

The RC discharges its responsibilities through its scheduled meetings during the year in accordance with its fixed agenda which covers the matters under the purview of the RC. The RC met eight times in 2022.

[For more information about the RC's attendance, please refer to page 280]

Key Matters in 2022

- The RC assisted the Board in deliberating the PETRONAS Group's Corporate Risk Profile and Risk Appetite on a quarterly basis. Additionally, revisions to the Corporate Risk Profile and Risk Appetite were recommended by the Committee and approved by the Board to align with the Group's business objectives and strategies as well as reflect the current exposures being managed.
- The RC played its oversight role in reviewing risks related to strategic and high impact business matters such as investment decisions for key projects during the year.
- The RC appraised the performances and activities of Group Integrity on a quarterly basis and was also updated on the progress of the Group's integrity and governance programmes.
- The RC reviewed the report and activities on the Company's Portfolio Commodity Hedging programmes on a quarterly basis.
- The RC reviewed and endorsed the revision to PETRONAS CoBE to strengthen PETRONAS' internal controls including having a comprehensive code of conduct which will act as one of the defences to corporate liability and to cater for the latest development in law and regulations as well as to keep up with global business and regulatory development.

Compliance

Tone from the Top

The compliance culture in PETRONAS is championed by the "tone from the top", driven by the principles of PETRONAS Cultural Beliefs and Shared Values. The continuous messaging from the PETRONAS Board of Directors and PETRONAS Executive Leadership Team sets the values for the expected conduct and ethics. It shapes the behaviour and attitude of PETRONAS employees at all levels of businesses and activities across the PETRONAS Group.

Operationalising Compliance from the Ground

As PETRONAS operates in multiple jurisdictions worldwide, the Compliance Management Operations (CMO) team is structured to ensure compliance with domestic and global requirements by establishing offices at the PETRONAS headquarters in Kuala Lumpur City Centre (KLCC), as well as regional offices in Asia Pacific, Europe, the Middle East and the Americas. The regional compliance management offices support PETRONAS' compliance position by implementing adequate and effective controls, conducting compliance programmes and activities, and developing localised content in line with local laws and requirements. They achieve this through a risk-based approach and constant engagement with the headquarters while also ensuring alignment with PETRONAS' compliance practices.

In ensuring compliance management operations are comprehensive and up-to-date, the Subject Matter Expert (SME) team would keep abreast with updated regulations, laws and enforcements guidance from all over the globe, as well as develop compliance policies, processes and procedures for PETRONAS businesses and activities. Additionally, the SME team would provide specialist legal advice, steer the strategic direction of PETRONAS business, and set up PETRONAS group positions.

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Similarly, for effective and efficient management of the compliance programmes and activities, the Compliance Strategy and Planning (CSP) team would develop and plan the PETRONAS' corporate compliance strategy and programmes, as well as develop and maintain the overall compliance systems and tools. These will ensure seamless planning, consistent management and monitoring of corporate compliance status, programmes and activities across PETRONAS.

Together, the three teams form the Legal Compliance department of Group Legal, which delivers comprehensive and integrated legal compliance programmes and activities for PETRONAS, with the ultimate aim of protecting and safeguarding PETRONAS Group of Companies against any breaches of laws.

Digitalising Compliance

A digital solution called myCompliance, has been developed and deployed across PETRONAS Group of Companies for efficient and effective monitoring of legal and regulatory compliance. This digital compliance platform simplifies compliance management operations and has been linked with other relevant systems including myLearningX (on eLearning Modules), myASSURANCE (on Assurance programme) and myGOVERNANCE (on policies repository) to ensure the data is reliable, up-to-date and accurate.

The following are the five modules that have been deployed as part of myCompliance digital solutions:

- a) Compliance Tracker – Tracking and analysis of compliance assurance programme.
- b) Third Party Risk Management (TPRM) – Digitalisation of TPRM programme.
- c) Training Tracker – Tracking the completion of mandatory compliance trainings.
- d) Policy Management – Centralised policy development process and repository.
- e) Regulation Tracker – Centralised repository of laws.

The myCompliance digital solution reduces PETRONAS' risk to potential threats such as incurring financial and non-financial penalties, loss of business opportunities, and severe reputational impact on the enterprise. This is achieved through improved oversight and ease of operations, both directly and indirectly.

Focus Areas

PETRONAS focuses on Critical Legal Areas (CLAs) and Operational Legal Areas (OLAs) through a robust compliance programme as encapsulated in its Legal Compliance Framework (LCF), the overarching framework on ensuring compliance with laws and regulations that PETRONAS has identified.

The CLAs are laws with extra-territorial effect. Any breach of the law could result in significant civil and criminal penalties, legal suits and severe reputational impact, which may pose enterprise risks to PETRONAS. The OLAs are operational laws that relate to business activities and operations, where any breach poses threats to the continuous operations of the business, including the loss of the license to operate.

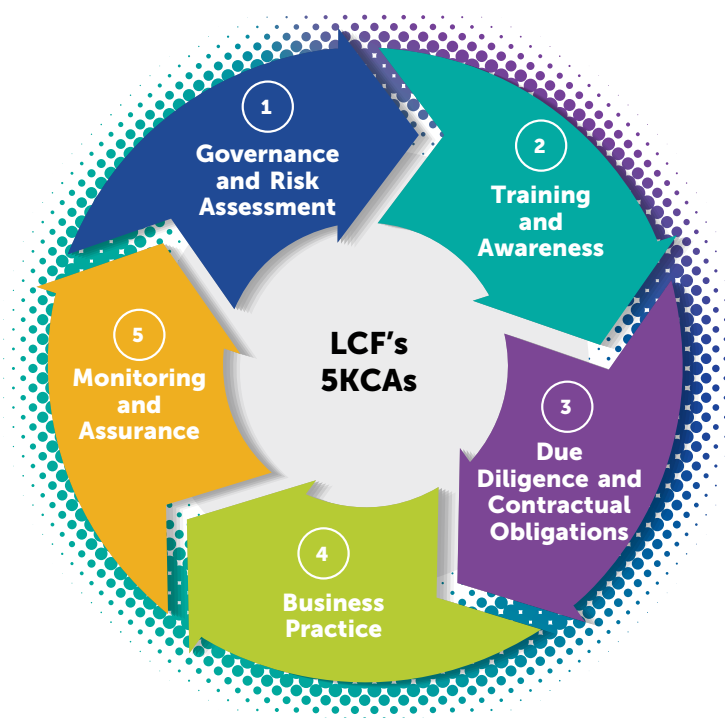
Below is the list of areas of laws for CLAs and OLAs:

| Critical Legal Areas | Operational Legal Areas |
|---|---|
| <ol style="list-style-type: none"> 1. Competition and Trade 2. Ethics and Integrity 3. Data Privacy 4. Sanctions 5. Export Control | <ol style="list-style-type: none"> 1. Health, Safety and Environment Laws 2. Petroleum Laws 3. Energy and Utilities Laws 4. Healthcare Laws 5. Land and Real Property Laws 6. Employment Laws 7. Intellectual Property Laws 8. Education Laws 9. Building and Construction Laws 10. Financial and Tax Laws 11. Company Laws 12. Maritime Laws 13. State Laws |

The compliance programme and controls for CLAs have stabilised and matured since its establishment in 2018. Throughout this long journey, the focus is now on gap improvement and full compliance by PETRONAS Group of Companies with the requirements of laws under the CLAs. On the other hand, the compliance programme and controls for the OLAs are still in the development stage, as it was only established recently in May 2022.

The controls embedded by LCF are grouped into 5 Key Compliance Areas (5 KCAs) – an essential tool in strengthening and monitoring the compliance culture in PETRONAS. The status of controls under each of the 5 KCAs are reported on a quarterly basis to the top management of Group Legal and Group Risk Management via the Corporate Risk Profile/ Risk Appetite report, as well as escalated (where necessary) to PETRONAS Risk Committee (RC) and PETRONAS Board of Directors (Board). This ensures the top management is made aware of the progress of the implementation of Legal Compliance Control (LCC) across the PETRONAS Group of Companies.

5 Key Compliance Areas



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1 Governance and Risk Assessment

PETRONAS establishes various governance documents, including policies, standards, guidelines, frameworks and manuals, as the foundation for internal controls to ensure compliance with laws and regulations. In FY2022, new governance documents were developed, and existing governance documents were enhanced for relevancy to current requirements. These governance documents are required to be adopted and implemented by PETRONAS Group of Companies.

Governance Documents for Legal and Regulatory Compliance

| CLAs | OLAs | Ethics and Integrity |
|---|--|--|
| <ul style="list-style-type: none"> PETRONAS Legal Compliance Standard for Critical Legal Areas PETRONAS Breach Reporting Manual for Critical Legal Areas PETRONAS Third Party Risk Management Manual | <ul style="list-style-type: none"> PETRONAS Legal Compliance Standard for Operational Legal Areas | <ul style="list-style-type: none"> PETRONAS Code of Conduct and Business Ethics PETRONAS Anti-Bribery and Corruption Manual PETRONAS Whistleblowing Policy PETRONAS Raid Protocol |
| Data Privacy | Sanctions and Export Control | Competition Law |
| <ul style="list-style-type: none"> PETRONAS Corporate Privacy Policy PETRONAS Master Guidelines to the PETRONAS Corporate Privacy Policy PETRONAS Data Protection Impact Assessment Guidelines | <ul style="list-style-type: none"> PETRONAS Sanctions and Export Control Guidelines | <ul style="list-style-type: none"> PETRONAS Competition Law Guidelines PETRONAS Competition Law Compliance Protocols: <ul style="list-style-type: none"> Meetings and Information Sharing Merger and Acquisition Transactions |

PETRONAS Group of Companies is also exposed to potential hazards and risks that may substantially impact its operations and activities. The Company establishes several risk assessments that could identify these potential threats to manage and mitigate potential legal and regulatory non-compliance.

Risk Assessments for Legal and Regulatory Compliance

| Ethics and Integrity | Health, Safety, Security and Environment | Risk Management |
|--|--|--|
| <ul style="list-style-type: none"> Corruption Risk Assessment | <ul style="list-style-type: none"> Social Risk Assessment | <ul style="list-style-type: none"> Risk Assessment in Decision Making |

Training and Awareness

PETRONAS continues to deliver enterprise-wide training and awareness programmes via digital platforms (i.e. eLearning Modules) and customised engagements through its compliance management officers to instil awareness among PETRONAS staff and directors towards compliance with legal and regulatory requirements.

In 2022, more than 36,000 employees across PETRONAS Group of Companies have completed the mandatory compliance eLearning Modules. On top of the eLearning Modules, 256 additional focused training and engagement sessions were conducted in FY2022 for PETRONAS Group of Companies, with more than 17,000 participants benefitting from these customised sessions.

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Training and Awareness (cont'd.)

Given the prolonged COVID-19 pandemic, online courses, webinars and virtual training dominated the first half of FY2022. Physical engagements started to increase in the second half of FY2022 as Malaysia entered the endemic stage in quarter two of FY2022. In total, 89 per cent of training and engagement sessions were conducted virtually, and 11 per cent were completed physically (six per cent) or in hybrid mode (five per cent).

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Due Diligence and Contractual Obligations

As PETRONAS Group of Companies deals with various third parties, including partners, contractors, vendors, suppliers, distributors and agents, the Company manages its third-party risks through its Third Party Risk Management (TPRM) framework. TPRM is a robust due diligence process to safeguard PETRONAS from any exposure to the breaches of the CLAs especially from any corporate liability due to any misconduct from third parties.

The TPRM enables PETRONAS to detect possible threats before any formal engagement or during the business relationship with third parties. It would also allow for mitigation or contractual safeguard against legal, financial or reputational damage risks. The TPRM applies to all businesses and needs to be embedded by PETRONAS Group of Companies.

TPRM documents and tools have been developed to guide the implementation of the TPRM process and for PETRONAS Group of Companies to embed and apply across all businesses and needs.

| TPRM Documents | TPRM Tools | | |
|--|--|---|---|
| | KYC Declaration Questionnaire (via myCompliance system) | KYC6 – Online Screening System (via myCompliance system) | Compliance Clauses |
| <ol style="list-style-type: none"> 1. TPRM Manual 2. TPRM Frequently Asked Questions 3. KYC Business Guide 4. KYC Questionnaire Guide for Exclusion to Tender and Finance Exception List 5. KYC Guidebook | <ul style="list-style-type: none"> • In-house due diligence questionnaire for completion by our third-parties or counterparties covering Corporate and Business Information, Ethics and Integrity, Data Privacy, Sanctions, Export Control and Competition. | <ul style="list-style-type: none"> • An externally managed screening system covering key screening themes in relation to the five CLAs with a capacity for enhanced due diligence. | <ul style="list-style-type: none"> • Embedment of compliance clauses relating to the five CLAs in all contracts. Base clauses provided could be negotiated and customised in accordance to business needs. |

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Business Practice

PETRONAS reviews its business practices and activities regularly and ensures these practices are updated and aligned with legal and regulatory compliance. It has also put pre-emptive measures that PETRONAS Entities must embed and implement to ensure that PETRONAS Group of Companies adopt the best business practices and activities.

Below are some examples of the pre-emptive measures:

1. Export Control Licensing;
2. Sanctions Licensing;
3. General Retention of Consent;
4. Retention of Personal Data;
5. Accuracy of Personal Data;
6. Employees' Conflict of Interest Declaration;
7. Gift Declaration Form; and
8. Display of Privacy Notice.

5

Monitoring and Assurance

PETRONAS verifies the adequacy and effectiveness of controls through rigorous monitoring and assurance activities. The control, oversight and monitoring of PETRONAS Group of Companies' compliance towards CLAs are achieved through a structured annual compliance self-assessment under PETRONAS Integrated Assurance Programme. This has also been introduced to cover OLAs.

Group Legal (as one of PETRONAS' Second Line Assurance Providers), along with Group Internal Audit (as one of PETRONAS' Third Line Assurance Providers), effectively identify, evaluate and recommend an intervention to address potential non-compliances and unsound practices using PETRONAS' Three Lines of Defence model. The results of the review or audit may lead to identification of new controls to be developed or existing controls to be enhanced to continuously improve the legal compliance posture of PETRONAS Group.

In 2022, PETRONAS completed three assurance programmes to ensure compliance with the requirements stipulated under Critical and Operational Laws.

1. First Line Assurance for Critical Legal Areas;
2. Second Line Assurance for Critical Legal Areas; and
3. First Line Assurance for Operational Legal Areas.

On an annual basis, the compliance status of PETRONAS Entities towards the establishment of Legal Compliance Controls will be reported to the management of the Entities, as well as the management of Group Legal. This ensures the top management is aware of any gaps in its control implementation and will strive to close the gap in the most practical and feasible way possible.