

United Malacca Berhad

(Company No. 1319-V)

EXTERNAL AUDITOR INDEPENDENCE POLICY

1.0 Introduction

The Board recognizes External Auditor play a vital role in the process of accountability for shareholders and the effective functioning of the capital market by the provision of consistent and reliable financial reporting.

The Board has established the Audit Committee to assist its oversight function in ensuring the integrity of UMB Group's financial statements as well as in engaging and overseeing the External Auditor.

As a measure for ensuring financial statements are a reliable source of information, the Audit Committee has to ensure the suitability and independence of the External Auditor.

2.0 Objective

The objective of this External Auditor Independence Policy is to outline the guidelines and procedures for the Audit Committee to review, assess and monitor the performance, suitability and independence of UMB Group's External Auditor.

3.0 Selection and Appointment

The Audit Committee is responsible to oversee the appointment, remuneration and removal of External Auditor.

The following are the procedures for selection and appointment of new External Auditor:

- (a) the Audit Committee to identify the audit firms who meet the criteria for appointment and to request for their proposals of engagement for considerations;
- (b) the Audit Committee will assess the proposals received and shortlist the suitable audit firms;
- (c) the Audit Committee will meet and/or interview the shortlisted candidates;
- (d) the Audit Committee may delegate or seek the assistance of the Chief Financial Officer to perform items (a) to (c) above;

- (e) the Audit Committee will recommend the appropriate audit firm to the Board for appointment as External Auditor; and
- (f) the Board will endorse the recommendation and seek shareholders' approval for the appointment of the new External Auditor and/or resignation/removal of the existing External Auditor at the general meeting.

Selection Criteria

The Audit Committee will give due consideration to the following criteria when selecting preferred External Auditor for recommendation to the Board:-

- (i) Quality and thoroughness of the audit approach and methodology;
- (ii) Independence of the external audit firm and specifically the audit engagement partner;
- (iii) Skills and knowledge of the proposed external audit team;
- (iv) Global resources;
- (v) Understanding of the industry;
- (vi) Partner rotation and succession planning; and
- (vii) Value for money.

4.0 Annual Assessment

The Company shall at each annual general meeting appoint or re-appoint the External Auditor of the Company, and External Auditor so appointed or re-appointed shall, hold office until the conclusion of the next annual general meeting of the Company.

In discharging this duty, the Audit Committee shall carry out annual evaluation of the External Auditor which shall encompass an assessment of the qualifications and performance of the auditor; the quality and candour of the auditor's communications with the Audit Committee and the Company; and the auditor's independence, objectivity, and professional scepticism.

An assessment tool comprising assessment questionnaires shall be used for the evaluation of the External Auditor.

The Audit Committee may also request the Chief Financial Officer and Head of Internal Audit to perform the annual assessment of the External Auditor.

5.0 Independence

The Audit Committee shall review the independence of the External Auditor annually. The External Auditor must be independent from UMB Group and be seen to be independent from UMB Group. Specifically, External Auditor will need to satisfy the Audit Committee that:-

- (a) no services will be provided that will result in a conflict of interest;

- (b) any services provided additional to that of the audit function involving non-audit services, would not have a material bearing on the audit and would not involve the firm auditing their own work;
- (c) the audit firm has an audit personnel rotation policy, including lead and signing partners, requiring rotation at least every five years;
- (d) there will be no situations where the auditor assumes the role of management or where the auditor is placed in the role of advocate for the Company and its subsidiaries.

The External Auditor is precluded from providing any services that may impair their independence or conflict with its role as External Auditor.

In avoidance of doubt, the Audit Committee shall obtain a written assurance from the External Auditor confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

6.0 **Non-Audit Services**

The External Auditor can be engaged to perform non-audit services provided such services provided do not impair, or appear to impair the auditor's independence or objectivity.

The External Auditor shall also observe and comply with the By-Laws of the Malaysian Institute of Accountants in connection with the provision of non-audit services, which also prohibits the provision of certain services including the following:

- (i) Accounting and book keeping services;
- (ii) Valuations services;
- (iii) Internal audit services;
- (iv) IT systems services;
- (v) Litigation support services;
- (vi) Recruitment services; and
- (vii) Corporate finance services.

All engagement of the External Auditor to provide non-audit services is subject to the approval/endorsement of the Audit Committee. Management shall also obtain written assurance from the External Auditor that the independence of the External Auditor will not be impaired by the provision of non-audit services.

7.0 **Annual Reporting**

The External Auditor shall:

- (a) Issue an annual audit plan for review and discussion with the Audit Committee;

- (b) At the conclusion of the audit review, shall discuss findings, significant audit weakness and audit related recommendations with the Audit Committee and Senior Management; and
- (c) Provide a management letter to the Audit Committee upon completion of the annual audit.

8.0 Review of the External Auditor Independence Policy

The Board and the Audit Committee will review the External Auditors Policy periodically to ensure that it continues to remain relevant and appropriate.

This External Auditor Independence Policy has been approved and adopted by the Board on 15 August 2016.