

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

**BOARD SUSTAINABILITY AND RISK COMMITTEE'S TERMS OF REFERENCE**

**1.0 ESTABLISHMENT**

- 1.1 The Board Risk Committee ("BRC") was established by the Board of Directors ("Board") of PETRONAS Dagangan Berhad ("PDB" or the "Company") pursuant to its resolution on 26 February 2019.
- 1.2 The Board has agreed for BRC to carry out sustainability oversight function on 20 January 2023, and BRC now known as Board Sustainability and Risk Committee.

**2.0 PURPOSE**

- 2.1 The Board Sustainability and Risk Committee ("BSRC") is responsible to assist the Board in providing the oversight on sustainability by assessing, evaluating and monitoring the elements of sustainability pillars which comprises of Environment, Economic, Social and Governance and effectively 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 for PDB and its subsidiaries (collectively referred to as the "Group").
- 2.2 In the exercise of its functions, it is understood that the BSRC is not delegated with decision-making powers but shall report its recommendations to the Board for decision. The existence of the BSRC does not diminish the Board's ultimate statutory and fiduciary responsibility for the decision-making relating to the functions and duties of the BSRC. The member must continue to exercise due care and judgement in accordance with their statutory obligations.

### **3.0 MEMBERSHIP**

- 3.1 PDB Board may upon recommendation of the Nomination and Remuneration Committee ("NRC"), appoint any of its members as members of the BSRC.
- 3.2 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 and that the Chairman of the Board shall not be a member of BSRC.
- 3.3 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.
- 3.4 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.
- 3.5 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.
- 3.6 The Chairman of BSRC shall be an Independent Director as appointed by Board and a member of the Nomination and Remuneration Committee.
- 3.7 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) month of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

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.

3.8 No alternate Director can be appointed as a member of the BSRC.

3.9 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

## **4.0 MEETING**

### **4.1 Quorum**

4.1.1 A quorum shall be two (2) members, both being Independent Directors.

4.1.2 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.

### **4.2 Secretary**

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

4.2.2 Minutes of meetings shall be duly entered in the minute books and kept by the Company Secretary.

### **4.3 Frequency**

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

4.3.2 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.

### **4.4 Attendance**

4.4.1 The Chief Executive Officer, Chief Financial Officer, Head of Legal, Chief Operating Officer and Head of Strategy shall attend meetings.

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

4.4.3 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.

#### **4.5 Reporting Procedure**

4.5.1 The Secretary shall circulate the minutes of meetings of the BSRC to all members of the Board for notation.

#### **4.6 Meeting Procedure**

The BSRC shall regulate its own procedure, in particular:

4.6.1 the calling of meetings;

4.6.2 the notice to be given of such meetings;

4.6.3 the voting and proceedings of such meetings;

4.6.4 the keeping of minutes; and

4.6.5 the custody, production and inspection of such minutes.

### **5.0 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 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. 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.

## **6.0 AUTHORITY**

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

- 6.1 Have the authority to investigate any matter within its term of reference;
- 6.2 Have the authority to seek full and unrestricted access to any information it requires from any employee and all employees are directed to cooperate with any request made by the BSRC; and
- 6.3 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.

## **7.0 COMMITTEE EVALUATION AND REVISION TO TERMS OF REFERENCE**

- 7.1 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.
- 7.2 The Committee may from time-to-time revise or amend its Terms of Reference as it deems appropriate and thereafter shall recommend to the Board for approval.

## **8.0 DUTIES AND FUNCTIONS**

- 8.1 The BSRC shall perform all the functions as is necessary to fulfil its role as aforesaid and include the following risk matters:
  - 8.1.1 oversee the development and review of risk management policies, to recommend to the Board for approval;

- 8.1.2 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;
- 8.1.3 review, deliberate, report and provide recommendation to PDB Board concerning principal risks monitoring, ensure proper mitigation is in place and risk scanning is performing in anticipation of emerging risks;
- 8.1.4 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., Petroliam Nasional Berhad (PETRONAS));
- 8.1.5 assist Board to deliberate and evaluate risk assessments on business proposal and new initiatives including but not limited to:
  - 8.1.5.1 Merger & acquisition, divestment and joint-venture proposals in local and foreign countries
  - 8.1.5.2 Commercial transactions with high complexity and financial exposure
  - 8.1.5.3 Country-related decision (entry or exit management)
  - 8.1.5.4 Key capital projects
  - 8.1.5.5 New business ventures/special projects
- 8.1.6 ensure that management considers and implements appropriate risk responses;
- 8.1.7 co-ordinate the activities with other Board Committee on risk oversight to avoid overlaps in the overall risk oversight process;
- 8.1.8 promote a healthy risk culture (including awareness, education and training for all levels of employees); and

- 8.1.9 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.
- 8.2 The BSRC shall also have the following duties to adequately manage corruption risk within the Group:
  - 8.2.1 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;
  - 8.2.2 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.
  - 8.2.3 Establish, maintain and periodically review an anti-corruption compliance programme to adequately address corruption risks;
  - 8.2.4 Establish and assess the appropriateness of the resources and authority given to the person who oversees the compliance programme within the Group; and
  - 8.2.5 Review and deliberate risk assessment in relation to corruption risk and report to the Board on the results of such reviews.
- 8.3 Additionally, BSRC shall perform all the functions as is necessary to fulfil its role as aforesaid and include the following sustainability matters:
  - 8.3.1 Oversee the review of changes in sustainability megatrends and social expectations which might impact the Group's license to operate

- 8.3.2 Oversee the review of the Group's sustainability commitments and goals, the risks as well as opportunities.
- 8.3.3 Provide guidance to the Group's policies, programmes, practices and strategies regarding sustainability.
- 8.3.4 Ensure alignment between the Board and the management as well as business strategy on sustainability matters.