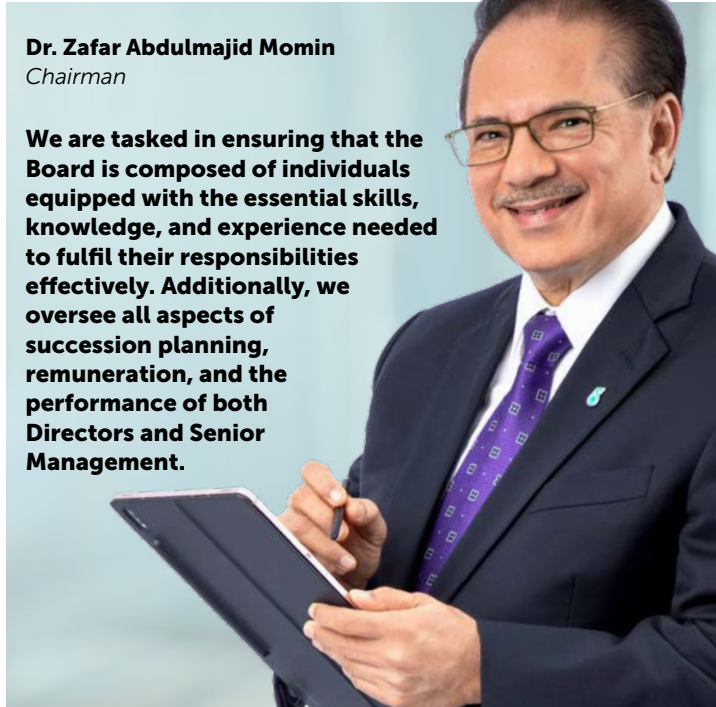


# NOMINATION AND REMUNERATION COMMITTEE REPORT

**Dr. Zafar Abdulmajid Momin**  
Chairman

**We are tasked in ensuring that the Board is composed of individuals equipped with the essential skills, knowledge, and experience needed to fulfil their responsibilities effectively. Additionally, we oversee all aspects of succession planning, remuneration, and the performance of both Directors and Senior Management.**



## FUNCTIONS OF THE NRC AND RELATED ACTIVITIES IN 2023

### BOARD SUCCESSION PLAN

The Nomination and Remuneration Committee (NRC) holds the responsibility to ensure effective succession planning for Directors and reviewing the Board's skill mix, including the tenure of Independent Directors and proposals for retirement or re-election. On 10 November 2022, the Board Succession Planning Framework was further refined, incorporating enhancements to the selection criteria.

During the reviewed period, notable changes occurred in our Board composition. Datuk Toh Ah Wah retired as a Director, effective from 12 June 2023. Dr. Zafar Abdulmajid Momin assumed the role of NRC Chairman, and Yeoh Siew Ming was appointed as the Senior Independent Director (SID).

Following the above, the NRC had reviewed the Board skills and experience matrix to evaluate the adequacy of the required skills and experience based on the current Board composition. The NRC then engaged an external recruitment consultant to facilitate in sourcing and identifying suitable candidates for the position of Independent Non-Executive Director where potential candidates were expected to possess vast experience in managing a diverse specialty chemicals portfolio and to have a deep understanding of the market segments. At this juncture, the current Board composition shall be maintained. The Board appointment process is based on Board Succession Planning framework as detailed in the Corporate Governance Overview Statement (CGOS) which could be found in pages 94 to 95 of this report.

With the retirement of Datuk Toh Ah Wah, the Board Committees maintained a majority of Independent Directors in its composition and recorded 37.5% of women Directors, in accordance with the Company's Diversity Policy, Main Market Listing Requirements (MMLR) and the principles of the Malaysian Code on Corporate Governance (MCCG).

### MD/CEO AND SENIOR MANAGEMENT SUCCESSION PLAN

In November 2023, the NRC conducted an extensive evaluation of succession planning for five corporate critical positions within PCG, namely the MD/CEO, Senior General Manager (Strategic Planning & Ventures), Chief Manufacturing Officer (CMO), Chief Commercial Officer (CCO), and Chief Financial Officer (CFO). Additionally, recognising the strategic importance of the portfolio, a specific succession plan was formulated for the role of Chief Operating Officer (COO) overseeing Specialty Chemicals within PCG.

The PETRONAS Top Talent Management (TTM) rigorously developed successors for the PCG Senior Management team, utilising a customised approach firmly grounded in the PETRONAS Top Talent Development Framework. This comprehensive framework encompasses various components such as Board Memberships, Executive Coaching, Executive Courses at Business Schools, and Techno Commercial Leaders Development.

The tailored development programme for PCG successors seamlessly aligns with the solutioning provided by TTM, ensuring a resilient and well-prepared leadership pipeline for the organisation.

### DIRECTORS' RE-ELECTION AND RE-APPOINTMENT

Considering the relevant requirements, the Directors' rotation list underwent scrutiny by the NRC before being presented for endorsement and subsequent recommendation to the Board. As part

#### Terms of Reference

#### Composition

#### Roles

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<https://www.petronas.com/pcg/about-us/governance>

#### Chairman

##### **Dr. Zafar Abdulmajid Momin**

*Independent Non-Executive Director*

*(redesignated from Member to Chairman w.e.f. 12 June 2023)*

6/6

100%

#### Members

##### **Yeoh Siew Ming**

*Senior Independent Non-Executive Director (w.e.f. 12 June 2023)*

6/6

100%

##### **Farehana Hanapiah**

*Non-Independent Non-Executive Director*

6/6

100%

##### **Datuk Toh Ah Wah**

*Senior Independent Non-Executive Director*

*(retired as SID and NRC Chairman w.e.f. 12 June 2023)*

4/4

100%

# NOMINATION AND REMUNERATION COMMITTEE REPORT

of this process, the affected Directors were required to provide their consent for re-election ahead of PCG's Board meeting.

In accordance with the Company's Constitution, the Board has the authority to appoint an individual as a director to fill a casual vacancy or as an addition to the existing directors. Any person appointed as a director must seek re-election at the next Annual General Meeting (AGM).

The Company's Constitution also outlines the rotation of Directors, with one-third of the Directors scheduled for retirement at every AGM. Pursuant to Articles 100 and 107 of the Constitution, the following Directors are set to retire at the 2024 AGM:

#### Article 100 (Casual Vacancy):

- Mazuin Ismail

#### Article 107 (Retirement by Rotation):

- Warren William Wilder
- Dr. Zafar Abdulmajid Momin
- Datuk Sazali Hamzah

In assessing the candidates' eligibility for re-election, the NRC considers their competencies, commitment, contribution, fitness and propriety, and performance based on the Board Effectiveness Evaluation (BEE), fit and proper declaration, and their ability to act in the best interest of PCG.

#### MD/CEO AND SENIOR MANAGEMENT PERFORMANCE APPRAISAL

During the year under review, the NRC deliberated on the MD/CEO and the following Senior Management's 2023 scorecard and their performance against the set targets:

- Chief Operating Officer (Specialty Chemicals)
- Chief Financial Officer
- Chief Commercial Officer
- Chief Manufacturing Officer
- Head of Strategic Planning & Ventures
- Head of Internal Audit

#### NRC's Effectiveness Review and Performance

Based on the BEE 2023 findings, the Board believes that the NRC has effectively performed its duties and functions during the year, thus providing a valuable contribution to the Board. The Board is satisfied with the performance and effectiveness of the NRC in providing sound advice and recommendations to the Board, particularly on managing competencies and succession planning for Directors and Senior Management. Full details of the evaluation and the outcomes can be found on pages 94 to 95.

#### SUMMARY OF ACTIVITIES OF THE NRC

The following activities were carried out in 2023:

- 1 Reviewed performance of the MD/CEO and Key Senior Management
- 2 Reviewed the Directors' training requirement and ensure that the Directors attended the required training during the year
- 3 Reviewed the NRC Report for inclusion in the 2022 Integrated Report
- 4 Reviewed the evaluation of the assessment on the effectiveness of the Board as a whole, the Committees of the Board, as well as the contribution of each individual Director through a BEE exercise which was conducted internally through an e-platform
- 5 Reviewed the succession planning for the CEO and Key Senior Management
- 6 Reviewed the manpower cost for MD/CEO of PCG FY2022
- 7 Interview sessions with the 5 potential candidates for the position of Independent Non-Executive Director
- 8 Reviewed Board Succession Plan for FY2024
- 9 Reviewed the actions taken by the Company to address the agreed areas of improvement arising from the BEE 2022
- 10 Update on trainings attended by PCG Directors for 2023
- 11 Attended sharing sessions on various HR topics such as PCG Talent Strategy, PETRONAS Senior Management Remuneration Principles, Specialty Chemicals Talent Strategy and Nurturing Talents in PETRONAS which enabled the NRC to share their thoughts, opinions and experience which might benefit the Group
- 12 Annual Update on the Succession Planning for Key Senior Management Positions FY2023
- 13 Reviewed the Boards Governance Structure for the PCG Group and explored the option of setting up a Specialty Chemicals Advisory Panel
- 14 Interview sessions for the position of MD/CEO

#### NRC Priority Areas in FY2024

In addition to the matters which are under the purview of NRC, the following activities are the priority areas in 2024 which is in line with the key highlights of the BEE 2023 results:

- 1 Overseeing the development of Human Capital
- 2 Talent sourcing for Chief Sustainability Officer
- 3 Succession and development plans for successor of key Senior Management position
- 4 Training for Directors on digitalisation/Artificial Intelligence (AI) and sustainability
- 5 Setting up of Specialty Chemicals Advisory Panel

**Dr. Zafar Abdulmajid Momin**

*Chairman,*

*Nomination and Remuneration Committee*