

PETRONAS CHEMICALS GROUP BERHAD
Registration No. 199801003704 (459830-K)

**BOARD SUSTAINABILITY AND RISK COMMITTEE'S
TERMS OF REFERENCE**

(Revised: 20 November 2024)

1.0 CONSTITUTION

- 1.1 The Board Risk Committee was formed by the Board of Directors pursuant to its meeting held on 25 February 2019 and subsequently renamed to Board Sustainability and Risk Committee ("BSRC") on 27 May 2022 upon assuming the sustainability oversight function.

2.0 PURPOSE

- 2.1 To provide oversight on risk management by identifying, analysing, evaluating and monitoring principal risks.
- 2.2 To provide oversight on sustainability by assessing, evaluating and monitoring of Economic, Environmental, Social and Governance roadmap implementation.
- 2.3 To provide oversight on Integrity management by developing and reviewing policies and integrity management compliance program, including its effectiveness to address corruption risks.
- 2.4 The duties and responsibilities of the BSRC members are in addition to those as members of the Board. The deliberations of the BSRC do not reduce and absolve the individual and collective responsibilities of the Board members in regard to their fiduciary duties and responsibilities. The members must continue to exercise due care and judgment in accordance with their statutory obligations.

3.0 COMPOSITION AND MEMBERSHIP

- 3.1 PCG Board may upon recommendation of the Nomination and Remuneration Committee (NRC), appoint any of its members and their Alternates as members of the BSRC.
- 3.2 The BSRC must be composed of no fewer than three (3) members including the Chairperson and the majority shall be Independent Non-Executive Directors (INED) at least one (1) of whom shall preferably have relevant industrial knowledge, and the Chairman of the Board shall not be a member of the BSRC.

- 3.3 The Chairperson shall be an INED as recommended by the NRC, provided always that the Chairperson of Board Audit Committee (BAC) shall not be the Chairperson of BSRC.
- 3.4 Any committee member may resign effective upon giving written notice to the Chairman of the Board of Directors, the Company Secretary or the Board of Directors (unless the notice specifies a later time for the effectiveness of such resignation)
- 3.5 If the resignation of a member is effective at a future time, the Board of Directors may elect a successor to take office when the resignation becomes effective.
- 3.6 The appointment of a committee member shall automatically be terminated if the member ceases to be a director for any reason whatsoever or as determined by the Board. If the number of members being reduced to below three (3), the Board shall within three (3) months of that event appoint such number of new members as may be required to make up to the minimum number of three (3) members.
- 3.7 All members of the BSRC, including the Chairperson, will hold office only so long they serve as Directors (or Alternate Directors) of the Company.

4.0 ROLE

- 4.1 The role of the BSRC is to assist the Board in ensuring that the Company has in place a sound and robust risk and sustainability management framework and such framework has been effectively implemented to enhance the Company's ability to achieve its strategic objectives.

5.0 DUTIES AND RESPONSIBILITIES

- 5.1 The BSRC shall perform all the functions as is necessary to fulfil its role as aforesaid and include the following:

5.1.1 Risk Matters

- (i) Oversee the development and review of a policy for risk management to recommend for approval to the Board.
- (ii) Review, deliberate, report and provide recommendations to PCG Board concerning risk appetite and levels of tolerance to ensure those risks are managed within the levels of tolerance as approved by the Board. In the event of a breach in risk appetite, BSRC to ensure that corrective actions are taken in a timely manner.

- (iii) Review, deliberate, report and provide recommendations to PCG Board concerning principal risks monitoring, ensure proper mitigation is in place and risk scanning is performed to increase the possibility of anticipating unpredictable risks.
- (iv) To assist the Board to deliberate risk assessments for high impact business matters including but not limited to:
 - (a) Merger & acquisition, divestment and joint-venture proposals.
 - (b) Funding-related decisions e.g., borrowings and equity decisions (financing).
 - (c) Commercial transactions with cross jurisdiction, high complexity and foreign exchange exposures.
 - (d) Country-related decisions including setting up of new legal entities or representative offices (entry or exit management)
 - (e) New or changes to regulations in areas where PCG operates
 - (f) Key capital projects
 - (g) New business venture
- (v) Oversee the effectiveness of Crisis Management, Business Continuity Management and Assurance.
- (vi) Liaise closely with the BAC to exchange information relevant to risk.
- (vii) Express the BSRC's formal opinion to the Board on the effectiveness of the system and process of risk management.
- (viii) Review report concerning risk management that is to be included in the integrated report.
- (ix) Provide the report to the Board with reasonable details of its activities at each proceeding of meeting.

5.1.2 Sustainability Matters

- (i) Oversee the review of changes in sustainability landscape, trends and stakeholder expectations, which might impact the Group's license to operate and material topics.

- (ii) Oversee the review of the Group's sustainability and climate-related goals and commitments, monitor progress against targets and allocate resources to drive implementation of sustainability agenda.
- (iii) Oversee and provide steer on the Group's sustainability and climate-related policies, strategies, programmes and practices, and their incorporation into business strategy and decision-making.
- (iv) Oversee and provide steer on the management and mitigation of sustainability and climate-related risks and opportunities.
- (v) Oversee the review of sustainability and climate-related performance, independent assurance and external disclosure.

5.1.3 Integrity Matters

To assist the Board to oversee integrity management including but not limited to:

- (i) The adoption and implementation of ethics and integrity policies, guidelines and procedures.
- (ii) Review, deliberate, report and provide recommendation to PCG Board concerning Complaint Management, Detection & Investigation, Integrity strengthening and Governance to ensure proper mitigations in place.
- (iii) Review the adequacy and comprehensiveness of anti-corruption compliance program in adherence to applicable laws and regulations.
- (iv) Ensure adequate and appropriate resources for effectiveness of integrity management compliance program.

6.0 RIGHT AND AUTHORITY

6.1 The BSRC in performing its duties shall:

- (i) Have the authority to investigate any matter within its terms of reference.
- (ii) Have resources which are required to perform their duties.

- (iii) Have full and unrestricted access to any information pertaining to the Company.
- (iv) Obtain advice from independent professionals or those with relevant experience and invite them (if necessary) to attend the BSRC meetings to brief the BSRC on specific matters.
- (v) Report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities, including such recommendations and findings for the Board's approval and information, as applicable.
- (vi) Provide assurance to the Board and to the BAC if so delegated by the Board on the management and mitigation of specific risks and the scope and quality of risk management processes.
- (vii) Make recommendations to the Board that it deems appropriate on any area within the ambit of its terms of reference where action or improvement is required.

7.0 SECRETARY

- 7.1 The BSRC Secretary shall be the Company Secretary and in his or her absence, any person authorised by the Chairman of the BSRC, shall be the Company Secretary of the BSRC.

8.0 MEETINGS

8.1 Frequency

The BSRC shall meet at least four (4) times in a year preceding Board meetings where relevant or such additional meetings as decided by the Chairperson.

8.2 Quorum

8.2.1 A quorum shall be two (2) members at least one (1) being Independent Director.

8.2.2 A member may participate in the meeting by means of telephone conferencing, video conferencing or any communication equipment and he or she shall be deemed to be present in person and counted in a quorum of the meeting.

8.3 Attendance

8.3.1 The MD/CEO, CFO, Head of RMD and Head of Sustainable Development shall attend meetings based on invitation.

8.3.2 Employees may attend any particular meeting only at the BSRC's invitation, specific to the relevant meeting.

8.4 Voting

Questions arising at any meeting shall be determined by a majority of votes of the members present and in case of equality of votes the Chairman shall have a second or casting vote except when only two (2) committee members are present and form a quorum or only two (2) are competent to vote on the questions at issues.

8.5 Minutes of Meeting

8.5.1 All proceedings in the meeting are recorded as minutes and signed by the Chairman in accordance with the provision of the Companies Act 2016.

8.5.2 The minutes of each BSRC meeting shall be tabled to the Board for notation.

9.0 CIRCULAR RESOLUTION

9.1 In the event a meeting could not be convened, approval may be sought by way of a Circular Resolution (CR) in writing to all BSRC members. The CR shall be as valid and effectual as if it had been passed by a meeting of BSRC duly convened. The CR must be signed or approved unanimously by all members.

9.2 Any such CR may consist of several documents in like form each signed by one or more BSRC members, taking the form of documents in writing, or by other written electronic communication and shall be as valid and effectual as if it been passed by the BSRC meeting duly called and constituted.

10.0 COMMITTEE EVALUATION

10.1 The BSRC will annually complete a self-evaluation of the Committee's own performance and effectiveness.

11.0 REVISION TO THE TERMS OF REFERENCE

- 11.1 The BSRC may from time-to-time revise or amend its Terms of Reference, provided always that the said revisions or amendments are in compliance with applicable laws, directives and guidelines and that thereafter shall be recommended to the Board for approval.
- 11.2 Revised Terms of Reference shall be effective upon approval by the Board.

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