

PETRONAS CHEMICALS GROUP BERHAD (Company No : 459830K)
BOARD CHARTER

1.0 Introduction

The Board of Directors ("the Board") is committed to high standards of corporate governance and strives to ensure that it is practised throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and raise the performance of the Group.

2.0 Objective

The Board Charter demonstrates that the Board remains fully resolved and committed to employing the principles of integrity, transparency and professionalism to ensure the practice of good corporate governance will safeguard and enhance shareholders' value, and at the same time protect the interests of its stakeholders.

3.0 Roles of the Board

The Board shall actively strive and be collectively responsible to promote the success of the Group by directing and supervising its business.

In addition to fulfilling its commitment for increased shareholders' value, the Board endeavours to uphold the interests of the Group's customers, employees, suppliers and to the communities where it operates, bearing in mind the circumstances and requirements for successful business. The Board reviews and decides matters related to the overall Group strategy and financial matters.

The duties, powers and functions of the Board are governed by the Constitution of the Company, the Companies Act 2016, Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Malaysia") and other regulatory guidelines and requirements that are in force.

3.1 Board of Directors

The Board is entrusted with the responsibility to promote the success of the Group by directing and supervising the Group's affairs. To discharge the Board's stewardship responsibilities, the Board has assumed the following principal roles and responsibilities:-

- a) Strategic Formulation
 - i) Review, approve and monitor annual corporate plan, which includes overall corporate strategy, marketing plan, human resources plan, financial plan and budget, risk management plan and information technology plan;
 - ii) Oversee and review the performance of the business, and to evaluate whether the business is being properly managed

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 identify principal risks and ensure the implementation of appropriate systems to manage these risks;
- ii) To ensure that there is an appropriate succession plan for members of the Board and Senior Management;
- iii) To ensure management develops and implements an investor relations program or shareholders' communications policy for the Company;
- iv) To review the adequacy and integrity of internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives, and guidelines; and
- v) To review and approve financial statements.

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 PCG's decision such as employees, suppliers, customers, the local community and the state/country where PCG is operating.

3.2 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 roles of Chairman and Managing Director/ Chief Executive Officer are distinct and separate with a clear division of responsibilities between the Chairman and the Managing Director/ Chief Executive Officer.

3.3 Chairman

The Chairman of the Board is a Non-Independent Non-Executive Member of the Board who is primarily responsible for the orderly conduct and function of the Board and ensures its effectiveness on all aspects of its roles.

The Chairman of the Board shall also act as Chairman at general meetings.

The role of the Chairman is summarised as follows:

- a) Leading the Board in setting the values and ethical standards of PCG;
- b) Chairing the board meetings and stimulating debates on issues and encouraging positive contributions from each board member;
- c) Consulting with the Company Secretary in setting the agenda for board meetings and ensuring that all relevant issues are on the agenda;
- d) Maintaining a relationship of trust with and between the Managing Director/Chief Executive Officer and Non-Executive Directors;
- e) Ensuring the provision of accurate, timely and clear information to Directors;
- f) Ensuring effective communication with shareholders and relevant stakeholders;
- g) Conducting performance assessment of board members, its Committees and individual Directors, including assessment of the independence of Independent Directors;
- h) 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;
- i) Allowing every board resolution to be voted on and ensuring the will of the majority prevails;
- j) Casting his/her votes in accordance with the Constitution of PCG;
- k) 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 PCG; and
- l) Acting as liaison between the Board and Management, and between the Board and the Managing Director/Chief Executive Director.

3.4 Managing Director /Chief Executive Officer

The Managing Director/Chief Executive Officer is responsible for the overall operations of the business, organisational effectiveness and the implementation of the Group's strategies and policies. He is assisted by the Management Committee in managing the business on day to day basis, which he consults regularly and shall be supported by the Board members in undertaking these responsibilities.

The roles of Managing Director/ Chief Executive Officer is summarised as follows:-

- a) To develop and recommend to the Board the long-term strategy and vision for the Group that leads to the creation of long-term prosperity and stakeholder value;
- b) To develop and recommend to the Board the business plan and budget that support the Group's long-term strategy;
- c) To foster a corporate culture that promotes ethical practices, encourages individual integrity and the fulfillment of PCG'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;
- e) To recommend suitable management structure and operating authority levels which include delegations of responsibilities to the management. To ensure an effective management team and to develop an appropriate succession plan;
- f) To formulate and oversee implementation of major corporate policies;
- g) To be accountable to the Board for the financial management and reporting, including forecasts and budgets of PCG;
- h) To make reports to the Board periodically on its financial positions, key performance indicators, market conditions and business development;
- i) To serve as spokesperson for PCG; and
- j) To refer to the Board Committee on matters as requested.

3.5 Non-Executive Directors

The Board comprises Non-Executive Directors (NED) that provides considerable depth of knowledge gained from experiences across diverse public and private companies. Independent NEDs (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.

3.6 Senior Independent Non-Executive Director

Senior Independent Director acts as the point of contact between the 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.

3.7 Board Committees

As part of efforts to ensure the effective discharge of its duties, the Board has delegated certain functions to certain Committees with its own Terms of Reference. The Chairman of the Committees will report to the Board on the decision or outcome of the committee meetings.

The Board shall establish the following Board Committees with its own specific terms of reference:-

- a) Audit Committee
- b) Nomination and Remuneration Committee

No Alternate Director can be appointed as a member of these Committees. All Board Committees shall be established in accordance with the MMLR of Bursa Malaysia.

4.0 Board Functions

4.1 Ethics & Compliance

The Board has adopted the PETRONAS Code of Conduct and Business Ethics ("PETRONAS CoBE") that seeks to ensure that the Company's/or Group's Directors, group employees and third parties which perform work or services for the Company and/or Group will act ethically and remain above board at all times, and that their individual behavior is in line with PETRONAS's Shared Values i.e. Loyalty, Professionalism, Integrity and Cohesiveness. PETRONAS CoBE also includes appropriate communication and feedback channels which facilitate whistleblowing.

4.2 Risk Management

The Board acknowledges the importance of maintaining a sound system of internal control and a robust risk management practice for good corporate governance with the objective of safeguarding the shareholder's investment and the Group's assets. For this purpose, the Board has adopted a Risk Governance Framework, Risk Management Policy and Risk Agenda.

4.3 Environment

The Board acknowledges the need to safeguard and minimise the impact to the environment in the course of achieving the Company's objectives. The Board's agenda reflects the commitment to economic support for longer term sustainability with a focus on the positive impact on the environment, community and society.

4.4 Stakeholder Communications

The Board acknowledges the need for effective Investor Relations and Communications with shareholders and to provide them with all relevant information affecting the Company. Hence, the Board adopts an open and transparent policy of communication.

5.0 Processes of Boards

5.1 Board Membership

a) Attributes and Composition

- i) The Board ensures that its composition meets the requirements of the Company to achieve efficient decision-making with the benefit of a variety of experiences, knowledge, qualifications and expertise. The number of Directors shall, at all times, comply with the MMLR, the Articles and other relevant laws and regulations.
- ii) 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.

b) Board Appointment

- i) The appointment of a new Director is made upon recommendation from the Nomination and Remuneration Committee whose primary responsibilities are to evaluate, assess and recommend candidates for Board approval.
- ii) All Directors are expected to commit to their responsibility to PCG 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.

5.2 Board Meetings

The Board shall meet at least quarterly with additional meetings convened as and when necessary. Prior to each Board Meeting, the agenda and a set of Board papers encompassing qualitative and quantitative information relevant to the business of the meeting are distributed to all Directors not less than five (5) days, before the meeting date to enable the Directors to make informed decisions.

In convening the Board Meetings, all procedures shall meet the requirements of a valid Board Meeting and shall follow the Company's Constitution, MMLR of Bursa Malaysia and other regulatory guidelines and requirements that are in force. All proceedings in Board Meetings are recorded as minutes and signed by the Chairman in accordance with the provisions of the Companies Act 2016.

5.3 Financial Reporting /Non-Financial Reporting

The Board is committed to provide a fair and objective assessment of the Group's financial positions and prospects of the Group and ensures that the financial statements are a reliable source of information for shareholders and other stakeholders.

5.4 Board Decision

Presentations and briefings by the Management and relevant external consultants, where applicable, are also held at Board Meetings to advise the Board. The Board is furnished with relevant information and clarification in order for the Board to arrive at a considered decision.

6.0 Ensuring Efficiency

6.1 Access of 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.

6.2 Succession Planning

The Board strives to ensure that all key management positions within the Company are filled with candidates with sufficient calibre.

6.3 Directors' Evaluation

Performance assessment of the directors is being undertaken on yearly basis.

6.4 Directors' Remuneration

The remuneration packages are aligned with the business strategy and long term objectives of the Company.

6.5 Training and Development

The Board shall ensure compliance with Bursa Malaysia's mandatory accredited programme for newly-appointed Directors. In order to keep the Directors abreast with the development and changes in the industries in which the Group operates, as well as corporate governance and financial updates. The Directors are able to assess further training program needs on an on-going basis.

The Board shall undertake a continuous educational and training programme to update Board Members on new developments in risks control, laws, regulations and other business and management-related subjects which may affect the Company's business and compliance requirements.

7.0 Company Secretary

The Board appoints the Company Secretary. He/she is qualified to act as company secretary under Section 235 of the Companies Act, 2016. The Company Secretary acts as an advisor to the Board, particularly with regard to PCG's constitution, Board policies and procedures, and its compliance with regulatory requirements, codes, guidance and legislations.

The Company Secretary ensures that discussions and deliberations at the Board and Board Committee meetings are well documented, and subsequently communicated to the relevant Key Management Personnel for appropriate actions. The Company Secretary updates the Board on the follow-up of its decisions and recommendations by the Key Management Personnel.

The Company Secretary constantly keeps abreast with the evolving regulatory changes and developments in corporate governance through continuous training. The Board has unlimited access to the professional advice and services of the Company Secretary.