

## **DIGI.COM BERHAD ("CELCOM DIGI" or "the Company")**

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

#### **1.0 PURPOSE**

The Board Audit Committee (**BAC**) is established as a committee of Celcom Digi to assist the Board of Directors (the **Board**) in fulfilling its statutory and fiduciary responsibilities in the Company and its subsidiaries (the **Group**). The BAC will review the financial statements and financial reporting process, the audit process, the adequacy and effectiveness of systems for internal controls, risk management and governance, and the process for monitoring compliance with law and regulations including Bursa Malaysia Securities Berhad (**Bursa Securities**) requirements and the Company's Code of Conduct. The BAC will assist the Board in ensuring that quarterly/year-end announcements to Bursa Securities for the Group are reviewed for integrity and approved for timely submission by the Board to the various authorities and the public. Nevertheless, the Board is ultimately responsible in the entire functions of the Group, with the support and assistance from the BAC.

#### **2.0 COMPOSITION AND APPOINTMENT**

- 2.1 The BAC members shall be appointed by the Board from amongst their members and shall compose of not lesser than 3 members. All of whom:-
  - i. must be Independent Non-Executive Directors;
  - ii. must not be the Chair of the Board; and
  - iii. must not be an Alternate Director.
- 2.2 The members of the BAC shall be nominated and recommended by the Board Nomination and Remuneration Committee (**BNRC**), thereafter to be appointed by resolution of the Board.
- 2.3 The Chair of the BAC shall be appointed by the Board and the Chair of the BAC must not be the Chair of the Board. The Chair of the BAC should also attend the Company's Annual General Meeting to answer any shareholders' questions on the BAC's activities.
- 2.4 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 Company. In the event of any vacancy in the BAC, the Company must fill the vacancy within three (3) months.
- 2.5 All members of the BAC should be financially literate, competent and must be able to read, analyse, interpret and understand financial statements and the financial reporting process. They must also possess sound judgement, objectivity, integrity and sufficient management experience and knowledge of the Company's and the Group's business.
- 2.6 All members of the BAC should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.
- 2.7 At least one (1) member of the BAC must be a member of the Malaysian Institute of Accountants (MIA) or shall fulfil such other requirements as prescribed or approved in the Main Market Listing Requirements (MMLR) of Bursa Securities.
- 2.8 An audit partner who has served the Group would have to observe a cooling-off period of at least three (3) years before being appointed as a member of the BAC.

### **3.0 PRINCIPAL ROLES AND RESPONSIBILITIES**

3.1 The BAC is authorised by the Board and at the expense of the Company to do the following:-

- i. Investigate any matter within its Terms of Reference and have the resources to perform its roles including appointing external/independent professional consultants/ if necessary.
- ii. Have full and unrestricted access to any information, records, properties and personnel of the Company and the Group including but not limited to communications with External Auditors, Internal Auditors and Senior Management. Also have direct communication channels with the assigned persons or functions (including external/independent consultants as may be appointed by the BAC).
- iii. Convene meetings with External Auditors and Internal Audit without the attendance of any other Directors, management and employees of the Group whenever deemed necessary.
- iv. Have immediate access to reports on financial fraud or irregularities received from Internal Audit or those reports which referred to Internal Audit by the Senior Management and will recommend to the Board to report matters to Bursa Securities where the BAC considers that it has not been satisfactorily resolved by the Board and Senior Management resulting in a breach of the MMLR.

3.2 The BAC shall undertake the following responsibilities:-

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

- i. Review the quarterly results, half-yearly results and annual financial statements of the Group with Senior Management and External Auditors for purposes of recommending to the Board for approval and to report as follows:-
  - a. changes in or implementation of accounting policies and practices
  - b. Significant adjustments with financial impact arising from the audit;
  - b. Significant and unusual events;
  - c. Going concern assumptions; and
  - d. Compliance with approved accounting standards, Bursa Securities and regulatory requirements.
- ii. Review with the External Auditors the audited financial statements for purposes of recommending to the Board for approval as follows:-
  - a. Whether the External Auditors' report contains any qualifications which are of concern;
  - b. Whether there is any significant change and adjustment in the presentation of financial statements;
  - c. Whether it is in compliance with the laws and accounting standards;
  - d. Whether there is any material fluctuation in balances;
  - e. Whether there is any significant variation in audit scope and approach; and
  - f. Whether there is any significant commitment or contingent liability.
- iii. Meet periodically and at least twice within the financial year with the External Auditors separately in the absence of Senior Management to discuss any issues or reservations arising from the audits and any matter the External Auditor may wish to discuss.
- iv. Provide assurance to the Board on the quality and reliability of the financial information used by the Board and of the financial information issued publicly by the Company and Group.

- v. Propose best practices on disclosure of financial results and the Integrated Annual Report of the Company in line with the principles set out in the Malaysian Code on Corporate Governance 2021, other applicable laws, rules, directives and guidelines.

### **External Auditors**

- i. Consider and recommend to the Board the appointment/resignation/dismissal or re-appointment of the External Auditors including the audit fee.
- ii. Conduct of an annual evaluation and confirm the suitability, independence, competence, audit quality, resource capacity and performance of the External Auditors, to safeguard the quality and reliability of audited financial statements. This includes obtaining a written statement from the External Auditors delineating all relationship between the audit and the Group and delineating any other relationships that may adversely affect the independence of the External Auditors.
- iii. Set out and agree with the External Auditors on the nature and scope of the audit services/plans to be provided to the Company and Group prior to the commencement of the audit.
- iv. Review the External Auditors' audit report and report the same to the Board.
- v. Review the External Auditors' management letter and management's response.
- vi. Recommend for approval by the Board, the extent of non-audit work to be performed by the External Auditors and the appropriateness of the level of fees, to ensure that the provision of non-audit services does not impair their independence or objectivity.

### **Internal Audit function**

- i. Review and recommend for approval by the Board, the Internal Audit Charter, which defines the purpose, authority, scope and responsibility of the Internal Audit function for the Group.
- ii. Ensure that the internal audit personnel are adequately resourced, qualified, free from any relationships or conflicts of interest so that their objectivity and independence are not impaired. Review the annual budget for the Internal Audit function.
- iii. Review, challenge and approve the internal audit plan including its adequacy of scope and its audit methodology ensuring its robustness and that it is reflective of the key risks of the Group.
- ~~iv.~~ Review the internal audit reports including the responses by management, recommendations of actions and for continuous improvement to achieve the objectives of the Group.
- v. Conduct an assessment of the performance of the Internal Audit including the role and effectiveness. BAC may engage independent experts periodically, or at least once every five (5) years to facilitate an objective evaluation of the Internal Audit function.
- vi. The Head of the Internal Audit (HIA) shall report directly to the Chair of BAC and will be responsible for the regular review and appraisal of the effectiveness of the risk management, internal control, and governance processes within the Group.
- vii. Approve the remuneration, appointment, or termination of the HIA.

## **Related Party Transactions**

Review and report to the Board any related party transactions entered into by the 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 and is in the best interest of the Group and not detrimental to the minority shareholders;
- ii. Transacted amounts fall within the mandated amount of recurrent related party transactions approved by shareholders;
- iii. Internal control procedures with regard to such transactions are sufficient and have been complied with; and
- iv. Compliance with the relevant provisions of the MMLR.

## **4.0 MEETINGS**

### **4.1 Quorum**

The BAC is not a decision-making body unless power to do so has been specifically and unanimously delegated by the Board. In such cases, a minimum of two (2) BAC members must be present at each BAC Meeting to form a quorum. In the absence of the Chair, the members shall elect a Chair for the meeting from amongst themselves.

### **4.2 Conduct of Meetings**

- i. The BAC shall meet at least four (4) times a year and such additional meetings as the Chair shall decide, all of which must be conducted separately from the Board Meeting and any other Board Committee Meeting. Individual BAC members may also request additional meetings in the BAC.
- ii. The BAC meetings shall be governed by the provisions of the Company's Constitution relating to Board meetings unless otherwise provided for in this Terms of Reference.
- iii. The BAC members shall participate in meetings either physically or via video or telephone conference. In the event that the Chair deems it acceptable, considering the matter and circumstances at hand, the BAC may adopt resolutions by written procedure and such written resolutions require the acceptance in writing by all members of the BAC, except for any interested member(s) who has to abstain from voting and 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/her.
- iv. The Company Secretary (or its representative) of the Company shall be the Secretary of the BAC and attend BAC meetings. The Secretary of BAC is responsible for keeping and circulating the minutes of meetings to the BAC and Board.

### **4.3 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 Chair 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 any member of Senior Management, 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.

## **5.0 ANNUAL REVIEW OF THE BAC EFFECTIVENESS**

- 5.1 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.
- 5.2 The BAC shall review the terms of office, 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.
- 5.3 The BAC shall review the appropriateness and adequacy of this Terms of Reference. The BAC shall recommend to the Board such changes to this Terms of Reference in such manner as the BAC deems appropriate. Any revision or amendment to this Terms of Reference, as proposed by the BAC, shall first be presented to the Board for its approval. Upon the Board's approval, the said revision/amendment shall form part of this Terms of Reference and shall be considered as duly revised/amended.

## **6.0 BAC REPORT**

The BAC is required to prepare the BAC Report for each financial year for the Board's approval to be included and published in the Integrated Annual Report of the Company and Group. The BAC report must 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.

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

The BAC is required to review and recommend to the Board for approval of the Corporate Governance Overview Statement and Statement on Risk Management and Internal Control of the Group, at the end of each financial year and to be published in the Integrated Annual Report of the Company. The items to be included are:-

- i. A narrative statement of how the Group has applied the principles set out in the latest Malaysian Code on Corporate Governance (MCCG) to its particular circumstances;
- ii. A statement on the extent of the Group's compliance with the principles and guidance set out under MCCG and give reasons for any areas of departure with timelines on when the departures from the principles will be applied within a reasonable time; and

- iii. A statement after the same is reviewed by the External Auditors with regard to the state of risk management and internal control and which the results are thereof reported to the Board.

## **8.0 APPROVAL**

This Terms of Reference was reviewed and approved by the Board of Directors on 1 December 2022.