



TERMS OF REFERENCE

BOARD AUDIT COMMITTEE

TENAGA NASIONAL BERHAD
199001009294 (200866-W)

The Board Audit Committee's Terms of Reference has been approved by the Board of Directors of Tenaga Nasional Berhad on 25 November 2021. This document is accessible on the Company's official website at www.tnb.com.my.



**TENAGA NASIONAL BERHAD
TERMS OF REFERENCE
BOARD AUDIT COMMITTEE**

TABLE OF CONTENTS

	Page
1.0 CONSTITUTION	1
2.0 COMPOSITION OF THE COMMITTEE	1
3.0 CHAIRMAN OF THE COMMITTEE	2
4.0 COMMITTEE MEMBERS	2
5.0 OBJECTIVES OF THE COMMITTEE	3
6.0 AUTHORITY OF THE COMMITTEE	3
7.0 FUNCTIONS OF THE COMMITTEE	4
7.1 Corporate Financial Reporting	4
7.2 Internal Control	5
7.3 Internal Audit	5
7.4 External Audit	6
7.5 Corporate Governance	6
8.0 COMMITTEE MEETINGS	7
9.0 SECRETARY OF THE COMMITTEE	7
10.0 DISCLOSURE	8
11.0 REVISION OF THE TERMS OF REFERENCE	9

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 function and authority 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 COMPOSITION OF THE COMMITTEE

- 2.1 Members of the BAC shall be appointed by 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).
- 2.2 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.
- 2.3 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 II 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.
- 2.4 The Board shall elect a chairman amongst the BAC members, who shall be an Independent Director as set out in the MMLR.
- 2.5 The chairman of BAC shall not be the Chairman of the Board.

- 2.6 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.
- 2.7 No alternate Director shall be appointed as a member of BAC.
- 2.8 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.

3.0 CHAIRMAN OF THE COMMITTEE

The following are the main duties and responsibilities of the Chairman of BAC:

- 3.1 Steer BAC to achieve its objectives.
- 3.2 Provide leadership to BAC and ensure proper flow of information, review adequacy and timing of documentation.
- 3.3 Provide a reasonable time for discussion at BAC meetings, organize 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.
- 3.4 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.
- 3.5 Manage the process and working of BAC and ensure that BAC discharges its responsibilities.
- 3.6 Ensure that all members participate in the discussion to enable effective decisions to be made.
- 3.7 Be available to answer questions about BAC's work at the Annual General Meeting of the Company.

4.0 COMMITTEE MEMBERS

The following is expected from each BAC member:

- 4.1 Provide independent opinions to the fact-finding, analysis and decision-making process of BAC, based on his/ her skills, experience and knowledge.

- 4.2 Consider viewpoints of the other BAC members and make decisions/ recommendations in the best interest of the Group.
- 4.3 Keep abreast of the latest corporate governance guidelines in relation to BAC and the Board as a whole.
- 4.4 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.
- 4.5 Undertake continuous professional development programs to keep abreast of relevant developments in governance practices, accounting and auditing standards, practices and rules, and related areas.
- 4.6 Seek out best practices in terms of the processes utilized by BAC, following which these should be discussed with the rest of the members for possible adoption.

5.0 OBJECTIVES OF THE COMMITTEE

The following are the objectives of BAC:

- 5.1 Ensure transparency, integrity and accountability in the Group's activities so as to safeguard the rights and interests of the shareholders.
- 5.2 Provide assistance to the Board in fulfilling its fiduciary responsibilities relating to corporate accounting and reporting practices.
- 5.3 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.
- 5.4 Maintain, through regularly scheduled meetings, a direct line of communication between the Board and the external and internal auditors.
- 5.5 Ensure the independence of the external and internal audit functions.
- 5.6 Create a climate of discipline and control which will reduce the opportunity for fraud.

6.0 AUTHORITY OF THE COMMITTEE

BAC is authorized by the Board to perform the following:

- 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 in the Group.
- 6.6 Approve the appointment of the Head of Internal Audit.
- 6.7 Engage independent advisers and to secure the attendance of outsiders with relevant experience and expertise if it considered necessary.
- 6.8 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 are as follows:

7.1 Corporate Financial Reporting

- 7.1.1 Review and recommend the acceptance or otherwise of accounting policies, principles and practices.
- 7.1.2 Review the quarterly results and annual financial statements of the Company and Group before submission to the Board. The review should focus primarily on:
 - i. any changes in existing accounting policies or implementation of new accounting policies;
 - ii. major judgment areas, significant and unusual events;
 - iii. significant adjustments resulting from audit;
 - iv. the going concern assumptions;
 - v. compliance with accounting standards; and
 - vi. compliance with MMLR and other legal and statutory requirements.

- 7.1.3 Review with Management and the external auditor the results of the audit, including any difficulties encountered.
- 7.1.4 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

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

7.3 Internal Audit

- 7.3.1 Approve the Internal Audit Charter of the Company's internal audit function.
- 7.3.2 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. This includes a review of the organizational structure, resources, budgets and qualifications of the internal audit personnel.
- 7.3.3 Review internal audit reports and Management's response and actions taken in respect of these. Where actions are not taken within an adequate timeframe by Management, the BAC will report the matter to the Board.
- 7.3.4 Review the adequacy of internal audit plans and the scope of audits, and ensure that the internal audit functions are carried out without any hindrance.
- 7.3.5 Appraise the performance of Head of Internal Audit.
- 7.3.6 Be informed of resignations and transfers of senior internal audit staff and provide resigning/ transferred staff an opportunity to express their views.
- 7.3.7 Direct any special investigation to be carried out by internal audit function.
- 7.3.8 Review and approve the Statement on Internal Audit Function required under MMLR.

7.4 External Audit

- 7.4.1 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.
- 7.4.2 Assess the suitability, objectivity and independence of the external auditor to safeguard the quality and reliability of audited financial statements. The assessment should be conducted annually.
- 7.4.3 Review external audit reports and Management's response and actions taken in respect of these. Where actions are not taken within an adequate timeframe by Management, the BAC will report the matter to the Board.
- 7.4.4 Review the external audit plans and scope of work.
- 7.4.5 The BAC shall meet the external and internal auditors or both 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

- 7.5.1 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.
- 7.5.2 Review the findings of any examinations by regulatory authorities.
- 7.5.3 Review any related party transaction or conflict of interest situation that arises within the Group including any transaction, procedure or course of conduct that raises questions of integrity.
- 7.5.4 Review and approve the Statement of Corporate Governance for the annual report as required under MMLR.
- 7.5.5 Review the investor relations program and shareholder communications policy for the Company.
- 7.5.6 Examine instances and matters that may have compromised the principles of corporate governance and report back to the Board.
- 7.5.7 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.

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 of BAC shall be submitted to the Board for approval.
- 8.9 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.
- 8.10 The BAC, through its Chairman, shall report to the Board after each meeting.
- 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 Report of the Board Audit Committee, to be issued in the annual report.
- 10.2 The Board Audit Committee Report must include the following:
 - 10.2.1 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).
 - 10.2.2 The number of Audit Committee meetings held during the financial year and details of attendance of each Audit Committee member.
 - 10.2.3 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.
 - 10.2.4 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.
- 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.

- THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK -