



## **EXTERNAL AUDITOR INDEPENDENCE POLICY**

### **1.0 Introduction**

- 1.1 The Board recognises an External Auditor play a vital role in the process of accountability for shareholders and the effective functioning of the capital market by ensuring consistent and reliable financial reporting.
- 1.2 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 Auditor.
- 1.3 To ensure financial statements are a reliable source of information, the AC has to ensure the suitability and independence of the External Auditor.

### **2.0 Objective**

- 2.1 The objective of this External Auditor 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 Auditor.

### **3.0 Responsibility**

- 3.1 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 Selection and Appointment**

- 4.1 The following are the procedures for the selection and appointment of a new External Auditor:
  - (a) The AC shall identify the audit firms who meet the criteria for appointment and request their proposals of engagement for consideration;
  - (b) The AC shall assess the proposals received and shortlist the suitable audit firms;
  - (c) The AC shall meet and/or interview the shortlisted candidates;
  - (d) The AC may delegate or seek the assistance of the Chief Financial Officer to perform items (a) to (c) above;

- (e) The AC shall assess and recommend the appropriate audit firm to the Board for appointment as External Auditor; and
- (f) After endorsing AC's recommendation, the Board shall seek shareholders' approval to appoint the new External Auditor and/or resignation/removal of the existing External Auditor at the general meeting.

4.2 The AC will be guided by the following criteria when selecting the suitable External Auditor for recommendation to the Board:

(a) 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 appropriate for UMB Group's audit size and complexity as well as the engagement team's qualifications, professionalism, and experience.

(b) 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.

(c) Independence

The AC shall review the independence of the External Auditor annually. The External Auditor must be independent of UMB Group and be seen to be independent of UMB Group. Specifically, External Auditor 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 once 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 Auditor is precluded from providing any services that may impair its independence or conflict with its role as External Auditor.

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.

- (d) The proposed external audit team has adequate skills and knowledge.
- (e) Possesses global resources
- (f) Understands the industry
- (g) Value for money

## **5.0 Annual Assessment**

- 5.1 In discharging this duty, the AC shall carry out an annual evaluation of the External Auditor 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.
- 5.2 The AC shall use an assessment tool comprising assessment questionnaires to evaluate the External Auditor.
- 5.3 The AC may also request the Chief Financial Officer and Head of Internal Audit to perform the annual assessment of the External Auditor.

## **6.0 Length of Service**

- 6.1 The External Auditor, so appointed or re-appointed at the Company's Annual General Meeting, shall hold office until the conclusion of the Company's next Annual General Meeting.

## **7.0 Non-Audit Services**

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

- 7.3 Engagement with ~~of~~ the External Auditor to provide non-audit services is subject to the approval/endorsement of the AC. Management shall obtain written assurance from the External Auditor that the provision of non-audit services will not impair the independence of the External Auditor.
- 7.4 If the non-audit services constitute up to 50% of the total audit fees paid to the External Auditor, the AC shall recommend to the Board to enable the External Auditor to provide such non-audit services.
- 7.5 For non-audit services that exceed 50% of the total audit fees, the AC shall consider the skills and experience of the External Auditor and other service providers to decide on the most suitable provider of such non-audit services.

## **8.0 Annual Reporting**

- 8.1 The External Auditor shall issue an annual audit plan for review and discussion with the AC;
- 8.2 After the audit review, the External Auditor shall discuss findings, significant audit weaknesses and audit-related recommendations with the AC and Senior Management.
- 8.3 The External Auditor shall provide a management letter to the AC upon completing the annual audit.

## **9.0 Review of the External Auditor Independence Policy**

- 9.1 The Board and the AC will review the External Auditors Policy periodically or as and when necessary to ensure it remains relevant and appropriate.