



TENAGA NASIONAL BERHAD
199001009294 (200866-W)

BOARD AUDIT COMMITTEE

TERMS OF REFERENCE

The Board Audit Committee's Terms of Reference has been approved by the Board of Directors of Tenaga Nasional Berhad on 14 December 2023. This document is accessible on the Company's official website at www.tnb.com.my.

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1.0 CONSTITUTION

- 1.1 The Board of Directors of Tenaga Nasional Berhad (TNB), in accordance with Article 146 of the Memorandum and Articles of Association of TNB, established a Committee of the Board, known as the Board Audit Committee (BAC), vide Minute No. 39/90 on 9 October 1990.
- 1.2 The functions and authorities of the BAC extend to TNB and all its subsidiaries, joint ventures and associates where management responsibility is vested to TNB or its subsidiaries (collectively referred to as the "Group").

2.0 OBJECTIVES OF THE COMMITTEE

- 2.1 Provide assistance to the Board in fulfilling its fiduciary responsibilities relating to corporate accounting and reporting practices.
- 2.2 Ensure transparency, integrity and accountability in the Group's activities so as to safeguard the rights and interests of the shareholders.
- 2.3 Improve the Group's business efficiency, the quality of the accounting and audit function, and strengthen public confidence in the Group's reported financial results and other related disclosures.
- 2.4 Maintain, through regularly scheduled meetings, a direct line of communication between the Board and the external and internal auditors.
- 2.5 Ensure the independence and coordination of work amongst the external and internal audit functions.
- 2.6 Create a climate of discipline and control which will reduce the opportunity for fraud.

3.0 COMPOSITION OF THE COMMITTEE

- 3.1 Members of the BAC shall be appointed among the Board of Directors of TNB and shall consist of not less than three (3) Directors all of whom must be Non-Executive Directors, with the majority being independent, in accordance with the Bursa Malaysia Securities Berhad Main Market Listing Requirements (MMLR).
- 3.2 Where the members for any reason are reduced to less than three (3), the Board shall within three (3) months of the event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

- 3.3 At least one (1) member of the BAC must meet the following criteria as prescribed in the MMLR:
- 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 (3) years working experience, and:
 - a. must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967, or
 - b. must be a member of one (1) of the associations of accountants specified in Part 2 of the 1st Schedule of the Accountants Act 1967; or
 - iii. Fulfils such other requirements as prescribed or approved by the Bursa Malaysia Securities Berhad.
- 3.4 No alternate Director shall be appointed as a member of BAC.
- 3.5 The Board shall elect a Chairman amongst the BAC members, who shall be an Independent Director as set out in the MMLR.
- 3.6 The Chairman of BAC shall not be the Chairman of the Board.
- 3.7 The term of office and performance of BAC shall be reviewed by the Board Nomination and Remuneration Committee (BNRC) to determine whether BAC has carried out its duties in accordance with its Terms of Reference and subsequently endorsed by the Board.
- 3.8 A former partner of the Company's external audit firm and/ or the affiliate firm (including those providing advisory services, tax consulting, etc.) must observe a cooling-off period of at least three (3) years before being appointed as a member of BAC.

4.0 RESPONSIBILITIES OF CHAIRMAN

- 4.1 Steer BAC to achieve its objectives as mandated by the Board.
- 4.2 Provide leadership to BAC and ensure proper flow of information, review adequacy and timing of documentation.

- 4.3 Provide a reasonable time for discussion at BAC meetings, organise and present the agenda for BAC meetings based on input from members and ensure that all relevant issues are on the agenda. In addition, the Chairman should encourage a healthy level of skepticism and independence.
- 4.4 Ensure that consensus is reached on every BAC resolution and, where considered necessary, call for a vote for the decision to be made by a simple majority. Dissenting opinions should be captured.
- 4.5 Manage the process and working of BAC and ensure that BAC discharges its responsibilities.
- 4.6 Ensure that all members participate in the discussion to enable effective decisions to be made.
- 4.7 Be available to answer questions about BAC's work at the Annual General Meeting of the Company.

5.0 RESPONSIBILITIES OF COMMITTEE MEMBERS

- 5.1 Provide independent opinions during discussions, analysis and decision-making process of BAC, based on his/ her skills, experience and knowledge.
- 5.2 Keep abreast of the latest corporate governance guidelines in relation to BAC and the Board as a whole.
- 5.3 Possess adequate financial literacy in order to continuously apply a critical and probing view on the Company's financial reporting process, transactions and other financial information, and effectively challenge Management's assertions on the Company's financials.
- 5.4 Undertake continuous professional development programs to keep abreast of relevant developments in governance practices, accounting and auditing standards, practices and rules, sustainability developments and requirements, and other relevant areas.
- 5.5 Seek out best practices in terms of the processes utilised by BAC, following which these should be discussed with the rest of the members for possible adoption.

6.0 AUTHORITY OF THE COMMITTEE

- 6.1 Investigate any activity within its Terms of Reference; or as directed by the Board of Directors.

- 6.2 Determine and obtain the resources required to perform its duties, including approving the budget for the external and internal audit functions.
- 6.3 Have full and unrestricted access to all employees, the Group's properties and works, to all books, accounts, records and other information of the Group in whatever form.
- 6.4 Have direct communication with external auditor and person(s) carrying out the internal audit function or activity for the Group.
- 6.5 Direct the internal audit function of the Group.
- 6.6 Approve the appointment and removal of the Head of Internal Audit of the Group.
- 6.7 Approve the setting up of internal audit function in subsidiaries of the Group.
- 6.8 Approve appointment of independent advisers/ consultants with relevant experience and expertise in line with Limits of Authority set by the Group.
- 6.9 Review the adequacy of the structure and Terms of Reference of the Board Committees, including the BAC.

7.0 FUNCTIONS OF THE COMMITTEE

The functions and responsibilities of BAC shall include, but not limited to the following:

7.1 Corporate Financial Reporting

- i. Review and recommend the acceptance or otherwise of accounting policies, principles and practices.
- ii. Review the quarterly results and annual financial statements of the Company and Group before submission to the Board. The review should focus primarily on:
 - a. any changes in existing accounting policies or implementation of new accounting policies;
 - b. major judgment areas, significant and unusual events;
 - c. significant adjustments resulting from audit;
 - d. the going concern assumptions;

- e. compliance with accounting standards, MMLR, and legal, regulatory, and statutory requirements.
- iii. Review with Management and the external auditor the results of the audit, including any difficulties encountered prior to presentation to the Board.
- iv. Review and verify the allocation of scheme options pursuant to the Company's Share Issuance Scheme in accordance with MMLR as to provide a statement by Audit Committee in the annual report.

7.2 Internal Control

- i. Assess the quality and effectiveness of the system of internal control and the efficiency of the Group's operations.
- ii. Review the findings on internal control in the Group reported by the internal and external auditors.

7.3 Internal Audit

- i. Approve the Internal Audit Charter of the Group's internal audit function which defines its mandated purpose, authority, and responsibility.
- ii. Ensure that the internal audit function has appropriate standing in the Group and has the necessary authority, resources and competency to carry out its work without any hindrance. This includes a review of the organisational structure, resources, budget, and qualifications of the internal audit personnel.
- iii. Review the adequacy of internal audit plan and the scope of audits to ensure robustness of risk assessment methodology and audit planning process.
- iv. Review internal audit reports and Management's response and actions taken in respect of these. Where appropriate, recommend to escalate significant matters to the Board.
- v. Appraise the performance of the Group's internal audit function and Head of Internal Audit.
- vi. Be informed of resignations and transfers of senior internal audit staff and provide resigning/ transferred staff an opportunity to express their views.
- vii. Direct any special investigation to be carried out by internal audit function.

- viii. Review and approve the Statement on Internal Audit Function to be incorporated in the Integrated Annual Report as required under MMLR.
- ix. Conduct a formal, private meeting with the Head of Internal Audit, without the presence of Management, at least annually to discuss on any matters or issues concerning internal audit or the organisation.
- x. Approve the setting up of internal audit function in subsidiaries of the Group.

7.4 External Audit

- i. Nominate the external auditor together with such other functions as may be agreed to by the Board and recommend for approval of the Board the external audit fee, and consider any question of resignation or termination.
- ii. Review the external audit plans and scope of work.
- iii. Assess the suitability, objectivity and independence of the external auditor annually to safeguard the quality and reliability of audited financial statements *through*:
 - a. Conduct an evaluation on the performance of the external auditor in guiding decisions on the appointment or re-appointment of the external auditor.
 - b. Consider the Annual Transparency Report of the audit firm's governance and leadership structure as well as measures undertaken by the firm to uphold audit quality and manage risks.
 - c. Obtain written assurance from the external auditor confirming that they are, and have been, independent throughout the conduct of the audit engagement for the financial year.
 - d. Monitor the extent of non-audit services performed by the external auditor to ensure that provision of the non-audit services does not impair their independence.
- iv. Review external audit reports and Management's response and actions taken in respect of these. Where appropriate, recommend to escalate significant matters to the Board.
- v. The BAC shall meet the external auditors at least twice a year to discuss problems and reservations arising out of audits and any matters the auditors may wish to discuss, in the absence of Management, Executive Directors or Non-independent Directors where necessary.

7.5 Corporate Governance

- i. Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of Management's investigation and follow up (including disciplinary action) of any instances of non-compliance.
- ii. Review the findings of any examinations by regulatory authorities.
- iii. Review any related party transaction and conflict of interest situation that arose, perceived, or may arise within the Group including any transaction, procedure or course of conduct that raises questions of integrity, and the measures taken to resolve, eliminate, or mitigate such conflicts.
- iv. Review and approve the Statement of Corporate Governance for the Integrated Annual Report as required under MMLR.
- v. Review the investor relations program and shareholder communications policy for the Group.
- vi. Examine instances and matters that may have compromised the principles of corporate governance and report back to the Board.
- vii. 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 MMLR, to promptly report such matters to Bursa Malaysia Securities Berhad.

7.6 Sustainability Matters

- i. Ensure consistency and connectivity of sustainability-related disclosures across financial reporting and other public disclosures.
- ii. Ensure the internal audit function has adequately incorporated sustainability into its audit plan.
- iii. Approve the assurance plan/ methodology on Sustainability Statement including the types of assurance (internal/ external), level of assurance (limited/ reasonable), subject matter, scope and boundaries.
- iv. Endorse appointment of external assurance provider for co-sourcing or outsourcing of sustainability assurance.
- v. Review the results of assurance of the Sustainability Statement and approve the Statement of Assurance which forms part of the Sustainability Statement.

8.0 COMMITTEE MEETINGS

- 8.1 The BAC shall convene meetings as and when required, and at least six (6) times during the financial year of the Company.
- 8.2 In order to form a quorum to convene a BAC meeting, the majority of members present must be Independent Directors.
- 8.3 The Chairman, or the Secretary of BAC on the request of any member, the Head of Internal Audit or the external auditor, shall at any time summon a meeting of the Committee by giving reasonable notice. It shall not be necessary to give notice of meeting to any member who at the time is in overseas.
- 8.4 No business shall be transacted at any BAC meeting unless a quorum of three (3) members is satisfied.
- 8.5 The Chairman of BAC shall chair the Committee meetings and in his/ her absence, the members present shall elect one (1) amongst themselves to be the Chairman of the meeting.
- 8.6 In appropriate circumstances, the BAC may deal with matters by way of circular reports and resolution in lieu of convening a formal meeting.
- 8.7 Officers of the Group or others as necessary may be invited to attend meetings where BAC considers their presence as necessary.
- 8.8 All recommendations endorsed by BAC shall be submitted to the Board for approval.
- 8.9 The BAC, through its Chairman, shall report to the Board after each meeting.
- 8.10 A BAC member shall excuse himself/ herself from the meeting during discussions or deliberations of any matter which gives rise to an actual or perceived conflict of interest situation for the member. Where this causes insufficient Directors to make up a quorum, BAC has the right to appoint another one or more Director(s), who meet the membership criteria.
- 8.11 Subject to the provisions of these Terms of Reference and Memorandum and Articles of Association of TNB, the BAC shall establish its own procedures for meetings.

9.0 SECRETARY OF THE COMMITTEE

- 9.1 The Secretary of BAC shall be the Company Secretary.
- 9.2 The Secretary shall draw up an agenda for each meeting, in consultation with the Chairman of BAC. The Agenda shall be sent to all BAC members and the Head of Internal Audit at least five (5) working days before each meeting together with the relevant papers.
- 9.3 The Secretary shall promptly prepare the written minutes of the meeting and distribute it to each member. The minutes of BAC meeting shall be confirmed and signed by the Chairman of the meeting at the next meeting.
- 9.4 The minutes of each meeting shall be entered into the minutes book kept at the registered office of the Company under the custody of the Company Secretary. The minutes shall be available for inspection by members of the Board, external auditor, internal auditor, and other persons deemed appropriate by the Company Secretary.

10.0 DISCLOSURE

- 10.1 The BAC shall assist the Board in making disclosures concerning the activities of BAC, in the Board Audit Committee Report, to be issued in the Integrated Annual Report.
- 10.2 The Board Audit Committee Report must include the following:
- i. The composition of the Audit Committee, including the name, designation (indicating the chairman) and directorship of the members (indicating whether the Directors are independent or otherwise).
 - ii. The number of Audit Committee meetings held during the financial year and details of attendance of each Audit Committee member.
 - iii. A summary of the work of the Audit Committee in the discharge of its functions and duties for that financial year of the listed issuer and how it has met its responsibilities.
 - iv. The details and summary of the work of the internal audit function, including the name and qualification of the Head of Internal Audit, number of resources in the internal audit function, objectivity and independence status of internal auditors, and whether the internal audit function is carried out in accordance with a recognized framework.

- v. A summary of any conflict of interest or potential conflict of interest situation reviewed by the audit committee pursuant to paragraph 7.5 (iii) (excluding a related party transaction), and the measures taken to resolve, eliminate, or mitigate such conflicts.

- 10.3 The Board requires all Directors to submit a Disclosure of Interest to avoid any conflict between their personal interests and the interests of the Company. In the event of a conflict, either perceived or actual, this Disclosure of Interest shall be submitted to the Chairman of BAC with a copy to the Company Secretary.

11.0 REVISION OF THE TERMS OF REFERENCE

- 11.1 Any revision or amendment to the Terms of Reference, as proposed by the BAC or any third party, shall be presented to the Board for its approval.
- 11.2 Upon the Board's approval, the said revision or amendment shall form part of this Terms of Reference, which shall be considered duly revised or amended.

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