

Corporate Governance at PETRONAS

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.

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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.

PETRONAS Commitment to Integrity

PETRONAS adopts zero tolerance for any form of bribery or corruption. The PETRONAS CoBE, PETRONAS Anti Bribery and Corruption Manual, and PETRONAS Whistleblowing Policy are in place to guide PETRONAS employees and third parties when dealing with potential or actual bribery and corruption situations or improper conduct in their day-to-day business activities.

PETRONAS has established an Integrity Governance Unit (IGU) or Group Integrity as per *Arahan Perdana Menteri (PM) 2018* (Prime Minister's Directive of 2018) to perform the four (4) core functions, which are Complaint Management, Detection Verification, Integrity Strengthening and Governance. In support of Group Integrity, Integrity Focal Person (IFP)'s have been established to implement and report on Integrity Strengthening and Governance related matters.

In August 2022, PETRONAS' Executive Leadership Team signed the "*Ikrar Bebas Rasuah*," or Corruption-Free-Pledge to demonstrate Top-level commitment to the 'TRUST' principle of adequate procedure as one of the defences against Corporate Liability. The 'TRUST' principles are Top Level Commitment (T), Risk Assessment (R), Undertake control measures (U), Systematic review, monitoring and enforcement (S), Training and communication (T).

The PETRONAS Organisational Anti-Corruption Plan (OACP) 2022-2023 has been published with the aspiration of "Zero tolerance for corruption in the pursuit of a corruption-free organisation". The OACP strategies focus on:

- Strengthening corporate governance on people and processes
- Increased confidence on the internal controls and improved business processes efficiency
- Holistic approach and pervasive communication on ethics and integrity

PETRONAS Holding Company Unit has been ISO 37001:2016 Anti Bribery Management System (ABMS) certified since November 2017. This demonstrates our commitment to managing any corruption-related (integrity-related) activities while adhering to all applicable laws and regulations.

Pursuant to the Corruption Risk Assessment, sensitive positions have been identified as one of the mitigations to manage the corruption risk.

A significant increase in whistleblowing complaints indicates increased awareness of the channel and trust for people to report their concerns, serving as a preventive measure in managing integrity.

In collaboration with the Malaysian Anti-Corruption Academy (MACA), PETRONAS continues to upskill our staff on integrity and governance through the Certified Integrity Officer (CeIO) programme.

Various integrity strengthening programmes are implemented on a regular basis across the group to raise awareness of integrity-related topics such as whistleblowing and corporate liability.