

SUNWAY BERHAD

(Company No. 921551-D)

POLICY ON SELECTION OF EXTERNAL AUDITORS

The Board and the Audit Committee of the Company are committed to ensuring the suitability and independence of external auditors in substance as well as in form.

The independence of the external auditors is a key governance issue for the Company and its group of companies (“**Group**”). Annually, the Audit Committee should ensure the independence and impartiality of the external auditors, taking into consideration relevant regulatory requirements.

Management shall obtain 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.

SELECTION CRITERIA

Matters for consideration with regard to the appointment, re-appointment and removal of external auditors shall include:

1. Fees

A candidate must provide a fee quotation for its audit services for the Group. However, price will not be the sole determining factor in the selection of a suitable external auditors.

Management shall on behalf of the Board, invite quotations from the audit firms at any time or up to every 7 years at the Board’s discretion for the appointment or re-appointment of the external auditors of the Company.

2. Independence

A candidate must satisfy the Audit Committee that it is independent and outline the procedures it has in place to maintain its independence. The external auditors must be independent from the Sunway Group.

The independence of the external auditors is integral to the role of auditors and the Audit Committee shall give due consideration to this requirement when selecting a preferred auditors for recommendation to the Board.

3. Material Matters

A candidate 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 Audit Committee all issues of material significance and all matters of disagreement with the Management, whether resolved or unresolved, and to assist the Audit Committee to review such matters.

4. Non-Audit Services

All engagements of the external auditors to provide non-audit services above RM500,000 are subject to the approval/endorsement of the Audit Committee. Prior approval of the Audit Committee must be obtained before commencement of the works.

5. Competency and Resources

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

The Audit Committee shall consider the candidate firm's reputation and 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 overseas subsidiaries not audited by the firm, i.e. its liaison capability with the secondary auditors, are equally important to assess the suitability.

6. Industry Specialty

Industry specialty should provide higher quality audits for three reasons: (i) better audit technologies, (ii) lower costs due to economies of scale and (iii) superior knowledge due to economies of knowledge. In addition, industry experience can improve the detection of fraudulent reporting and task-level performance.

7. Rotation of Audit Engagement Partner

In compliance with the requirements of the Malaysia Institute of Accountants, the external auditors rotate their engagement partners and engagement quality control reviewer assigned to the Group every 7 years.