

PETRONAS DAGANGAN BERHAD (88222-D)

BOARD AUDIT COMMITTEE'S TERMS OF REFERENCE

CONSTITUTION

The Audit Committee was created by the Board pursuant to its resolution on 3 March 1994.

MEMBERSHIP

- The members of the Audit Committee shall be appointed by the Board from amongst their number and shall consist of not less than three members. All the Audit Committee members must be Non-Executive Directors with majority of them being Independent Directors. Independent Directors shall be one who fulfils the requirement as provided in the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Malaysia").
- All the Audit Committee members must be financially literate and at least one member of the Audit Committee:
 - (i) must be a member of the Malaysian Institute of Accountants; or
 - (ii) if he/she is not a member of the Malaysian Institute of Accountants, he must have at least three years working experience and :
 - (a) he/she must have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967; or
 - (b) he/she must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act, 1967.
 - (iii) fulfils such other requirements as prescribed or approved by the Bursa Malaysia.
- The members of the Audit Committee shall elect a Chairman from amongst them who shall be an Independent Director.
- If a member of the Audit Committee resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced below three, the Board shall within three months of that event, appoint such number of new members as may be required to make up the minimum number of three members.
- No alternate Director can be appointed as a member of the Audit Committee.

MEETING

- A quorum shall be two members, both being Independent Directors and one of whom shall be the Chairman of the Audit Committee. The Audit Committee shall be able to convene meetings with the External Auditors, Internal Auditors or both, excluding the attendance of other directors and employees whenever deemed necessary. The External Auditors and Internal Auditors have the right to appear and be heard at any meeting of the Audit Committee and shall appear before the Committee when required to do so by the Audit Committee.
- The Company Secretary or in his/her absence, his/her deputy shall be the Secretary of the Audit Committee. Minutes of the meetings shall be duly entered in the books provided therefor.
- Meetings shall be held not less than four times a year. The External Auditors may request a meeting if they consider it necessary. The Chairman of the Audit Committee shall convene a meeting of the Committee to consider any matters the External Auditors believe should be brought to the attention of the Directors or shareholders.

AUTHORITY

- The Audit Committee is authorised by the Board to investigate any activity within its Terms of Reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Audit Committee.
- The Audit Committee is authorised by the Board to obtain external legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary.

DUTIES AND FUNCTIONS

- The duties and functions of the Audit Committee shall be :
 - a) to consider the suitability and independence of External Auditors for their appointment, the audit fee, and any questions of resignation or dismissal of the External Auditors before making recommendation to the Board;
 - b) to discuss with the External Auditors before the audit commences the nature and scope of the audit, and ensure coordination where more than one audit firm is involved;
 - c) to review with the Management and the External Auditors the quarterly results and year end financial statements prior to the approval by the Board, focusing particularly on:
 - any change in accounting policies and practices;
 - significant and unusual events;

- major judgmental areas;
 - significant adjustments resulting from the audit;
 - the going concern assumption;
 - compliance with accounting standards; and
 - compliance with stock exchange and legal requirements.
- d) to arrange for periodic reports from the Management, the External Auditors, and the Internal Auditors to assess the impact of significant regulatory changes, and accounting or reporting developments proposed by accounting and other bodies, or any significant matters that may have a bearing on the annual examination;
- e) to discuss problems and reservations arising from the internal or external interim and final audits, and matters the External or Internal Auditors may wish to discuss (in the absence of Management where necessary);
- f) to review the internal audit programme, consider the major findings of internal audits and Management's response, and ensure coordination between the Internal and External Auditors;
- g) to review the adequacy of the competency of the internal audit function;
- h) to review the performance of the Head of Internal Audit for the Management's endorsement;
- i) to approve the appointment or termination of the Head of Internal Audit;
- j) to review any related party transaction and conflict of interest situation that may arise in the Company including any transaction, procedure or course of conduct that raises questions of the Management's integrity;
- k) to keep under review the effectiveness of internal control systems, and the Internal and/or External Auditors' evaluation of these systems and in particular, review the External Auditor's Management Letter and Management's Response;
- l) to review the audit reports;
- m) to review the risk management framework, processes and responsibilities and assess whether they provide reasonable assurance that risks are managed within tolerable ranges;
- n) to direct and where appropriate, supervise any special project or investigation considered necessary;
- o) to prepare periodic report to the Board of Directors summarising the work performed in fulfilling the Audit Committee's primary responsibilities; and
- p) to consider other topics, as defined.

REPORTING PROCEDURES

- The Secretary shall circulate the minutes of meetings of the Audit Committee to all members of the Board.