

PETRONAS GAS BERHAD
Registration No. 198301006447 (101671-H)
(Incorporated in Malaysia)

BOARD CHARTER

This Board Charter ("Charter") has been developed to emphasize PETRONAS Gas Berhad ("PGB") Board of Directors' commitment to governance. It adopts current 'best-practices', applicable rules and regulations, processes and procedures to guide the Board in the discharge of its duties and functions. This Charter will serve as a reference tool and benchmark to facilitate regular assessment of the Board's performance.

1. Application

The Charter sets out the roles and responsibilities, membership, composition and operation of the Board. The powers and authorities of the Board are derived from the Constitution of PGB, the Malaysian Companies Act and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"), as amended from time to time.

In this Charter, a reference to PGB shall, where applicable, include reference to PGB's subsidiaries and to PGB's jointly operated and associate companies ("PGB Group").

2. Roles and Responsibilities of the Board

2.1 The Board's primary commitment is to lead and oversee the business of PGB Group and to ensure that the conduct of PGB Group's operations promotes business sustainability, integrity and complies with relevant law, rules and regulations, taking into account economic, environment and social considerations underpinning sustainability.

2.2 The Board's functions, roles and responsibilities are:

2.2.1 The Board's main functions:

(a) Strategy Formulation

(i) Reviewing, approving and monitoring the strategic business plans, goals and key policies proposed by the Management to ensure sustainability and optimization of long term returns.

- (ii) The Board (together with the Management) takes responsibility for the governance of sustainability in the company including setting the company's sustainability strategies, priorities and targets.

(b) Policy Making

- (i) To ensure that appropriate policies are in place, adopted effectively and are regularly reviewed in light of the changing circumstances.
- (ii) Policies are normally developed by the Management and where appropriate, be approved by the Board. In some situations, the Board may set the policies themselves.
- (iii) In other cases, the Board may delegate much of the policy making to the CEO and the Management.

(c) Monitoring and Supervising Executive Activities

- (i) To review and approve financial statements.
- (ii) Identifying, continuously assessing and managing the principal risks affecting the PGB Group and the implementation of an effective system of internal controls, mitigation measures and risk management.
- (iii) Overseeing the conduct and the performance of the Management as well as PGB Group's businesses.
- (iv) Overseeing the appropriate succession plan for members of the Board and Management.
- (v) To review the adequacy and integrity of the Company's internal systems including systems for compliance with applicable laws, regulations, rules and guidelines.
- (vi) To ensure management develops and implements an investor relations program or shareholders' communication policy.

(d) Providing Accountability

The Board is accountable to its members or shareholders. The Board may have some accountability towards a wider range of stakeholders affected by PGB's decision such as employees, suppliers, customers, the local community and the state/country where PGB is operating.

2.3 Separation of position of Chairman and Managing Director/Chief Executive Officer

To ensure balance of authority, increased accountability and a greater capacity for independent decision-making, the role of Chairman and Managing Director/Chief Executive Director (MD/CEO) are distinct and separate with a clear division of responsibilities between the Chairman and the MD/CEO.

2.3.1 Chairman

The Chairman is appointed from a member of the Board. The Chairman provides visionary leadership and guidance to the Board from the aspect of governance. The Chairman of the Board is a Non-Executive Director and that the Chairman of the Board should not be a member of the Board Committee.

The role of the Chairman is summarised as below:

- (i) Leading the Board in setting the values and ethical standards of PGB.
- (ii) Chairing the board meetings and stimulating debates on issues and encouraging positive contributions from each board member.
- (iii) Consulting with the Company Secretary in setting the agenda for board meetings and ensuring that all relevant issues are on the agenda.
- (iv) Maintaining a relationship of trust with and between the Managing Director/Chief Executive Officer and Non-Executive Directors.
- (v) Ensuring the provision of accurate, timely and clear information to Directors.
- (vi) Ensuring effective communication with shareholders and relevant stakeholders.
- (vii) Conducting performance assessment of board members, its Committees and individual Directors, including assessment of the independence of Independent Directors.
- (viii) Facilitating effective contribution of Non-Executive Directors and ensuring constructive discussions at board meetings.
- (ix) Ensuring that all directors are properly briefed on issues arising at board meetings and there is sufficient time allowed for discussion on complex or contentious issues and where appropriate, arranging for informal meetings beforehand to enable thorough preparations.

- (x) Allowing every board resolution to be voted on and ensuring the will of the majority prevails.
- (xi) Casting his votes in accordance with the prescribed Constitution of PGB.
- (xii) Ensuring that all board members, upon taking up their office, are fully-briefed on the terms of their appointment, time commitment, duties and responsibilities, and the business of PGB.
- (xiii) Acting as liaison between the Board and Management, and between the Board and the Managing Director/Chief Executive Director.

2.3.2 Managing Director/Chief Executive Officer

The Managing Director/Chief Executive Officer (MD/CEO) is a member of the Board. He is accountable and responsible for the day-to-day management of PGB Group's business and the implementation of the plans, strategies, targets and policies set by the Board. He is assisted in the management of PGB Group's business by Management.

The Managing Director/Chief Executive Officer shall be supported by the Board members in undertaking these responsibilities.

The role of the Managing Director/Chief Executive Officer is summarised as follows:

(i) With regard to the Board and PGB:

- (a) To develop and recommend to the Board the long-term strategy and vision for PGB and/or Group that leads to the creation of long-term prosperity and stakeholder value.
- (b) To develop and recommend to the Board the operational plan and budget that support PGB's and/or Group's long-term strategy.
- (c) To foster a corporate culture that promotes ethical practices, encourages individual integrity and the fulfillment of PGB's corporate social responsibilities.
- (d) To maintain a positive and ethical working environment that is conducive to attracting, retaining and motivating a diverse work-force at all levels.

(ii) With regard to Management and business operation:

- (a) To recommend suitable management structure and operating authority levels which include delegations of responsibilities to the management.

- (b) To ensure an effective management team below the level of the Managing Director/Chief Executive Officer and to develop an appropriate succession plan.
- (c) To formulate and oversee implementation of major corporate policies.
- (d) To be accountable to the Board for the financial management and reporting, including forecasts and budgets of PGB.
- (e) To make reports to the Board periodically on its financial positions, key performance indicators, market conditions and business development.
- (f) To ensure continuous improvement in quality and value of the PGB's products and services.
- (g) To serve as spokesperson for PGB.
- (h) To refer to the relevant Board Committees on matters within the Committees' purview as requested from time to time.

2.4 Non-Executive Directors

The Board comprises NEDs that provides considerable depth of knowledge gained from experiences across diverse public and private companies. INEDs are independent from management and free from any business or relationship, which could materially interfere with the exercise of their independent judgment.

The Independent Directors shall provide independent judgment and objectivity without being subordinated to operational considerations. The Independent Directors are to uphold the interests of all stakeholders and not only the interests of a particular group, and that all relevant matters and issues are objectively and impartially considered by the Board. The views and opinions of the Independent Directors shall carry significant weight in the Board's decision-making process.

If there are any Directors that hold differing views on any matter discussed at a Board Meeting, the Board minutes shall clearly reflect this.

2.5 Senior Independent Non-Executive Director

Senior Independent Non-Executive Director acts as a sounding board for the Chairman, the point of contact between Independent Directors and Chairman on sensitive issues and has been identified as a designated contact to whom shareholders' concerns or queries may be raised, as an alternative to the formal channel of communication with shareholders.

3. Board Membership

3.1 Attributes and Composition

As per PGB's Diversity Policy, the Board is to ensure that the mix and profiles of our Board members, in terms of age, ethnicity and gender, provide the necessary range of perspectives, experience and expertise required to achieve effective stewardship and management. A truly diverse and inclusive board will leverage differences in thought, perspective, knowledge, skill, regional and industry experiences, cultural and geographical background, age, ethnicity and gender which will ensure that the Company retains its competitive advantage.

The Board believes in transparent policies and procedures that will assist in the selection of Board members. The Board comprises of members who bring values to the Board deliberations.

The Board regularly assesses its performance and that of individual Directors on an annual basis. In addition, the Board regularly assesses the independence of the independent directors and their ability to bring unbiased and objective judgment to the Board's deliberations.

3.2 Board Appointment

The appointment of a new Director is made upon recommendation from the Nomination & Remuneration Committee whose primary responsibilities are to evaluate, assess and recommend candidates for Board's approval.

The fit and proper assessment on any person identified to be appointed as a Director to continue holding the position as a Director within PGB Group shall be conducted prior to initial appointment or proposed re-election/re-appointment as a Director. The fit and proper assessment on a Director may also be conducted whenever PGB becomes aware of information that may materially compromise a Director's fitness and propriety. The Nomination & Remuneration Committee and the Board, in conducting the fit and proper assessment, shall be guided by the PGB Directors' Fit and Proper Policy.

The Board shall comprise at least 30% women directors. In seeking potential candidate(s) for new appointment, the Board takes into account ethnicity and age distribution of the Directors to maintain a balanced Board composition.

No person shall be appointed, re-appointed, elected or re-elected as a Director on the Board or continue to serve as a Director if the person is or becomes an active politician. A person is considered an "active politician" if he is a Member of Parliament, State Assemblyman or holds a position at the Supreme Council or division level in a politician party.

The tenure of an independent director shall not exceed a term limit of nine (9) years.

All Directors are expected to commit to their responsibility to PGB Group, including in the exercise of their fiduciary and leadership roles. The Directors shall consult the Chairman before accepting new directorship in any other public listed company.

The Board leverages on the Directors' network, shareholders' recommendation and independent source to identify potential candidates for appointment to the Board.

3.3 Induction and Training for Board Members

All newly appointed Directors are required to attend an onboarding programme, and each of the newly appointed Director is provided with a Director's dossier to serve as an induction literature to assist their understanding of the Company's expectations, business and operations. In addition to the mandatory accredited programme, the Board shall assess further training needs of the Directors on an on-going basis.

3.4 Board Effectiveness Evaluation (BEE)

The Board has entrusted the NRC with the responsibility for carrying out the annual BEE.

The Board shall engage an external consultant to conduct the Board Effectiveness Evaluation exercise once every three (3) years to facilitate an objective and candid board evaluation.

The assessment results from the BEE form the basis of the NRC's recommendation to the Board for the re-election of Directors and Board Committee members as well as for further development of the Board and Board Committees.

4. Board Committees

4.1 The Board may from time to time establish Committees as it considers appropriate to assist in carrying out its duties and responsibilities and to allow detailed deliberation on specific issues. The Board currently delegates certain functions to the following Committees to assist in the execution of its responsibilities: -

- (i) Board Audit Committee.
- (ii) Nomination & Remuneration Committee.
- (iii) Board Sustainability and Risk Committee.

4.2 The Committees shall operate under its respective Terms of Reference. The chairman of the respective Committees reports to the Board on the outcome of the Committee meetings and minutes of Committee meetings are made available to all Directors.

5. Directors' Remuneration

Directors' remuneration is generally determined at levels which would continue to attract and retain Directors of high caliber and with the required competence.

The Board is assisted by the Nomination & Remuneration Committee in assessing and recommending suitable remuneration for the Directors.

6. Board Process

6.1 Board Meetings

The Board meets every quarter with additional meetings convened as and when urgent issues and/or important decisions are required to be taken. Notwithstanding the scheduled Board meeting, any Director may, at any time, and the Company Secretary shall, on the requisition of a Director, convene a meeting of the Directors.

All proceedings in Board Meetings are recorded as minutes of meeting and signed by the Chairman, in accordance with the Company's Constitution and provisions of the Malaysian Companies Act as amended from time to time.

Whilst the preference is for meetings to be conducted in a face-to-face manner or physical meetings, meetings may be held by telephone conferencing, video conferencing or by any digital means, and any member participating via the said means shall be deemed to be present in person and counted as quorum for the meeting.

The Board may also decide by way of circular resolution. A resolution in writing signed by all of the Directors shall be as valid and effectual as if it had been passed at a meeting of the Directors duly called and constituted. A Directors' resolution in writing signed and transmitted by facsimile or any electronic means shall be deemed to be an original.

Management and external consultants may be invited to attend Board meetings to present or report on matters relating to their areas of responsibility.

6.2 PETRONAS Code of Conduct and Business Ethics

The Board has adopted the PETRONAS Code of Conduct and Business Ethics ("CoBE") that seeks to ensure ethical behaviours and conduct by the Directors, all PGB Group's employees and external parties liaising with PGB Group. This Board Charter shall be read in conjunction with CoBE.

6.3 Access to Advice and Information

The Company shall provide all Directors with timely and quality information and in the form and manner appropriate for them to discharge their duties effectively. Where necessary, the Directors whether as a full board or in their independent capacity may seek independent professional advice at the Company's expense in furtherance of their duties.

The Directors have direct access to the key management and have unrestricted access to any information relating to the Group to enable them to discharge their duties.

The Directors also have direct access to the advice and services of the Company Secretary and are regularly updated on new statutory and regulatory requirements relating to the duties and responsibilities of the Directors.

7. Integrity of Reporting

- 7.1 The Board aims to present a fair and balanced evaluation of the PGB Group's financial position, performance and prospects by ensuring that the financial treatment of the accounts of PGB Group is in compliance with the applicable law, regulations and reporting standards.
- 7.2 The Board ensures the effectiveness of PGB Group's risk management and system of internal controls to manage financial and health, safety and environment risks. The Board is assisted by the Board Audit Committee in overseeing the integrity of the financial reporting process, risk management and system of internal controls and over PGB's internal and external audit scope.

8. Review

The Board Charter shall be periodically reviewed and may be amended by the Board to ensure that they remain consistent with the Board and the Company's objectives, current laws and best practices.