

DEFINITIONS

“Digi” or “Company”	:	Digi.Com Berhad
“Board”	:	Board of Directors of Digi
“Group”	:	Digi and its subsidiaries

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.

2.0 Authority

The ARC is authorised by the Board to:

- (i) Investigate any matter within its Terms of Reference.
- (ii) Have full and unrestricted access to any information, records, properties and personnel of Digi.
- (iii) Secure the resources which are required to perform its duties as set out in its Terms of Reference.
- (iv) Obtain external legal or other independent professional advice as necessary in the discharge of its responsibilities.
- (v) Have direct communication channels with the internal and external auditors and with the senior management of the group in order to be kept informed of matters affecting Digi.
- (vi) Convene meetings with the external and/or internal auditors, excluding the attendance of the other Directors and Management, whenever deemed necessary.

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. 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 Malaysia Securities Berhad (“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 Chairman) resulting in non-compliance of the above, the Board shall upon recommendation of the Nomination Committee fill the vacancy within three months.

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 Chairman

The Chairman of the ARC shall be an Independent Director appointed by the Board. He shall report on each meeting of the ARC to the Board.

5.0 Secretary

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

6.0 Meetings

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

The ARC may convene private meetings with management, external auditors and/or the internal auditors whenever it is deemed necessary. The ARC shall meet with the external auditors without the presence of Management at least twice a year. In addition, Management, and the internal and 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 Chairman, the members present shall elect a Chairman for the meeting from amongst the member 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.

A resolution in writing signed by all members of the ARC, shall be as effectual as if it has been passed at a meeting of ARC duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more ARC member.

7.0 Responsibilities

The ARC shall undertake the following responsibilities:

7.1 Financial Reporting

7.1.1 Financial Statements

- (i) Review quarterly results and annual financial statements of Digi and any formal announcements with Management and the external auditors prior to recommendation 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 (in the absence of Management, where necessary).

7.1.2 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 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;
 - c) Transactions are not detrimental to the interest of minority shareholders.

7.2 Risk Management and Internal Control

- (i) Review the adequacy and effectiveness of the risk management process to identify key organizational 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 control, and the policies and compliance procedures with respect to business practices.

7.3 The Audit Process

7.3.1 Internal Audit

- (i) Review and approve the Audit Charter.
- (ii) Review the internal audit activities, adequacy of scope, functions, competency, resources and organisational structure of the Internal Audit department.
- (iii) Ensure that Internal Audit has the necessary authority to carry out its work and is free of management and other restrictions.
- (iv) Review the adequacy of coverage and approve the annual Audit plan and all major changes to the plan.

- (v) Ensure that Internal Audit is independent of the activities it audits and the Head of Internal Audit reports functionally to the ARC directly. 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.
- (vi) Ensure that Internal Audit carries out its functions according to the standards set by recognized professional bodies.
- (vii) Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the Head of Internal Audit.
- (viii) At least once per year, review the performance of the Head of Internal Audit. Review the internal audit reports; discuss key observations and Management's response from Internal Audit and Management's actions towards these recommendations.
- (ix) To recommend any further reviews or investigations deemed necessary as a consequence of the issues or concerns identified.

7.3.2 External Audit

- (i) Review the external auditors' proposed audit plan and discuss the nature, scope and approach of the audit, and audit report.
- (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 external auditors and if applicable, to review and report to the Board any letter of resignation from the external auditors.
- (v) In appointing or re-appointing of the external auditors, to consider among others:
 - a) The adequacy of the experience and resources of the accounting firm,
 - b) The persons assigned to the audit,
 - c) The accounting form's audit engagements,
 - d) The size and complexity of the Group being audited,
 - e) The number and experience of supervisory and professional staff assigned to the particular audit, and
 - f) 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.
- (vi) To 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.
- (vii) Identify any matters in respect of which it considers that action or improvement is needed and reviewing recommendations as to the steps to be taken.

7.4 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 action) of any major instances of non-compliance.
- (ii) Review procedures established to address allegations raised by whistleblowers, to ensure proportionate and 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 therewith.
- (v) Obtain regular updates from Management and the General Counsel regarding compliance matters.
- (vi) Review the effectiveness of anti-corruption measures.

7.5 Other Responsibilities

- (i) Institute and oversee special investigations as needed.
- (ii) Ensure that any matter which results in a breach of the Listing Requirements 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 Listing Requirements.
- (iv) Perform other activities related to this Terms of Reference, as requested by the Board.

8.0 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.

9.0 Approval

This Terms of Reference was reviewed and approved by the Board of Directors on 13 March 2017.