



## **EXTERNAL AUDITORS INDEPENDENCE POLICY**

### **1.0.0 INTRODUCTION**

1.1.0 The Board recognises External Auditors 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.

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

1.3.0 As a measure for ensuring financial statements are a reliable source of information, the AC has to ensure the suitability and independence of the External Auditors.

### **2.0.0 OBJECTIVE**

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

### **3.0.0 RESPONSIBILITY**

3.1.0 The AC is responsible for making recommendations to the Board regarding the appointment and removal of the External Auditors of the Company and its subsidiaries. In making those recommendations, the AC is authorised to conduct periodic reviews to assess, monitor, review and supervise the performance, suitability and independence of the External Auditors.

### **4.0.0 SELECTION AND APPOINTMENT**

4.1.0 The following are the procedures for the selection and appointment of a new External Auditors:

4.1.1 The AC shall identify the audit firms who meet the criteria for appointment and request their proposals of engagement for consideration;

4.1.2 The AC shall assess the proposals received and shortlist the suitable audit firms;

4.1.3 The AC shall meet and/or interview the shortlisted candidates;

- 4.1.4 The AC may delegate or seek the assistance of the Chief Financial Officer to perform items (4.1.1) to (4.1.3) above;
- 4.1.5 The AC shall assess and recommend the appropriate audit firm to the Board for appointment as External Auditors; and
- 4.1.6 After endorsing AC's recommendation, the Board shall seek shareholders' approval to appoint the new External Auditors and/or resignation/removal of the existing External Auditors at the general meeting.
- 4.2.0 The AC will be guided by the following criteria when selecting the suitable External Auditors for recommendation to the Board:-

4.2.1 Competence

The AC shall only consider External Auditors who have not had disciplinary actions taken against them for failure to comply with relevant accounting and reporting standards in the past five (5) years.

The AC shall also consider if the amount of resources that the External Auditors shall allocate to UMB Group is relative to UMB Group's audit size and complexity and the engagement team's qualifications, professionalism, and experience.

4.2.2 Audit Quality

For reappointment of External Auditors, the AC shall, in addition to its own assessment, seek feedback from management on the professional working relationship with the External Auditors, the quality of the audit delivery and the quality of people and service.

The AC shall consider the ability of the External Auditors to adhere to the audit plan agreed upon at the beginning of the audit period, thoroughness of the audit (within reasonable limits), and effectiveness and efficiency of the engagement team, amongst others.

4.2.3 Independence

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

- (i) no services provided will result in a conflict of interest;
- (ii) any services provided additional to that of the audit function involving non-audit services, will not have a material bearing on the audit and will not involve the firm auditing their own work;
- (iii) the audit firm has an audit personnel rotation policy, including engagement partner, engagement quality control review partner and any other key audit partners, requiring rotation at least every seven (7) years; and

- (iv) there will be no situations where the auditors assume the role of management or where the auditors are placed in the role of advocate for the Company, subsidiaries and joint ventures.

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

To avoid doubt, the AC shall obtain a written declaration on an annual basis from the External Auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement following the terms of all relevant professional and regulatory requirements.

4.2.4 Skills and knowledge of the proposed external audit team

4.2.5 Global resources

4.2.6 Understanding of the industry

4.2.7 Value for money

#### 5.0.0 **ANNUAL ASSESSMENT**

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

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

5.3.0 The AC shall use an assessment tool comprising assessment questionnaires to evaluate the External Auditors.

5.4.0 The AC may also request the Chief Financial Officer and Head of Internal Audit to perform the annual assessment of the External Auditors.

#### 6.0.0 **NON-AUDIT SERVICES**

6.1.0 The Company may engage the External Auditors to perform non-audit services provided such services do not impair or appear to impair the auditor's independence or objectivity.

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

- (a) Accounting and book-keeping services;
- (b) Valuations services;
- (c) Internal audit services;

- (d) IT systems services;
- (e) Litigation support services;
- (f) Recruitment services; and
- (g) Corporate finance services.

6.3.0 All engagement of the External Auditors to provide non-audit services is subject to the approval/endorsement of the AC. Management shall obtain written assurance from the External Auditors that the provision of non-audit services will not impair the independence of the External Auditors.

6.4.0 If the non-audit services constitute up to 50% of the total audit fees paid to the External Auditors, the AC shall recommend to the Board to provide such non-audit services.

6.5.0 Additionally, for non-audit services which exceed 50% of the total audit fees, the AC shall consider the skills and experience of the External Auditors and other service providers to decide on the most suitable provider of such non-audit services.

#### 7.0.0 **ANNUAL REPORTING**

7.1.0 The External Auditors shall issue an annual audit plan for review and discussion with the AC.

7.2.0 After the audit review, the External Auditors shall discuss findings, significant audit weaknesses and audit-related recommendations with the AC and Senior Management.

7.3.0 The External Auditors shall provide a management letter to the AC upon completing the annual audit.

#### 8.0.0 **REVIEW OF THE EXTERNAL AUDITOR INDEPENDENCE POLICY**

8.1.0 This Policy will be periodically reviewed and updated.

8.2.0 This Policy is available on UMB's website at [www.unitedmalacca.com.my](http://www.unitedmalacca.com.my).

8.3.0 UMB Board approved this Policy, including all revisions and amendments on 28 June 2022.