PETRONAS DAGANGAN BERHAD (88222-D)
BOARD RISK COMMITTEE’S TERMS OF REFERENCE

CONSTITUTION

The Board Risk Committee was established by the Board pursuant to its resolution on 26 February 2019.

PURPOSE

• The Risk Committee is responsible to assist the Board of Directors ("Board") in the effective discharge of its primary responsibilities of reviewing the process in identifying, managing, evaluating and monitoring principal risks as well as overseeing the implementation of appropriate systems and risk assessment processes to manage such risks within PETRONAS Dagangan Berhad ("PDB" or the "Company") and its subsidiaries (collectively referred to as the "Group") in line with Section 246 of the Companies Act 2016, Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the Malaysian Code on Corporate Governance.

• In the exercise of its functions, it is understood that the Risk Committee is not delegated with decision-making powers but shall report its recommendations to the Board for decision. The existence of the Risk Committee does not diminish the Board’s ultimate statutory and fiduciary responsibility for the decision-making relating to the functions and duties of the Risk Committee. The member must continue to exercise due care and judgement in accordance with their statutory obligations.

MEMBERSHIP

• PDB Board may upon recommendation of the Nomination and Remuneration Committee (NRC), appoint any of its members and their Alternates as members of the Risk Committee.

• The members of the Risk Committee shall be appointed by the Board from amongst their number and shall consist of not less than three (3) members comprising majority of Independent Non-Executive Directors.

• The Risk Committee shall comprise at least one (1) member preferably having the relevant industrial knowledge.

• The Risk Committee shall also comprise at least one (1) member from the Board Audit Committee 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 PDB in its risk oversight roles.

• 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 Risk Committee.
• The Chairman of Risk Committee shall be an Independent Director as appointed by Board.

• If a member of the Risk Committee resigns, dies or for any other reason ceases to be a member resulting in 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 the minimum number of three (3) members.

• No alternate Director can be appointed as a member of the Risk Committee.

• The terms of office and performance of the Risk Committee and each of its members shall be reviewed by the Board periodically to whether the Risk Committee and/or its members have carried out its duties in accordance with its Terms of Reference.

MEETING

• Quorum

  a) A quorum shall be two (2) members, both being Independent Directors and one of whom shall be the Chairman of the Risk Committee.

  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.

• Secretary

The Company Secretary or in his/her absence, his/her deputy or another person authorised by the Chairman of the Risk Committee, shall be the Secretary of the Risk Committee.

• Frequency

 (a) Meetings shall be held not less than four (4) times a year.

 (b) Ad-hoc meetings or private sessions with the Management may be scheduled as considered necessary to discuss escalating and evolving risks by the Risk Committee. The Chairman of the Risk Committee shall call for a meeting if requested to do so by the Chairman of the Board or requested by other members of the Risk Committee.
• Attendance

(a) The Managing Director/Chief Executive Officer and the Chief Financial Officer shall normally attend meetings.

(b) Other Directors, members of Management, employees or consultants may attend any particular meeting only at the Risk Committee’s invitation, specific to the relevant meeting.

(c) The meetings shall convene in a face-to-face manner. If a member is unable to be present at the meeting venue, his/her participation through tele/video conference or other appropriate means is permitted and will be taken into account in constituting a quorum.

• Reporting Procedure

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

• Meeting Procedure

The Risk Committee 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

(d) the custody, production and inspection of such minutes.

CIRCULAR RESOLUTION

A resolution in writing signed by a majority of all members shall be valid and effectual as if it had been passed at a meeting of the Risk Committee. All such resolutions shall be described as ‘Board Risk Committee’s Circular Resolutions’ and shall be forwarded or otherwise delivered to the Company Secretary without delay and shall be recorded by the Secretary in the minutes book. Any such resolution may consist of several documents in the like form, each signed by one or more members. The expressions ‘in writing’ or ‘signed’ include approval by legible confirmed transmission by facsimile, telex, cable, telegram or other forms of electronic communications.
AUTHORITY

The Risk Committee in performing its duties shall, in accordance with a procedure to be determined by the Board of Directors:

(a) have the authority to investigate any matter within its term of reference;

(b) have the authority to seek full and unrestricted access to any information it requires from any employee and all employees are directed to co-operate with any request made by the Risk Committee;

(c) 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.

COMMITTEE EVALUATION

The Committee will annually complete a self-evaluation of the Committee’s own performance and effectiveness, and will also consider whether any changes to the Committee’s Terms of Reference are appropriate.

DUTIES AND FUNCTIONS

- The duties and functions of the Risk Committee shall be:

  a) oversee the development and review of risk management policies, frameworks and guidelines to recommend for board approval;

  b) 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;

  c) review, deliberate, report and provide recommendation to PDB Board concerning principle risks monitoring, ensure proper mitigation is in place and risk scanning is performed in anticipation of emerging risks;

  d) oversee the implementation and effectiveness of PETRONAS Resiliency Model cascaded from the holding company (i.e. Petroliam Nasional Berhad);

  e) assist 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 in local and foreign countries

     ii. Financial related decisions (e.g. financing)

     iii. Commercial transactions with high complexity and exposure

     iv. Country-related decision (entry or exit management)

     v. Key capital projects
vi. New business ventures/special projects

f) ensure that management considers and implements appropriate risk responses;

g) co-ordinate the activities with other Board Committees on risk oversight to avoid overlaps in the overall risk oversight process;

h) promote a healthy risk culture (including awareness, education and training for all levels of employees); and

i) consider other matters relating to risk management as referred to by the Board or by Risk Committee as well as feedback from the Management and the external or internal auditors on the effectiveness of risk management system.