OVERSEA ENTERPRISE BERHAD (317155-U)
(Incorporated in Malaysia)

POLICIES AND PROCEDURES TO ASSESS THE SUITABILITY, OBJECTIVITY AND INDEPENDENCE OF EXTERNAL AUDITORS

	Content	Page

1. INTRODUCTION

Practice 8.3 of the Malaysian Code on Corporate Governance ("**MCCG**") stipulates that the Audit Committee ("**Committee**") should have policies and procedures to assess the suitability, objectivity and independence of the External Auditors. In addition, Guidance 8.3 of the MCCG stipulates that the Committee should consider the following in assessing the suitability, objectivity and independence of the External Auditors:-

- the competence, audit quality and resource capacity of the External Auditors in relation to the audit;

- the nature and extent of the non-audit services rendered and the appropriateness of the level of fees; and

- obtaining written assurance from the External Auditors 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.

The Committee of the Company is responsible to assess, review and monitor the performance, suitability, objectivity and independence of the External Auditors annually.

The objective of this Policies and Procedures to Assess the Suitability, Objectivity and Independence of External Auditors ("**Policy**") provides the Committee with guidelines and criteria which the Committee should consider in assessing and reviewing the performance of the External Auditors for the purpose to ensure the suitability, objectivity and independence of the External Auditors.

2. PROVISION UNDER SECTION 271 OF COMPANIES ACT 2016

In accordance with Section 271 of the Companies Act 2016, an Auditor of a public company shall be appointed for each financial year and should only be appointed by the Board or Members of the Company.

The Board shall appoint an auditor—

(a) at any time before the first annual general meeting of the company and the auditor will hold office until the conclusion of the first annual general meeting for the appointment; or
(b) to fill casual vacancy in the office of the auditor and the auditor will hold office until the conclusion of the next annual general meeting for the appointment.

The members shall appoint an auditor by ordinary resolution—

(a) at the annual general meeting;
(b) if the company should have appointed an auditor at an annual general meeting but failed to do so; or
(c) if the Board fails to appoint an auditor as mentioned above.

3. ASSESSMENT CRITERIA

Some of the matters for the Committee's consideration regarding the appointment, re-appointment and removal of the Company's External Auditors include:-

(i) Fees

The External Auditors must provide a fee quotation for its audit services. However, price will not be the sole determining factor of suitability.

(ii) Competence, audit quality and resource capacity

Audit quality typically increases with audit firm size because of experience and functional industry knowledge. Typically, large or global companies have expansive resources, in terms of personnel, expertise and worldwide availability.

The Committee shall consider the audit firm's reputation and the qualifications of its professionals, including the breadth and depth of resources, expertise and experience of the team members. Their networking ability and competency to address any complex issues, are equally important to assess its suitability.

(iii) Non-audit work

All engagements of the External Auditors to provide non-audit services are subject to the necessary approvals outlined in the Policy (section 5).

(iv) Independence

The External Auditors must satisfy the Committee that it is independent and outline the procedures it has in place to maintain its independence.

The independence of the External Auditors is integral to the role of auditors and the Committee shall give due consideration to this requirement when putting forward a recommendation to the Board.

The External Auditors are precluded from providing any services that may impair their independence or conflict with their role as External Auditors. A written assurance from the External Auditors 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 is to be given to the Company.

A former key audit partner has to observe a cooling-off period of <u>at least two (2) years</u> before being appointed as a member of the Committee to safeguard the independence of the audit by avoiding the potential threats which may arise when a key audit partner is in a position to exert significant influence over the audit and preparation of the Company's financial statements.

Former key partner includes the engagement partner, the individual responsible for the engagement of quality control review, and other audit partners, if any, on the engagement team who make key decisions or judgement on significant matters with respect to the audit of the financial statements on which the auditor will express an opinion.

(v) Material matters

The External Auditors must outline its proposed procedures to address the issue of material significance or matter of disagreement with the Management. The

External Auditors is required to disclose to the Committee all issues of material significance and all matters of disagreement with the Management, whether resolved or unresolved, and to assist the Committee to review such matters.

4. PROCEDURES FOR SELECTION AND APPOINTMENT

The Committee shall observe the following procedures for selection and appointment of new External Auditors, should the need to change the External Auditors is arises:-

(a) To identify the audit firms that meet the assessment criteria in this policy for appointment and to request for their proposals of engagement for consideration;

(b) To assess the proposals and fee and shortlist the suitable audit firms;

(c) To interview the shortlisted audit firms;

(d) To recommend to the Board the appointment of the appropriate audit firm as External Auditors; and

(e) Upon the Board of Directors endorsed the recommendation, to seek shareholders' approval for the appointment of the new External Auditors and resignation/removal of the existing External Auditors at the general meeting.

The Committee may delegate or request for assistance from the Head of the Finance Department to perform tasks (a) to (c) above.

5. NON-AUDIT SERVICES

External Auditors can be engaged to perform non-audit services that are not, and are not perceived to be, in conflict with the role of the External Auditors. This excludes audit related work in compliance with statutory requirements.

Before appointing the External Auditors to undertake any non-audit services, considerations shall be given as to whether such appointment would create a threat to the External Auditors' independence or objectivity on the statutory audit of the Company's financial statements, including any safeguards that are available to address such a threat.

The prohibition of non-audit services are guided by the below-mentioned principles:-

(a) Not to function as Management;
(b) Not to audit their own work; and
(c) Not to serve in an advocacy role of the Company and its subsidiaries.

Measures that may be considered to mitigate the threat against the professional independence and objectivity of the External Auditors comprise the following:-

- ensure the engagement letter for the work includes a paragraph confirming compliance with applicable auditor-independence by-laws, guidelines and standards.

- obtain confirmation from the External Auditors that the independence of the External Auditors will not be impaired by the provision of the non-audit services.

- services are performed by personnel not involved in the audit (where relevant and permitted).

- additional arrangements to objectively and independently evaluate the engagement.

Engagements of External Auditors to provide non-recurring and/or unplanned non-audit services must be approved as follows :-

Approval thresholds for non-audit work to be carried out for the Company or its subsidiaries		Approver
(a)	Below RM50,000 per engagement	Executive Director
(b)	Above RM50,000 per engagement	Committee

The Management shall report to the Committee on an annual basis on any significant non-audit services and its related fees on non-audit rendered to the Company by the External Auditors.

6. ROTATION OF AUDIT PARTNER

The audit partner and engagement quality control reviewer responsible for the external audit of the Company and its subsidiaries is subject to rotation at least every five (5) years.

7. ANNUAL AUDIT PLANNING

The External Auditors shall present an annual audit planning memorandum for review and discussion with the Committee.

The External Auditors shall also provide a management letter to the Committee upon completion of the annual audit.

8. REVIEW

The Committee shall, from time to time and at any time that it deems necessary, review this Policy to ensure that it continues to remain relevant. Any revision to the Policy shall be deliberated by the Committee and any recommendation for revisions shall be highlighted to the Board for approval.

History

Date	Description
31 July 2017	Establishment
25 February 2019	Revision