

## **PETRON MALAYSIA REFINING & MARKETING BHD**

### **BOARD AUDIT & RISK MANAGEMENT COMMITTEE CHARTER**

#### **1. MEMBERSHIP**

1.1 The Board Audit & Risk Management Committee (“Committee”) members shall:

- be appointed from members of the Board of Directors (the “Board”);
- consist of not less than three (3) in number;
- comprise fully of Independent Non-Executive Directors;
- elect a Chairman of the Committee from among their number, who is an Independent Director and has requisite qualifications prescribed by the stock exchange. The Chairman of the Board of Directors shall not also be the Chairman of the Committee at the same time;
- not be an alternate Director; and
- not have been a key audit partner of the Company’s external auditor for a period of no less than two (2) years prior to his/her appointment as a member of the Committee.

1.2 Collectively, the Committee is expected to:

- have a membership with a wide range of qualifications, skills and experience to effectively discharge their duties; and
- be financially literate and be able to discharge their duties on matters within the Committee’s purview including on financial reporting and related matters.

#### **2. MEETINGS AND MINUTES**

2.1 Meetings of the Committee shall be held regularly, and as often as necessary. The Committee shall, at the minimum, meet once every three (3) months prior to the quarterly Board of Directors’ meetings. All Committee members are expected to attend each meeting, in person or via tele- or video-conference. In the absence of the Chairperson during any meeting, a chairperson for the meeting shall be designated by the members present. Other Directors of the Company, members of Management, organization staff, and any relevant personnel may only attend the meetings at the invitation of the Committee to provide pertinent information or data. If required, the presence of the external auditors at the meetings of the Committee may be requested. The auditors, both internal and external, may request the Committee to convene a meeting if one is necessary, to consider any matter which any of the auditors believe should be brought to the attention of the Directors and/or shareholders of the Company.

2.2 A majority of the members of the Committee shall constitute a quorum for the transaction of the Committee’s business.

- 2.3 The secretary to the Committee shall be appointed by the Committee. The secretary shall be responsible for the timely issuance of meeting notices, together with meeting agenda and any supporting documents in advance of such meeting, for recording, keeping and distributing the minutes of meetings and any other duties ordinarily discharged by a secretary of such Committee.
- 2.4 The Constitution of the Company regulating the meetings and proceedings of the Board of Directors so far as the same are applicable and not inconsistent with the provisions of these Terms of Reference shall apply, *mutatis mutandis*, to regulate the meetings and proceedings of the Committee.

### **3. AUTHORITY**

3.1 The Committee is authorized by the Board to:

- investigate and/or seek information on any matter within its Terms of Reference;
- have the resources which are required to perform its duties;
- have full and unrestricted access to any information pertaining to the Company;
- have unrestricted access to and communication with the internal and external auditors of the Company;
- obtain external legal or other independent professional advice as necessary; and
- convene meetings with the internal and external auditors of the Company, without the attendance of the Management or Executive Directors, whenever deemed necessary.

### **4. DUTIES**

4.1 The Committee is charged with the following duties:

- review, provide recommendations and (where necessary) approve risk management reviews and findings, and to review the mitigation initiatives implemented by the Company;
- review with the internal and external auditors of the Company, the audit plan(s) of the Company, the respective auditors' evaluation of the Company's system of internal accounting controls and the audit report, the external auditors' management letter and management's response to such letter, and report the same to the Board;
- review and report to the Board the assistance given by the Company's employees to the internal and external auditors of the Company;
- to review and report to the Board the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority and independence to carry out its work;

- to ensure proper co-ordination between the internal and external auditors;
- review and report to the Board the internal audit program, processes, the results of the internal audit program, or investigation undertaken, and whether or not appropriate action has been taken on the recommendations of the internal audit;
- review and report to the Board the quarterly results and year-end financial statements, including the balance sheet and profit and loss statement, prior to submission of the statements to the Board for approval, focusing particularly on:
  - (a) changes in existing accounting policies or implementation of new accounting policies;
  - (b) significant and unusual events;
  - (c) compliance with accounting standards and other legal requirements; and
  - (d) the going concern assumption;
- review and report to the Board any related party transaction and conflict of interest situation that may arise within the Company;
- to review all contracts over RM5 million that are not in the ordinary course of business and accounts receivable to be written-off;
- to review and report to the Board any removal, resignation, appointment and audit fee of the Company's external auditors;
- to review and report to the Board whether there is reason (supported by grounds) to believe that the Company's external auditors are not suitable for reappointment;
- to recommend the nomination of a person or persons as external auditors of the Company;
- to report promptly to Bursa Malaysia Securities Berhad ("BMSB") matters reported by the Committee to the Board which have not been satisfactorily resolved resulting in a breach of the Main Market Listing Requirements of BMSB; and
- to perform such other functions as may be delegated to the Committee by the Board.

## **5. SPECIFIC DUTIES PERTAINING TO EXTERNAL AUDITORS**

- 5.1 In assessing the suitability, competence and objectivity of the external auditors for purposes of recommending their appointment or re-appointment, the Committee shall consider:
- the external auditor's reputation, resources and quality of audit;
  - the nature and extent of non-audit services rendered and the level of fees; and
  - the independence and continued independence of the external auditors and seek written assurances of the same.

**6. SPECIFIC DUTIES PERTAINING TO INTERNAL AUDITORS**

6.1 The Committee's duties in relation to oversight of the internal audit function includes the following:

- appointment and removal of internal auditors;
- approval of the Audit Plan and monitoring audits carried out and results of follow-up audits;
- evaluation of the internal audit function; and
- the budget available to the internal audit function to carry out internal audits the Company.

6.2 In assessing the suitability of the internal audit function, the Committee shall:

- satisfy itself of the independence of the internal audit function;
- satisfy itself that the resources allocated to the internal audit function are adequate;

identify the names of personnel assigned to internal audit of the Company and their qualifications and experience; and

- whether the internal audit is carried out to recognized standards framework.

**7. REVIEW OF TERMS OF REFERENCE**

7.1 These Terms of Reference will be subject to review by the Board from time to time.

7.2 This document was reviewed on February 22, 2018.