

# **TERMS OF REFERENCE BOARD AUDIT COMMITTEE**

## **AXIATA GROUP BERHAD (242188-H)**

## 1.0 PURPOSE

- 1.1 The Board Audit Committee (“**BAC**”) is a committee of the Board of Directors (“**Board**”) of Axiata Group Berhad’s (“**Axiata** or **the Group**”), established to assist the Board in:
- 1.1.1 fulfilling its oversight responsibilities for the financial reporting process, system of internal control and audit process.
  - 1.1.2 oversee the adequacy and effectiveness of governance practices and internal controls undertaken in accordance with applicable laws, rules and regulations, directives and guidelines established by the relevant regulatory bodies.

## 2.0 COMPOSITION AND APPOINTMENT

- 2.1 The BAC members shall be appointed by the Directors from amongst their members and shall comprise of no fewer than three (3) members that must be Non-Executive Directors and majority shall be Independent Non-Executive Directors. No alternate director shall be appointed as a member of the BAC. The Board Chairperson shall not be a member of the BAC.
- 2.2 At least one member of the BAC must be a member of the Malaysian Institute of Accountants (MIA); or shall fulfil such other requirements as prescribed in the Bursa’s Listing Requirements.
- 2.3 The BAC members collectively possess an appropriate mix (professional knowledge and expertise) of accounting, auditing, finance, risk management and governance.
- 2.4 All members of the BAC, including the Chairperson, will hold office only so long as they remain as Non-Executive Directors of the Group.
- 2.5 The members of the BAC shall elect a Chairperson among themselves who shall be an Independent Non-Executive Director.
- 2.6 Members of the BAC may relinquish their membership in the BAC with prior written notice to the Company Secretary and may continue to serve as Director of the Group. In the event of any vacancy in the BAC, the Group must fill the vacancy within three (3) months to ensure compliance with Bursa Listing Requirements.
- 2.7 A member of the BAC 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 him.
- 2.8 An audit partner who has served the Group would have to observe a cooling-off period of three (3) years prior to being appointed as a member of the BAC.

### **3.0 AUTHORITY**

The BAC is authorised by the Board and at the expense of the Group to perform the following:

- 3.1 Have authority to investigate any matter within its Terms of Reference (“**TOR**”).
- 3.2 Have the resources which are required to perform its duties.
- 3.3 Have full and unrestricted access to all information, records, premises, and personnel within the Group.
- 3.4 Be able to obtain external independent professional advice where necessary.
- 3.5 Convene meetings with the external auditors, the internal auditors or both excluding the attendance of any directors and employees of the Group whenever deemed necessary.
- 3.6 Have immediate access to reports of fraud or irregularities issued by the Group IA function, including matters referred to the IA function by senior management. Any matter that remains unresolved and results in a breach of regulatory requirements shall be reported to the Board.
- 3.7 Oversight authority over the Internal Audit (“**IA**”) function, including approval of its charter, risk-based plan, budget, resourcing, performance evaluation and quality assurance review.

### **4.0 RESPONSIBILITIES**

#### **4.1 Financial Reporting and Processes**

- 4.1.1 Review the quarterly results, half yearly results and annual audited financial statements of the Group with senior management and External Auditors prior to submission to the Board for approval. The review focusing on:
  - a. Any changes in or implementation of accounting policies and practices;
  - b. Significant adjustments with financial impact arising from the audit;
  - c. Significant and unusual events;
  - d. the going concern assumptions;
  - e. Compliance with approved accounting standards, Bursa and regulatory requirements;
  - f. Any significant material fluctuation in balances;
  - g. Any significant variation in audit scope and approach; and
  - h. Any significant commitment or contingent liability.

- 4.1.2 Discuss issues arising from the interim and final audits and any matter the External Auditors may wish to discuss in the absence of the senior management where necessary.
- 4.1.3 Provide assurance to the Board on the quality and reliability of financial information used by the Board and of the financial information issued publicly by the Group.
- 4.1.4 Propose best practices on disclosure in financial results and annual report of the Company in line with the principles set out in the Malaysian Code on Corporate Governance (“MCCG”), other applicable laws, rules, directives and guidelines.

## 4.2 External Auditors

- 4.2.1 Appointment or re-appointment of the External Auditors: Consider and recommend to the Board the appointment or re-appointment of the external auditors and the audit fee, and any resignation, dismissal of the external auditors.
- 4.2.2 Assess and confirm the suitability, independence and performance of the External Auditors through an annual evaluation. This includes:
  - a. Consideration of audit quality, adequacy of resources and appropriateness of audit and non-audit fees to support a quality audit; and
  - b. Obtain a written statement from the External Auditors delineating all relationships between the audit and the Group, and delineating any other relationships that may adversely affect the independence of the External Auditors;
- 4.2.3 Discuss and review with the External Auditors the following prior to the commencement of the audit:
  - a. The nature and scope of audit;
  - b. The audit plan;
  - c. Coordination of audit where more than one audit firm is involved;
  - d. The evaluation of the system of internal controls; and
  - e. The effectiveness of the management information system including any improvement suggestions and management’s response.
- 4.2.4 Meet with the External Auditors, at least twice in the financial year (without the presence of senior management and employees) to discuss any issues or reservations arising from the audits and any matter the External Auditor may wish to discuss.

- 4.2.5 Review the External Auditors' audit Committee reports, senior management's response and actions taken in respect of these. Where appropriate, recommend to escalate significant matters to the Board.
- 4.2.6 Review the External Auditors' management representation letter and senior management's response.
- 4.2.7 Monitor the extent of non-audit work to be performed by the External Auditors to ensure that the provision of non-audit services does not impair their independence or objectivity, including pre-approval process for such non-audit work.

### 4.3 Internal Audit Function

- 4.3.1 Approve the IA Charter, which defines the purpose, mandate, authority, scope and responsibility of the IA function in the Group.
- 4.3.2 Review, challenge and approve the IA strategy and plan including its adequacy of scope, resources, independence and its audit methodology with the objective of ensuring its robustness and that it is reflective of the key risks of the Group.
- 4.3.3 Review IA reports, discuss major findings and senior management's response and ensure appropriate action is taken on the recommendations on a timely basis. The IA should also include recommendations for continuous improvement to achieve the objectives of the company.
- 4.3.4 Review and approve the annual key performance indicators ("KPI") and performance results of the Group Chief Internal Auditor ("GCIA"), including the performance of IA function and its personnel. The GCIA is expected to:
  - a. Anticipate the needs of the stakeholders with the fast-changing business environment; and
  - b. Understand the risk profile of the company and contribute towards the identification of emerging risks including providing early warning to the BAC.
- 4.3.5 The GCIA shall report directly to the BAC and responsible for the regular review and appraisal of the effectiveness of the internal control and governance processes within the Group.
- 4.3.6 The Head of Internal Audit ("HIA") at Operating Companies ("OpCo") shall report functionally to the OpCo BAC and dotted line to the GCIA for the purposes of standardizing the operations of IA in the Group and OpCo. This is done by furnishing reports to GCIA in relation to matters including but not limited to major control issues, audit reports, quarterly reports and BAC Summary report to the Group BAC.

- 4.3.7 Approve the appointment or termination of GCIA (inclusive of the HRL, remuneration, benefits and compensation) and the senior staff members of the IA function. The BAC shall be informed of resignation of GCIA, HIA at OpCo and senior IA staff and provide them an opportunity to submit his/her reasons for resigning.
- 4.3.8 The tenure of the CIA and Head of Internal Audit at subsidiary is recommended not to exceed 6 years within 1 assignment to ensure that the Internal Audit department is resourced with those who have strong and up to date finance / commercial / technical experience with a proven performance track record.
- 4.3.9 Review IA function to determine whether its activities are performed independently, proficiently and with due professional care. The Board or the BAC is to determine the remit of the IA function.
- 4.3.10 Meet with the IA, at least once during the year (without the presence of other directors and employees) to discuss any issues or reservations arising from any audits and any matter the IA may wish to discuss.
- 4.3.11 Where there is an audit assignment initiated by Group Internal Audit (“GIA”) that has a bearing upon all subsidiaries or that the subsidiaries’ financial results will affect the audit opinion of the Group, the respective OpCo IA office shall adhere to the request and include such audit assignment in its respective audit plan.
- 4.3.12 Oversee and ensure that the IA function maintains a Quality Assurance and Improvement Programme (“QAIP”) in accordance with the Global Internal Audit Standards (“GIAS”), including an independent External Quality Assessment at least once every five (5) years.

#### 4.4 **Company & Group Oversight**

- 4.4.1 Independently review the adequacy and effectiveness of the Group internal controls, risk management and governance systems applied in daily business operations, including information technology, network controls, as well as systems for compliance with applicable laws.
- 4.4.2 Review and discuss on significant outcomes from any internal investigations and senior management’s response to address those outcomes and ensure the issues are properly dealt with.
- 4.4.3 Oversee, review and approve the adequacy of the Group whistleblowing mechanism to ensure that employees and external stakeholders can raise concerns on any misconduct, in confidence and without fear of reprisal, and that investigations of such concerns are carried out.

- 4.4.4 Monitor the process for dealing with complaints received by the Group regarding questionable accounting, auditing issues or internal control matters or any other matters either by anonymous submission or otherwise.
- 4.4.5 Consider and review any significant transactions, which are not within the normal course of business and any related party transactions and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity and report the same to the Board.
- 4.4.6 Verify the allocation of share options given to the Group eligible employees in accordance with the criteria for the employees share option scheme and the Bursa's Listing Requirements at the end of each financial year.
- 4.4.7 Report promptly to Bursa any matter which results in a breach of the Bursa's Listing Requirements if it has not been satisfactorily resolved.

#### 4.5 **Related Party Transactions**

- 4.5.1 Review and report to the Board on related party transactions entered into by the Group, including recurrent related party transactions, to ensure:
  - a. All transactions are fair, reasonable and undertaken on the Group's normal commercial terms;
  - b. Internal control procedures with regards to such transactions are sufficient and have been complied with; and
  - c. Compliance with the relevant provisions of the Bursa's Listing requirements.

#### 4.6 **Conflict of Interest**

- 4.6.1 Review and report to the Board for any conflict of interest ("**COI**") situation across the Group related to (not exhaustive) direct and/or indirect financial interest, non-financial interest (arising from relationships whether family, business or professional interests), or competing loyalties that:
  - a. Arose, arise (potential) and persist during the financial year; and
  - b. measures taken to resolve, eliminate or mitigate such conflicts.

#### 4.7 **Other Matters**

Consider other matters as prescribed to the BAC by the Board.

## **5.0 MEETINGS**

### **5.1 Quorum**

In order to form a quorum, a minimum of two (2) members present and that the majority of those present must be Independent Non-Executive Directors.

### **5.2 Meeting Frequency and Conduct**

5.2.1 The BAC shall meet at least four (4) times a year and such additional meetings as the Chairman shall decide. Additional meetings shall be held as and when the BAC or the Chairperson of the BAC shall decide. The BAC meetings shall be governed by the provisions of the Company's Articles of Association relating to the Board meetings unless otherwise provided for in this Terms of Reference.

5.2.2 Meetings can be conducted physically or by means of a telephone conference or video conference or any other means of audio/visual communications and the person shall be deemed to be present in person and shall be entitled to vote and be counted in a quorum accordingly.

5.2.3 Decisions of BAC may be made by a Circular Resolution provided which shall be passed by majority.

### **5.3 Notice and Agenda**

5.3.1 The Notice and agenda for each BAC meeting with due notice of the issues to be discussed shall be sent to all members of the BAC and any other persons who may be required to attend.

5.3.2 The Chairperson of the BAC shall report to the Board on any matter that should be brought to the Board's attention and provide recommendations of the BAC that require the Board's approval at the Board meeting.

5.3.3 The BAC may invite the senior management or any other management personnel, any representative of the external auditors, other members of the Board and any other persons as deemed necessary by the BAC to be present at any meeting of the BAC.

### **5.4 Secretary**

5.4.1 The GCIA or any other person appointed by the BAC shall be the Secretary of the BAC.

5.4.2 The Secretary shall:

- a. ensure that the BAC receives information and papers in a timely manner to enable full and proper consideration to be given to issues;

- b. draw up meeting agendas in consultation with the Chairperson;
- c. ensure proceedings of meetings are recorded, the minutes are circulated on a timely basis and are properly retained;
- d. assist the BAC Chairperson in planning the BAC's activities for the financial year; and
- e. ensure the BAC recommendations presented to the Board are supported by explanatory documentation which explains the rationale for its recommendations.

## **6.0 BAC REPORT**

- 6.1 The BAC is required to prepare a BAC Report at the end of each financial year to be included and published in the IAR of the Group to include the following:
  - 6.1.1 The composition of the BAC including the name, designation (indicating the chairman) and directorship of the members (indicating whether the Directors are independent or otherwise).
  - 6.1.2 The number of BAC meetings held during the financial year and details of attendance of each BAC member.
  - 6.1.3 Any COI situation across Axiata and its Subsidiaries through direct financial interest, indirect financial interest, non-financial interest (arising from relationships whether family, business or professional interests), or competing loyalties or interests:
    - a. that arose during the financial year;
    - b. that might arise (potential COI) during the financial year; and
    - c. as well as persisting COI from previous financial years during the financial year; together with the measures taken to resolve, eliminate or mitigate such conflicts.
  - 6.1.4 A summary of the activities of the BAC in discharging its functions and duties for that financial year and how it has met its responsibilities.
  - 6.1.5 A summary of the activities of the IA function.

## **7.0 STATEMENTS IN THE ANNUAL REPORT**

### **7.1 Corporate Governance Overview Statement**

The BAC is required to recommend the Corporate Governance Overview Statement (“**CGOS**”) at the end of each financial year for the Board’s approval to be included and published in the IAR of the Group:

- 7.1.1 A narrative statement of how the Group has applied the principles set out in Part 1 of the MCCG to its particular circumstances.
- 7.1.2 A statement on the extent of the Group compliance with the Best Practices in Corporate Governance set out in Part 2 of the Malaysian Code on Corporate Governance which statement shall specifically identify and give reasons for any areas of non-compliance with Part 2 and the alternatives to the Best Practices adopted by the Group (if any).

### **7.2 Additional Statements**

The BAC is required to recommend the following additional statements for the Board’s approval to be included and published in the IAR of the Group:

- 7.2.1 A statement explaining the Board’s responsibility for preparing the audited financial statements of the Group.
- 7.2.2 A statement about the state of internal control of the Group after the same is reviewed by the External Auditors with regard to the state of internal control and report the results thereof to the Board.
- 7.2.3 A statement verifying allocation of share options given to the Group eligible employees is in accordance with the criteria set out in the share option scheme for employees.