

CORPORATE GOVERNANCE REPORT

STOCK CODE : 6033
COMPANY NAME : PETRONAS GAS BERHAD
FINANCIAL YEAR : December 31, 2018

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA

Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.1

The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board of PETRONAS Gas Berhad (PGB or the Company) is committed to high standards of corporate governance and strives to ensure that it is practiced throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and raise the performance of the Group.</p> <p>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.</p> <p>In discharging its duties and roles effectively, the Board is also guided by the Board Charter, which sets out the principles and guidelines that are to be applied by the Board, whilst the Board committees are guided by its respective terms of reference. The Board Charter and the Terms of Reference for each Board Committee can be found at www.petronasgas.com.</p> <p>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: -</p> <ul style="list-style-type: none">• To review, approve and monitor the strategic business plans, goals and key policies proposed by the Management to ensure sustainability and optimisation of long-term returns;• To ensure that appropriate policies are in place, adopted effectively and are regularly reviewed;• To review and approve financial statements;

- To review and manage principal risks and adequacy of the Company's internal control systems including systems for compliance with applicable laws, regulations, rules and guidelines;
- To ensure that there is an appropriate succession plan for members of the Board and the Leadership Team in ensuring the appointment of the right leaders; and
- To be accountable to its shareholders and stakeholders whom may be affected by the Company's decision such as employees, suppliers, customers, the local community and the state/country where the Company is operating.

The Board is collectively responsible in promoting the success of the Group in building an enduring and profitable business admired by customers and stakeholders whilst achieving strong returns for the valuable shareholders.

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

The Board acknowledges the importance of the following: -

- 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 and Risk Management Policy;
- 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; and
- the need for effective Investor Relations and Communications with shareholders and to provide them with all relevant information affecting the Company, which can be accessed at the Company's official website at www.petronasgas.com.

Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.2

A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

Application	: Applied
Explanation on application of the practice	<p>The roles and responsibilities of the Chairman of the Board have been clearly specified in the Company Board Charter, which is also available on the Company's official website at www.petronasgas.com</p> <p>The Chairman of the Board is a Non-Independent Non-Executive Director who is primarily responsible for the orderly conduct and function of the Board and ensures its effectiveness on all aspects of its roles.</p> <p>The Chairman of the Board shall also act as Chairman at general meetings.</p> <p>The role of the Chairman is summarised as follows:</p> <ul style="list-style-type: none">• Leading the Board in setting the values and ethical standards of PGB.• Chairing the Board meetings and stimulating debates on issues and encouraging positive contributions from each Director.• Consulting with the Company Secretary in setting the agenda for board meetings and ensuring that all relevant issues are on the meetings' agendas.• Maintaining a relationship of trust with and between the Managing Director/Chief Executive Officer (MD/CEO) and Non-Executive Directors.• Ensuring the provision of accurate, timely and clear information to Directors.• Ensuring effective communication with shareholders and relevant stakeholders.• Arranging evaluation of performance of Board Members, its Committees and individual Directors, including assessment of the independence of Independent Non-Executive Directors.• Facilitating effective contribution of Non-Executive Directors and ensuring constructive discussions at Board meetings.• 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.• Allowing every Board resolution to be voted on and ensuring the will of the majority prevails.

	<ul style="list-style-type: none"> • Casting his votes in accordance with the prescribed PGB’s Constitution. • 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. <p>Acting as liaison between the Board and Management, and between the Board and the MD/CEO.</p>
Explanation for departure :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure :	
Timeframe :	

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.3

The positions of Chairman and CEO are held by different individuals.

Application	:	Applied
Explanation on application of the practice	:	<p>The distinct and separate roles and responsibilities of the Chairman and Managing Director/Chief Executive Officer (MD/CEO) are provided in the Board Charter, which is available on the Company's official website at www.petronasgas.com.</p> <p>The Board practices a clear demarcation of duties and responsibilities between the Chairman and MD/CEO to ensure a balance of power and authority in the Board. The positions of Chairman and MD/CEO are held by two different individuals. The Chairman of the Company is Datuk Mohd Anuar Taib whilst the CEO of the Company who is also the Managing Director is Kamal Bahrin Ahmad.</p> <p>The Chairman is primarily responsible for the stewardship and smooth functioning of the Board, whilst the MD/CEO is responsible for the overall operations of the business, organisational effectiveness and the implementation of the Group's strategies and policies. Given the Company's synergetic business operational integration with Petroliam Nasional Berhad (PETRONAS), it is in the best interest of the Company that the Chairman is a Non-Independent Non-Executive Director.</p> <p>The MD/CEO also manages the respective responsibilities of the divisions and departments in the Company and he is assisted in the management of the business by the Leadership Team (LT). The LT ensures that effective systems, controls and resources are in place to execute business strategies and decisions taken by the MD/CEO and/or the Board.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.4

The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

Application	:	Applied
Explanation on application of the practice	:	<p>The Company has two Secretaries i.e. Syuhaida Ab Rashid and Yeap Kok Leong, who are both qualified and competent to act as Company Secretaries pursuant to Section 235 of the Companies Act 2016. One of them has a legal qualification and the other is a Fellow of the Malaysian Institute of Chartered Secretaries and Administrators. The Company Secretaries play an advisory role to the Board, particularly with regards to the Constitution of the Company, Board policies and procedures and the Company's compliance with regulatory requirements, codes, guidance and legislation.</p> <p>The Company Secretaries ensure that the discussions and deliberations at Board and Board Committee meetings are well documented, and subsequently communicated to the relevant Management for appropriate actions. The Company Secretaries update the Board on the follow-up of its decisions and recommendations by the Management.</p> <p>The Company Secretaries constantly keep themselves abreast of the evolving capital market environment, regulatory changes and developments in corporate governance through continuous training. The Board is satisfied with the performance and support rendered by the Company Secretaries to the Board in discharging their functions.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.5

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board meets at least quarterly with additional meetings convened as and when necessary. The Board, Board Committees and General meetings for the year under review were scheduled in advance to facilitate the Directors in planning ahead and incorporating the said meetings into their respective schedules.</p> <p>The Notice of the Board and Board Committees meetings are sent to the Directors via email at least seven days prior to the respective meeting. The agenda and Board papers encompassing comprehensive qualitative and quantitative information which include objectives, background, critical issues, implications, risks, strategic fit, recommendations and other pertinent information are circulated to the Directors to enable an informed decision making by the Board.</p> <p>The Board papers are circulated to all Directors at least five business days prior to each Board meeting. This enables the Directors to have sufficient time to peruse the Board papers and seek clarifications or further details from the Management or the Company Secretary before each meeting. Any Director may request matters to be included in the agenda. Urgent papers may be presented and tabled at meetings under the item "Any Other Business", subject to the approval of both the Chairman and Managing Director/Chief Executive Officer.</p> <p>Presentations and briefings by the Management and relevant external consultants, where applicable, are also held at Board meetings to advise the Board. In this regard, relevant information is furnished and clarifications are given to assist the Board in making a decision.</p> <p>Access to Board papers is carried out online through a collaborative software which allows the Directors to securely access, to read and review Board documents and collaborate with other Directors and the Company Secretary electronically.</p> <p>All proceedings of Board and Board Committees meetings are duly recorded in a minutes of each meeting and the signed minutes of each meeting are properly kept by the Company Secretary. Minutes of the</p>

	<p>meetings are tabled for confirmation at the next meeting whilst the minutes of the Board Committees are presented to the Board for notation.</p> <p>The Company Secretary will communicate to the relevant Management on the Board's decisions/recommendations via circulation of draft minutes of meetings for appropriate actions to be taken. The Company Secretary will also follow up with the Management on status of actions taken with reference to the previous minutes of meetings for updating the Board. Action items would stay as matters arising in the minutes of meetings until resolved.</p>	
Explanation for departure :		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure :		
Timeframe :		

Intended Outcome

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

Practice 2.1

The board has a board charter which is periodically reviewed and published on the company’s website. The board charter clearly identifies–

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has a Board Charter and Terms of Reference (TOR) of its Board Committees, which are reviewed and updated from time to time to reflect relevant changes to the policies, procedures and processes as well as amendments to rules and regulations to ensure the documents remain relevant and consistent with the applicable rules and regulations and recommended best practice. The Board Charter and the Committees’ TOR clearly identify –</p> <ul style="list-style-type: none"> • the respective roles and responsibilities of the board, board committees, individual directors and management; and • issues and decisions reserved for the board. <p>The Board Charter and the Committees’ TOR are accessible from the Company’s official website at www.petronasgas.com.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.1

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

Application	:	Applied
Explanation on application of the practice	:	<p>The PGB Group adopts and practices PETRONAS Code of Conduct and Business Ethics (CoBE). The CoBE, which is accessible to the public for reference on the Company's official website at www.petronasgas.com, places significant importance in upholding the principle of discipline, good conduct, professionalism, loyalty, integrity and cohesiveness that are critical to the success and wellbeing of the Group. The CoBE detailed out policy statements on the standards of behaviour and ethical conduct expected of each individual to whom the CoBE applies. The Group also expects that contractors, sub-contractors, consultants, agents and representatives and others performing work or services for or on behalf of the Group to comply with the relevant parts of the CoBE when performing such work or services. The CoBE expressly prohibits improper solicitation, bribery, insider trading, money laundering and other corrupt activity not only by employees and directors but also by third parties performing work or services for or on behalf of companies in the PETRONAS Group.</p> <p>In compliance with the CoBE, the Company adopts the PETRONAS Anti-Bribery and Corruption (ABC) Manual which governs the prevention of corruption and unethical practices within the Group. The ABC Manual sets forth the policy statement and guidelines on how to deal with improper solicitation, bribery and other corrupt activities and issues that may arise in the course of business.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Measure	:		
Timeframe	:		

Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.2

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

Application	:	Applied
Explanation on application of the practice	:	<p>PGB Group has adopted the PETRONAS Whistleblowing Policy (WBP) which provides an avenue for employees and members of the public to disclose any improper conduct committed or about to be committed in accordance with the procedures as provided under the policy. The WBP is accessible to the public for reference on the Company's official website at www.petronasgas.com.</p> <p>Under the WBP, a whistleblower will be accorded with protection of confidentiality of identity, to the extent reasonably practicable. An employee who whistle blows internally will also be protected against any adverse and detrimental action for disclosing any improper conduct committed or about to be committed within the Group, to the extent reasonably practicable, provided that the disclosure is made in good faith. Such protection is accorded even if the investigation later reveals that the whistle blower is mistaken as to the facts and the rules and procedures involved.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.1

At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

Application	:	Applied
Explanation on application of the practice	:	<p>During the financial year under review, the Board has 5 Independent Non-Executive Directors which is equivalent to 56% of the composition of the Board, as below:</p> <ul style="list-style-type: none">i. Habibah Abdulii. Dato' Ab. Halim Mohyiddin;iii. Farina Farikhullah Khaniv. Dato' Abdul Razak Abdul Majidv. Heng Heyok Chiang @Heng Hock Cheng. <p>Farina Farikhullah Khan and Dato' Abdul Razak Abdul Majid were appointed to the Board on 1 September 2018 as Independent Non-Executive Directors. Subsequently, Heng Heyok Chiang @ Heng Hock Cheng vacated his position as Director effective 31 December 2018. The Board is currently sourcing for additional directors to fill in the vacant positions.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.2

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

Application	:	Not applicable - Step Up 4.3 adopted	
Explanation on application of the practice	:		
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.3 - Step Up

The board has a policy which limits the tenure of its independent directors to nine years.

Application	:	Adopted
Explanation on adoption of the practice	:	In line with the exemplary practice as recommended by the Malaysian Code on Corporate Governance 2017 (MCCG 2017), the Company has adopted a tenure policy where the total tenure of the Independent Non-Executive Directors (INEDs) is now capped at nine years. None of the INEDs have served the Board more than nine years.

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.4

Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

Application	:	Applied
Explanation on application of the practice	:	<p>The Company practices a formal and transparent procedure for the appointment of new directors. The nomination of Non-Independent Non-Executive Directors (NINEDs) to the Board is made by PETRONAS being the majority shareholder of the Company. The sourcing of Independent Non-Executive Directors (INEDs) is made through the engagement of a professional recruitment firm.</p> <p>In its selection of suitable candidates, the NRC refers to the Board Selection Criteria. All nominees to the Board are first considered by the NRC, taking into consideration the mix of skills, competencies, experience, integrity, personal attributes and time commitment required to effectively fulfil his or her role as a director. Diversity in terms of age, gender and ethnicity is also considered during the selection process.</p> <p>The Senior Management are employees of PETRONAS and seconded to the Company, based on their relevant skills and experiences.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.5

The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

Application	:	Applied	
Explanation on application of the practice	:	There are 4 women directors on the Board of the Company which represents 44% of the Board's composition namely Habibah Abdul, Farina Farikhullah Khan, Emeliana Dallan Rice-Oxley and Wan Shamilah Wan Muhammad Saidi.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.6

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

Application	:	Applied	
Explanation on application of the practice	:	<p>Pursuant to Nomination and Remuneration Committee’s Terms of Reference, NRC has the authority to obtain the services of professional recruitment firms to source for candidates for directorship or seek independent advice whenever necessary.</p> <p>The Company has engaged a third party consultant to assist in sourcing for suitable and qualified candidates according to the approved Board Selection Criteria.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.7

The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

Application	:	Applied	
Explanation on application of the practice	:	The Nomination and Remuneration Committee of the Company is chaired by Dato' Ab. Halim Mohyiddin, an Independent Director.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

Practice 5.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Company conducts its Board Effectiveness Evaluation (BEE) exercise on an annual basis. BEE comprises a Board Evaluation, a Committee Evaluation and a Directors' Self and Peer Assessment. The assessment methodology and its outcome was reported in the Annual Report.</p> <p>In February 2018, the Board has engaged an independent consultant to carry out the BEE exercise where the outcome was reported in the Annual Report 2018.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 6.1

The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

Application	:	Applied
Explanation on application of the practice	:	<p><u>Directors' Remuneration Framework</u></p> <p>The Board has approved the Directors' Remuneration Framework at its Board of Directors' meeting held on 26 February 2018. The remuneration framework has been uploaded to the Company's official website after the Company's AGM held on 30 April 2018.</p> <p><u>Senior Management Remuneration Framework</u></p> <p>Employees of the Company are seconded from PETRONAS. Their remuneration is aligned to the PETRONAS' Human Resources policies and strategies. The Board ensures that only appropriate personnel with the relevant skills and experiences are appointed to Senior Management positions of the Company.</p> <p>Their remuneration is based on the prevailing PETRONAS' Remuneration Philosophy and Guiding Principles, which can be found on the Company's official website at www.petronasgas.com</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 6.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

Application	:	Applied
Explanation on application of the practice	:	The Company has a combined Nomination and Remuneration Committee. Their authority and duties as well as functions are clearly defined in the Terms of Reference of the Nomination and Remuneration Committee, which is accessible on the Company's official website at www.petronasgas.com .
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company’s performance.

Practice 7.1

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board has established a Directors’ Remuneration Framework which sets out retainer fees, special fees, meeting allowances and benefits in-kind.</p> <p>The remuneration breakdown of individual directors which includes the fees, salary, bonus, benefits in-kind and other emoluments is enumerated in Table 1 attached hereto.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Table 1:

Pursuant to Article 84 of the Constitution of the Company, PGB also reimburses reasonable expenses incurred by Directors, where relevant, in the course of carrying out their duties as Directors.

For the financial year under review, the breakdown of the Directors' remuneration is as follows:

Name of Directors	Directors Fees	Board Meeting Attendance Fees^	Board Audit Committee Meeting Attendance Fees^	Nomination and Remuneration Committee Meeting Attendance Fees^	AGM	Others **	Total
	(RM)	(RM)	(RM)	(RM)	(RM)	(RM)	(RM)
Datuk Mohd Anuar Taib	288,000	17,500	N/A	N/A	3,500	N/A	309,000*
Kamal Bahrin Ahmad	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Habibah Abdul	144,000	17,500	17,500	14,000	6,500	6,000	199,500
Farina Farikhullah Khan	48,000	7,000	3,500	N/A	N/A	2,000	58,500
Dato' Ab. Halim bin Mohyiddin	144,000	14,000	17,500	14,000	3,000	6,000	192,500
Dato' Abdul Razak Abdul Majid	48,000	7,000	3,500	3,500	N/A	2,000	62,000
Heng Heyok Chiang@ Heng Hock Cheng	144,000	17,500	17,500	14,000	3,500	6,000	196,500
Emeliana Dallan Rice-Oxley	144,000	14,000	14,000	N/A	3,500	N/A	175,500*
Wan Shamilah Wan Muhammad Saidi	144,000	17,500	N/A	N/A	3,500	N/A	141,000* 24,000
TOTAL	1,104,000	112,000	73,500	45,500	23,500	22,000	1,358,500

* Fees paid to PETRONAS

** Others includes petrol/fleet card.

^ Meeting attendance fees are based on the number of meetings attended by the Directors.

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Company opts not to disclose the components of the remuneration of Senior Management, which include their salary, bonus, benefits in-kind and other emoluments by virtue that the information is subject to the Personal Data Protection Act (PDPA), 2010, that requires written consent from the respective Senior Management personnel for disclosure of their personal data to the public at large.</p> <p>Alternative Practice:</p> <p>The Company has identified its Top 5 Senior Management as follows, however, their remuneration will not be disclosed:</p> <ul style="list-style-type: none">i. Kamal Bahrin Ahmad (MD/CEO)ii. Shariza Sharis Mohd Yusof (CFO)iii. Mohd Kabir Noordin (Head of Gas Processing and Utilities)iv. Burhan Abdullah (Head of Gas Transmission and Regasification)v. Abdul Razak Saim (Head of Business Development and Commercial) <p>Employees of the Company are seconded from PETRONAS where their remuneration package has been benchmarked with the industry and is in line with the industry practice. In addition, their annual increments and bonus payouts are based on performance.</p> <p>The payroll costs and benefits ordinarily incurred in the course of secondment of the MD/CEO who is also the Executive Director of the Company is disclosed in the Company's 2018 Annual Report under the segment "Nomination and Remuneration Committee".</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The Company does not have an alternative plan to meet the intended outcome.

Timeframe	:	Others	Not available
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Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.3 - Step Up

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.
The company's financial statement is a reliable source of information.

Practice 8.1

The Chairman of the Audit Committee is not the Chairman of the board.

Application	:	Applied	
Explanation on application of the practice	:	<p>During the financial year under review, Chairman of the Audit Committee was Habibah Abdul, a Senior Independent Director.</p> <p>Subsequently, on 1 January 2019, Farina Farikhullah Khan has been appointed as the new BAC Chairman in place of Habibah Abdul. She is an Independent Director but not the Chairman of the Board</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee’s findings and recommendations.
The company’s financial statement is a reliable source of information.

Practice 8.2

The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

Application	:	Applied	
Explanation on application of the practice	:	The Board Audit Committee (BAC) has a policy that requires a former key audit partner to observe a cooling off period of two years before being appointed as a member of the BAC. Similar requirement has been extended to professionals who have dealings with the Company i.e lawyers, engineers and etc.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee’s findings and recommendations. The company’s financial statement is a reliable source of information.

Practice 8.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board Audit Committee (BAC) is responsible for assessing the capabilities and independence of the external auditor and to make subsequent recommendations to the Board on the appointment, re-appointment or termination of the external auditor.</p> <p>Under its Terms of Reference, the BAC reviews the suitability, and independence of the external auditor of the Company. The review process covers the assessment of the independence of the external auditor, the evaluation of their performance, quality of work, audit fees and the adequacy resources.</p> <p>During the year under review, the BAC met with the external auditors namely KPMG PLT at least twice in the absence of the Management.</p> <p>For the audit of the financial year ended 31 December 2018, the BAC reviewed and endorsed certain non-audit engagements provided by KPMG PLT and monitored the fee of total non-audit work carried out by them with the main objective of ensuring there was no impairment of independency or objectivity. In relation to this, the BAC noted the assurance provided by the External Auditor confirming their independence throughout the financial year under review.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.
The company's financial statement is a reliable source of information.

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application :	Not Adopted
Explanation on adoption of the practice :	

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

Application	:	Applied
Explanation on application of the practice	:	Audit Committee members possess a wide range of necessary skill as recommended by MCCG 2017. The BAC Member's Profile is disclosed in the Company's 2018 Annual Report for further information. Audit Committee members acknowledged the need for continuous education trainings. As for the year under review, all members of the BAC attended training on the developments in accounting and auditing standards, practices and rules. The list of training attended by the directors of the company is specified in the 2018 Annual Report.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company’s objectives is mitigated and managed.

Practice 9.1

The board should establish an effective risk management and internal control framework.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Company has a risk management framework and internal control systems in place to ensure the smooth running of the business with the aim to manage the risks and control of the Company’s business and financial affairs economically, efficiently and effectively to be able to seize profitable business opportunities in a disciplined way while avoiding or mitigating risks that could cause loss, reputational damage or business failure.</p> <p>Further information on risk management framework and internal control are disclosed in the Statement of Risk Management and Internal Control of 2018 Annual Report.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.2

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

Application	:	Applied	
Explanation on application of the practice	:	The key features of the Company's risk management and internal control framework, which cover their adequacy and effectiveness are disclosed under the Statement on Risk Management and Internal Control in the 2018 Annual Report.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.3 - Step Up

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 10.1

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

Application	:	Applied
Explanation on application of the practice	:	<p>The internal Audit Function is being outsourced to PETRONAS Group Internal Audit Department (GIAD). GIAD key functions are to assist the Group in accomplishing its goals by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes within the Group.</p> <p>GIAD maintains its impartiality, proficiency and due professional care, as outlined in its Internal Audit Charter, by having its plans and reports directly under the purview of the BAC. The BAC has full access to internal auditors and receives reports on all audits performed.</p> <p>GIAD performs independent audits in diverse areas within the PGB including overall governance and control, operations, projects, accounting and financial activities, in accordance with the risk-based annual audit plan presented to the BAC for approval.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 10.2

The board should disclose–

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

Application	:	Applied
Explanation on application of the practice	:	<p>The internal audit function of PGB is carried out by PETRONAS Group Internal Audit Department (GIAD) who supports PGB Board Audit Committee (BAC) in their responsibilities by providing an independent, objective assurance designed to add value and improve PGB's operations.</p> <p>During the year under review, GIAD was headed by Asril Rahman Abdul Hadi, the Group Chief Audit Executive of PETRONAS. He is a Certified Public Accountant with the Malaysian Institute of Certified Public Accountants (MICPA). He is also a corporate member of the Institute of Internal Auditors (IIA) Malaysia. He holds a Bachelor's Degree in Accountancy from University of Warwick, United Kingdom.</p> <p>All internal audit activities for the financial year under review were performed by GIA with 34 staff assigned, comprising of internal auditors and line resources from diverse backgrounds and disciplines such as accounting and finance, business administration and management, engineering, information technology and petroleum geoscience.</p> <p>GIA undertakes to ensure that the staff are competent and adequately equipped in carrying out their duties and responsibilities by having structured development programmes and providing sufficient and relevant trainings. Out of the 34 staff who performed the audits and advisory reviews, 5 have received professional certification from various professional bodies which include Certified Internal Auditor (CIA), Institute of Chartered Accountants in England and Wales (ICAEW) and Association of Chartered Certified Accountants (ACCA).</p> <p>GIAD adopts the standards and principles outlined in the International Professional Practices Framework (IPPF) issued by IIA. In performing audits, GIA refers to internal control framework and guidance issued by the Committee of Sponsoring Organisations of the Treadway Commission (COSO). COSO is an internationally recognised organisation providing guidance on internal control, enterprise risk management and governance. Based on the COSO Framework, all aspects of controls</p>

	are given emphasis in order to ensure risk is well managed and mitigated.	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 11.1

The board ensures there is effective, transparent and regular communication with its stakeholders.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board recognises the importance of effective dialogue with shareholders and investors. The Company believes that communication with the shareholders is a two-way process. The Company takes into consideration views and feedback it receives from all the stakeholders. In the past year, the MD/CEO, Chief Financial Officer and other members of Senior Management together with the Company's Investor Relations Unit, conducted regular dialogues with both its local and foreign shareholders and analysts. This resulted in better understanding of the Group's financial performance and operations. Periodically, visits to the Group's facilities or plants are also organised to facilitate better appreciation of the Group's businesses and operations.</p> <p>In addition, the Company actively updates its official website www.petronasgas.com with the latest information on the corporate and business aspects of the Group. Press releases, announcements to Bursa Malaysia, media conference post AGM, analyst briefings and quarterly results of the Group are also made available on the website and this serves to promote accessibility of information to the Company's shareholders and all stakeholders.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 11.2

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

Application	:	Applied	
Explanation on application of the practice	:	The Company has adopted full integrated reporting for 2018 Annual Report based on a globally recognised framework.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.1

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

Application	:	Applied
Explanation on application of the practice	:	The Company dispatches the notice of its Annual General Meeting (“AGM”) to shareholders at least 28 days before the AGM, well in advance of the 21-day requirement under the Companies Act 2016 and the MMLR of Bursa Malaysia. The additional time given to shareholders is to allow them to make the necessary arrangements to attend and participate in person or through corporate representatives, proxies or attorneys. More importantly, it enables the shareholders to consider the resolutions and make an informed decision in exercising their voting rights at the general meeting.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.2

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

Application	:	Departure	
Explanation on application of the practice	:	.	
Explanation for departure	:	All the Company's Directors attended the general meetings of the Company except the Chairman of Nomination and Remuneration Committee.	
		Alternative Practice: Not available	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	The Meetings for 2019 are scheduled in October 2018 to facilitate the Directors in planning ahead and incorporating all meetings into their respective schedules.	
Timeframe	:	Within 1 year	

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.3

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate–

- including voting in absentia; and
- remote shareholders' participation at General Meetings.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Company's general meetings are not held at remote locations. The Company has adopted e-voting for 2018 AGM. As for voting in absentia and remote shareholders' participation, the existing proxy form authorizing proxies or Chairman of meeting is an alternative measure adopted by the Company.	
		Alternative Practice: Shareholders are allowed to appoint any person (s) as their proxies to attend, participate, speak and vote in his/her stead at a general meeting.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	The Company intends to maintain the current practice.	
Timeframe	:	Others	Not applicable

**SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT
CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.

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