

MAXIS BERHAD
AUDIT COMMITTEE
TERMS OF REFERENCE

1 Status

- 1.1 The Audit Committee (“Committee”) is a committee of the Board of Directors (“Board”) of Maxis Berhad (“Maxis” or “Company”).

2 Function

- 2.1 The function of the Committee is to assist the Board in fulfilling its oversight responsibilities. The Committee will review the Maxis Group’s¹ financial reporting process, the system of internal controls and management of enterprise risk, the audit process, and the Group’s process for monitoring compliance with law and regulations and its own code of business conduct, as well as such other matters, which may be specifically delegated to the Committee by the Board, from time to time.

3 Composition

Requirements

- 3.1 The Committee shall consist of at least three (3) Board members, a majority of whom shall be independent directors. All members of the Committee must be non-executive directors. In determining independence, the Board will observe the requirements of Paragraph 1.01² of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”), any relevant Bursa Securities Practice Notes that may be issued by Bursa Securities from time to time and/or any relevant recommendations of Malaysian Code on Corporate Governance 2012.
- 3.2 Each member of the Committee should be financially literate and must be able to read, analyse, interpret and understand financial statements, including the Group’s balance sheet, income statement, and cash flow statement to effectively discharge their function.

¹ “Group” refers to Maxis and its subsidiaries.

² Under Paragraph 1.01 of the MMLR of Bursa Securities, an independent director is a director who is independent of management and free from any business or other relationship which could interfere with the exercise of independent judgment or the ability to act in the best interests of the Group and who:

- (a) is not an executive director of the Company or any of its related corporations (“said Corporation”);
- (b) has not been within the last 2 years and is not an officer (except as a non-executive director) of the said Corporation (“officer” has the meaning given in Section 4 of the Companies Act 1965);
- (c) is not a major shareholder of the said Corporation;
- (d) is not a family member of any executive director, officer or major shareholder of the said Corporation;
- (e) is not acting as a nominee or representative of any executive director or major shareholder of the said Corporation;
- (f) has not been engaged as an adviser by the said Corporation under such circumstances as prescribed by Bursa Securities or is not presently a partner, director (except as an independent director) or major shareholder, as the case may be, of a firm or corporation which provides professional advisory services to the said Corporation under such circumstances as prescribed by Bursa Securities; or
- (g) has not engaged in any transaction with the said Corporation under such circumstances as prescribed by Bursa Securities or is not presently a partner, director or major shareholder, as the case may be, of a firm or corporation (other than subsidiaries of the Company) which has engaged in any transactions with the said Corporation under such circumstances as prescribed by Bursa Securities.

3.3 At least one member of the Committee:

- must be a member of the Malaysian Institute of Accountants; or
- if not a member of the Malaysian Institute of Accountants, must have at least 3 years' working experience and must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967 or be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
- fulfills such other requirements as prescribed or approved by Bursa Securities.

Appointment

3.4 The Board will appoint the members of the Committee from members of the Board. Alternate directors will not be appointed as members of the Committee. The members of the Committee shall elect a Chairman from among their number who is an independent non-executive director. The Chairman of the Committee shall, in consultation with the other members of the Committee, be responsible for calling meetings of the Committee, establishing the agenda for meetings of the Committee and supervising the conduct thereof.

3.5 In order to form a quorum in respect of a meeting of the Committee, the majority of members present must be independent directors.

3.6 Any vacancy due to the retirement or resignation of the Committee members as members of the Board, or for any other reason which results in non-compliance of Committee composition requirements, specified in paragraph 3.1 or 3.3 above, must be filled within three (3) months.

4 Authority

The Committee is authorised by the Board, in accordance with procedures to be determined by the Board (if any) and at the cost of the Company to:

- 4.1 Investigate any matter within its terms of reference;
- 4.2 Have adequate resources to perform its duties;
- 4.3 Have full and unrestricted access to any of the Group's information, records, properties and personnel;
- 4.4 Have direct communication channels with external and internal auditors and all employees of the Group;
- 4.5 Obtain external independent professional advice and invite outsiders with relevant experience to attend meetings and to advise the AC, if necessary; and
- 4.6 Convene meetings with the internal and external auditors (excluding the attendance of other directors and employees of the Group), whenever deemed necessary.

5 Responsibilities

The responsibilities of the Committee are set out below. The order in which each of the items is given below is not an indication of its order of importance or priority.

The Committee shall:

Risk Management and Internal Control

5.1 Apply the guidance set out in the “*Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers*”(issued by Bursa) on the key elements needed in maintaining a sound system of risk management and internal control and the process that should be considered in reviewing its effectiveness, including the necessary reliance on management to implement and monitor and provide assurances to the Board on whether the company’s risk management and internal control system is operating adequately and effectively. The Committee should annually receive assurance from the CEO and CFO on whether the Group’s risk management and internal control system is operating adequately and effectively and report to the Board.

5.2 Review Systems of Risk Management:

Review, at least annually, with relevant staff members of the Group, the internal auditors, the external auditors and, where necessary, any other relevant persons, the adequacy and effectiveness of the Group’s processes to identify key risks and the systems to monitor and manage these risks.

5.3 Review Systems of Internal Controls:

Review, at least annually, with the external auditors, the internal auditors, and, if and to the extent deemed appropriate by the Chairman of the Committee, members of their respective staff, the adequacy and integrity of the Group's internal controls including information technology and network controls, the Group's financial, auditing and accounting organisations and personnel and the Group's policies and compliance procedures with respect to business practices.

Financial Reporting

5.4 Review Financial Statements:

5.4.1 Review with the appropriate officers of the Group and the external auditors, the annual and quarterly financial statements of the Group including the announcements pertaining thereto, prior to approval by the Board, focusing on, inter alia:

- Quality, accuracy and adequacy of the financial disclosure;
- Changes in accounting policies and practices, and implementation of such changes;
- Significant and unusual events;
- Significant adjustments arising from the audit;
- The going concern assumption;
- Compliance with applicable approved financial reporting standards, legal and regulatory requirements;
- Other matters as defined by the Board.

5.4.2 Review and ensure corporate disclosure policies and procedures of the Group (as they pertain to accounting, audit and financial matters) comply with the disclosure requirements as set out in the MMLR of Bursa Securities.

5.4.3 Discuss among the Committee members, without the presence of the Management or the external auditors if deemed necessary, the financial information obtained.

5.5 Review Other Accounting, Audit and Financial Matters:

Review such other matters in relation to the accounting, auditing and financial reporting practices and procedures of the Group as the Committee may, at its own discretion, deem desirable in connection with the audit functions described above.

5.6 Review Related Party Transactions:

Review any related party transactions entered into by the Group, including the review and monitoring of recurrent related party transactions for which shareholders' mandate has been granted, to determine whether:

- Such transactions are undertaken on the Group's normal commercial terms;
- The internal control procedures with regard to such transactions are sufficient and have been complied with; and
- There is compliance with other relevant provisions of the MMLR and Practice Notes that may be announced by Bursa Securities from time to time.

5.7 Review Conflict of Interest Situations and Internal Investigations:

5.7.1 Review any conflict of interest situations that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity.

5.7.2 Review major findings of internal investigations and management responses.

Internal Audit

5.8 Review Independence of Internal Auditors:

Review the internal audit function to determine whether its activities are performed independently and with impartiality, proficiency and due professional care. The Committee shall determine the authority and the area of responsibility of the internal audit function.

5.9 Review Internal Audit Plans:

The Head of Internal Audit shall be responsible for the regular review and/or appraisal of the effectiveness of the risk management, internal control and governance processes within the Group and will report directly to the Committee.

Review with the Head of Internal Audit and the appropriate staff of the Internal Audit Department their plans, adequacy of the scope, functions, competency and resources of the Internal Audit Department and to determine that it has the necessary authority to carry out its work. The Committee shall undertake such review at least once a year to ensure the effectiveness of the internal audit function.

5.10 Review Internal Audit Reports:

5.10.1 Review with the Head of Internal Audit and the appropriate staff of the Internal Audit Department, the internal audit programme, the internal audit processes, results of the internal audit programme or investigations undertaken and whether or not action is taken on the recommendations of the Internal Audit Department.

5.10.2 Review the extent of assistance and co-operation given by the Group and the Group's employees to the internal auditors.

5.11 Review Internal Audit Department Performance:

Review any appraisal or assessment of the performance of the staff of the Internal Audit Department.

5.12 Appointment/Termination of the Head of Internal Audit and Senior Internal Audit Staff:

5.12.1 Recommend to the Board to approve the appointment or termination of the Head of Internal Audit.

5.12.2 Approve the appointment or termination of senior staff members of the Internal Audit department.

5.13 Take Cognisance of Internal Auditors' Resignation:

Take cognisance of staff resignations of the Internal Audit Department and provide the resigning staff an opportunity to submit his/her reason for resigning.

5.14 Approve the Internal Audit (IA) Charter:

Approve the IA Charter, which defines the purpose, authority, scope and responsibility of the IA function in the Group.

External Audit

5.15 Appointment, Resignation and Dismissal of External Auditors:

Recommend to the Board annually, and at other appropriate times, the firm to be retained as the Group's external auditors, the terms of engagement and remuneration to be paid to the external auditors in respect of the audit services provided and on any questions of resignation or dismissal, and to review any letter of resignation received from the Group's external auditors.

In appointing the Group's external auditors, the Committee shall consider among others:

- i) the adequacy of the experience and resources of the accounting firm;
- ii) the persons assigned to the audit;
- iii) the accounting firm's audit engagements;
- iv) the size and complexity of the Group being audited; and
- v) the number and experience of supervisory and professional staff assigned to the particular audit.

5.16 Review Suitability and Independence of External Auditors:

In connection with recommending the firm to be retained as the Group's external auditors, to review the information provided by the management and the external auditors relating to the suitability and independence of such firm, including, information relating to the non-audit services which was provided and/or expected to be provided by the external auditors.

The Committee is responsible for (1) requiring the Group's external auditors to submit on a periodic basis to the Committee a formal written statement delineating all relationships between the external auditors and the Group, consistent with International Standard on Auditing 260³ modified as appropriate based on the Malaysian guidelines for auditors independence, and to obtain confirmation from them that they are, and have been, independent throughout the conduct of the audit engagement; (2) actively engaging in dialogue with the Group's external auditors with respect to any disclosed relationship or services that may impact the objectivity and independence of the external auditors; (3) taking, or recommending that the Board take appropriate action, to oversee the independence of the external auditors; and (4) reviewing whether there is reason (supported by grounds) to believe that the Group's external auditors are not suitable for reappointment.

The Committee shall review and monitor the provision of non-audit services by the external auditors and to ensure that they comply with the external audit independence policy.

³ *International Standard On Auditing 260 – Communication with those charged with governance, Auditor Independence, Para 17: In the case of listed entities, the auditor shall communicate with those charged with governance: (a) A statement that the engagement team and others in the firm as appropriate, the firm and, when applicable, network firms have complied with relevant ethical requirements regarding independence*

5.17 Review External Audit Plans:

5.17.1 Review with the Group's external auditors their audit plan, nature, approach, scope and cost effectiveness of their annual audit and other examinations, prior to the commencement of such activities. This should include the evaluation of the systems of internal controls and risk management processes, to the extent performed as part of the external audit.

5.17.2 Ensure co-ordination where more than one (1) audit firm is involved and between the Group's internal and external auditors.

5.18 Conduct of External Audits:

5.18.1 Review the independence and objectivity of the external auditors annually.

5.18.2 Review the extent of assistance and co-operation given by the Group and the Group's employees to the external auditors.

5.19 Review External Audit Results:

Review with the Group's external auditors the report of their annual audit, the relevant reports to the Committee including Management's responses, and if any, the reports of their reviews of the Group's interim financial statements, the findings arising from the interim and final audits, including significant audit adjustments and the reports of the results of such other examinations outside of the course of the external auditors' normal audit procedures that the Group's external auditors may undertake, from time to time.

5.20 Review Recommendations of External Auditors:

Review with the Head of Internal Audit and the appropriate staff of the Internal Audit Department recommendations made by the external auditors, as well as such other matters, if any, as such persons or other officers of the Group may desire to bring to the attention of the Committee.

Verify Allocation of Employees' Share Option Scheme (ESOS)

5.21 Verify the allocation of share options to the Group's eligible employees in accordance with allocation criteria which has been disclosed to employees of the Group and established pursuant to the Company's Employees' Share Option Scheme (ESOS), at the end of each financial year.

Review Compliance to Laws and Regulations

5.22 Review with the respective staff of the Group, the internal auditors, the external auditors and, where necessary, any other relevant persons, the processes for monitoring the Group's compliance with legal, regulatory and statutory requirements.

Other Responsibilities

5.23 Review Other Matters:

5.23.1 Whistle-Blowing

- Review the arrangements by which staff of the Group may in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control or other business related or commercial matters. The Committee shall ensure

that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action to be taken.

- Review and ensure the confidentiality of anonymous submission by employees on concerns regarding questionable business and operating practices, including accounting or auditing matters within the Group.

5.23.2 Group's Statement on Risk Management and Internal Control with the external auditors, and management for inclusion in the Annual Report.

5.23.3 Efficiency and efficacy of operations of the Group and any other matters, which would improve the governance of the Group's operations.

5.23.4 Other matters as the Committee considers appropriate or as defined by the Board.

Reporting Responsibilities

5.24 Report to the Board:

Report its activities to the Board (including without limitation, the matters referred to in paragraphs 5.1 to 5.23 (inclusive)) in such form and manner so as to allow the Board sufficient time to prepare the audit committee report in accordance with the requirements of paragraph 15.15 of the MMLR of Bursa Securities.

5.25 Report Breaches to Exchange:

Where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the MMLR of Bursa Securities, the Committee shall promptly report such matter to Bursa Securities.

6

Meetings

6.1 The Committee shall meet at least four (4) times during each financial year or more frequently as it may determine necessary, to comply with its responsibilities as set forth herein. The Committee may request other Board members, any officer or employee of the Group, the Group's external legal counsel, internal or external auditors to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee. For the avoidance of doubt, such invitees shall not be entitled to vote at such meeting. The Committee may meet with management and others in separate private sessions to discuss any matter that the Committee, the management, internal or external auditors or such other persons believe should be discussed privately. Such meetings should offer free and open communication among the Committee, management, internal auditors and external auditors. The Committee shall meet with the Group's external auditors and internal auditors in separate private sessions at least twice in each financial year without executive board members and senior management present. The Group's internal or external auditors may request a meeting with the Committee if they consider that one is necessary to consider any matter the Group's internal or external auditors wish to bring to the attention of the Directors or shareholders of the Group. Upon such request, the Chairman shall promptly call a meeting of the Committee for the above purpose.

6.2 The Committee may request any relevant officer or employee of the Group or the Group's external and internal auditors to discuss key audit issues.

6.3 In addition to its four (4) meetings each financial year, the Committee may take action by unanimous written consent of its members, including dealing with matters by way of circular resolutions in lieu of convening a formal meeting.

- 6.4 The Committee may regulate its own procedures, in particular in the conduct of the Committee meetings, including attendance at a meeting by being present in person or by participating in the meeting by means of video or teleconference. The Committee should record its deliberations, in terms of the issues discussed, and the conclusions in discharging its duties and responsibilities, with the minutes kept and distributed to each member of the Committee and of the Board. The Chairman of the Committee shall provide the Board with a report of the Committee meetings at each financial quarter meeting.
- 6.5 The Chairman of the Committee should engage on a continuous basis with senior management such as the Chairman, the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit and the external auditors in order to be kept informed of matters affecting the Group.

7 Audit Committee Report

- 7.1 The Committee must prepare for the Board's consideration and approval, a draft of the Audit Committee Report to be set out in the Group's annual report. This draft report must disclose amongst others:
- The Committee's composition, including the name, designation (indicating the chairman) and directorship of the members (indicating whether the directors are independent or otherwise);
 - The Committee's terms of reference;
 - The number of Committee meetings held during the financial year, details of attendance of each Committee member and the details of relevant training attended by each Committee member;
 - A summary of Committee's activities in discharging its functions and duties for that financial year; and
 - A summary of the activities of the internal audit function or activity.

8 Secretary of the Audit Committee

- 8.1 The Group Secretary shall be the Secretary of the Committee. The Secretary shall:
- Ensure all appointments to Committee are properly made;
 - Ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues;
 - Record, prepare and circulate the minutes of the Committee meetings promptly to all members of the Board; and
 - Ensure that the minutes are properly kept and produced for inspection if required.

9 Consultants

- 9.1 The Committee may retain, at such times and on such terms as the Committee determines in its sole discretion and at the Company's expense, special legal, accounting or other consultants to advise and assist it in complying with its responsibilities as set forth herein.

10 Training

- 10.1 The Committee shall be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.

11 **Review of the Committee**

- 11.1 The Committee shall conduct a self-assessment annually to monitor its overall effectiveness in meeting its responsibilities and report the results to the Board.
- 11.2 The Board shall review the composition, term of office, performance and effectiveness of the Committee and each of its members annually to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.
- 11.3 All such evaluations or assessments should be properly documented.

12 **Annual Review of the Terms of Reference of the Committee**

- 12.1 The Committee shall review and reassess the adequacy of the terms of reference of the Committee annually, and where necessary obtain the assistance of management, the Group's external auditors and external legal counsel, and recommend proposed changes to the Board for approval.

Reviewed in April 2015