

## PT XL AXIATA TBK (“the Company”)

### TERMS OF REFERENCE OF BOARD AUDIT COMMITTEE

#### BACKGROUND

The Board of Audit Committee (“BAC”) was established by the Board of Commissioners (“BOC”) based on BOC resolution No.1/05 dated 28 February 2005 with the objective to assist the BOC in performing their supervisory duties in particular to financial matters including Company audit by either internal or external auditor, risk management implementation and internal control system in accordance with prevailing laws and regulation.

Notwithstanding of the implementation of this Charter, every BAC members should also abide by the OJK Regulation No. 55/POJK.04/2015 (“POJK 55”) regarding the Establishment and Implementation Guidance of Audit Committee and OJK Regulation No.13/POJK.03/2017 regarding the Usage of Public Accounting and Public Accounting Firm in Financial Services Activity (“POJK 13”) and its circular letter, and this BAC Charter shall not be contrary with the POJK 55 as well as the POJK 13.

#### 1.0 Composition of the Board Audit Committee

The BAC must be composed of at least three (3) members comprising Independent Commissioner of the Company and other independent members from outside of the Company.

The BAC members shall be appointed and dismissed by the BOC.

The BOC must from time to time review the term of office and performance of the BAC and each of its members to determine whether the BAC has carried out its duties in accordance with this Terms of Reference.

#### 2.0. Members of the BAC

##### 2.1 Chairman

The BAC member who is also an Independent Commissioner of the Company acts as BAC Chairman. In case where there are more than one Independent Commissioners appointed as the BAC members, then the BOC shall appoint one of them as Chairman of the BAC.

The term of office of the BAC chairman is at maximum the same with his/her capacity as Independent Commissioner. In accordance to Regulation of Financial Services Authority (“OJK”), the BAC chairman can only be reappointed once upon completion of his/her first term of office.

In the event of a BOC member who also serves as the Chairman of the BAC relinquish his/her membership as the BOC member, his/her Chairmanship of the BAC shall also be replaced by one of the other members of the Independent Commissioners within the period of no later than thirty (30) days.

The following are the main duties and responsibilities of the BAC Chairman. These are not exhaustive and serve merely as a baseline:

- a. Helps the BAC fulfill the goals it sets by assigning specific tasks to members of the BAC and identifies guidelines for the conduct of the members and ensures that each member is making a significant contribution.
- b. Looks to the Company Secretary for guidance to the BAC on what their responsibilities are under the rules and regulations to which they are subject to and how those responsibilities should be discharged. The compliance advice should extend to embrace all laws and regulations and not merely the routine filing requirements and other administrative requirements of the Company laws and regulations.
- c. Provides a reasonable time for discussion at the meeting, organizes and presents the agenda for regular or special BAC meetings based on input from members and/or the BOC as well as ensures that all relevant issues are on the agenda. In addition, the Chairman should encourage a healthy debate on the issue and bring to the BAC, a healthy level of skepticism and independence.
- d. Provides leadership to the BAC and ensures proper flow of information to the BAC, reviewing adequacy and timing of documentation.
- e. Ensures that all members are enabled and encouraged to play their full part in its activities. This includes making certain that all members receive timely, relevant information tailored to their needs and that they are properly briefed on issues arising at BAC meetings.
- f. Secures good corporate governance and ensures that members look beyond their BAC function and accept their full share of responsibilities of governance materials in support of Management’s proposals.

- g. Manages the processes and working of the BAC and for ensuring that the BAC discharges their responsibilities. Appropriate procedures may involve the BAC meeting on a regular basis without the presence of Management.
- h. Ensures that every BAC resolution is put to a vote to ensure that it is the will of the majority that prevails.

## **2.2 Member**

Members of the BAC shall comply with the following requirements:

1. Must have high integrity, capability, sound knowledge and experience in accordance to their field work, as well as the ability to communicate effectively;
2. Must understand and have adequate knowledge in financial statements, Company's business, audit process, risk management, and capital market regulations along with other applicable regulations related to the Company;
3. Must develop and increase their related competencies through education and training;
4. At least one of the BAC member has educational background and expertise in Accounting or Finance;
5. Not being an insider of Public Accountant Office, Law Office, Public Appraiser Office or other Parties providing assurance service, non-assurance service, appraiser service, and/ or other consultancy services to the Company within the last 6 (six) months prior to the appointment as the BAC member by the BOC;
6. Not being a person who works or has rights and responsibilities to plan, lead, control or supervise the Company's business activities within the last 6 (six) months prior to appointment as the BAC member by the BOC, except for the BAC member who serves as Independent Commissioner;
7. Do not have any direct or indirect ownership in the Company. In case where BAC members have received share directly or indirectly as a result of a legal event, they must transfer the shares to other person no later than 6 (six) months after obtaining those shares;
8. Do not have:
  - a. affiliate relationship with member of BOC, Board of Directors or Primary Shareholders of the Company;
  - b. any business relationship either directly or indirectly with the Company's business activities.

9. The terms of office of the BAC members shall not be longer than terms of office of the BOC as determined in the Articles of Association of the Company, and BAC members shall be eligible for reappointment only for another term;
10. Must comply with BAC code of conduct set forth under this Terms of Reference;
11. Members of the BAC may resign their membership in the BAC with prior written notice to the BOC and Corporate Secretary of the Company at minimum thirty (30) days prior to the effective resignation date. In the event of any casual vacancy in the BAC, the BOC will consider and approve the new appointment, in replacement thereof within three (3) months;
12. The Company must disclose to the OJK regarding the appointment, dismissal and/or resignation of BAC member no later than two (2) working days from the appointment, dismissal and/or resignation date. Such information must also be disclosed in the Company's website.

Each BAC member will be expected to:

- a. Provide individual external independent opinions to the fact-finding, analysis and decision making process of the BAC, based on their experience and knowledge.
- b. Consider viewpoints from the other BAC members; make decisions and recommendation for the best interest of the BOC collectively.
- c. Keep abreast of the latest corporate governance guidelines in relation to the BAC and the BOC as a whole.
- d. Continuously seek out Best Practice in terms of the processes utilized by the BAC, following which these should be discussed with the rest of the BAC for possible adoption.

### **2.3 Secretary of the BAC**

The Head of Audit & Risk Management of the Company shall be the Secretary of the BAC.

Duties and responsibilities of Secretary of BAC are as follows:

- a. To organize the BAC Meeting and pre-BAC Meeting if required including ensuring readiness of related parties who will present at the meeting.

- b. To prepare the meeting material in coordination with respective related parties and distribute such material to the BAC in timely manner.
- c. To prepare and finalize the minutes of meeting under timeline as defined in section 3.2 of this Charter.
- d. Distribute to BAC, upon availability, new OJK regulations which are relevant to the BAC.

Aside from being the Secretary of BAC, the Head of Audit & Risk Management is administratively and functionally responsible to the President Director. He is also functionally responsible to the Chairman of the BAC upon authority granted by the BOC.

### **3.0 Guidelines of the BAC**

It is the objective of the BAC to assure that the Company complies with specified financial standards and required disclosure policies developed and administered by the applicable laws, legislation and other approved accounting standard bodies with due observance with OJK and related stock exchange rules and regulation. Hence, the BAC is expected to fully understand Capital Market regulations relevant to BAC roles and responsibilities.

The BAC is also responsible for providing advices to the BOC regarding reports or other issues that have been submitted by the Board of Directors of the Company (the "BOD) to the BOC, identifying any issues that may be of concern to the BOC and performing other relevant tasks assigned by the BOC to BAC. In addition, the BAC needs to ensure high standards of corporate disclosure and transparency. The BAC will endeavor to adopt certain practices aimed at maintaining appropriate standards of corporate responsibility, integrity and accountability.

### **3.1 Quorum**

In order to form a quorum, the BAC meeting shall be attended by more than 1/2 (half) of the BAC members.

Resolutions of the BAC meeting may adopt a binding resolution if approved by a majority of votes of those BAC members who are present at the meeting.

### **3.2 Meetings**

The BAC shall meet at least once in three (3) months and any additional meetings as the Chairman shall decide. The BAC may regulate its own procedure in lieu of convening a formal meeting by way of video or teleconferencing. In addition, it may take action and

resolution by way of circular resolutions which shall be approved and signed by all of the BAC members. The BAC meeting shall be chaired by Chairman of the BAC.

The Notice, agenda and materials for each BAC meeting shall be sent to all members of the BAC and any other persons who may be required to attend at least three (3) working days before the BAC meeting.

The President Director or other member of the Board of Directors of the Company and the other function may be present at the BAC meetings based on the invitation of the BAC.

The Chairman of BAC shall provide to the BOC a report of each BAC meetings.

The BAC meeting's decision should be concluded based on consensus deliberation.

Each BAC meetings must be recorded on the minutes on meeting, including dissenting opinions (if any) and signed by all BAC members attending the respective meeting. Copy of the signed minutes must be submitted to BOC as reference.

The Secretary of BAC is responsible in preparing the minutes and having the respective minutes circulated and approved within one (1) month calendar days of the respective meeting. The minutes of meetings will be kept by the Secretary of BAC.

### **3.3. Decision**

Decisions in BAC meeting are made on a consensus basis after due deliberation. In the event where no consensus has been reached in the Meeting, a simple majority voting mechanism shall be conducted to arrive at a decision.

## **4.0. Duties and Responsibilities of the BAC**

The following are the main duties and responsibilities of the BAC collectively (and shall review and report the same to the BOC):

### **4.1 Risk Management and Internal Control**

- Review the adequacy and the integrity of the Company risk management and internal control systems for compliance with applicable laws, rules, directives and guidelines. In evaluating the risk management and internal control systems, the BAC should consider the following:
  - a) Nature and extent of downside risks;
  - b) Likelihood of such risks becoming a reality;

- c) Company risk appetite and risk tolerance;
  - d) The Company ability to minimize the probability and impact on the business;
  - e) Costs and benefits of the risk and control activity undertaken;
  - f) Effectiveness of the risk and internal control framework; and
  - g) Risk implications.
- Propose an adequate risk management and internal control systems for Management to safeguard the Company's assets and report to the BOC regarding risks faced by the Company;
  - Review and monitor the risk profile of the Company and potential significant exposure to various types of risk.
  - Review and oversee the company's cyber security program and approach to management of cyber-related risks
  - Review and monitor risks that may arise from the Company's major initiatives.

#### **4.2 Financial Information Review**

- Review the Company's financial information that will be released to the Public and/ or authorities, including financial statements, financial projections, and other report related with the Company's financial information.
- Review the quarterly interim results, half-yearly results and annual financial statements of the Company, focusing particularly on:
  - a) Any changes in accounting policies and practices;
  - b) Significant or material adjustments with financial impact arising from the audit;
  - c) Significant unusual events or exceptional activities;
  - d) The going concern assumptions;
  - e) Compliance with approved accounting standards, stock exchange and other regulatory requirements.
- Review the Company's financial statements prepared by the External Auditors for the purpose of BAC recommendation for BOC's approval and adoption including:
  - a) Whether the auditors' report contained any qualifications which must be properly discussed and acted upon for purposes of resolving the contentious point of disputes in the current audits and to remove the cause of the auditors' concern in the conduct of future audits.
  - b) Significant changes and adjustments in the presentation of financial statements.

- c) Compliance with laws and local and international accounting standards.
  - d) Material fluctuations in balances in the financial statements.
  - e) Significant variations in audit scope and approach.
  - f) Significant commitments or contingent liabilities.
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- Discuss problems and reservations arising from the interim and final audits and any matter the auditor may wish to discuss in the absence of the Management where necessary;
  - Propose best practices on disclosures in financial results and annual reports of the Company in line with the principles set out in the Code of Corporate Governance, other applicable laws, rules, directives and guidelines.
  - Review the follow-up actions by Management on the weaknesses of internal accounting procedures and controls as highlighted by the External and Internal Auditors as per management letters.

### **4.3 External Audit**

- Provide written recommendation to the BOC regarding the appointment of a suitable accounting firm to act as External Auditors to be further proposed to the General Meeting of Shareholders. The factors to be considered for the appointment refers to POJK 13 and its circular letter
- Consider any question of resignation (including any letter of resignation) or removal and whether there is a reason (supported by grounds) to believe that the External Auditors are not suitable for re-appointment and may recommend the audit fee payable thereof.
- Discuss with the External Auditors before the audit commences, the audit plan, nature, approach and scope of the audit and ensure co-ordination where more than one audit firm is involved.
- Evaluate the provision of audit services on annual historical financial information by the public accountant and or the firm. The evaluation of the provision of audit services on annual historical financial information by the public accountant and/or the firm is exercised by referring to POJK 13 and its circular letter.
- Review 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 the independence or objectivity.

- Develop and recommend to the BOC the company's policy in relation to the provision of non-audit services by the external auditor, taking into account the Ethical Standard and legal requirements, and keep the policy under review
- To act as a mediator and provide independent advice shall dissenting opinions occur between the Company/management and External Auditors regarding the services provided by the External Auditors.

#### **4.4 Audit & Risk Management Division**

- To review the Internal Audit Charter for approval by the BOC and signed by the BOD, which defines the independent purposes, authority, scope and responsibility of the internal audit function in the Company.
- Review and supervise the Audit & Risk Management Plan and results of the risk management and internal audit process to ensure:
  - a) That appropriate action is taken and implemented by the Board of Directors on the recommendations or findings of the internal audit and risk management function;
  - b) That Audit & Risk Management Department has adequate and competent resources and that it has the necessary authority to carry out its work;
  - c) That the goals and objectives of the Audit & Risk Management Department commensurate with corporate goals.
- Review the audit process/implementation from the internal auditor and supervise the follow up implementation by the Board of Directors on such internal auditor's findings.
- Review and appraise the performance and remuneration of the Head of Audit & Risk Management and senior staff members. BAC shall recommend to the BOC for approval of the appointment or termination of the Head of Audit & Risk Management.
- Inform itself of resignations of the Head of Audit & Risk Management and senior staff members of the Audit & Risk Management.
- BAC must be informed, referred to and agree on the initiation, commencement and mechanism of any disciplinary proceedings/ investigations, including the nature and reasons to the said disciplinary proceedings/ investigations, as well as the subsequent findings and proposed disciplinary actions against the Head of Audit & Risk Management and the senior staff members of Audit & Risk Management Division. As employees of the Company, the Head of Audit & Risk Management and senior staff members of Audit & Risk Management Division are subject to the Company's human

resource policies and guidelines including disciplinary proceedings/ investigations and actions.

- Review the assistance and co-operation given by the Company and its officers to the External and Internal Auditors.
- The internal audit function should be independent of the activities they audit and should be performed with impartiality, proficiency and due professional care as stipulated in the Internal Audit Charter. The BOC through BAC should determine the remit of the internal audit function.
- Where there is an audit assignment initiated by the Board Audit Committee of the Company's Shareholders that have bearing upon all their subsidiaries or that the subsidiaries results would affect the opinion of the Group of the respective Company's Shareholders, the BAC should adhere to the request and include in its audit plan with due observance with the prevailing law and regulation.

#### **4.5 Compliance and Whistleblowing**

- Review Company's compliance with the laws and regulations in the Capital Market industry, and other related regulations relevant to the activities of the Company
- Receive reports concerning significant regulatory reports and finding of regulators, and regular reports from management concerning compliance matters, as applicable to the mandate of the committee, including management's associated remediation plans and progress against such plans.
- Review the adequacy of Company's whistleblowing program for its employees, contractor and other parties to raise concern in confidence, about possible wrongdoing in financial reporting or other matters.
- Review the adequacy of Company's procedures for: (i) the receipt, retention and treatment of complaints received by the company about accounting, internal accounting controls or auditing matters; and (ii) the confidential, anonymous submission by company employees of concerns regarding questionable accounting or auditing matters.

#### **4.6 Related Party Transactions**

Consider, review and provide recommendation to the BOC on 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 the Company including any transaction, procedure or course of conduct that raises questions of management integrity;

#### **4.7. Other Matters**

- Such matters as the BAC considers appropriate or as defined by the BOC.
- Shall keep the confidentiality of company's document, data and information.
- Shall demonstrate independency in performing the duties and responsibilities.

#### **5.0 Powers of the BAC**

In carrying out its duties and responsibilities, the BAC shall have the following rights, in accordance with the procedures to be determined by the BOC and at the cost to the Company:

- a. Have explicit authority to investigate any matter within its terms of reference;
- b. Have the resources which are required to perform its duties;
- c. Have full, free and unrestricted access to any records, documents, or information, regarding employees, funds, assets and other required resources.
- d. Have direct communication with the employees, including Board of Directors and party(s) carrying out the internal audit function, risk management, and External Auditors or activity (if any).
- e. Obtain advice from independent party/professional outside the BAC or other authorities and to invite external parties with relevant experience to attend the BAC's meetings (if required), to brief the BAC and to assist the BAC thereof;
- f. Require the attendance, at any particular BAC meeting, of other Directors and employees of the Company at the BAC's invitation and discretion, specific to the relevant meeting and;
- g. Be able to convene meetings with External Auditors, whenever deemed necessary.
- h. Have immediate access to reports on findings and recommendations from Audit & Risk Management Division of the Company in respect of any fraud or irregularities discovered and referred to Audit & Risk Management Division by the Management.

#### **6.0 BAC Report**

The BAC is required to submit report to the BOC for each assignment that has been assigned by the BOC and quarterly BAC activity report.

The BAC is required to prepare and submit to the BOC an annual BAC activity report at the end of each financial year to include the following:

- a. The composition of the BAC including the name, designation and directorship of the members (whether the BAC members are independent or otherwise);
- b. The number of BAC meetings held during the financial year and details of attendance of each BAC member;
- c. A summary of the implementation activities of the BAC in the discharge of its functions and duties for that financial year;
- d. A summary of the activities of the Company's Internal Audit Department;
- e. Review of compliance with prevailing laws and regulations (if any);
- f. Review of financial results;
- g. Review of risk management and internal controls systems;
- h. Review of independence of the Company's auditors; and

Such report must further be disclosed in Annual Report of the Company.

#### **7.0. Code of Conduct of the BAC**

The BAC must observe the following code of conduct:

- a. BAC shall value the integrity, professionalism and professional standards in carrying out the duties and responsibilities of the BAC.
- b. BAC shall perform all duties and responsibilities honestly, objectively and independently solely for the benefit of the Company.
- c. BAC shall avoid any activity that are contrary to law, ethics and norms prevailing in the community as well as activities that are contrary to the interests and objectives of the Company.
- d. BAC shall not accept any reward or anything other than that has been designated as a recognition of their duties.

- e. In giving its opinion, BAC must use sufficient and competent evidence to support the opinion and shall not use any information relating to the Company for personal interests.
- f. BAC shall maintain the confidentiality of any information with respect to the Company and shall not disclose said information unless required by the prevailing laws and regulations.

*Enacted as of 9 February 2018  
by the Approval of the Board of Commissioners Meeting dated 9 February 2018*