

**PETRONAS GAS BERHAD**  
**Registration No. 198301006447 (101671-H)**  
**(Incorporated in Malaysia)**

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

**1.0 CONSTITUTION**

- 1.1 The Board Risk Committee ("BRC") was established by the Board of Directors (Board) pursuant to its resolution on 25 May 2021.
- 1.2 The Board has approved on 27 February 2024 to rename BRC to Board Sustainability and Risk Committee ("BSRC") to better reflect its existing responsibility which also carries out sustainability oversight function.

**2.0 PURPOSE**

- 2.1 The BSRC is responsible to oversee the following:
  - 2.1.1 Risk management framework, policies and practices;
  - 2.1.2 Environmental, Social & Governance (ESG), Compliance and Sustainability Matters; and
  - 2.1.3 In the exercise of its functions, it is understood that the BSRC is not delegated with decision-making powers but shall report its recommendations to the Board for decision. The existence of the BSRC does not diminish the Board's ultimate statutory and fiduciary responsibility for the decision making relating to the function and duties of BSRC. The member must continue to exercise due care and judgement in accordance with their statutory obligations.

**3.0 MEMBERSHIP**

- 3.1 PGB Board may upon recommendation of the Nomination and Remuneration Committee, appoint any of its members as members of the BSRC.
- 3.2 The members of the BSRC shall be appointed by the Board from amongst its non-executive members and shall consist of no less than three (3) members comprising majority of Independent Directors and that the Chairman of the Board shall not be a member of the BSRC.
- 3.3 At least one (1) member of the BSRC must also be a member of the Board Audit Committee (BAC) to foster a common understanding of the risk management and internal control system and in ensuring co-ordination between the various standing Board Committees of PGB and its sustainability and risk oversight roles.
- 3.4 Members shall be appointed based on their ability to devote time and demonstrate skills, expertise as well as experience relevant to their duties within the remit of the BSRC.

- 3.5 The members of the BSRC shall elect a Chairman from amongst themselves who is an Independent Director and a member of the Nomination and Remuneration Committee provided always that the Chairman of the BSRC shall not be the Chairman of the BAC.
- 3.6 In the event of any vacancy in the BSRC where a membership falls below three (3), the vacancy must be filled within three (3) months or within such extension period approved by the Board.
- 3.7 No alternate Director shall be appointed as a member of the BSRC.
- 3.8 The terms of office and performance of the BSRC and each of its members shall be reviewed by the Board periodically to determine whether the BSRC and/or its members have carried out its duties in accordance with its Terms of Reference.
- 3.9 All members of the BSRC, including the Chairperson, will hold office only so long they serve as Directors of the Company.

#### **4.0 DUTIES AND RESPONSIBILITIES**

- 4.1 The BSRC shall perform all the functions as is necessary to fulfill its role as the aforesaid and include the following risk matters:
  - a) oversee the development and review of risk management policies, to recommend to the Board for approval;
  - b) advise on good governance practices consistent with the Board's risk appetite, guided by applicable laws and regulation;
  - c) make recommendations to the Board concerning risk appetite and levels of tolerance and monitoring that risks are managed within the levels of tolerances as approved by the Board;
  - d) review, deliberate, report and provide recommendation to PGB Board concerning principle risks monitoring, ensure proper mitigation is in place and risk scanning is performed in anticipation of emerging risks;
  - e) assist the Board to deliberate and evaluate risk assessments on business proposal and new initiatives including but not limited to:
    - i) merger & acquisition, divestment and joint-venture proposals;
    - ii) financial-related decisions (e.g. financing);
    - iii) commercial transactions with material complexity and exposure;
    - iv) country-related decisions (e.g. entry or exit management);
    - v) key capital projects; and
    - vi) new business ventures or special projects.
  - f) oversee the effectiveness of Crisis Management, Business Continuity Management and Assurance;

- g) ensure that management considers and implements appropriate risk responses;
- h) co-ordinate the activities with other Board Committees on risk oversight to avoid overlaps in the overall risk oversight process;
- i) promote a healthy risk culture (including awareness, education and training for all levels of employees); and
- j) consider other matters relating to risk management as referred to by the Board or by BSRC as well as feedback from the Management and the external or internal auditors on the effectiveness of risk management system.

4.2 The BSRC shall also have the following duties to adequately manage corruption risk within the Group:

- a) oversee and advise the Board on adequacy and effectiveness of PGB's compliance and ethics programme as the framework for enhancement and monitoring of good business ethics and conduct of employees and other stakeholders, including the Code of Conduct and Business Ethics (CoBE), Anti-Bribery and Corruption Policy and Guidelines (ABC Manual), No Gift Policy and ongoing awareness programmes, communication, training and education on compliance.

4.3 The BSRC shall perform all the functions as is necessary to fulfil its role as aforesaid and include the following Sustainability Management Matters:

- a) Good Governance practices consistent with Board's risk appetite regarding Sustainability matters, guided by applicable laws and regulations;
- b) Oversee and advise the Board on adequacy and effectiveness of PGB's compliance and ethics programme as the framework for enhancement and monitoring of good business ethics and conduct of employees and other stakeholders, including the Code of Conduct and Business Ethics (CoBE), Anti-Bribery and Corruption Policy and Guidelines (ABC Manual), No Gift Policy and ongoing awareness programmes, communication, training and education on compliance;
- c) To review and deliberate PGB's sustainability strategy and governance structure and assess the adequacy and effectiveness of resources in delivering PGB's business strategy;
- d) Oversee climate-related issues, including its progress against target, and considering risk and opportunities during the review of policies, business strategies, risk management, and expenditure; and
- e) Review and deliberate any other matters related to Environmental, Social & Governance (ESG), Compliance and Sustainability Matters as defined by the Board or Board Committees.

## 5.0 MEETINGS

### 5.1 Frequency

- (a) Meetings shall be held not less than four (4) times a year.
- (b) The Board, any BSRC member or Management may request a meeting if they consider it necessary. Upon such request, the Chairman of the BSRC shall convene a BSRC meeting to consider any matters the Board, BSRC member or Management (whichever relevant) believes should be brought to the attention of the Directors or shareholders.

### 5.2 Quorum

- (a) A quorum shall be two (2) members, both being Independent Directors.
- (b) In the event the Chairman is unable to be present for a meeting, the remaining members present shall elect a Chairman amongst themselves to chair the meeting.

### 5.3 Secretary

The Company Secretary or, in his/her absence, another person authorised by the Chairman of the BSRC, shall be the Secretary of the BSRC. Minutes of the meetings shall be duly entered in the minutes books provided therefor and kept by the Company Secretary.

### 5.4 Attendance

- (a) The Managing Director/Chief Executive Officer, the Chief Financial Officer and Head of Legal shall attend meetings.
- (b) Other Directors, Head, Risk Management, Head, Sustainability, other representatives of Management, representatives of the external auditors and other attendees at the discretion of the BSRC may be invited to attend the BSRC meetings on matters relevant to them.
- (c) 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.

### 5.5 Reporting Procedure

The Secretary shall circulate the minutes of meetings of the BSRC to all members of the Board for notation.

### 5.6 Meeting Procedure

The BSRC shall regulate its own procedure, in particular:

- (a) the calling of meetings;
- (b) the notice to be given of such meetings;

- (c) the voting and proceedings of such meetings;
- (d) the keeping of minutes; and
- (e) the custody, production and inspection of such minutes.

## **6.0 CONFIDENTIALITY**

6.1 All papers, resolutions, minutes and deliberations of the BSRC are strictly and highly confidential. Company Secretary may prepare extract of Minutes/Circular Resolution to facilitate response on action items where necessary.

## **7.0 CIRCULAR RESOLUTION**

7.1 Subject to BSRC Chairman's agreement, the BSRC Committee may pass a resolution by way of Circular Resolution signed by all BSRC members who are eligible to vote and the Circular Resolution shall be as valid and effectual as if it had been passed at a meeting of the BSRC duly called and constituted. All such resolutions shall be described as "Board Sustainability and Risk Committee's Circular Resolutions" and may consist of several documents in the like form, each signed by one (1) or more Directors and shall be forwarded or otherwise delivered to the Secretary without delay, and shall be recorded by him/her in the Company's minutes book following the receipt thereof by him/her. A BSRC's resolution in writing signed and transmitted by facsimile or any electronic means shall be deemed to be an original.

## **8.0 RIGHTS/AUTHORITY**

8.1 The BSRC in performing its duties shall, in accordance with the procedure to be determined by the Board of Directors:

- (a) has the authority to investigate any matter within its term of reference;
- (b) has the authority to seek full and unrestricted access to any information it requires from any employee and all employees are directed to cooperate with any request made by the BSRC;
- (c) has direct communication channels with the Head Risk Management and person(s) carrying out the risk management functions or activities;
- (d) has direct communication channels with the Head Sustainability and/or person(s) carrying out the Sustainability functions or activities;
- (e) obtain external legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary; and
- (f) be able to convene meetings with the Head Risk Management, external auditors, the internal auditors or all of them while excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

## **9.0 COMMITTEE EVALUATION**

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

## **10.0 REVISION OF THE TERMS OF REFERENCE**

10.1 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.

10.2 A revised Terms of Reference shall be effective upon approval by the Board.