

PETRON MALAYSIA REFINING & MARKETING BHD

-BOARD CHARTER-

Petron Malaysia Refining & Marketing Bhd (the “Company”) shall be headed by a competent, working Board of Directors to foster the long-term success of the Company, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the long-term best interests of its shareholders and other stakeholders.

The Charter of the Board of Directors (the “Board Charter”) should be read in conjunction with the Petron Corporation’s Standards of Business Conduct (“SBC”) which governs how each of the Petron companies which make up the Petron Group conducts its affairs. The Board Charter should also be read in conjunction with the Constitution of the Company, relevant Companies and Securities Laws as well as the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (collectively “Malaysian Corporate Laws”).

The SBC has been adopted by all Petron affiliates in Malaysia. The SBC covers key policies, among others, business ethics, conflicts of interest, alcohol and drug use, gifts and entertainment, harassment in the workplace and employees’ outside directorships and whistleblower protection. These include requirements to comply with all applicable laws and regulations.

The Board Charter is applicable to all Directors of PETRON MALAYSIA REFINING & MARKETING BHD.

1. PURPOSE

The Board Charter sets out the Board’s strategic intent, authority and terms of reference. It outlines the roles and responsibilities of directors and the division of responsibilities and powers between the board and management, the different committees and between the Chairman and the Chief Executive Officer. The Board Charter sets out the Board (and individual Director’s) responsibilities in discharging their respective fiduciary duties and the adoption by the Board of principles of good corporate governance and practice, in accordance with applicable laws in Malaysia.

2. AUTHORITY

The Board derives its authority to act from the powers of the Board contained in the Constitution of the Company and the Malaysian Corporate Laws governing companies in Malaysia including public listed companies. Where applicable, specific authority for the Board to act may only be granted upon approval of the shareholders in a general meeting of the Company.

3. ROLE

The Board of Directors shall oversee the development of and approve the Company’s business objectives and strategy, and monitor their implementation, in order to sustain the Company’s long-term viability and strength. It is responsible for formulating the Company’s vision, mission, strategic objectives, policies, and procedures that shall guide its activities, including the means to effectively monitor Management’s performance.

The Board’s role includes:

- reviewing and adopting a strategic plan for the Company which include strategies on not only the Company’s business growth and its financial performance, but at the same time ensuring environmental, social and governance matters that underpins the Company’s sustainability and value creation for its stakeholders;

- providing entrepreneurial leadership to management that promotes the Company's Core Values of Excellence, Customer Focus, Innovation, Teamwork, Ethics and Safety, and long term value creation;
- overseeing management's implementation of the Company's strategic objectives and its performance;
- reviewing the Company's risk management framework and controls and setting the risk protocols and limits within which the Board expects management to operate;
- ensuring that proper delegation of authority to various Board Committees and management personnel is made with due care and that the same is reviewed and updated;
- ensuring the senior management has the necessary skills and experience to perform their responsibilities;
- reviewing and planning the succession plans for the Board and key senior management personnel such as the Chief Executive Officer, the Chief Finance Officer and the Company Secretary;
- overseeing the development and implementation of a shareholder communications policy for the Company;
- overseeing the adequacy and integrity of the Company's accounting and corporate reporting systems as well as internal controls; and
- at all times exercising professional skill, due care and diligence when performing their functions as Directors.

4. DIRECTORS

A director's office is one of trust and confidence. A director shall act in a manner characterized by transparency, accountability and fairness, and in the best interest of the Company and all its shareholders. He shall exercise leadership, prudence and integrity in directing the Company towards sustained progress.

Directors are duty-bound to apply high ethical standards and act on a fully informed basis, in good faith, and with due diligence and care, and in the best interest of the Company and all shareholders and other stakeholders.

To show his full commitment, a director shall devote the time and attention necessary to properly and effectively perform his duties and responsibilities, including sufficient time to be familiar with the Company's business.

5. BOARD COMMITTEES

The Board may from time to time establish Board Committees as it considers necessary or appropriate to assist it in carrying out its functions. The Board shall take the full responsibility for actions of the Board Committees as if such power had been exercised by the Directors themselves.

The Board shall, as a minimum, establish the following Board Committees and shall adopt charters setting out matters relevant to the authority, responsibilities, membership and operation of those Committees:

- Management Committee – to be led by the Chief Executive Officer (with the Operations Manager as his/her alternate) and shall be comprised of key senior management personnel;
- Board Audit & Risk Management Committee – to be led by an Independent Director and be comprised of solely Independent Directors;
- Nominating Committee – to be led by an Independent Director and be comprised of Non-Executive Directors with a majority being Independent Directors.

The Board may also delegate specific functions to ad hoc committees as and when required.

The powers delegated to these Committees are set out in the Terms of Reference of each of the Committees as approved by the Board. The Board shall review from time to time and approve any revision to the Terms of Reference of the Board Committees as it deems fit, based on recommendations from the Chairman of each of the Committees.

6. RELATIONSHIP BETWEEN THE BOARD AND THE COMPANY'S MANAGEMENT

- a. The day-to-day operational management of the Company is delegated to the Chief Executive Officer and to the Management Committee.
- b. Directors may delegate their powers as they consider proper through appropriate delegations of authorities. However, ultimate responsibility for strategy and control rests with the Directors as guided by Chief Executive Officer.
- c. The Board will be provided with all relevant information that will enable the Board (or a Board Committee) to discharge their duties efficiently and effectively. The Board is entitled to request additional information at any time when they consider it appropriate to enable them to make a decision on any matter brought before them.
- d. All Directors will be provided with advance notice of Board and Board Committees meetings, even those called at short notice.
- e. Where a Director is unable to attend a meeting, efforts will be made by Management to meet with the Director in advance of the Board (or Committee) Meeting and explain all matters to be determined by the Board (or a Board Committee). Views expressed by the Director at the 'advance' meeting session will be communicated at the Board (or Committee) meeting.
- f. Every possible effort will be made to ensure that meeting papers tabled at a Board (and Board Committees) meeting will be made available to all Directors attending. Use of electronic dissemination of such Board/Committee Papers will be encouraged.
- g. Any abstention, due to any reason whatsoever including but not limited to conflict of interest, must be indicated to the Chairman of the Meeting at the time the matter is being considered and reason for the abstention shall be recorded in the Minutes.
- h. The Board (and Committee) is entitled to invite senior Management personnel to be in attendance at meetings to assist the Directors in better understanding the presentations made.

7. RESPONSIBILITIES

6.1 Matters specifically reserved for the Board:

- Appointment of Chairman.
- Appointment and removal of Chief Executive Officer / Chief Financial Officer / Company Secretary.
- Appointment of Directors (any category) to fill a casual vacancy or as additional Directors.
- Establishment of Board Committees, their composition, Terms of Reference and the relevant authority delegated to them.
- Assessment of performance of the Board, Board Committees and individual Directors (at least once annually).
- Ensuring that the policies on Independent Directors' remuneration are sound and remuneration is adequate to attract and retain members.
- Approval of interim dividend and recommendation of final dividend for shareholders' approval.
- Review of corporate governance principles and policies and implementation of corporate governance best practices.
- Ensuring the Company has appropriate corporate disclosure policies and procedures.
- Approval of quarterly financial statements and audited financial statements.

- Approval of annual business plan.
- Approval of major capital expenditure, acquisitions and divestitures in excess of authority levels delegated to management or where required by Malaysian Corporate Laws to be approved by the Board.
- Calling of meetings of shareholders per the Constitution of the Company.
- Set out expectations on time commitment for its members and protocols for accepting new directorship.
- To evaluate and propose recommendation to the shareholders at Annual General Meetings, the benefits to be paid to Independent Directors; and
- Any other specific matters that by the Constitution of the Company, Malaysian Corporate Laws or as required by any relevant Governmental authority are to be approved by the Board from time to time.

6.2 Other responsibilities include:

- monitoring corporate performance and implementation of strategy and policy;
- approving major capital expenditure, acquisitions and divestments;
- monitoring and reviewing management processes to ensure the integrity of financial and other reporting statements that may be delegated to the Board Audit and Risk Management Committee;
- reviewing, ratifying and monitoring systems of risk management and internal control and ethical and legal compliance that may be delegated to the Board Audit and Risk Management Committee;
- selecting and appointing the Directors, Chief Executive Officer, Chief Finance Officer and Company Secretary (“Key Senior Management Personnel”) with assistance from the Nominating Committee;
- ensuring that succession planning for the Board/Committees and the Key Senior Management Personnel are in place;
- ensuring that the Directors have access to relevant information and undergo adequate training;
- ensuring the existence of a good system of internal controls and risk management that may be delegated to the Board Audit and Risk Management Committee;
- ensuring that high ethical standards are applied in the Company in all its dealings by strict adherence to the Standards of Business Conduct;
- ensuring that the Company’s policies and processes relating to occupational health and safety, environment and security is always in compliance with laws and expected industry standards;
- taking reasonable steps to encourage shareholder participation and poll voting at general meetings; and
- promoting effective communication and proactive engagements within shareholders.

8. STRUCTURE / PROCEDURAL MATTERS

The Constitution of the Company governs the regulations and proceedings of the Board.

Board composition

The Board shall comprise of a minimum of one-third of Independent Directors and comprise Directors with a broad range of skills, diversity, expertise and experience from range of backgrounds. The Board shall endeavor to have a fair balance in membership; keeping in mind the need for ethnic, gender and age diversity. The Board should also ensure (through its Nominating Committee at appointment and later during annual assessments) that Directors on the Board have sufficient time to devote to the business of the Company.

The Chairman is appointed from amongst the Directors as approved by the Board.

In appointing Directors, the Board shall endeavor to ensure that women Directors will make up at least one-third of the Board's composition.

The Board shall at all times endeavor to have a majority of Independent Directors on the Board.

Role of Chairman

The Chairman (having responsibility for the leadership of the Board) should assume the following roles:

- Set the Board agenda and ensuring receipt by Directors of complete, relevant, insightful, concise, clear and accurate information in a timely manner;
- ensure the smooth functioning of the Board Meetings;
- act as facilitator of discussions on key issues at meetings of the Board by fostering an environment conducive to constructive debate and leveraging on the skills and expertise of individual Directors to ensure that appropriate discussion takes place and that relevant opinion among Directors is forthcoming;
- set out to the Directors the expectations (in relation to given agenda) and ensure that all Directors are able to participate fully in the Board's activities;
- ensure that the Board debates strategic and critical issues and arrives at a decision that is always for the best interest of the Company;
- ensure that the Directors lead by example by exhibiting the highest ethical behavior;
- Ensuring appropriate steps are taken to effectively communicate with stakeholders and for their views to be communicated to the Board; and
- Manage effective communication between the Board and management with the assistance of Key Management Personnel.

The Chairman in fulfilling the above, shall be supported by Key Senior Management Personnel of the Company.

Role of the Chief Executive Officer

- to lead the Management Committee and be directly responsible for the day-to-day operations of the Company;
- to be familiar with policies and markets affecting the industry and manage the Company's expectations in terms of business and financial performance;
- ensuring adherence by personnel with internal controls and compliance including adherence to legal requirements; and
- devote full attention and time to his duties and responsibilities and be able to direct and supervise the Company effectively and responsibly.

Assessment

The Nominating Committee annually reviews the independence of each Independent Director. The Nominating Committee shall, at the very minimum, evaluate and ensure that the Independent Directors meet the 'Independence' as defined in the Main Market Listing Requirements.

The annual assessment will also evaluate the individual directors, Committees and the Board as a whole. A report by the Chairman of the Nominating Committee shall be made to the Chairman of the Board and

a Report tabled to the Board of Directors. A summary of the report shall also be published in the Company's Annual Report.

The Nominating Committee shall review its evaluation process from time to time and (where deemed necessary), appoint an independent adviser to review the evaluation process or even to conduct the evaluation, identify short-comings and propose changes to the process.

The report in relation to individual directors who are to retire (and seeking re-election) shall be mentioned in the Statement Accompanying a Notice of Annual General Meeting.

Remuneration of Directors

The Board shall be responsible for the annual review and recommendation to shareholders (for approval at the Annual General Meeting) on the benefits payable to Independent Directors. In this regard, the Board:

- shall have a fair and transparent process to annually review the benefits;
- as part of the review, shall also take into account Independent Directors' contribution towards the success of the key strategic initiatives and the performance of the Company;
- in reviewing the benefits, will also bench-mark the proposal against benefits offered by other (similar) entities, as appropriate, based on available data or industry studies; and
- in reviewing the benefits, will consider the need to attract to and retain Independent Directors on the Board.

Independent Directors on the Board may provide their input to the Board on any proposal regarding the benefits, but shall otherwise abstain from any decision making process at the relevant Board Meeting that decides the said recommendation to be made to shareholders.

Tenure of an Independent Director

An Independent Director who has exceeded a total cumulative 9 years of service on the Board may continue to serve on the Board subject to the Director's re-designation as a Non- Independent Director. Where the Board seeks to retain the said person as an Independent Director, the Board must justify and seek shareholders' approval to retain such person as an Independent Director for another year ("Extended Tenure as Independent Director"). However, an Extended Tenure as Independent Directors is subject to:

- (a) the said Independent Director being re-appointed annually by shareholders at the Annual General Meeting using a "two-tier" voting system as prescribed by the Malaysian Code on Corporate Governance and provided for in the Company's Constitution; and
- (b) the Extended Tenure as Independent Director will not in any event exceed a cumulative total of twelve (12) years in office.

Election and re-election

The Company complies with the regulations and the laws governing the election and re-election of Directors in addition to the provisions of its Constitution of the Company.

Directors Responsibility in relation to Board and Committee Meetings

- (i) Conduct - The conduct of Directors will be consistent with their duties and responsibilities to the Company and to the Shareholders. A Director's primary duty however shall be to ensure he/she acts at all times in the best interest of the Company;

- (ii) Attendance - Directors will endeavour to attend Board / Committee meetings. Directors who are not able to attend a meeting will advise the Chairman and confirm the same in writing to the Company Secretary;
- (iii) Participation - Directors are expected to participate fully, and constructively in all deliberation and other Board activities;
- (iv) Knowledge and skill – Each Director is expected to use his/her particular knowledge, skills and abilities to assist the Board in discharging its duties;
- (v) Decisions - The Chairman will seek a consensus of the Board, but may, where considered necessary, call for a vote;
- (vi) Confidentiality – to ensure that Directors will be candid with their views, all discussions and their record will remain confidential unless there is a specific direction from the Board to the contrary, or disclosure is required by law;
- (vii) Company Information - Directors are expected to strictly observe confidentiality of the Company's information and ensure that they do not directly or indirectly benefit from the said information; and
- (viii) Conflict of interest - Directors are required to inform the Board of conflicts or potential conflicts of interest that may relate to particular items of business or transaction and thereafter abstain from deliberation and determination of those matters.
- (ix) Where assigned particular task(s) by the Board, the Director so assigned, is expected to carry out such task(s) diligently and report to the Board in a timely manner. Such Director may obtain necessary assistance from Key Management Personnel in carrying out such task(s).

Senior Independent Director

The Board may appoint a Senior Independent Director. If so appointed, the Senior Independent Director shall:

- (i) maintain effective communication with the Chairman and act as an intermediary between the Directors and the Chairman if necessary; and
- (ii) where necessary, be the point of contact for stakeholders who wish to communicate with the Board on Company related matters.

Meetings

- (i) the Board shall meet on a quarterly basis, but in any event no less than once in every three (3) months, or whenever deemed necessary;
- (ii) individual Directors must attend at least 50 percent of the Board meetings held in each financial year or such other percentage as may be prescribed by the Main Market Listing Requirements;
- (iii) the quorum of the meetings shall be met pursuant to the Articles of Association of the Company;
- (iv) the Board is also allowed to carry out the resolution by way of Directors' Circular Resolutions as necessary;
- (v) the participation of the Director can be facilitated by means of video or telephone conferencing.

Minutes

The Company Secretary shall record and maintain the minutes of all Board and Committee meetings; unless otherwise determined by the Chairman of the Board / Committee.

Review

This Charter is to be reviewed by the Board as deemed necessary.

This Charter was reviewed and approved by the Board on August 26, 2021. The previous review was on February 22, 2018.