

**AUDIT COMMITTEE  
TERMS OF REFERENCE**

**1.0 PURPOSE**

1.1 The Audit Committee (“AC”) is established as a committee of the Board of Directors (“Board”) of Gas Malaysia Berhad (“Gas Malaysia” or “the Company”).

The primary objectives of the AC are as follows:

- 1.1.1 To assist the Board in fulfilling its statutory and fiduciary responsibilities in examining and monitoring the Company and its subsidiaries’ (“the Group”) management of business, financial risk processes, accounting and financial reporting practices;
- 1.1.2 To determine the adequacy and effectiveness of the administrative, operational and internal accounting controls of the Group and to ensure that the Group is operating in accordance with the prescribed procedures, codes of conduct and applicable legal and regulatory requirements;
- 1.1.3 Serve as an independent and objective party from management in the review of the financial information of the Group presented by management for the distribution to shareholders and the general public;
- 1.1.4 Provide direction and oversight over the internal and external auditors of the Company to ensure their independence from management;
- 1.1.5 To evaluate the quality of audits conducted by the internal and external auditors on the Group; and

- 1.1.6 Oversee the implementation, monitoring and administration of the Whistleblower System.

## **2.0 COMPOSITION AND APPOINTMENT**

- 2.1 The AC of the Company shall compose of no fewer than three (3) members, and comprise solely of Independent Directors.
- 2.2 At least one (1) member must be a member of the Malaysian Institute of Accountants, or if he is not, then he must comply with Paragraph 15.09(1)(c)(ii) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.
- 2.3 No Alternate Directors can be appointed as a member of the AC.
- 2.4 The Chairman of the AC shall be an Independent Non-Executive Director elected by the AC from amongst its members, and is not the Chairman of the Board.
- 2.5 In the event of any vacancy in the AC, the Board shall, within three (3) months of that event, appoint such number of new members to ensure compliance with Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).
- 2.6 A former audit key partner whom has served the Group would have to observe a cooling-off period of 2 years prior to being appointed as a member of AC.
- 2.7 The AC shall have no executive powers.

### **3.0 AUTHORITY**

3.1 The AC wherever necessary and reasonable for the performance of its duties, shall be in accordance with the procedures determined by the Board:-

- 3.1.1 Have authority to investigate any matter within its terms of reference;
- 3.1.2 Have the resources including engaging external professional and advisors, when necessary, in order to perform its duties and responsibilities as set out in the terms of reference;
- 3.1.3 Have full and unrestricted access to any information pertaining to the Group;
- 3.1.4 Have direct communication channels to the internal and external auditors and person(s) carrying out the internal audit function or activity, if any;
- 3.1.5 Be able to obtain, at the expense of the Company, external legal or other independent professional advice if it considers necessary; and
- 3.1.6 Be able to convene meetings with the external auditors, without the attendance of the executive members of the Group, whenever deemed necessary.

## 4.0 RESPONSIBILITIES

The AC shall undertake the following responsibilities:-

### 4.1 External Auditor

- i. Consider the appointment and re-appointment of the external auditors, the audit fee and any questions of resignation or dismissal, and enquire into the independence, resources and competency of the external auditors in performing their work;
- ii. Discuss the nature and scope of the audit and any significant problems that may be foreseen with the external auditors before the audit commences and ensure that the audit is carry out effectively and efficiently for the Group;
- iii. Discuss the impact of any proposed changes in accounting policies on future financial statements with the management and external auditors;
- iv. Discuss problems and reservations arising from the interim and final audits, and any other matters that the external auditors may wish to discuss (in the absence of management where necessary);
- v. Review the external auditors' management letter and management's response, and monitor the implementation of any recommendation thereon;
- vi. Review and approve any non-audit services to be rendered and the appropriateness of the level of fees, if any provided by the external auditors to ensure that the nature and extent of such services will not compromise the independence and objectivity of the external auditors;

- vii. To obtain written assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

#### 4.2 Quarterly Results and Financial Statements

Review the quarterly interim financial information and year-end financial statements before submission to the Board, focusing particularly on:-

- (a) any changes in accounting policies and practices;
- (b) major judgmental areas;
- (c) significant adjustments and unusual transactions;
- (d) the going concern assumptions;
- (e) compliance with accounting standards; and
- (f) compliance with regulatory requirements.

#### 4.3 Internal Audit

- i. Review the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;
- ii. Review and approve the Annual Budget of the Internal Audit Department;
- iii. Review the internal audit programme and ensure effective co-ordination between the internal and external auditors;
- iv. Review any appraisal or assessment of the performance of members of the internal audit function, if applicable;

- v. Approve any appointment or termination of senior staff members of the internal audit functions, if applicable;
- vi. Take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning, if applicable;
- vii. Consider the key findings of the internal audit review and management's response, and monitor the implementation of any recommendation thereon;
- viii. Keep under review the effectiveness of internal control systems;
- ix. To carry out an assessment on the effectiveness of Internal Audit function in accordance with the Paragraph 10.1 of the Practice Guide of Malaysian Code of Corporate Governance 2017.

#### 4.4 Others

- i. Review related party transaction (RPT) system, RPTs and conflicts of interest situations that may arise within the Group;
- ii. Oversight of the whistleblowing system and review investigation reports arising from whistleblowing and ensure that appropriate actions are taken to address reports on Improper Conducts;
- iii. Report promptly to Bursa Securities on matters reported by the AC to the Board of Directors which have not been satisfactorily resolved, resulting in a breach of listing requirements;

- iv. Review procedures established by management for compliance with any regulatory or other external reporting requirements, by-laws and regulations related to the Group's operations;
- v. Disclose details of the activities of AC, the number of AC meetings held in a financial year, details of attendance of each AC members in respect of AC meetings and details of relevant training attended by each AC members;
- vi. Carry out such other assignments as prescribed by the Board.

## **5.0 MEETINGS**

- 5.1 Meetings shall be held at least four (4) times a year or more frequently as circumstances dictate. Additional meetings shall be scheduled as considered necessary by the AC and the Chairman. The AC may establish any procedures from time to time to govern its meetings, keeping of minutes and its administration.
- 5.2 The quorum for a meeting of the AC shall be two (2) members present and both of whom must be independent non-executive directors.
- 5.3 The Committee may request other directors, members of management, internal auditors and external auditors, as applicable, to participate on the Committee meeting, as necessary to carry out the Committee's responsibilities. Either the internal or external auditors, may, at any time, request a meeting with the AC with or without management's attendance.
- 5.4 The Company Secretary shall be the Secretary of the Committee.

- 5.5 AC meeting agendas shall be the responsibility of the Chairman with input from the Committee members. The Chairman may also ask the management to participate in this process. Written materials including information requested by the AC from the management, internal auditors and external auditors shall be received together with the agenda for the meetings.
- 5.6 The AC shall cause minutes to be duly entered in the books provided for the purpose of all resolutions and proceedings of all meetings of the AC. Such minutes shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting and if so signed, shall be conclusive evidence without any further proof of the fact thereon stated. Such minutes of each meeting shall be kept and distributed to each member of the Committee and of the Board.
- 5.7 The AC shall report to the Board on each meeting. The minutes of Committee meeting shall be available to the Board members.
- 5.8 The AC shall meet at least twice a year with the internal and external auditors without the attendance of the executive members of the Committee and the management of the Company.

## **6.0 CIRCULAR RESOLUTIONS**

- 6.1 A resolution may be submitted by way of Circular Resolution.
- 6.2 A resolution in writing or copies thereof signed or approved by facsimile or email or other forms of visible communication by all members for the time being entitled to receive notice of a meeting shall be as valid and effectual as it had been passed at a meeting of the AC duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more members.



- 6.3 Circular Resolutions shall be forwarded and delivered to the Company Secretary without delay. They shall be presented in the next AC meeting for notation and be recorded by the Company Secretary in the minutes.

## **7.0 REVISION OF THE TERMS OF REFERENCE**

The AC shall review the adequacy of this Terms of Reference to be in line with new best practices and new legal or regulatory requirements, where appropriate, annually and recommend the proposed changes to the Board of Directors.

### Notes:

- (1) Revision 1/2013 amendment on Paragraph under the scope of activities of AC item no. (xviii) was approved by Gas Malaysia Berhad's Board at its meeting No. 2/2013 held on 20 March 2013.
- (2) Revision 2/2018 following the updates to be in line with MMLR and MCCG 2017 was approved by the Board at its meeting No. 4/2018 held 8 August 2018.
- (3) Revision 3/2021 amendment on Paragraph 1.0 Item no. 1.16, Paragraph 4.4 Item no. ii and Paragraph 6.0 was approved by Gas Malaysia Berhad's Board through Directors' Circular Resolution No. 3/2021 on 5 February 2021.