



**PETRONAS DAGANGAN BERHAD**  
**REGISTRATION NO.: 198201008499 (88222-D)**

**BOARD AUDIT COMMITTEE**  
**TERMS OF REFERENCE**

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## 1.0 CONSTITUTION

The Board Audit Committee ("BAC" or "Committee") was created by the Board of Directors (Board) pursuant to its resolution on 3 March 1994.

## 2.0 PURPOSE

The BAC is responsible to assist the Board in fulfilling its oversight responsibilities for the financial reporting process, internal and external audit functions, internal control system and review of audit results.

## 3.0 SCOPE OF AUTHORITY

The BAC in performing its duties shall:

- (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 BAC;
- (c) have direct communication channels with the external auditors and person(s) carrying out the internal audit functions or activities;
- (d) obtain external legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary;
- (e) be able to convene meetings with the external auditors, the internal auditors or both while excluding the attendance of other directors and employees of the Company, whenever deemed necessary; and
- (f) to review COI situations that arose or persist (in addition to those that may arise) and the measures taken to resolve, eliminate, or mitigate the COI.

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## 4.0 COMPOSITION

4.1 Upon recommendation of the Nomination and Remuneration Committee, the BAC shall be appointed by the Board amongst the directors of the Company who fulfill the following requirements:

- (a) the BAC must be composed of no fewer than three (3) members; a majority of the BAC members must be Independent Directors, and that the Chairman of the Board shall not be a member of the BAC;
- (b) the BAC must be made up entirely of Non-Executive Directors who should be financially literate; and
- (c) at least one (1) member of the BAC:
  - (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/she must have at least three years working experience and:
    - (aa) he/she must have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967; or
    - (bb) 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.
- (d) Former partner of the external audit firm is to observe a cooling off period of at least 3 years before being appointed as a member of the BAC.

This applies to all former partners of the audit firm and/or affiliate firm (including those providing advisory services, tax consulting, etc.).

- (e) fulfills such other requirements as prescribed or approved by the Bursa Malaysia Securities Berhad ("Bursa Malaysia").

4.2 No alternate Director shall be appointed as a member of the BAC.

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4.3 In the event of any vacancy in the BAC resulting in the non-compliance of the Main Market Listing Requirements of Bursa Malaysia pertaining to the composition of the BAC, the Board shall within three (3) months of that event fill the aforesaid vacancy.

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.

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

4.5 BAC Chairman shall be an Independent Director and a member of NRC.

## 5.0 REMOVAL AND RESIGNATION

- (a) 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;
- (b) 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);
- (c) 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; and
- (d) 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.

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## 6.0 CHAIRMAN

- (a) The members of the BAC shall elect a Chairman from amongst themselves who shall be an Independent Director and that the Chairman shall be a member of the Nomination and Remuneration Committee.
- (b) In the absence of the Chairman, the remaining members present shall elect one of their members as Chairman of the meeting.

## 7.0 SECRETARY

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

## 8.0 MEETINGS AND CIRCULAR RESOLUTIONS

### 8.1 Frequency

- (a) Meetings shall be held not less than four (4) times a year.
- (b) The external auditors may request a meeting if they consider it necessary. Upon such request, the Chairman of the BAC shall convene a BAC meeting to consider any matters the external auditors believe should be brought to the attention of the Directors or shareholders.

### 8.2 Attendance

- (a) The Managing Director/Chief Executive Officer, the Chief Financial Officer, Head Internal Audit, Head of Legal shall normally attend meetings.
- (b) Other Directors and employees of the Company and representatives of the external auditors may attend any particular meeting only at the BAC's invitation, specific to the relevant meeting.
- (c) The external auditors and internal auditors shall appear before the BAC when required to do so by the BAC.

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### **8.3 Chairman of the Meeting**

- (a) The Chairman of the Committee shall be the Chairman of the meeting and in the absence of the Chairman, the remaining members present shall elect one of their members as Chairman of the meeting.

### **8.4 Notice and Agenda**

- (a) 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; and

- (b) 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**

A quorum shall be two (2) independent directors.

### **8.6 Meeting Mode**

- (a) 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.
- (b) The Committee may from time to time and if deemed appropriate, consider and approved and/or recommend relevant matters via a Committee's circular resolutions in lieu of formally convening a meeting. A resolution in writing signed or approved by letter and transmitted by any electronic means by all the members who may at the time be present in Malaysia, being not less than two (2) Directors are sufficient to form a quorum shall

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be valid and effectual as if it had been passed at a meeting of the NRC duly called and constituted.

- (c) All such resolutions shall be described as "Nomination and Remuneration Committee Circular Resolutions" and shall be forwarded or otherwise delivered to the Secretary without delay and shall be recorded by the Secretary in the Company's minute book and submitted for confirmation at a meeting of the Board next, following the receipt thereof by the Secretary.

### **8.7 Voting**

- (a) 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; and
- (b) The Chairman and other Committee members must ensure that they are not in 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 conflict of interests 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 Procedure**

- (a) 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.

### **9.0 COMMITTEE EVALUATION**

The BAC will annually complete a self-evaluation of the Committee's own performance and effectiveness.

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## **10.0 DUTIES AND RESPONSIBILITIES**

The duties and functions of the BAC shall be:

### **10.1 External Audit**

- (i) To review the suitability, objectivity and independence of the external auditors;
- (ii) To recommend to the Board on the appointment, re-appointment or removal of external auditors, and their audit fees;
- (iii) To review and 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;
- (iv) To review the nature, extent and scope of non-audit services, i.e. recurring and non-recurring to ensure that they are not likely to create conflicts of interest, so as to maintain objectivity and independence of external auditors;
- (v) To review with the external auditors on any significant audit findings, reservations, difficulties encountered or material weaknesses reported by the external auditors; and
- (vi) To review audit approach, including coordination of audit efforts with internal auditors, and assistance given by the employees to the external auditors.

### **10.2 Internal Audit**

- (i) To authorise the appointment and removal of the Head of Internal Audit;
- (ii) To review and provide feedback to the highest authority of the Company on the performance of the Head of Internal Audit.
- (iii) To meet periodically with Head of Internal Audit, including private meeting without senior management's presence;
- (iv) To review the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;
- (v) To approve the Internal Audit Charter

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- (vi) To approve the internal audit plan and budget for Internal Audit functions;
- (vii) To review the audit reports and to consider the findings of the internal audit, management's response and whether appropriate actions are taken on the agreed recommendations
- (viii) To direct and where appropriate, supervise any special project and to consider the major findings of internal investigations and to follow through until completion.
- (ix) To review Internal Audit performance objectives annually;
- (x) To approve the External Quality Assurance Review (EQAR) implementation and action plans.

### 10.3 Financial Reporting Review

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:

- (i) any change in accounting policies and practices;
- (ii) significant and unusual events;
- (iii) major judgmental areas;
- (iv) significant adjustments resulting from the audit;
- (v) the going concern assumption;
- (vi) compliance with accounting standards; and
- (vii) compliance with other legal requirements and Main Market Listing Requirements of Bursa Malaysia.

## **11.0 RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST ("COI")**

To review any related party transaction and COI or potential COI (including competing business with PDB and its group of companies) situation that may arise in the Company and the Group including any transaction, procedure or course of conduct that raises questions of the Management's integrity and measures taken to resolve, eliminate, or mitigate such COI situation. The review of the COI shall include Directors and Key Leadership Team of PDB Group.

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## **12.0 INTERNAL CONTROL**

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.

## **13.0 OTHER MATTERS**

- (i) 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;
- (ii) to discuss problems and reservations arising from the internal audit, interim and final audits, and matters the internal and external auditors may wish to discuss (in the absence of Management where necessary);
- (iii) where the BAC is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Main Market Listing Requirements, the BAC must promptly report such matter to Bursa Malaysia; and
- (iv) carrying out any other functions that may be mutually agreed upon by BAC and the Board.

## **14.0 REVISION OF THE TERMS OF REFERENCE**

- 14.1 The BAC may from time-to-time revise or amend its Terms of Reference, provided always that the said revisions or amendments are in compliance with applicable laws, directives and guidelines and that thereafter shall be recommended to the Board for approval.
- 14.2 A revised Terms of Reference shall be effective upon approval by the Board.