

Tesoro Corporation

## **AUDIT COMMITTEE**

Of the Board of Directors

### **CHARTER**

#### **I INDEPENDENCE**

- The Board of Directors shall designate an Audit Committee, which shall be composed of at least three directors, all of whom must be “independent directors”. To be considered “independent”, the member, and the compensation received by such member, must satisfy the requirements of all applicable laws and regulations relative to audit committee independence, including without limitation those of the New York Stock Exchange and the Securities and Exchange Commission, as determined by the Board.
- The members of the Audit Committee shall possess such degree of financial or accounting expertise, as the Board of Directors interprets in its business judgment, as may be required by law or by the regulations of the Securities and Exchange Commission. The members of the Audit Committee shall have a working familiarity with basic finance and accounting practices, and at least one member of the Committee shall be a “financial expert” in compliance with the criteria established by the SEC and other relevant regulations.
- It is the intention of the Board that its Audit Committee shall satisfy all laws, regulations, rules, requirements and standards applicable to audit committees.

#### **II PURPOSE**

- The Audit Committee shall provide assistance to the Board of Directors in fulfilling its responsibility to the Company and its shareholders relating to its oversight of management and its auditors in respect of corporate accounting, financial reporting practices, and the quality and integrity of the financial reports of the Company, including the Company’s compliance with legal and regulatory requirements, the independent auditor’s qualifications and independence, the performance of the Company’s internal audit function and independent auditors, and the preparation of the report required by the rules of the Securities and Exchange Commission to be included in the Company’s annual proxy statement.
- It is not the role of the Audit Committee to plan or conduct audits, to guarantee the accuracy or quality of the Company’s financial statements or to determine that the financial statements are in accordance with generally accepted

accounting principles and applicable laws and regulations. These are the responsibilities of management, the independent auditors and internal auditors. It is the collective responsibility of the Audit Committee to maintain regular and open communication among the directors, the independent auditors, the internal auditors, and the financial management of the Company.

### **III DUTIES AND RESPONSIBILITIES**

- In carrying out its responsibilities, the Audit Committee believes its policies and procedures should remain flexible in order to best react to changing conditions and to oversee management's implementation of prudent corporate accounting and reporting policies.
- The Audit Committee will be (i) directly responsible for the appointment, compensation and oversight of the independent auditors (including the resolution of any disagreements between management and the independent auditors regarding financial reporting), (ii) reported to directly by the independent auditors, (iii) responsible for approving in advance all auditing services (including comfort letters and statutory audits) performed by the independent auditors, (iv) the Audit Committee shall approve in advance all non-audit services performed by the independent auditors. All non-audit services to be performed by the independent auditors shall be disclosed. The Audit Committee may delegate to one or more members of the Audit Committee who are independent directors the authority to grant pre-approvals required by this subsection, and the decisions of the member to whom this authority is delegated shall be presented to the Audit Committee at the next scheduled meeting of the Audit Committee. The independent auditors may not perform for the Company any services that are prohibited by law or regulation. The foregoing requirements do not preclude the Audit Committee from obtaining the input of management, but these responsibilities may not be delegated to management.
- The Audit Committee is responsible for obtaining from the independent auditors at least annually, a formal written statement delineating all relationships between the auditors and the Company. The Audit Committee shall be responsible for conferring with the independent auditors with respect to any disclosed relationships or services that may affect the objectivity and independence of the independent auditors and for recommending to the Board of Directors such appropriate action as may be necessary to satisfy itself as to the qualifications, performance and independence of the independent auditors.
- To the extent required by law or regulation, the annual statement also shall describe: (i) the independent auditor's internal quality control procedures, (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by an inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more

independent audits carried out by the firm, and (iii) any steps taken to deal with any such issues.

- The Audit Committee will comply with all relevant laws and regulations relative to (i) rotation of independent auditors or independent audit personnel and (ii) the performance of services by an independent audit firm when a former employee of that firm currently serves as chief executive officer, chief financial officer, chief accounting officer or equivalent officer of the Company.
- The Audit Committee will review with the independent auditors, the Company's internal auditors, and appropriate financial and accounting personnel, such internal controls to ensure that material information relating to the Company and its consolidated subsidiaries is made known to such officers and to identify: (i) all significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize, and report financial data and have identified for the Company's auditors any material weaknesses in internal controls; (ii) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls; and (iii) whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses. The Audit Committee will elicit any recommendations for the improvement of such internal control procedures or particular areas where new or more detailed controls or procedures are desirable.
- The Audit Committee will meet with the independent auditors and financial management of the Company to review the scope of the proposed audit plan for the current year and at the conclusion thereof review such audit, including any comments or recommendations of the independent auditors.
- The Audit Committee will regularly review with the independent auditors any audit problems or difficulties the auditors encountered in the course of the audit work, including any restrictions on the scope of the independent auditor's activities or on access to requested information, and any significant disagreements with management, and management's response. In that regard, no officer or director of the Company, or any other person acting under the direction thereof, shall violate any law or regulation that prohibits fraudulently influencing, coercing, manipulating, or misleading any independent auditors engaged in the performance of an audit of the financial statements of the Company for the purpose of rendering such financial statements materially misleading.
- The Audit Committee will comply with laws and regulations governing hiring policies for employees or former employees of the independent auditors.

- The Company will maintain an internal audit function. The Audit Committee will review the internal audit function of the Company, including the independence and authority of its reporting obligations, the proposed audit plans for the coming year, and the coordination of such plans with the independent auditors. The Audit Committee will review the regular internal reports (or summaries thereof) to management prepared by the internal audit function of the Company and management's response.
- The Audit Committee will discuss earnings press releases and financial information and earnings guidance provided to analysts and rating agencies, though this may be done generally (i.e., discussion of the types of information to be disclosed and the type of presentation to be made) and the Committee may not discuss in advance each earnings release or each instance in which the Company may provide earnings guidance.
- The Audit Committee will discuss with management and the independent auditors the annual audited financial statements and the quarterly financial statements, including a discussion of all matters relevant thereto that are required to be discussed under any applicable law or regulation or that the Committee otherwise considers it desirable to discuss, including: (i) review of the integrity of the organization's financial reporting processes (both internal and external), and the internal control structure (including disclosure controls); (ii) review of major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles, and major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies; (iii) review of the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company.
- The independent auditors must timely report to the Audit Committee on all matters that are required to be reported under any applicable law or regulation or that the independent auditors otherwise considers it desirable to report.
- Each report that contains financial statements (including annual and quarterly reports), and that is required to be prepared in accordance with (or reconciled to) generally accepted accounting principles and filed with the SEC, shall reflect or disclose all information required to be reflected or disclosed under any applicable law or regulation, and in a manner in accordance with such law or regulation.
- Periodically, the Audit Committee shall meet separately with the chief financial officer, with the internal auditors, and with the independent auditors. Among the items to be discussed in these meetings are the evaluation of the Company's financial, accounting, and auditing personnel, and the cooperation that the independent auditors and the internal auditors receive during the course of the audit.

- The Audit Committee will prepare the report required by the rules of the Securities and Exchange Commission to be included in the Company's annual proxy statement.
- The Audit Committee will review accounting and financial staffing and succession planning within the Company as necessary.
- The Audit Committee will review the matters discussed at each Audit Committee meeting with the Board of Directors. The Committee should review with the full board any issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the Company's independent auditors, or the performance of the internal audit function.
- The Audit Committee will establish and maintain procedures for the confidential, anonymous submission by Company employees regarding concerns of questionable accounting or auditing matters. The Audit Committee will investigate any matter brought to its attention within the scope of its duties to the extent and in such manner as it considers appropriate (including confidential, anonymous submissions by employees of concerns regarding questionable accounting or auditing matters). The Audit Committee will discuss with management and the independent auditors any correspondence with regulators or governmental agencies and any employee complaints or published reports that raise material issues regarding the Company's financial statements or accounting policies.
- The Audit Committee will review compliance with the Company's Ethics Policy annually. To the extent required by applicable laws or regulations: (i) the Ethics Policy will continue to be applicable to senior financial officers of the Company, including its principal financial officer, and its controller or principal accounting officer, and to persons performing similar functions; (ii) the Company immediately shall disclose, by means of the filing of an applicable SEC reporting form, dissemination by the Internet or by other electronic means, any waiver of or change in the Ethics Policy for such senior financial officers; (iii) the Company's Ethics Policy shall continue to include such standards as are reasonably necessary to promote: (a) honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships; (b) full, fair, accurate, timely, and understandable disclosure in the periodic reports required to be filed by the Company; and (c) compliance with applicable governmental laws and regulations.
- The Audit Committee will review compliance with the Company's legal compliance policy annually. The Committee will discuss with the Company's General Counsel legal matters that may have a material impact on the Company's financial statements or compliance policies.

- The Audit Committee may obtain advice and assistance from outside legal, accounting or other advisors as it deems appropriate. It may retain these advisors without seeking board approval. The Company will provide appropriate funding, as determined by the Audit Committee, for payment of the compensation of the independent auditors and to any advisors engaged by the Audit Committee.
- The Audit Committee will conduct an annual evaluation of its performance.
- The Audit Committee will review its charter annually and include it in the company's proxy statement as required by applicable law or regulation.