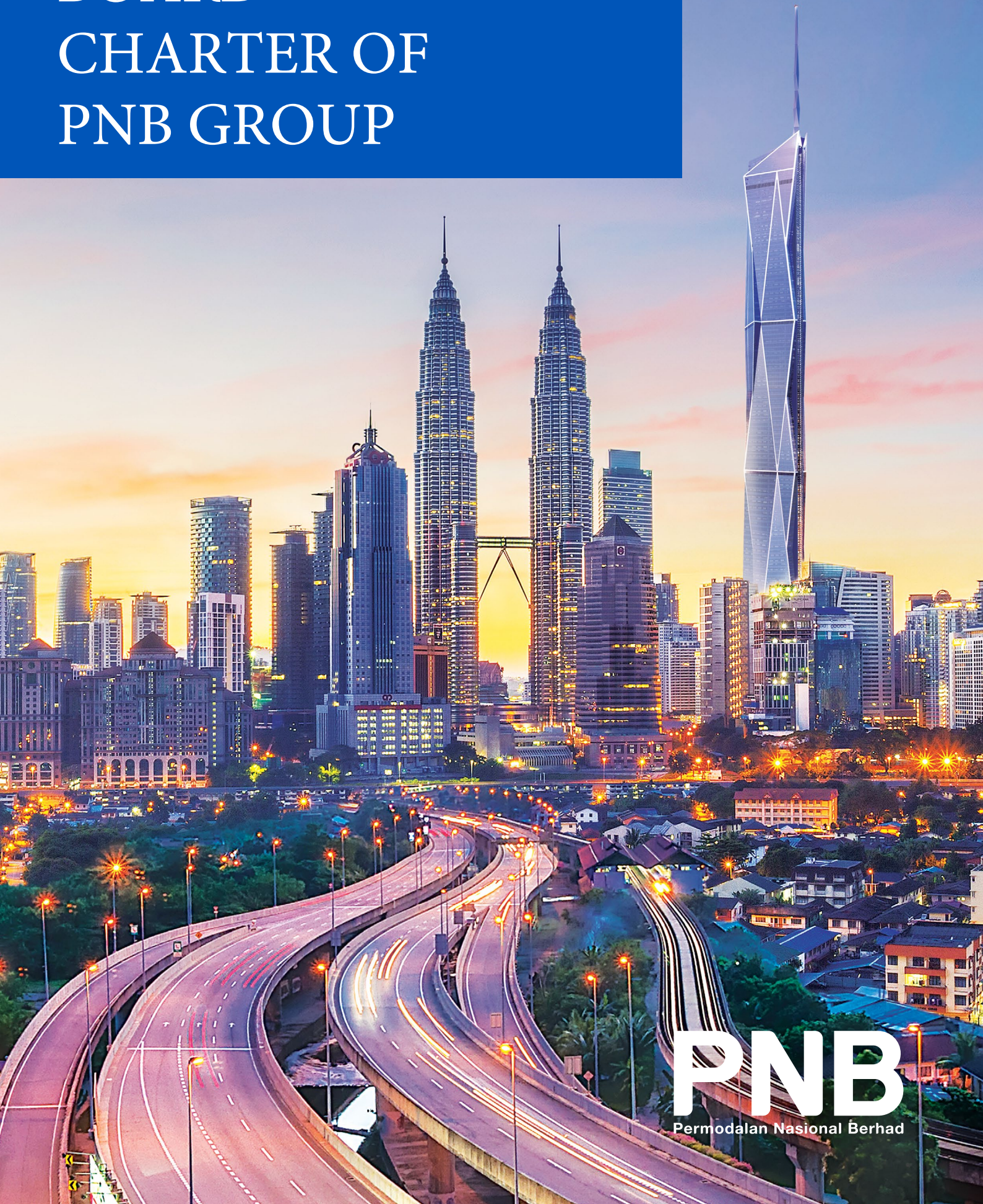


BOARD CHARTER OF PNB GROUP



PNB
Permodalan Nasional Berhad



THE BOARD CHARTER

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(Company No.: 197801001190 (38218-X))

BOARD CHARTER

1. INTRODUCTION

1.1 General

- (a) The Board of Directors (“Board”) of Permodalan Nasional Berhad (“PNB”) and its internal operating subsidiaries incorporated in Malaysia (collectively, “PNB Group”) is committed to maintaining high standards of corporate governance and the highest level of integrity in their respective business operations.
- (b) This Board Charter shall be applicable to PNB Group; and outlines among others, the respective roles, responsibilities and authorities of the Board (both individually and collectively) in setting the direction, management and control of the organization.
- (c) This Board Charter shall be read together with the relevant provisions of the Companies Act 2016 (“CA 2016”), the respective Constitution and/or Memorandum and Articles of Association (“M&A”) of PNB Group, Governance and Accountability Framework of the Malaysian Code on Corporate Governance (“MCCG”), Capital Markets and Services Act 2007 (“CMSA 2007”) and/or relevant guidelines issued by the Securities Commission Malaysia and/or any other applicable law or regulatory requirements. Collectively, these governing principles and guidelines contribute to the transparency required of the Board and the respective companies within PNB Group, the trust demand by unit holders and the expectations of the shareholders and/or regulators.
- (d) The purpose of this Board Charter is to document and formally adopt the governance practices that PNB Group has had in place since its inception.
- (e) This Board Charter will clarify existing policies and/or policy processes, and will define, among others, the following:
 - (e-i) Board structures and procedures;
 - (e-ii) Role and principal responsibilities of the Board;
 - (e-iii) Relationship of the Board to Management (as defined herein) and with the shareholders; and
 - (e-iv) Committees that support the Board’s oversight function and remuneration of the directors.

2. THE BOARD

2.1 Board structure and composition

- 2.1.1 The Board shall be constituted in accordance with the Constitution and/or M&A of the respective companies under PNB Group. The Board composition must be of a size that promotes effective deliberation, encourages the active participation of all directors and allows the Board to undertake its roles and responsibilities effectively.
- 2.1.2 The Board must undertake the necessary measures to ensure that its composition comprises at least thirty percent (30%) women Directors.
- 2.1.3 A Director of PNB Group must not be an active politician. An 'active politician' refers to an individual who is either an elected Member of Parliament, State Assemblyman, office bearer of a political party who hold office as the chairman, president, deputy presidents, vice-presidents, secretary general, deputy secretary general, treasurer and committee members whether at national level, state level or divisional level, or any other person we deem as an active politician.
- 2.1.4 The Board shall be a balanced board with a complementary blend of expertise, comprising the following:
- (a) Qualified prominent individuals drawn from varied backgrounds bringing with them in depth and diversity in experience, expertise and perspectives to the operations of PNB Group;
 - (b) Directors who have a proper understanding and competency to deal with current and emerging issues of PNB Group's business; and
 - (c) Directors who can effectively review and challenge the performance of Management and exercise independent judgement.
- 2.1.5 Independent Director
- (a) The Independent Non-Executive Directors provide independence of judgement and objectivity without being subordinated to operational considerations.
 - (b) The Independent Non-Executive Directors shall also be free from any business or other relationships that could materially interfere with the exercise of their objective and independent judgement.
 - (c) The Independent Non-Executive Directors shall ensure that the interests of the company, shareholders and stakeholders are taken into account by the Board and that the relevant issues are subjected to objective and impartial consideration by it.
 - (d) The views of the Independent Non-Executive Directors carry significant weight in the Board's decision-making process.
- 2.1.6 Typically, the President and Group Chief Executive/Chief Executive Officer is an Executive Director on the Board to ensure that the link between Management and the Board is maintained.

- 2.1.7 The Board shall at all times, strive to reach decisions by consensus. In the event of failure to reach consensus, Management shall undertake a review of the proposal or issue to enable a consensus to be reached. In case of equality of votes, the Chairman of the meeting shall have a second or casting vote.
- 2.1.8 The Board, with the assistance of the Nomination and Remuneration Committee, shall determine and regularly review the composition of the Board having regard to the optimum number and skill mix of Directors, subject to the limits imposed by the company's Constitution/M&A and the terms served by existing Independent Non-Executive Directors.

2.2 Committees of the Board

- 2.2.1 The Board may discharge any of its responsibilities through Committees of the Board in accordance with their respective Constitution and/or M&A of PNB Group.
- 2.2.2 The Board may establish Board Committee as per their respective Constitution and/or M&A of PNB Group.
- 2.2.3 Each Committee shall adopt its own Terms of Reference ("TOR") to be approved by the Board, setting out matters relevant to its composition and responsibilities. The TOR will be periodically reviewed by the Board.
- 2.2.4 The Board will appoint members to the Committees and make changes to membership as the Board deems necessary.
- 2.2.5 The Board will determine which issues require a decision of the full Board and which issues can be delegated to Committees or to Management.
- 2.2.6 All Directors will receive copies of minutes of meetings in respect of each Committee and may attend meetings of Committees of which they are not members.

2.3 Role of the Board

- 2.3.1 The Board shall provide strategic direction and effective oversight of the company.
- 2.3.2 The Board is charged with leading and overseeing the management of the company in an effective and responsible manner, by constructively challenging and supporting the Management.
- 2.3.3 The Board establishes and reviews the company's vision, mission and values consistent with the strategic framework that specifies the overall direction of the company.
- 2.3.4 The Board shall govern in alignment with current corporate governance best practices.
- 2.3.5 The Board shall carry out the functions as stipulated by the applicable laws, regulatory requirements as well as internal policies and procedures of the company.

2.4 Responsibility of Directors

- 2.4.1 Directors are expected to comply with their legal, statutory and equitable duties and obligations when discharging their responsibilities as directors.
- 2.4.2 Directors are, collectively and individually, cognisant of their responsibilities to shareholders and stakeholders for the manner in which the affairs of the company are managed.
- 2.4.3 In giving effort to this Board Charter, each Director shall at all times act in good faith in the best interests of the company, honestly, fairly, diligently, and in all respects in accordance with the relevant laws, rules, procedures and regulations applicable to and affecting the company.
- 2.4.4 Directors shall uphold their fiduciary responsibilities and duty of care to the company and shall exercise care, diligence and skill in the discharge of their duties.
- Broadly, these shall include,
- (a) not disclosing confidential information and refraining from making improper use of the information;
 - (b) avoiding real and perceived conflicts of interest; and
 - (c) refraining from taking advantage of their position as a Director, and favouring the interests of the company over the interests of others and themselves.
- 2.4.5 Directors are expected to make positive contributions to the overall performance and duties of the Board and be able to provide sufficient quality time and attention to overseeing the affairs of the company.
- 2.4.6 Directors acknowledge that the responsibility for good corporate governance rests with them and therefore strive to follow the principles and best practices set out in the MCCG.
- 2.4.7 Directors are expected to support spirit of Board decisions.
- 2.4.8 A Director is responsible to among others:
- (a) exercise vigilance and professional skepticism in understanding and shaping the strategic direction of the company;
 - (b) exercise independent judgment in decision making and provide sound and objective advice;
 - (c) devote sufficient time to prepare, attend board meetings, contribute constructively to Board discussions and decision-making and conduct due inquiry before approving a matter;
 - (d) maintain sound understanding of the business, the industry and undertake continuous professional development to support the effective discharge of the roles and responsibilities as a director of the company; and
 - (e) ensure conflicts of interest are disclosed and necessary steps are taken to address such conflicts.

2.5 Principal Duties and Responsibilities of the Board

2.5.1 The Board retains full and effective control and responsibility of the company. This includes but are not limited to the following specific responsibilities in the discharge of its duties:

- (a) Establishing and approving the strategy and operating objectives, strategic direction and key performance indicators of the company;
- (b) Overseeing and evaluating the conduct of the company's business;
- (c) Approving, reviewing and monitoring the company's financial position and performance, including its annual budgets and business plans;
- (d) Approving capital expenditure in relation to major material corporate transactions or contract commitments above specified in thresholds and limits;
- (e) Approving and monitoring the effectiveness of the company's overall risk management and control framework and in this regard, identifying principal risks and reviewing systems of risk management to ensure that the risks are properly managed;
- (f) Establishing and developing a succession plan and overseeing the development of the company's human capital;
- (g) Approving all major policies set periodically by the company;
- (h) Approving and reviewing systems of internal compliance and control and the adequacy of internal control policies; and
- (i) Ensuring that policies and procedures are in place consistent with the company's objectives, and that the company and its employees act legally, ethically and responsibly in all manners.

2.5.2 The Board has the overall responsibility to oversee the business and affairs of the company and should ensure among others that it:

- (a) promotes a corporate culture which reinforces ethical, prudent and professional behaviour, honesty, fairness, trust and high performance;
- (b) governs and sets clear strategic direction which includes approving and overseeing the company's strategic objectives, governance framework, risk appetite, policies and procedures and business plan;
- (c) ensures that the strategic plan of the company supports long-term value creation and considers material sustainability risks and opportunities;
- (d) oversees, reviews, challenges and decides on Management's proposals and strategies, monitors the progress of implementation by Management and evaluate Management's performance in undertaking its role;
- (e) sets the risk appetite within which the Board expects Management to operate and ensures that there is an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks;

- (f) ensures the necessary policies and practices in relation to disclosure are in place to promote self-discipline, accountability and transparency;
- (g) where applicable, establishes and ensures effective functioning of Board Committees;
- (h) establishes and periodically reviews the succession planning for the Board of the company and Management;
- (i) ensures the appointment of the Board and Management are in the best interests of the company and its stakeholders; and
- (j) ensures Management and other employees undergo appropriate training to enable them to undertake their roles and responsibilities effectively.

2.5.3 The Board comprises individuals with the appropriate mix of skills, knowledge, experience and independence that fit the objectives and strategic goals of the company.

2.6 Appointments to the Board

- 2.6.1 The Board has established a formal and transparent procedure for appointments of new Directors.
- 2.6.2 Performance assessment on the individual non-executive director is carried out every three (3) years or as deemed fit.
- 2.6.3 A proposed appointment is first considered by the Nomination and Remuneration Committee of the Board of Directors of PNB, which takes into account the necessary skill and experience of the candidate before making a recommendation to the Board.
- 2.6.4 The appointment of a new Director is a matter for consideration and discretion by the full Board.
- 2.6.5 The Company Secretary has the responsibility of ensuring that relevant procedures relating to the appointment of a new Director are properly executed.
- 2.6.6 Immediately following the appointment of a new Director, the Company Secretary will advise the Director of his/her principal duties and responsibilities and explains the restrictions to which he or she is subject to in relation to price-sensitive information and dealings. The Company Secretary will also provide the new Director with a Director's Kit consisting of this Board Charter, a copy each of the respective Constitution and/or M&A of PNB Group and the schedule of Board and Board Committee meetings for the year.
- 2.6.7 All Directors are provided on a periodic basis with appropriate briefings on the company's affairs and up-to-date corporate governance and/or best practices materials published by the relevant regulatory bodies.
- 2.6.8 The company has in place educational/training programmes to update the Board of new developments pertaining to laws and regulations affecting the company and changing commercial risks which may affect the Board and/or the company.
- 2.6.9 Directors are also encouraged to attend training programmes conducted by professionals or professional bodies and which are relevant to the company's operations and business.

2.6.10 As a matter of good governance, the directorships held by any Director at any one time shall not exceed five (5) directorships in listed companies or any other numbers as determined by the relevant regulators.

2.6.11 The listing of directorships held by Directors and confirmed by them individually, is submitted to the Board at the beginning of each financial year.

2.7 Policy on tenure of directorship

The calculation of the tenure of appointment of an independent director be limited to not more than a cumulative period of nine (9) years commencing from the first (1st) date of appointment of the appointee to the Board of PNB Group, irrespective of any change in status as an independent director.

2.8 Board Management and oversight

2.8.1 Board meetings

- (a) Directors may meet together to attend to business and adjourn and otherwise regulate their meetings as they decide either through physical meeting, via telephone conferencing or other means as the Board deems appropriate.

A Board meeting shall have a formal schedule of matters reserved to it.

The Company Secretary shall give reasonable notice of a meeting.

- (b) The complete agenda and comprehensive Board papers are circulated to all Directors before each meeting.
- (c) Other unscheduled meetings may be held provided that sufficient notice is given to all Directors.
- (d) The minutes of each meeting are kept by the Company Secretary and are available for inspection by any Director. The Board must ensure that comprehensive and accurate minutes of Board meetings are maintained to record the decisions of the Board, including key deliberations, rationale for each decision made and any significant concerns or dissenting views. The minutes must indicate whether any director abstained from voting or excused himself from deliberating on a particular matter.
- (e) The Chairman will call a meeting of the Board if so requested by any Director. The quorum necessary for the transaction of the business of the directors shall be in accordance with the quorum requirement as stipulated in the Constitution/M&A of the company.
- (f) Management may be invited to attend and speak at meetings on matters relating to their areas of responsibility.

2.8.2 Supply of information to the Board

- (a) The company shall provide all Directors with accurate, timely, relevant and clear information and in a form and manner appropriate for them to discharge their duties effectively.

- (b) Information provided to the Board shall encompass not only historical financial information, but also other key leading indicators necessary for full disclosure of facts.

2.8.3 Access to Information and Independent Advice

- (a) The Board or a Committee of the Board may access such information and seek such independent advice as it collectively considers necessary to fulfil its responsibility and to permit independent judgement in decision making, at the expense of the company.
- (b) Directors will be entitled to:
 - (i) access members of the senior management of the company at any time to request relevant or additional information or seek explanation; and
 - (ii) have access to the company's Internal and External Auditors without Management's presence to seek explanation(s) or additional information.

2.8.4 Evaluation of the Performance of the Board and the Non-Executive Directors

- (a) The Board with the assistance of the Nomination and Remuneration Committee carries out an objective and structured performance evaluation to review the performance of individual Non-Executive Directors as well as collective performance of the Board annually. The evaluation also covers, which includes but not limited to, the performance of board/board committees in addressing company's material sustainability risks and opportunities.
- (b) A board evaluation facilitated by independent experts is targeted to be conducted once every three (3) years. The Chairman of Board may be evaluated annually through the feedback and views of all Board, respectively.

3. SEPARATION OF POWER AND AUTHORITY

3.1 Separation of Power and Authority of the Chairman and President and Group Chief Executive ("PGCE")/Chief Executive Officer ("CEO")

- 3.1.1 Given that the role of the Chairman of the Board ("Chairman") in securing good corporate governance is crucial, the roles and responsibilities of the Chairman and the PGCE and CEO are clear, distinct and separate. Each has a clearly accepted division of responsibilities to ensure a balance of power and authority.
- 3.1.2 The Chairman is a Non-Independent Non-Executive Director.
- 3.1.3 The roles of the Board and Management of the company are complementary.
 - (a) The Board's primary focus is the company's overall strategic direction, corporate performance and issues of policy.
 - (b) Responsibility of the day-to-day management and administration of the company's business and operations is delegated by the Board to the PGCE/CEO, assisted by the Management.
- 3.1.4 The Board has implemented appropriate procedures to assess Management's performance.

3.1.5 The Chairman of the Board shall not be a member of the Audit Committee of the Board of the company or the Nomination and Remuneration Committee of the Board of the company.

3.2 Chairman

3.2.1 The Chairman is responsible for the leadership, conduct and management of the Board in the discharge of its stewardship responsibilities.

3.2.2 The key responsibilities of the Chairman include:

- (a) leading the Board in setting the values and standards of the company and meeting the expectations of the shareholders;
- (b) providing leadership to Board development;
- (c) fostering the development of a Board culture characterised by constructive Board engagement, commitment to transparency and commitment to practicing good governance;
- (d) ensuring full utilisation of individual capacities and optimum performance of the Board and each of its Committees;
- (e) promoting consultative and respectful relationship between and amongst Board members;
- (f) ensuring that Non-Executive Directors are enabled and encouraged to play their full part in the Board's activities;
- (g) ensuring effective communication with shareholders and relevant stakeholders of the company;
- (h) arranging evaluation of the performance of the Board, its Committees and individuals Directors; and
- (i) ensuring that a constructive collegial relationship is maintained between the Board and Management.

3.2.3 The Chairman presides over meetings of Directors and several meetings of the company. The Chairman is responsible for managing the business of the Board to ensure that:

- (a) all Directors are properly and accurately briefed on issues arising at Board meetings;
- (b) issues brought before the Board are well debated and sufficient time is allowed for discussion and where appropriate, arranging for informal meetings to enable thorough preparation prior to the discussion; and
- (c) issues discussed are forward looking and focus on the strategic direction of the company.

3.2.4 The Chairman of the Nomination and Remuneration Committee of the Board of the company shall be chaired by an Independent and Non-Executive Director.

3.3 President and Group Chief Executive/Chief Executive Officer

- 3.3.1 The PGCE/CEO manages the business of the company and implements the decisions, policies, directions and strategies approved and adopted by the Board.
- 3.3.2 The PGCE/CEO is the conduit between the Board and Management in ensuring the success of the company's governance and management functions.
- 3.3.3 The PGCE/CEO has the executive responsibility for the day-to-day management and administration of the company's business and operations.
- 3.3.4 The PGCE/CEO is accountable to the Board as a whole and all communications on behalf of the Board are through the PGCE/CEO.
- 3.3.5 The PGCE/CEO exercises all powers delegated by the Board.
- 3.3.6 All authorities conferred by the Board on Management are delegated by the Board through the PGCE/CEO and shall in respect of each authority so given, be construed and deemed as the PGCE/CEO's authority and accountability.

4. DISCLOSURE OF INTEREST

Directors shall:

- (a) disclose to the Board (through the Company Secretary) any actual or potential conflict of interest which may exist or perceived to exist as soon as they become aware of the issue;
- (b) take any necessary and reasonable steps to try to resolve the conflict;
- (c) disclose their interest upon joining, at least annually thereafter and, as and when there are changes to their interests or holdings; and
- (d) comply with the provisions of the Act, and any other relevant regulation/guidelines (if any) in respect of disclosure of interests and restrictions on voting.

5. DIRECTORS' REMUNERATION

- 5.1 The Remuneration Policy shall serve as the guiding document for the Nomination and Remuneration Committee and Board of PNB Group to deliberate on the bases of the remuneration for Non-Executive Directors of:
 - (a) the Board of Directors of PNB Group; and
 - (b) the Board Committee members of PNB Group (including co-opted members),while taking into consideration among others, the performance and contribution of the Directors and Committee members of PNB Group, the financial and non-financial performance of PNB Group and the long-term socio-economic objectives of PNB Group.
- 5.2 The Remuneration Policy shall also serve as the overarching framework which outlines the administration of a fair and transparent remuneration structure for the Boards and Board Committee members of PNB Group.

6. COMPANY SECRETARY

- 6.1 The Board appoints the Company Secretary, who plays an important advisory role, and ensures that the Company Secretary fulfils the functions for which he/she has been appointed.
- 6.2 The Company Secretary is a central source of information and advice to the Board and its Committees on issues relating to compliance with laws, rules, procedures and regulations affecting and applicable to the company.
- 6.3 The Company Secretary advises the Directors of their obligations to adhere to matters relating to:
- (a) disclosure of interest in securities; holding in securities, other assets including alternative products and any interests in a special purpose vehicle arrangement, whether directly or indirectly, including through nominees or relatives.
 - (b) disclosure of any conflict of interest in a transaction involving the company;
 - (c) prohibition on dealing in securities; and
 - (d) restrictions on disclosure of price-sensitive information.

In relation to (a) and (b), the Company Secretary shall maintain the records of disclosures made by the Directors.

- 6.4 The Company Secretary shall keep abreast of, and inform the Board of current governance practices and any changes to the relevant laws, rules, procedures and regulations affecting and applicable to the company.
- 6.5 Directors have unlimited access to the professional advice and services of the Company Secretary.

7. INTERNAL CONTROL, RISK MANAGEMENT AND COMPLIANCE

7.1 Internal Control

- 7.1.1 The Board shall ensure that the company's systems of internal controls, financial or otherwise, provide reasonable assurance on the achievement of the company's objectives in:
- (a) effectiveness and efficiency of operations;
 - (b) reliability of financial information; and
 - (c) compliance with laws and regulations.
- 7.1.2 The Board recognises that reviewing of the company's systems of internal control is a concerted continuing process, designed to manage rather than eliminate the risk of failure to achieve business objectives.
- 7.1.3 The Board endeavours to ensure that the company maintains adequate systems of internal control with consistent integrity designed to manage risk and improve its governance process.

7.2 Risk Management

- 7.2.1 The Board acknowledges that risk management is an integral part of the company's business operations and is an on-going process.
- 7.2.2 The Board acknowledges that effective monitoring and review of significant risks on a continuous basis is essential in ensuring the integrity of the company's internal control framework.
- 7.2.3 The Board has delegated the responsibility of overseeing risk management activities of the company to the Risk Management Committee.
- 7.2.4 The Board must establish, implement and maintain a risk management framework that commensurate with the company's business.

8. ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Board of Directors is ultimately responsible for oversight of PNB Groups' overall sustainability strategy, commitments, and initiatives through appropriate environmental, social and governance considerations in the business strategies.

9. REVIEW OF BOARD CHARTER

The Board may review this Board Charter and make changes it deems necessary or desirable.