

Audit and Risk Committee's Terms of Reference

DEFINITIONS

“Digi” or “Company”	:	Digi.Com Berhad
“Board”	:	Board of Directors of Digi
“Bursa Securities”	:	Bursa Malaysia Securities Berhad
“Group”	:	Digi and its subsidiaries
“MMLR”	:	Main Market Listing Requirements of Bursa Securities

1.0 Purpose

The purpose of the Audit & Risk Committee (ARC) is to assist the Board in fulfilling its oversight responsibilities. This includes review and monitoring of Digi's system of risk management and internal controls, financial reporting process, and compliance with laws and regulations, and Digi's Code of Conduct. The ARC also assists in overseeing and appraising the quality of the audits conducted both by the Company's internal and external auditors as well as maintaining open lines of communication between the Board, the internal and external auditors for the exchange of views and information, besides confirming their respective authority and responsibilities.

2.0 Authority

The ARC is authorised by the Board to:

- (i) Investigate any matter within its Terms of Reference.
- (ii) Have unrestricted access to any information, records, properties and personnel of Digi.
- (iii) Secure resources required to perform its duties as set out in its Terms of Reference.
- (iv) Obtain external legal or other independent professional advice necessary to discharge its responsibilities.
- (v) Have direct communication channels with the internal auditors, external auditors and senior management of the Group in order to be kept informed of matters affecting Digi.
- (vi) Convene meetings with the internal and/or external auditors, excluding the attendance of other Directors and Management, whenever deemed necessary.
- (vii) Report matters to Bursa Securities where the ARC is of the view that it has not been satisfactorily resolved by the Board resulting in a breach of the MMLR.

3.0 Membership

The ARC shall be appointed by the Board from amongst the Directors and shall consist of not less than three members. All members shall be Non-Executive Directors, with the majority being Independent Directors. All the members shall be financially literate and at

least one member of the ARC must be a member of the Malaysian Institute of Accountants or possess such other qualifications and experience as prescribed or approved by Bursa Securities. No alternate Director of the Board shall be appointed as a member of the ARC.

In the event of any vacancy in the ARC (including the Chair) resulting in non-compliance of the above, the Board shall, upon recommendation of the Nomination Committee fill the vacancy within three months of that event.

For engagement of a former key audit partner as member, there is a cooling-off period of at least 2 years before being appointed as member of the ARC.

The term of office and performance of the ARC and each of its members shall be reviewed by the Nomination Committee annually to determine whether the ARC and its members have carried out their duties in accordance with its Terms of Reference.

4.0 Chair

The Chair of the Board shall not be the Chair of the ARC. The Chair of the ARC shall be an Independent Director elected among the members of the ARC and shall report formally to the Board on its activities at each ARC meeting. Any irregularities, significant findings or matters of concern under the purview of the ARC shall be communicated to the Board from time to time.

The Chair of the ARC shall engage on a continuous basis with senior management, such as the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit and external auditors in order to be kept informed of matters affecting the Group.

The Chair of the ARC should also attend the Annual General Meeting to answer any shareholders' questions on the ARC's activities.

5.0 Secretary

The Company Secretary shall be the Secretary of the ARC and shall be responsible, in consultation with the Chair of the ARC, for drawing up the agenda, supported by explanatory documentation, and circulating it to the ARC members at least five working days before the meeting date. The Secretary shall also be in attendance at each ARC meeting and is responsible for keeping the minutes of meetings and circulating them to the ARC members and the Board.

6.0 Minutes

The minutes of the ARC meetings shall be kept at the registered office of Digi and shall be open for inspection by the Board. Any request by Management or other persons to inspect the minutes shall be subject to approval by the Chair of the ARC.

7.0 Meetings

The ARC shall meet at least quarterly in a financial year, and any additional meetings shall be convened as and when called by the Chair of the ARC, if a request is made by any ARC member, the Directors, the internal or external auditors. The Head of Internal Audit shall attend the ARC meetings as a permanent invitee unless otherwise decided by the Chair of the ARC. The Chief Executive Officer and Chief Financial Officer shall normally be invited to attend the meetings. The Chair of the ARC may also invite other Board members and/or Management to participate in the meetings, when necessary.

The ARC may convene private meetings with Management, internal and/or external auditors whenever necessary. The ARC shall meet with the external auditors without the presence of Management at least twice a year. In addition, Management, the internal and/or external auditors may request for a private session with the ARC to discuss any matter of concern.

In order to form a quorum for the meeting, the majority of members present must be Independent Directors. In the absence of the Chair, the members present shall elect a Chair for the meeting from amongst the members present.

The ARC shall meet prior to the release of Digi's quarterly results and annual reports to discuss the proposed disclosures in the quarterly announcements and annual reports.

A meeting shall normally be conducted face-to-face to enable effective discussion, however, the ARC may regulate its own procedure in lieu of convening a formal meeting by means of video or teleconferencing or any other means of audio or audio-visual communications where all persons participating in the meeting can hear each other. Such participation in a meeting shall constitute presence in person at such meetings.

The ARC may deal with matters by way of circular reports and resolutions in lieu of convening a formal meeting. A written resolution signed or approved by letter, electronic mail or other electronic communication by all ARC members shall be as effectual as if it had been passed at an ARC meeting duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more ARC members.

8.0 Responsibilities

The ARC shall undertake the following responsibilities:

8.1 Financial Reporting

8.1.1 Financial Statements

- (i) Review Digi's quarterly and annual financial statements, and any formal announcements with Management and the external auditors prior to recommending to the Board for its approval, focusing on but not limited to:

- a) The going concern assumption;
 - b) Significant changes in or implementation of accounting policies and practices;
 - c) Significant audit and accounting matters highlighted, including significant change or unusual transactions, Management's judgments, estimates or assessments made, and sufficiency and accuracy of disclosures in the financial statements; and
 - d) Compliance with applicable financial reporting standards and other statutory and regulatory requirements.
- (ii) Assess whether the financial statements present a true and fair view of Digi's financial position and performance.
 - (iii) Discuss with the external auditors the results of the audit, the Management Letter, Management's responses and any difficulties encountered during the course of audit work, including any restriction on the scope of activities or access to required information (in the absence of Management, where necessary).

8.1.2 Related Party Transactions

- (i) Review and report to the Board any related party transactions or conflict of interest situations that may arise within Digi or Group including any transaction, procedure or course of conduct that raises questions of Management's integrity. This includes ensuring that:
 - a) Internal control procedures with regards to such transactions are sufficient and have been complied with;
 - b) Transactions are fair, reasonable and undertaken on Digi's normal commercial terms; and
 - c) Transactions are not detrimental to the interest of minority shareholders.

8.2 Risk Management and Internal Control

- (i) Review the adequacy and effectiveness of the risk management process to identify key organisational risks and the systems and processes in place to manage those risks.
- (ii) Review the adequacy and integrity of Digi's internal controls including information technology security and controls, and the policies and compliance procedures with respect to business practices.

8.3 The Audit Process

8.3.1 Internal Audit

- (i) Review and approve the Audit Charter and annual audit plan including subsequent changes to the approved plan.
- (ii) Ensure that Internal Audit carries out its work objectively and independently, and the Head of Internal Audit reports functionally to the ARC. The Head of Internal Audit will be responsible for the regular review and/or appraisal of the

effectiveness of the risk management, internal control and governance processes within Digi.

- (iii) Review and concur in the appointment, replacement or dismissal of the Head of Internal Audit.
- (iv) At least once a year, the Chair of the ARC will review the performance of the Head of Internal Audit.
- (v) Oversee the effectiveness of the Internal Audit function, including its scope of work, performance and budget.
- (vi) In developing the scope of the Internal Audit function and enabling it to carry out its role effectively, ensure that the:
 - a) Head of Internal Audit has relevant experience, sufficient standing and authority,
 - b) Internal Audit has sufficient resources and is able to access information, and
 - c) Internal Audit personnel have the necessary competency, experience, and resources.
- (vii) Ensure that Internal Audit carries out its functions according to the standards set by recognised professional bodies.
- (viii) Review the internal audit reports; discuss key observations and Management's response and actions towards these recommendations.
- (ix) Recommend any further reviews deemed necessary as a consequence of the audit observations identified.

8.3.2 External Audit

- (i) Review the external auditors' proposed audit plan and discuss the nature, scope and approach of the audit, and audit report including major findings and Management's response.
- (ii) Review the evaluation of the system of internal controls.
- (iii) Review the assistance given by the employees of Digi to the external auditors.
- (iv) Consider and recommend the appointment, re-appointment, resignation, dismissal and remuneration of the external auditors and if applicable, to review and report to the Board any letter of resignation from the external auditors.
- (v) Review the policies and procedures to assess the suitability, objectivity and independence of the external auditors.
- (vi) In appointing or re-appointing external auditors, to consider among others:
 - a) The adequacy of the experience and resources of the accounting firm;
 - b) The accounting firm's audit engagements;
 - c) The size and complexity of the Group being audited;
 - d) The number and experience of supervisory and professional staff assigned to the particular audit; and
 - e) The performance of the external auditors and its independence inter-alia:
 - The external auditors' ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;
 - The nature of the non-audit services provided by the external auditors and fees paid for such services relative to the audit fee; and

- Whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit arising from the provision of non-audit services or tenure of the external auditors.
- (vii) Review and monitor the engagement of the external auditor and its affiliates in performing non-audit services, in accordance with the policy on external auditor's non-audit services and fees.
- (viii) Identify any matters in respect of which it considers that action or improvement is needed and reviewing recommendations for steps to be taken.

8.4 Compliance

- (i) 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 actions) of any major instances of non-compliance.
- (ii) Review procedures established to address allegations raised by whistleblowers, to ensure independent investigation is conducted and follow-up action is taken and highlighted to the ARC.
- (iii) Review the findings of any examination by regulatory agencies and any auditor observations relating to compliance matters.
- (iv) Review the process for communicating the Code of Conduct to the staff, and for monitoring compliance.
- (v) Obtain regular updates from Management regarding compliance matters.
- (vi) Review the effectiveness of anti-corruption measures taken.

8.5 Other Responsibilities

- (i) Institute and oversee special investigations as needed.
- (ii) Ensure that any matter which results in a breach of the MMLR is reported to Bursa Securities if it has not been satisfactorily resolved.
- (iii) Prepare the ARC Report at the end of each financial year pursuant to the MMLR.
- (iv) Perform other activities related to this Terms of Reference, as requested by the Board.

9.0 Revision of Terms of Reference

Any revision or amendment to this Terms of Reference, as proposed by the Committee or any third parties, 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 this Terms of Reference shall be considered duly revised/amended.

10.0 Approval

This Terms of Reference was reviewed and approved by the Board of Directors on 15 March 2018.