



PETRONAS

PETRONAS DAGANGAN BERHAD

REGISTRATION NO.: 198201008499 (88222-D)

BOARD SUSTAINABILITY AND RISK COMMITTEE TERMS OF REFERENCE

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1. CONSTITUTION

- 1.1 The Board Sustainability and Risk Committee ("BSRC") was established by the Board of Directors ("Board") of PETRONAS Dagangan Berhad ("PDB" or the "Company") pursuant to its resolution passed on 26 February 2019, originally named the Board Risk Committee ("BRC").
- 1.2 The Board, through its resolutions passed on 20 January 2023, agreed for the Committee to carry out sustainability oversight function. Consequently, the Committee was renamed as the BSRC to reflect its expanded mandate.

2. PURPOSE

The Board Sustainability and Risk Committee ("BSRC" or "Committee") is to assist the Board of Directors ("the Board") in the following areas: -

- 2.1 Provide oversight on sustainability by assessing, evaluating and monitoring the elements of sustainability pillars which comprises of Environment, Economic, Social and Governance.
- 2.2 Effectively discharge 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 for PDB and its subsidiaries (collectively referred to as the "Group").
- 2.3 While carrying out its functions, the BSRC does not hold decision-making authority but provides recommendations to the Board for final decisions. The existence of the BSRC does not reduce the Board's ultimate statutory and fiduciary responsibilities for decisions related to the BSRC's functions and duties. The Board Members must continue to exercise due care and judgement in line with their statutory obligations.

3. SCOPE OF AUTHORITY

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

- 3.1 Have the authority to investigate any matter within its terms of reference;
- 3.2 The Committee within the scope of its assigned duties is authorised to seek any information it requires from employees, company officers and external parties;

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- 3.3 The Committee may engage external consultants and other Advisers or otherwise obtain such independent legal or other professional services it requires, at the expense of the Company; and
- 3.4 The Board will provide the Committee with sufficient resources to undertake its duties, including access to the company secretariat.

4. COMPOSITION AND MEMBERSHIP

- 4.1 PDB Board may upon recommendation of the Nomination and Remuneration Committee ("NRC"), appoint any of the Board member(s) as member(s) of the BSRC.
- 4.2 The members of the BSRC shall be appointed by the Board from amongst their number and shall consists of not less than three (3) members comprising majority of Independent Non-Executive Directors.
- 4.3 No alternate Director can be appointed as a member of the BSRC.
- 4.4 The Chairman of the Board shall not be a member of BSRC.
- 4.5 The BSRC shall comprise at least one (1) member preferably having the relevant industrial knowledge, one (1) member with experience of risk management and one (1) member with experience of sustainability management.
- 4.6 The BSRC 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 sustainability and risk oversight roles.
- 4.7 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.
- 4.8 The terms of office and performance of the BSRC and each of its members shall be reviewed by the Board periodically whether the BSRC and/or its members have carried out its duties in accordance with its Terms of Reference

5. CHAIRMAN

The Chairman of BSRC shall be an Independent Director.

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6. REMOVAL AND RESIGNATION

- 6.1 The entire Committee or individual member may be removed from office without cause by the affirmed vote of a majority of the Board of Directors.
- 6.2 Any committee member may resign effective upon giving written notice to the Chairman of the Board of Directors, the Company Secretary or the Board of Directors (unless the notice specifies a later time for the effectiveness of such resignation).
- 6.3 If the resignation of a member is effective at a future time, the Board of Directors may elect a successor to take office when the resignation becomes effective.
- 6.4 If a member of the BSRC 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.
- 6.5 The appointment of a Committee member shall automatically be terminated if the member ceases to be a director for any reason whatsoever or as determined by the Board.

7. SECRETARY

The Secretary to the Committee shall be the Company Secretary or any other person of suitable standing appointed by the Committee.

8. MEETINGS AND CIRCULAR RESOLUTION

8.1 Frequency

- 8.1.1 Meetings shall be held not less than four (4) times a year.
- 8.1.2 Ad-hoc meetings or separate sessions with the Management may be scheduled as considered necessary to discuss escalating and evolving risks by the BSRC. The Chairman of the BSRC shall call for a meeting if requested to do so by the Chairman of the Board or requested by other members of the BSRC.

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8.2 Attendance

8.2.1 The Managing Director/Chief Executive Officer, Chief Financial Officer, Head of Legal, Chief Operating Officer and Head of Strategy shall attend BSRC meetings.

8.2.2 Attendance of other Directors, members of Management, employees or consultants may attend any particular meeting only at the BSRC's invitation, specific to the relevant meeting.

8.3 Chairman of the Meeting

In the event the Chairman is unable be present for a meeting, the remaining members present shall elect a Chairman amongst themselves to chair the meeting.

8.4 Notice and Agenda

8.4.1 Meetings of the Committee shall be arranged by the Secretary at the request of the Committee Chairman or any other member of the Committee.

Unless otherwise agreed, notice of each meeting confirming the venue, time and date shall be forwarded to each Committee member and to other attendees (as appropriate) in advance of each scheduled meeting date together with an agenda and supporting papers;

8.4.2 The Committee shall regulate its own detailed procedures, in particular, the calling of meetings, the notice to be given for meetings, the voting and proceedings of meetings, the keeping of minutes and the custody, production and inspection of minutes;

8.5 Quorum

No business shall be transacted at any meeting of the Committee unless a quorum is present. The presence of two (2) members, both being Independent Directors shall form a quorum.

8.6 Meeting Mode

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.

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8.7 Voting

- 8.7.1 Questions arising shall be decided by a majority of votes. In the case of an equality of votes, the Chairman of the meeting shall have a second or casting vote provided that where two (2) members form a quorum. The Chairman of the meeting at which only such a quorum is present, or at which only two (2) members are competent to vote on the question at issue, shall not have a casting vote;
- 8.7.2 The Chairman and other Committee members must ensure that they are not in Conflict-of-Interest ("COI") situation in respect of any action, submission, request or proposal in question. Where there is actual or perceived conflict of interests, he/she must declare such COI and abstain from deliberations and voting on the matter. Where the Chairman is in conflict, the other Committee members present shall appoint through simple majority any one of them present at the meeting to preside over the particular meeting as ad hoc chairman.

8.8 Meeting Minutes

- 8.8.1 Minutes of each meeting shall be distributed to each member of the Committee. Meeting minutes shall be confirmed at the next meeting of the Committee and shall be available on request from the Secretary to all Non-Executive Directors; and
- 8.8.2 Minutes of each meeting shall be distributed to the Board for notation.

8.9 Circular Resolution

The Committee may from time to time and if deemed appropriate, consider, recommend and/or approve relevant matters via a Committee's circular resolution in lieu of formally convening a meeting. 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 BSRC.

All such resolutions shall be described as 'BSRC'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 and submitted for confirmation at the next meeting of the Committee. 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.

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9. 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.

10. DUTIES AND RESPONSIBILITIES

10.1 Risk Matters

The BSRC shall perform all the functions as is necessary to fulfil its role as aforesaid and include the following risk matters:

- 10.1.1 oversee the development and review of risk management policies, to recommend to the Board for approval;
- 10.1.2 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;
- 10.1.3 review, deliberate, report and provide recommendation to PDB Board concerning principal risks monitoring, ensure proper mitigation is in place and risk scanning is performed in anticipation of emerging risks;
- 10.1.4 oversee the implementation and effectiveness of PETRONAS Resiliency Model (i.e., Enterprise Risk Management, Crisis Management and Business Continuity Management) cascaded from the holding company (i.e., Petroliaam Nasional Berhad (PETRONAS));
- 10.1.5 assist Board to deliberate and evaluate risk assessments on business proposal and new initiatives including but not limited to:
 - (a) Merger & acquisition, divestment and joint-venture proposals in local and foreign countries
 - (b) Commercial transactions with high complexity and financial exposure
 - (c) Country-related decision (entry or exit management)
 - (d) Key capital projects
 - (e) New business ventures/special projects
- 10.1.6 ensure that management considers and implements appropriate and timely responses to material risk including clearly defined escalation triggers and procedures for significant risk events e.g. breach of critical legal areas;
- 10.1.7 co-ordinate the activities with other Board Committee on risk oversight to avoid overlaps in the overall risk oversight process;

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- 10.1.8 promote a healthy risk culture (including awareness, education and training for all levels of employees); and
- 10.1.9 consider other matters relating to risk management as referred to by the Board or by the BSRC as well as feedback from the Management and the external or internal auditors on the effectiveness of risk management system.

10.2 Corruption Risk

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

- 10.2.1 Oversee the adoption and implementation of the Code of Conduct and Business Ethics ("CoBE"), the Anti Bribery & Corruption Manual ("ABC Manual"), and other ethics & integrity policies, processes & procedures, as implemented by PETRONAS and PDB;
- 10.2.2 Review and oversee the sufficiency, adequacy and comprehensiveness of the said ethics & integrity policies, in line with the need to mitigate corruption risks and to recommend new policies for PDB as necessary and advise the Board on issues of compliance with regard to the applicable laws, regulations, rules, directives and guidelines.
- 10.2.3 Establish, maintain and periodically review an anti-corruption compliance programme to adequately address corruption risks;
- 10.2.4 Establish and assess the appropriateness of the resources and authority given to the person who oversees the compliance programme within the Group; and
- 10.2.5 Review and deliberate risk assessment in relation to corruption risk and report to the Board on the results of such reviews.

10.3 Sustainability Matters

Additionally, BSRC shall perform all the functions as is necessary to fulfil its role as aforesaid and include the following sustainability matters:

- 10.3.1 Oversee the review of changes in sustainability megatrends and social expectations which might impact the Group's license to operate.
- 10.3.2 Oversee the review and monitoring of the Group's sustainability and climate-related strategies, progress commitments and goals, the risks and opportunities, including the setting of sustainability and climate-related targets and disclosures.

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- 10.3.3 Provide guidance to the Group's policies, reporting process, programmes, practices and strategies regarding sustainability.
- 10.3.4 Ensure alignment between the Board and the management as well as business strategy on sustainability matters.
- 10.3.5 Provide oversight on internal and external audit and assurance for sustainability related matters.
- 10.3.6 Provide oversight on sustainability/climate-related risks and opportunities and health-related risks including monitoring and review of sustainability and climate performance against established targets and recommend improvements when necessary.
- 10.3.7 Provide endorsement on the sustainability related policies adoption

11 REVISION OF THE TERMS OF REFERENCE

- 11.1 The Committee may from time-to-time or at least once in every three (3) years review or amend its Terms of Reference as it deems appropriate, provided always that the said revisions or amendments are in compliance with applicable laws, directives and guidelines and thereafter shall recommend to the Board for approval.
- 11.2 A revised Terms of Reference shall be effective upon approval by the Board.