may face arising from the COVID-19 pandemic. As at 31 December 2021, the Company was in a net current liability position of RM55,890,000 (2020: RM267,419,000). There is sufficient cash flows to meet the Company's obligations based on the cash flow forecast for the next 12 months from the date of authorisation of the financial statements that was prepared taking into account of the operational requirements and capital commitments of the Company. The Company also has unconditional banking facilities that can be accessed within the next 12 months to meet its obligations. Therefore, the Directors have prepared the financial statements of the Company on a going concern basis.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

28. Financial instruments (continued)

28.5 Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM'000	Contractual interest rate/ coupon	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
2021							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	1,053,000	-	1,053,000	1,053,000	-	-	-
Lease liabilities	53,064	3.8% - 8.5%	111,484	5,059	4,766	11,192	90,467
Loans and borrowings							
Revolving credit	1,026,916	2.7%	1,029,422	1,029,422	-	-	-
	2,132,980		2,193,906	2,087,481	4,766	11,192	90,467
<i>Derivative financial liabilities</i>							
Forward exchange contracts (gross settled):							
Outflow	2,050	-	443,757	443,757	-	-	-
Inflow	-	-	(441,707)	(441,707)	-	-	-
Commodity swaps (gross settled):							
Outflow	15,174	-	220,278	220,278	-	-	-
Inflow	-	-	(205,104)	(205,104)	-	-	-
	2,150,204		2,211,130	2,104,705	4,766	11,192	90,467

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
2020							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	634,009	-	634,009	634,009	-	-	-
Lease liabilities	42,043	4.6% - 10.9%	145,171	4,749	3,061	10,183	127,178
Loans and borrowings							
Revolving credit	420,320	2.5%	430,870	430,870	-	-	-
	1,096,372		1,210,050	1,069,628	3,061	10,183	127,178
<i>Derivative financial liabilities</i>							
Forward exchange contracts (gross settled):							
Outflow	1,667	-	185,686	185,686	-	-	-
Inflow	-	-	(184,019)	(184,019)	-	-	-
Commodity swaps (gross settled):							
Outflow	4,055	-	481,923	481,923	-	-	-
Inflow	-	-	(477,868)	(477,868)	-	-	-
	1,102,094		1,215,772	1,075,350	3,061	10,183	127,178

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

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 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) and Singapore Dollar (SGD) (2020: U.S. Dollar (USD), Japanese Yen (JPY), Singapore Dollar (SGD) and European Union Euro (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 (a currency which is other than the functional currency of the Company) 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
2021				
Cash and cash equivalents	11,306	-	-	-
Trade and other receivables	70,881	-	-	-
Loans and borrowings	(91,916)	-	-	-
Trade and other payables	(441,288)	(182)	(652)	(2,611)
Exposure before forward exchange contracts	(451,017)	(182)	(652)	(2,611)
Forward exchange contracts	443,757	-	-	-
Net exposure	(7,260)	(182)	(652)	(2,611)
2020				
Cash and cash equivalents	15,761	-	-	-
Trade and other receivables	57,717	-	-	-
Loans and borrowings	(80,320)	-	-	-
Trade and other payables	(171,367)	(382)	(140)	-
Exposure before forward exchange contracts	(178,209)	(382)	(140)	-
Forward exchange contracts	185,686	-	-	-
Net exposure	7,477	(382)	(140)	-

28. Financial instruments (continued)
28.6 Market risk (continued)
28.6.1 Currency risk (continued)

Currency risk sensitivity analysis

Foreign currency risk mainly arises from USD. The exposure to other currencies is not material and hence, sensitivity analysis is not presented.

A 10% (2020:10%) strengthening of the RM against USD at the end of the reporting period would have increased/(decreased) equity and after-tax profit/(loss) by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	Profit or loss	
	2021 RM'000	2020 RM'000
USD	552	(568)

A 10% (2020:10%) 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:

	2021 RM'000	2020 RM'000
	Floating rate instruments	
Financial liabilities	(1,026,916)	(420,320)

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

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 and LIBOR. 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 increased/(decreased) equity and after-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

	Profit or loss			
	2021		2020	
	10 bp increase	10 bp decrease	10 bp increase	10 bp decrease
	RM'000	RM'000	RM'000	RM'000
Floating rate instruments	(35)	35	(15)	15

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.

28. Financial instruments (continued)

28.6 Market risk (continued)

28.6.3 Commodity price risk (continued)

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 increased/(decreased) equity and after-tax profit or loss by the amounts shown below.

	Profit or loss	
	2021	2020
	RM'000	RM'000
10% increase in commodity price	(17,092)	(5,493)
10% decrease in commodity price	17,092	5,493

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	Gross amounts set off in the statement of financial position	Net amounts presented in the statement of financial position
	RM'000	RM'000	RM'000
At 31 December 2021			
Financial assets			
Trade and other receivables	1,066,392	(170,705)	895,687
Financial liabilities			
Trade and other payables	1,223,705	(170,705)	1,053,000
At 31 December 2020			
Financial assets			
Trade and other receivables	304,478	(83,127)	221,351
Financial liabilities			
Trade and other payables	717,136	(83,127)	634,009

NOTES TO THE FINANCIAL STATEMENTS

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28. Financial instruments (continued)
28.8 Fair value information

The carrying amounts of cash and cash equivalents, short-term receivables and payables and short-term borrowings reasonably approximate fair values due to the relatively short-term nature of these financial instruments.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position:

	Fair value of financial instruments carried at fair value				Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	
2021					
Financial assets					
Forward exchange contracts	-	136	-	136	136
Commodity swaps	-	11,151	-	11,151	11,151
	-	11,287	-	11,287	11,287
Financial liabilities					
Forward exchange contracts	-	(2,186)	-	(2,186)	(2,186)
Commodity swaps	-	(26,325)	-	(26,325)	(26,325)
	-	(28,511)	-	(28,511)	(28,511)
2020					
Financial assets					
Forward exchange contracts	-	5	-	5	5
Commodity swaps	-	7,833	-	7,833	7,833
	-	7,838	-	7,838	7,838
Financial liabilities					
Forward exchange contracts	-	(1,672)	-	(1,672)	(1,672)
Commodity swaps	-	(11,888)	-	(11,888)	(11,888)
	-	(13,560)	-	(13,560)	(13,560)

28. Financial instruments (continued)
28.8 Fair value information (continued)
Level 2 fair value
Derivatives
Forward exchange contracts

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

Commodity swaps

The fair value of commodity swaps is estimated using forward pricing model based on market observable inputs.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the financial year (2020: no transfer in either directions).

29. Capital management

The Company's objectives when managing capital are to maintain a strong capital base and safeguard the Company's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company monitors capital via carrying amount of equity as stated in statement of financial position.

The debt-to-equity ratios as at 31 December 2021 and 31 December 2020 were as follows:

	2021 RM'000	2020 RM'000
Loans and borrowings (Note 13)	1,026,916	420,320
Lease liabilities	53,064	42,043
Total debt	1,079,980	462,363
Total equity	1,968,522	1,741,597
Debt-to-equity ratios	0.55	0.27

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

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

30. Capital and other commitments

	2021 RM'000	2020 RM'000
Capital expenditure commitments		
Contracted but not provided for		
Plant and equipment	25,666	68,627
Investment property	26,124	51,684

Included above is contracted for the jointly-owned assets of the Multi-Product Pipeline amounting to RM40,000 (2020: RM900,000).

31. Related parties
Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. Key management personnel includes all the Directors, and certain members of senior management of the Company.

Petron Fuel International Sdn. Bhd. and Petron Oil (M) Sdn. Bhd. are subsidiaries of the immediate holding company whereas Petron Singapore Trading Pte. Ltd. is a subsidiary of the intermediate holding company.

The Company has related party relationship with its holding companies, significant investors, related companies and key management personnel.

Significant related party transactions

In the ordinary course of business, the Company undertakes transactions with related parties which include the sale and purchase of products carried out on commercial terms and conditions negotiated amongst the related parties, and the sharing of services and facilities at cost apportioned on a mutually agreed basis.

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Company are shown below. The balances related to the below transactions are shown in Note 5 and 14.

31. Related parties (continued)
Significant related party transactions (continued)

	2021 RM'000	2020 RM'000
Purchase of petroleum products from related companies:		
Petron Fuel International Sdn. Bhd.	1,177,614	773,491
Petron Singapore Trading Pte. Ltd.	336,292	-
Sale of petroleum products to related companies:		
Petron Fuel International Sdn. Bhd.	1,985,525	1,421,446
Petron Singapore Trading Pte. Ltd.	29,545	-
Central management, shared facilities and service costs with related companies:		
Petron Fuel International Sdn. Bhd. and Petron Oil (M) Sdn. Bhd.		
Charged from:	66,132	69,581
Charged to:	848	960
Key management personnel:		
<i>Non-executive directors</i>		
Fees	390	378
Other short-term employee benefits	288	206
	678	584

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	
				2021	2020
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%

NOTES TO THE FINANCIAL STATEMENTS

33. Significant and subsequent events

The Company generated RM238,471,000 net profit for the current financial year (2020: loss of RM13,315,000) notwithstanding the impact of COVID-19 pandemic. While the COVID-19 pandemic affected the Company's business operations and reduced the local fuel demand, the domestic economic growth outlook for 2022 remains positive with the ongoing National COVID-19 Immunisation Programme and implementation of economic policy support measures. Further easing of travel and business activities restrictions are expected to spur national economy and domestic fuel demand recovery. During the financial year, the Company has carried out impairment reviews of the non-financial assets as disclosed in Note 1.4.

The Company is also monitoring the volatility of the global oil market particularly with the geopolitical conflict in Europe subsequent to the year end. At this juncture, the Company is unable to reliably estimate the financial impact on the Company's carrying amount of assets and liabilities, and results for the next financial year.

The Company will continue to adopt prudent risk management to mitigate the effects of COVID-19 and implement appropriate measures to manage the operations and cash flows amid the oil market volatility in 2022.

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 99 to 162 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 2021 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:

.....
Ramon S. Ang

.....
Y. Bhg. Dato' Zainal Abidin Putih

Date: 17 March 2022

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 99 to 162 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 17 March 2022.

.....
Mark Tristan D. Caparas

Before me:

.....
 Commissioner for Oaths
 Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PETRON MALAYSIA REFINING & MARKETING BERHAD
 (INCORPORATED IN MALAYSIA)
 (COMPANY 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 Berhad ("the Company") give a true and fair view of the financial position of the Company as at 31 December 2021, 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 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 99 to 162.

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.

INDEPENDENT AUDITORS' REPORT

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

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.

Key audit matters

How our audit addressed the key audit matters

Recoverability of the carrying amount of investment property, property, plant and equipment and right-of-use assets

Refer to Note 1.4 Use of estimates and judgements: Impairment assessment of non-financial assets, Note 2 Significant accounting policies: Note 2.4 - Property, plant and equipment, Note 2.5 - Leases, Note 2.6 - Investment property, Note 8 - Property, plant and equipment, Note 9 - Investment property and Note 10 - Right-of-use assets.

The Company performed impairment assessments on its investment property, property, plant and equipment and right-of-use assets (collectively referred to as "the assets") during the year as there were indicators of impairment. The recoverable amounts of the assets were determined based on the higher of the value in use ("VIU") and fair value less cost to sell ("FVLCTS") method.

We focused on this area due to the magnitude of the carrying amounts of the assets and the estimation of the recoverable amounts which requires significant judgements and estimates in determining projected cashflows and the discount rate.

Based on the impairment assessment performed, the Company concluded that no impairment was required.

We performed the following audit procedures:

- We evaluated management's basis of determining the cash generating units ("CGUs") of the respective assets, which represents the smallest identifiable group of assets that generate independent cash inflows;
- We evaluated the Company's impairment methodology and tested the mathematical accuracy of the VIU and FVLCTS models used by management where applicable;
- We performed the following on the VIU calculations which were based on the Company's projected cashflows over the expected useful lives of the respective assets:
 - a) Discussed with management and the Directors the key assumptions applied in determining projected cashflows. The project cashflows of the assets used for impairment assessment have been approved by the Company;
 - b) Compared the key assumptions used including refining and product margins and production and sales volumes to historical results achieved by the Company and long term oil and gas price outlook to industry forecast;
 - c) Discussed with management the expected useful life of respective assets applied in the VIU calculation;
 - d) Checked reasonableness of the growth rate and discount rate with assistance of our valuation experts by benchmarking to industry reports; and
 - e) Checked the sensitivity analysis performed by management on key assumptions disclosed in Note 1.4.
- Where the FVLCTS model was used, we checked the fair value to valuation reports prepared by independent third party valuers engaged by the Company; and
- Assessed the competency, capabilities and objectivity of the independent third party valuers by considering their professional qualifications, experience and independence.

Based on the procedures performed above, we did not find any material exception to the Company's impairment assessment.

INDEPENDENT AUDITORS' REPORT

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

Key audit matters

How our audit addressed the key audit matters

Accuracy and occurrence of revenue transactions

Refer to Note 2 Significant accounting policies: Note 2.14 Revenue and other income and Note 19 - Revenue

The Company's revenue of RM9.2 billion during the financial year ended 31 December 2021 are mainly derived from the sale of petroleum products which includes the Government subsidies and net of Government duties.

We focused on accuracy and occurrence of the revenue transactions given large sale volumes of different petroleum products and price changes.

We performed the following audit procedures:

- Evaluated and tested the IT general controls and key controls over the capturing and recording of revenue transactions; authorisation of price changes and the input of this information into the billing system; and accuracy of calculation of amounts billed to customers;
- For revenue derived from the sale of petroleum products, we obtained and validated supporting evidence such as customer contracts, invoices and relevant supporting documents to test the occurrence and accuracy on a test basis;
- Performed cut-off testing on a test basis for revenue transactions before and after the financial year end to supporting documents to assess whether these transactions are recorded in the correct period;
- Reviewed management's assessment of the identification of separate performance obligations over material customer contracts and sighted to the customer contracts on a test basis;
- Tested the inputs used by management to compute the subsidies and duties from the Government to the letters issued by the Ministry of Finance on a test basis; and
- Examined and tested material non-standard journal entries and other adjustments posted to revenue and related accounts.

Based on the procedures performed above, we did not find any material exceptions in the revenue recognised during the financial year.

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 2021 Annual Report, which is expected to be made available to us after that date. Other information does not include the financial statements of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT

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

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.

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.

INDEPENDENT AUDITORS' REPORT

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

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
17 March 2022

SOO KWAI FONG

03144/07/2023 J
Chartered Accountant

INFORMATION ON SHAREHOLDINGS

AS AT 18 MARCH 2022

INFORMATION ON SHAREHOLDINGS

AS AT 18 MARCH 2022

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	505	4.463	11,474	0.004
100 – 1,000	4,427	39.128	3,307,479	1.224
1,001 – 10,000	5,448	48.152	20,596,971	7.628
10,001 – 100,000	862	7.618	21,634,644	8.012
100,001 – 13,499,999	71	0.627	26,270,369	9.729
13,500,000 and above	1	0.008	198,179,063	73.399
	11,314	100.00	270,000,000	100.00

THIRTY LARGEST SHAREHOLDERS

As at 18 March 2022

Name	No. of Units Held	% of Issued Capital
1. MAYBANK NOMINEES (TEMPATAN) SDN BHD PETRON OIL & GAS INTERNATIONAL SDN BHD	198,179,063	73.399
2. CITIGROUP NOMINEES (ASING) SDN BHD CBLDN FOR POLUNIN EMERGING MARKETS SMALL CAP FUND, LLC	2,907,086	1.076
3. PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN HOCK CHENG (E-BMM)	2,562,000	0.948
4. CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	2,257,600	0.836
5. NEOH CHOO EE & COMPANY, SDN. BERHAD	1,600,000	0.592
6. TAN KAH HOCK	1,501,600	0.556
7. JOHAN ENTERPRISE SDN. BHD.	824,000	0.305
8. CIMB GROUP NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR DBS BANK LTD (SFS)	810,700	0.300
9. CGS-CIMB NOMINEES (ASING) SDN BHD EXEMPT AN FOR CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD. (RETAIL CLIENTS)	730,948	0.270
10. PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE LAK CHYE @ LI CHOY HIN (E-IMO)	715,900	0.265
11. TAN HOCK CHENG	630,000	0.233
12. UOB KAY HIAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	544,540	0.201
13. YAYASAN GURU TUN HUSSEIN ONN	539,200	0.199

Name	No. of Units Held	% of Issued Capital
14. CHIA KUN JUAN	480,000	0.177
15. HSBC NOMINEES (ASING) SDN BHD J.P. MORGAN SECURITIES PLC	455,900	0.168
16. DYNAQUEST SDN. BHD.	350,000	0.129
17. ELETECHNICS SDN BHD	300,000	0.111
18. KIM POH HOLDINGS SDN BHD	300,000	0.111
19. REUBEN TAN CHERH CHUNG	300,000	0.111
20. NEW TONG FONG PLYWOOD SDN BHD	280,000	0.103
21. LIM SOO HIAN	250,000	0.092
22. RONIE TAN CHOO SENG	250,000	0.092
23. RONIE TAN CHOO SENG	250,000	0.092
24. TEO SOO CHUAN (PRIVATE) LIMITED	245,000	0.090
25. LIM NG KIAT	242,000	0.089
26. HSBC NOMINEES (ASING) SDN BHD TNTC FOR LSV EMERGING MARKETS SMALL CAP EQUITY FUND, LP	235,900	0.087
27. PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE LAK CHYE @ LI CHOY HIN (E-IMO)	225,700	0.083
28. ROHAN A/L PATHMAYOKAN	220,000	0.081
29. HONG WENG HWA	209,000	0.077
30. CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TIAN WEE KONG (MUAR-CL)	202,800	0.075
TOTAL	218,598,937	80.962

SUBSTANTIAL SHAREHOLDER

As at 18 March 2022

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 2021

	Tenure	Land area (sq m)	Description of properties	Acquisition date	Expiry date	Age	Net book value
NEGERI SEMBILAN							
MPP and KVDT	L	744,189	MPP/KVDT facilities	01.03.2001	01.02.2100	21	18,694,265
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	62	10,641,825
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	6	15,399,480
PETRON Bandar Ainsdale (PBL#308402) Lot PT 36339, Jalan Ainsdale 15/4, Bandar Ainsdale, 70200 Seremban, Negeri Sembilan	F	5,603	Service station	04.02.2019	NA	3	9,742,211
PETRON Senawang Link (PBL#308253) LHSD 216202, PT 736, Pekan Sungai Gadut, 71450 Seremban, Negeri Sembilan	L	4,062	Service station	01.01.2020	31.12.2045	2	9,627,202
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	3	14,893,261
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	62	11,788,920
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	5	15,777,063
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	1	11,102,812
PETRON Persiaran Mokhtar Dahari (PBL#308470) Lot PT 40164, Mukim Bukit Raja, Bukit Cherakah, 40170 Shah Alam, Selangor	L	4,680	Service station	08.10.2019	07.10.2049	3	10,943,869

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

DISCLOSURE OF RECURRENT RELATED PARTY TRANSACTIONS

At the AGM held on 17 June 2021, the Company obtained a shareholders' mandate to enter into 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 2021 pursuant to the shareholders' mandate are disclosed as follows: -

Nature of transaction	RM'000
Purchase of petroleum products	336,292
Sale of petroleum products	29,545
Aggregate value of transactions	365,837

The Board of Directors of the Company will be proposing for the renewal of the Recurrent Related Party Transactions mandate. A Circular to the Shareholders for said renewal dated 28 April 2022 ("Circular") has also been dispatched to shareholders along with the Annual Report 2021. Further details about the related party transactions arising from the mandate obtained on 17 June 2021 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 OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Sixty-Third (63rd) Annual General Meeting (“AGM”) of the Company will be held at the Ballroom, Pullman Kuala Lumpur Bangsar, No 1, Jalan Pantai Jaya, Tower 3, 59200 Kuala Lumpur, on **Thursday, 16 June 2022 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 2021 and the Directors’ and Auditors’ Reports thereon. **(Ordinary Resolution 1)**
2. To approve the declaration of final dividend of 20 sen per ordinary share for the year ended 31 December 2021. **(Ordinary Resolution 2)**
3. a) To re-elect Mr. Ferdinand K. Constantino retiring in accordance to Article 103 and 104 of the Company’s Constitution. **(Ordinary Resolution 3)**
- b) To re- elect Mr. Fong Seow Kee retiring in accordance to Article 103 and 104 of the Company’s Constitution **(Ordinary Resolution 4)**
- c) To re-elect Mr. Antonio M. Cailao retiring in accordance to Article 103 and 104 of the Company’s Constitution. **(Ordinary Resolution 5)**
- d) To elect Y. Bhg. Datuk Nik Mohd Hasyudeen Bin Yusoff pursuant to Article 109 of the Company’s Constitution. **(Ordinary Resolution 6)**
4. To appoint Ms. Chua See Hua, who has served for more than nine (9) years, as an Independent Director in compliance with Practice 5.3 of the Malaysian Code on Corporate Governance 2021. **(Ordinary Resolution 7)**
5. To approve the payment of Directors’ fees and benefits payable to the Independent Directors with effect from 1 January 2022 until the next Annual General Meeting of the Company. **(Ordinary Resolution 8)**
6. To appoint Messrs PricewaterhouseCoopers PLT as Auditor of the Company and to authorise the Directors to determine their remuneration. **(Ordinary Resolution 9)**
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 REVENUE OR TRADING NATURE

“THAT subject always to the Main Market Listing Requirements of Bursa Securities, approval be and is hereby given to the Company and/or its subsidiaries to enter into the recurrent related party transactions of a revenue or trading nature with the related parties as specified in Section 2.4 of the Circular to Shareholders dated 28 April 2022 (“Circular”), provided that such transactions are necessary for day-to-day operations and carried out in the ordinary course of business and at arms-length basis on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the interest of the minority shareholders of the Company.

THAT the authority conferred by such mandate shall continue to be in force until:

- (i) the conclusion of the next AGM of the Company following the forthcoming AGM, at which time it shall lapse, unless by a resolution passed at a general meeting, the mandate is again renewed; or
- (ii) the expiration of the period within which the next AGM is required to be held pursuant to Section 340(2) of the Act (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (iii) revoked or varied by a resolution passed by the shareholders in a general meeting,

whichever is the earlier.

AND THAT the Directors of the Company be and are 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 9)

8. To transact any other business of the Company.

NOTICE OF BOOK CLOSURE

NOTICE IS HEREBY GIVEN that:

For purpose of attendance at the Annual General Meeting: shareholders who are registered in the Register of Members and Record of Depositors as at the close of business on 8 June 2022. Only a Depositor whose name appears on such Record of Depositors shall be entitled to attend 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 21 June 2022, shall be entitled to the final dividend which, if approved by the shareholders at the Annual General Meeting, will be paid on 8 July 2022.

A shareholder shall qualify for entitlement only in respect of:

- (a) Securities transferred to the Depositor’s Securities Account before 4:30p.m. on 21 June 2022 in respect of transfers;
- (b) Securities deposited into the Depositor’s Securities Account before 12:30p.m. on 17 June 2022 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

Kuala Lumpur
28 April 2022

Notes:

PROXY

A member of the Company entitled to attend and vote at the AGM is entitled to appoint not more than two (2) proxies to attend and vote instead of the member. A proxy need not be a member of the Company. Where a member is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, that hold shares for multiple beneficiaries in one securities account (“Omnibus Account”), there is no limit on the number of proxies it may appoint in respect of such Omnibus Account.

The instrument appointing a Proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority shall be deposited at the Share Registrar’s office, Tricor Investor & Issuing House Services Sdn. Bhd. at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur. In the case of an appointment made via TIH Online, the proxy form must be deposited at <https://tih.online>. All proxy forms submitted must be received by the Company not less than twenty-four (24) hours before the time set for the AGM.

For the purpose of determining a member who shall be entitled to attend this AGM, only a depositor whose name appears on such Record of Depositors as at 8 June 2022 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 2021

The Annual Report 2021 and other accompanying documents are available online on the Company website at <https://www.petron.com.my/investor-relations>.

The Notification to Shareholders will be sent by electronic mail to Shareholders who have maintained their e-mail addresses in the Record of Depositors with Bursa Malaysia Depository Sdn. Bhd.

Please be advised that any request for hard copies of the Annual Report will be processed and forwarded to the requesting shareholders at the first reasonable opportunity.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1. In-Person Annual General Meeting

As the Malaysian Government has moved to declare that the nation has now entered the transition period toward endemic phase of Covid-19 effective April 1, 2022, unlike in 2020 and 2021 where the AGMs were held virtually, for 2022, the AGM will be held once again in-person at the designated venue of the AGM in Pullman Kuala Lumpur Bangsar.

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. Ferdinand K. Constantino, Mr. Fong Seow Kee and Mr. Antonio M. Cailao, retire by rotation and are eligible for re-election pursuant to Article 103 and 104 of the Company's Constitution.
- Y. Bhg. Datuk Nik Mohd Hasyudeen Bin Yusoff, who was appointed as an Independent Director by the Board effective 1 February 2022, retires pursuant to Article 109 of the Company's Constitution and is eligible for election.
- Y. Bhg. Dato' Zainal Abidin Putih, is an Independent Director of the Company. As Y. Bhg. Dato' Zainal Abidin Putih has served on the Board for more than twelve (12) years, in compliance with Malaysian Code on Corporate Governance 2021 (CG Code 2021), he will retire at the conclusion of the AGM.
- Ms. Chua See Hua, is an Independent Director of the Company. As Ms. Chua See Hua has served on the Board for more than nine (9) years, in compliance with the Malaysian Code on Corporate Governance 2021, she will retire at the conclusion of the AGM. The Board is however desirous of appointing Ms. Chua See Hua for another term as an Independent Director. The Board is of the opinion that Ms. Chua See Hua, who is also the Chairman of the Nominating Committee, has a wealth of experience and knowledge about the Company's business and the oil & gas industry and can greatly contribute to the continued excellence in the functioning of the Nominating Committee and the Board. Further, she can continue to contribute by providing sound advice to the Independent Directors and the Board as a whole, guiding the Company in its plans and policies, and at the same time, acting to protect the interest of minority shareholders.

Ms. Chua is also currently working on implementing the independent annual evaluation process for the Board for the Company to adhere to the recommendation of the CG Code 2021.

The Board's recommendation to appoint Ms. Chua to another term is also based on the fact that with Y. Bhg. Dato' Zainal Abidin Putih's retirement, if Ms. Chua is not appointed as recommended, the Board and Company stands to lose both its senior most Independent Directors at the same time. The Board would prefer a more staggered approach on retirement and succession on the Board for better stability.

Ms. Chua's appointment as recommended shall (per recommendation of the CG Code 2021) be by means of a two-tier voting and the Board strongly urges minority shareholders to support her appointment at the AGM.

- The Nominating Committee following its annual evaluation of the Board's performance, concluded that Mr. Ferdinand K. Constantino, Mr. Fong Seow Kee, Mr. Antonio M. Cailao, Y. Bhg. Dato' Zainal Abidin Putih and Ms. Chua See Hua, in performing their duties as Directors, have met and/or exceeded expectations.

The Board (based on representations by the Nominating Committee) recommends to the shareholders that Mr. Ferdinand K. Constantino, Mr. Fong Seow Kee, Mr. Antonio M. Cailao, Y. Bhg. Datuk Nik Mohd Hasyudeen Bin Yusoff, be re-elected/elected to the Board and that Ms. Chua See Hua be appointed to the Board for another one-year term as an Independent Director.

The above Directors profile containing their qualifications, experience and other directorships can be viewed on pages 46 to 54.

3. Directors Benefits

- Section 230(1) of the Act provides amongst others, that "fees" of the Directors and "any benefits" payable to the Directors of a listed company and its subsidiaries must be approved at a general meeting. Pursuant thereto, shareholders' approval is sought for the payment of Directors' fees and the benefits payable to the Directors as follows:

- RM93,600 per annum as directors' fee to each Independent Director of the Company. This shall be an increase from the fee of RM78,000 – last reviewed three (3) years ago in 2019;

- 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;
- 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;
- RM700 per month to each Independent Director as fuel allowance, on reimbursement basis. This remains unchanged from the previous year; and
- RM20,000 as an ex-gratia payment to each Independent Director of the Company for services rendered to the Company in 2021. This is an increase from the RM15,000 paid in 2021.

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

- A competitive remuneration package is necessary to attract and retain high quality Independent Directors that will then best serve the interests of the minority shareholders (and the Board and Company).
- 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 Revenue or Trading Nature

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

Following from the initial mandate given by shareholders at the AGM in 2021, and considering the financial benefit to the Company, the proposal before the shareholders is for a RENEWAL of the same mandate for another year until the conclusion of the AGM in 2023.

Further information of Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of Revenue or Trading Nature is contained in the Circular to Shareholders dated 28 April 2022.

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 election/re-election/appointment

- Profiles**
The profiles of the Directors standing for election/re-election/appointment are set out in pages 47 to 54 of the Annual Report.
- Statement of shareholdings**
None of the Directors standing for election/re-election/appointment hold shares in the Company.
- Family relationship**
None of the Directors standing for election/re-election/appointment has any family relationship with any Director and/or major shareholder of the Company.
- Conflicts of interest**
None of the Directors standing for election/re-election/appointment has any conflicts of interest with the Company.
- Conviction for offences (excluding traffic offences), sanctions or penalty**
None of the Directors standing for election/re-election/appointment has been convicted for offences within the past five (5) years nor was there any director imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

PROXY FORM

I/We _____ (Name of Company/Business/individual's full name)
in Block Capitals (as per NRIC)), NRIC/Company No. _____ (new) _____ (old)
of _____ (full address)
being a member/members of the Company, hereby appoint _____ (full name of proxy)
NRIC/Company No. _____ (new) _____ (old)
of _____ (full address)

or failing which the Chairman of the Annual General Meeting as my/our Proxy to attend and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on Thursday June 16, 2022 at 2:00p.m. and at any adjournment thereof.

My/Our instruction to my/our proxy (on each Agenda Item as per the Notice of Meeting) are as follows:

Resolution No.	Agenda Item	For	Against
	To receive the Company's Audited Accounts	-NIL-	-NIL-
1.	To approve the declaration of final dividend		
2.	To Re-elect Mr. Ferdinand K. Constantino		
3.	To Re-elect Mr. Fong Seow Kee		
4.	To Re-elect Mr. Antonio M. Cailao		
5.	To elect Y. Bhg. Datuk Nik Mohd Hasyudeen Bin Yusoff		
6.	Appointment of Ms. Chua See Hua		
7.	Payment of Directors' fees and benefits for 2022		
8.	Appointment of Messrs PricewaterhouseCoopers PLT as Auditor and authorize the Directors to determine their remuneration		
9.	To approve Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of Revenue or Trading Nature		

(Please indicate an "X" in the spaces provided on how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his/her discretion)

Signature/Common Seal

Number of shares held : _____

Date : _____

Contact No : _____

Notes:

A Member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two (2) proxies to attend and vote instead of the Member. In the case of a corporation, the Proxy Form must be executed under the corporation's Common Seal or under the hand of an officer or attorney duly authorised. A Member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of the Member. A proxy need not be a member of the Company. Where a member is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, which hold shares for multiple beneficiaries in one securities account ("Omnibus Account"), there is no limit on the number of proxies it may appoint in respect of such Omnibus Account. The instrument appointing a proxy shall be deposited at the Share Registrar's office at **Unit 32-01, Level 32, Tower A, Vertical Business Suite Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur** or the Customer Service Centre at **Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur**, alternatively online via our share Registrars' website, TIIH Online at <https://tjih.online>, not less than 24 hours before the time set for the meeting.

First fold here

**AFFIX
STAMP
HERE**

The Share Registrar
TRICOR INVESTOR & ISSUING HOUSE SERVICES SDN BHD
Unit 32-01, Level 32, Tower A,
Vertical Business Suite,
Avenue 3, Bangsar South,
No. 8, Jalan Kerinchi,
59200 Kuala Lumpur

Then fold here



PETRON

**PETRON MALAYSIA REFINING &
MARKETING BHD**

Registration No. 196001000260 (3927-V)

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