

**TERMS OF REFERENCE  
AXIATA  
BOARD AUDIT COMMITTEE**

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

Duly approved and adopted by the Board of Directors of Axiata Group Berhad at the Board of Directors' Meeting [04-18] held on 27<sup>th</sup> March 2018

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## **TERMS OF REFERENCE OF BOARD AUDIT COMMITTEE**

### **1.0 PURPOSE**

- 1.1 The Board Audit Committee (“**BAC**”) is established as a committee of the Axiata Group Berhad (“**Axiata**”) Board of Directors (“**Board**”) to assist the Board in fulfilling its statutory and fiduciary responsibilities. The BAC will review the financial statements and financial reporting process, the system of internal controls, the audit process and the process for monitoring compliance with law and regulations including Bursa Malaysia requirements and the company’s Code of Conduct.

### **2.0 COMPOSITION AND APPOINTMENT**

- 2.1 The BAC members shall be appointed by the Directors from amongst their members and shall compose of no fewer than 3 members, all of whom shall be Non-Executive Directors and a majority shall be Independent Non-Executive Directors. No alternate director shall be appointed as a member of the BAC.
- 2.2 The members of the BAC shall be nominated by Axiata’s Board Nomination and Remuneration Committee (“**BNRC**”) and shall be appointed by resolution of the Board.
- 2.3 All members of the BAC, including the Chairman, will hold office only so long as they remain as Non-Executive Directors of Axiata.
- 2.4 The members of the BAC shall elect a Chairman among themselves who shall be an Independent Non-Executive Director.
- 2.5 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 Axiata. In the event of any vacancy in the BAC, Axiata must fill the vacancy within 3 months to ensure compliance with Bursa Malaysia Securities Berhad (“**Bursa**”) requirements.
- 2.6 All members of the BAC should be financially literate and must be able to read, analyse, interpret and understand financial statements. They must also possess sound judgement, objectivity, integrity and sufficient management experience and knowledge of the industry.
- 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 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 Listing Requirements of Bursa Malaysia.
- 2.9 An audit partner whom has served Axiata Group would have to observe a cooling-off period of 2 years prior to being appointed as a member of the BAC.

### 3.0 **AUTHORITY**

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

- i) Investigate any matter within its terms of reference.
- ii) Have the resources which are required to perform its duties as set out in the terms of reference.
- iii) Have full and unrestricted access to any of the Axiata's Group and any other companies within the Axiata Group information, records, properties and personnel.
- iv) Obtain external independent professional advice where necessary.
- v) Convene meetings with external auditors, internal auditors without the attendance of any directors and employees of the Axiata Group whenever deemed necessary.
- vi) Have immediate access to reports on fraud or irregularities from the Internal Audit function of Axiata Group or those reports referred to Internal Audit function of Axiata Group by the management. Any unresolved matters resulting in breach of any regulatory requirements shall be reported to the Board.

### 4.0 **RESPONSIBILITIES**

The BAC shall undertake the following responsibilities:

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

- i) Review the quarterly results, half-yearly results and annual financial statements of Axiata Group with Management and External Auditors focusing on the below, prior to the approval by the Board:-
  - 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; and
  - e) Compliance with approved accounting standards, Bursa and regulatory requirements.
- ii) Review with the External Auditors the audited financial statements for the purpose of approval prior to presentation to the Board for adoption, for the following:-
  - a) Whether the External Auditors' report contains any qualifications which must be properly discussed and acted upon;
  - b) Whether there is any significant changes and adjustments in the presentation of financial statements;
  - c) Whether it is in compliance with laws and accounting standards
  - d) Whether there is any material fluctuations in balances
  - e) Whether there is any significant variations in audit scope and approach; and
  - f) Whether there are any significant commitments or contingent liabilities

- iii) Discuss problems and issues arising from the interim and final audits and any matter the External Auditors may wish to discuss in the absence of the management where necessary.
- iv) 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 Axiata.
- v) 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, other applicable laws, rules, directives and guidelines.

#### 4.2 External Auditors

- i) 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.
- ii) Assess and confirm the suitability, independence and performance of the external auditors. This includes obtaining a written statement from the External Auditors delineating all relationship between the audit and Axiata Group and delineating any other relationships that may adversely affect the independence of the External Auditors.
- iii) 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
  - e) The effectiveness of the management information system including any improvement suggestions and management's response
- iv) Meet with the External Auditors, internal auditors or both, at least twice in the financial year (without the presence of other directors and employees) to discuss any issues or reservations arising from the audits and any matter the External Auditor may wish to discuss.
- v) Review the External Auditors' audit report, and report the same to the Board of Directors.
- vi) Review the External Auditors' management letter and management's response.
- vii) 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. This includes a pre-approval process for any such work and the hiring of employees or former employees of the External auditors.

#### 4.3 Internal Audit Function

- i) Approve the Internal Audit Charter, which defines the purpose, authority, scope and responsibility of the Internal Audit function in Axiata Group.
- ii) Review, challenge and approve the internal audit 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 Axiata Group.
- iii) Review the internal audit reports, discuss major findings and Management's response and ensure appropriate action is taken on the recommendations on a timely basis. The internal audits should also include recommendations for continuous improvement to achieve the objectives of the company.
- iv) Assess the performance of the Chief Internal Auditor ("**CIA**") and the staff of the Internal Audit function including the role and effectiveness of Internal Audit. The CIA is expected to:-
  - a) Anticipate the needs of the stakeholders with the fast changing business environment
  - b) Understand the risk profile of the company and contribute towards the identification of emerging risks including providing early warning to the BAC
- v) The CIA shall report directly to the BAC and shall be responsible for the regular review and appraisal of the effectiveness of the internal control and governance processes within Axiata Group.
- vi) The Head of Internal Audit at subsidiary to report functionally to the subsidiary BAC and dotted line to the Axiata CIA for the purposes of standardizing the operations of internal audit in Axiata and its subsidiaries by furnishing reports to Axiata CIA in relation to matters including but not limited to major control issues, audit reports, quarterly reports, and report to Axiata BAC and Minutes of subsidiary BAC.
- vii) Approve the appointment or termination of CIA and the senior staff members of the internal audit function of Axiata Group. The BAC shall be informed of resignation of CIA, Head of Internal Audit at subsidiary and Internal Audit staff and provide them an opportunity to submit his/her reasons for resigning.
- viii) 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.
- ix) Review the Internal Audit 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 Internal Audit function.
- x) Where there is an audit assignment initiated by Axiata Group Internal Audit that have a bearing upon all subsidiaries or that the subsidiaries' financial results will affect the audit opinion of Axiata Group, the respective subsidiaries internal audit office shall adhere to the request and include such audit assignment in its respective audit plan.

#### 4.4 **Company Oversight**

- i) Review the adequacy and effectiveness of Axiata Group's internal controls and governance systems, including information technology and network controls as well as systems for compliance with applicable laws. This includes overseeing the company's proper and early identification of risks, and ensure proper actions taken to address or mitigate these risks.
- ii) Consider major findings of internal investigations and management's response.
- iii) Review management's monitoring of compliance with the Company's code of business ethics.
- iv) Monitor the process for dealing with complaints received by Axiata Group regarding questionable accounting, auditing issues or internal control matters or any other matters either by anonymous submission or otherwise.
- v) 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 Axiata Group including any transaction, procedure or course of conduct that raises questions of management integrity and report the same to the Board.
- vi) Verify the allocation of share options given to the Axiata Group's eligible employees is in accordance with the criteria for the employees share option scheme and the Bursa Securities Listing Requirements at the end of each financial year.
- vii) Report promptly to Bursa Securities any matter which results in a breach of the Bursa Securities Listing Requirements if it has not been satisfactorily resolved.

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

Review and report to the Board any related party transactions entered into by the Axiata Group, including the review and monitoring of recurrent related party transactions to ensure that:

- i) All transactions are fair, reasonable and undertaken on the Group's normal commercial terms
- ii) Internal control procedure with regard to such transactions are sufficient and have been complied with
- iii) Compliance with the relevant provisions of the Bursa Securities Listing requirements

#### 4.6 **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 2 BAC members must be present and that the majority of those present must be Independent Non-Executive Directors.

### 5.2 **Frequency and Meeting Mode**

- i) The BAC shall meet at least four (4) times a year and such additional meetings as the Chairman shall decide. The BAC meetings shall be governed by the provisions of the Company's Articles of Association relating to Board meetings unless otherwise provided for in this Terms of Reference.
- ii) Upon the request of the External Auditors, the Chairman of the BAC shall convene a meeting of the BAC to consider any matter the External Auditors believe should be brought to the attention of the Directors or Shareholders.
- iii) A member of BAC may participate in a meeting of BAC 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 or be counted in a quorum accordingly.
- iv) Decision of BAC may be made by a Circular Resolution provided it is signed by all members

### 5.3 **Notice and Agenda**

- i) 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.
- ii) The Chairman 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 requires the Board's approval at the Board meeting.
- iii) The BAC may invite the Chief Financial Officer, the CIA 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**

- i) The CIA or any other person appointed by the BAC shall be the Secretary of the BAC.
- ii) The Secretary shall:
  - a) ensure all appointments to the BAC are properly made.
  - b) ensure that the BAC receives information and papers in a timely manner to enable full and proper consideration to be given to issues.
  - c) draw up meeting agendas in consultation with the BAC Chairman.
  - d) ensure proceedings of meetings are recorded, the minutes are circulated on a timely basis and are properly retained.



- e) assist the BAC Chairman in planning the BAC's activities for the financial year.
- f) ensure the BAC recommendations presented to the Board are supported by explanatory documentation which explain the rationale for its recommendations.

## 6.0 **REVIEW OF THE BAC**

- 6.1 The BAC shall perform a self-assessment annually to assess its effectiveness in carrying out the duties as set out in the Terms of Reference and report the results to the Board.
- 6.2 The Board shall review the composition, performance and effectiveness of the BAC and each of its members annually to determine the effectiveness of the BAC and each of its members in carrying out the duties as set out in the Terms of Reference.

## 7.0 **BAC REPORT**

- 7.1 The BAC is required to prepare a BAC Report at the end of each financial year to be included and published in the annual report of Axiata to include the following:-
  - i) The terms of reference of the BAC and the composition of the BAC including the name, designation and directorship of the members (indicating whether the Directors are independent or otherwise);
  - ii) The number of BAC meetings held during the financial year, details of attendance of each BAC member and details of the relevant training attended by each BAC member
  - iii) A summary of the activities of the BAC in discharging its functions and duties for that financial year; and
  - iv) A summary of the activities of the Internal Audit function.

## 8.0 **STATEMENTS IN THE ANNUAL REPORT**

### 8.1 **Corporate Governance Statement**

The BAC is required to recommend the statement on corporate governance at the end of each financial year for the Board's approval to be included and published in the annual report of Axiata:-

- i) A narrative statement of how Axiata has applied the principles set out in Part 1 of the Malaysian Code on Corporate Governance to its particular circumstances; and
- ii) A statement on the extent of Axiata's 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 Axiata Group (if any).

## 8.2 Additional Statements

The BAC is required to recommend the following additional statements for the Board's approval to be included and published in the annual report of Axiata:-

- i) A statement explaining the Board's responsibility for preparing the annual audited financial statements of Axiata.
- ii) A statement about the state of internal control of Axiata as a 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.
- iii) A statement verifying allocation of share options given to the Axiata Group's eligible employees is in accordance with the criteria set out in the share option scheme for employees.

**Revision** : **Paragraph 1.1, 2.2, 4.3 (v) & 4.4 (i).** Approved by Axiata Board at the Board of Directors' Meeting **[No. 12-17]** held on 22 November 2017.

**Paragraph 2.9.** Approved by Axiata Board at the Board of Directors' Meeting **[04-18 ]** held on 27 March 2018.