

**PETRONAS DAGANGAN BERHAD**  
**REGISTRATION NO.: 198201008499 (88222-D)**

**BOARD CHARTER**

**1. INTRODUCTION**

This Board Charter ("Charter") has been developed to emphasise PETRONAS Dagangan Berhad's ("PDB") Board of Directors' ("the Board") commitment to high standards of corporate governance. It adopts best practices, applicable rules and regulations, processes and procedures to guide the Board in the discharge of its duties and functions.

In this Charter, a reference to PDB shall, where applicable, include reference to PDB's subsidiaries and to PDB's jointly operated and associate companies.

**2. OBJECTIVE**

The Charter sets out the roles, responsibilities, membership and operation of the Board. The powers and authorities of the Board are derived from the Constitution of PDB, the Malaysian Companies Act as amended from time to time, Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Malaysia") and other regulatory guidelines and requirements that are in force.

**3. ROLES OF THE BOARD**

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

**3.1** The Board's functions, roles and responsibilities are:

**3.1.1** The Board's Main Functions:

**(i) Strategy Formulation**

- (a) 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;

**(ii) Policy Making**

- (a) To ensure that appropriate policies are in place, adopted effectively and are regularly reviewed in light of the changing circumstances.
- (b) 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.
- (c) In other cases, the Board may delegate much of the policy making to the CEO and the Management.

**(iii) Monitoring and Supervising Executive Activities**

- (a) To review and approve financial statements.
- (b) To oversee the conduct and the performance of the Management as well as PDB Business.
- (c) To identify, continuously assess and manage principal risks affecting PDB and implement an effective system of internal control, mitigation measures and risk management.
- (d) To review the adequacy and integrity of the Company's internal systems including systems for compliance with applicable laws, regulations, rules and guidelines.
- (e) To ensure that there is an appropriate succession plan for members of the Board and Management.
- (f) To develop and implement an investor relations programme or shareholders' communications policy.

**(iv) Providing Accountability**

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

### **3.1.2 The Board's Main Roles and Responsibilities**

In essence, the Board is expected to strike a reasonable balance between the performance roles of strategy foundation and policy-making on the one hand, and the conformance roles of executive supervision and accountability on the other.

## **3.2 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 PDB.
- (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) Arranging evaluation of performance 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 PDB.
- (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 PDB.

- (xiii) Acting as liaison between the Board and Management, and between the Board and the Managing Director/Chief Executive Director.

### **3.3 Managing Director/Chief Executive Officer**

The Managing Director/Chief Executive Officer is a member of the Board. He is accountable and responsible for the overall operations of the business, organisational effectiveness of PDB and the implementation of the strategies, targets and policies set by the Board. He is assisted by the Leadership Team in managing the business on the day-to-day basis, which he consults regularly. 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 PDB:
  - (a) to develop and recommend to the Board the long-term strategy and vision for PDB 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 PDB'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 PDB'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 PDB.
  - (e) To make reports to the Board periodically on its financial positions, key performance indicators, market conditions and business development from time to time.

- (f) To ensure continuous improvement in quality and value of the PDB's products and services.
- (g) To serve as spokesperson for PDB.
- (h) To refer to the relevant Board Committees on matters within the Committees' purview, as requested from time to time.

## **4. Board Membership**

### **4.1 Attributes and Composition**

As per PDB'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 composition of the Directors shall at all times comply with the MMLR, the Constitution and other relevant laws and regulations.

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 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.

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

### **4.2 Board Appointment and Board Succession Planning**

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 the Board's approval.

The Board shall comprise at least 30% women directors to provide the Board with gender diversity.

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 PDB, including in the exercise of their fiduciary and leadership roles. The Directors shall inform 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.

#### **4.3 Induction and Training for Board Members**

All newly appointed Directors are required to attend an onboarding programme, and that each of the newly appointed Director is provided with a Director’s dossier to serve as an induction literature to assist their understanding of PDB’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.

#### **4.4 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.

## **5. Board Committees**

**5.1** The Board may from time to time, establish Committees as it considers appropriate to assist in carrying out its duties, in addition to its responsibilities and 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 and Remuneration Committee; and
- iii. Board Risk Committee.

**5.2** 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.

## **6. Directors' Remuneration**

Directors' remuneration is generally determined at levels which would continue to attract and retain Directors of high calibre and with the required competence. The Board is assisted by the Nomination and Remuneration Committee in assessing and recommending suitable remuneration for the Directors.

## **7. Board Process**

### **7.1 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 meetings, any Director may, at any time, and the Company Secretary shall, on the requisition of a Director, convene a meeting of Directors. The Management and the external consultants may be invited to attend Board meetings to present or report on matters relating to their areas of responsibility.

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.

## **7.2 Financial Reporting / Non-Financial Reporting**

The Board is committed to present a fair and balance evaluation of PDB's financial position, performance and prospects by ensuring that the financial treatment of the accounts of PDB Group is in compliance with the applicable law, regulations and reporting standards.

## **7.3 Access to Advice**

All Directors have access to the advice and services of the Company Secretaries. The Board is entitled to obtain external independent professional advice on matters relating to PDB's business and operations at PDB's expense.

# **8. PETRONAS Code of Conduct and Business Ethics**

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

# **9. Stakeholder Communication**

The Board recognises the importance of effective communications with PDB's shareholders and other stakeholders including the general public. Information on PDB's business activities and financial performance is disseminated timely through announcements to Bursa Malaysia, postings on PDB's website, press releases, issuance of Annual Report and where required, press conferences.

# **10. Risk Management**

The Board acknowledges the importance of maintaining a sound system of internal control and a robust risk management practices to manage financial, health, safety and environment and social risks, for good corporate governance with the objective of safeguarding the shareholder's investment and the Group's assets.