



**SUNWAY BERHAD**

Registration No. 201001037627 (921551-D)

# **POLICY ON EXTERNAL AUDITORS**

COMMITTED TO  
**SUSTAINABLE  
DEVELOPMENT GOALS**



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### 1. INTRODUCTION & PURPOSE

- 1.1. The independence of external auditors is a key governance pillar of the Sunway Berhad and its group of companies (“Group”). On an annual basis, the Audit Committee (“AC”) should ensure the independence and impartiality of the external auditors, taking into consideration relevant regulatory requirements.
- 1.2. 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.
- 1.3. This Policy encompasses the principle regarding the oversight of external auditors.
- 1.4. The purpose and objective of this External Auditors Policy are to:
  - a) to comply with Malaysia Code on Corporate Governance (“MCCG”), Malaysian legislation, and other relevant auditor independence rules, guidelines, standards, etc.;
  - b) to ensure that neither the nature of the audit and other services nor the level of the reliance placed on it by the Company, could, or could be seen to, impair the objectivity of the external auditors’ opinion on the financial statements; and
  - c) to establish a transparent reporting process for the AC to monitor the observance and compliance of the external auditors with this Policy.

### 2. SCOPE

- 2.1. This policy applies to the selection, appointment, re-appointment and removal of external auditors for Sunway Berhad and its subsidiaries.

### 3. DEFINITIONS

- 3.1. **Audit Committee (“AC”)** oversees the Group’s financial reporting, maintains an appropriate relationship with the External Auditors and monitors the Group’s internal controls.
- 3.2. **Audit Oversight Board (“AOB”)** is established under Part IIIA of the Securities Commission Act Malaysia 1993 (“SCMA”) to promote and develop an effective audit oversight framework and to promote confidence in the quality and reliability of audited financial statements in Malaysia.
- 3.3. **Board of Directors (“Board”)** refers to the Independent Non-Executive Directors and Non-Independent Executive Directors of the Company.

- 3.4. **Bursa Listing Requirements** refers to the Main Market Listing Requirements of Bursa Securities, including any amendments thereto that may be made from time to time.
- 3.5. **External auditors** are public accountants that conduct audits and reviews of companies. The external auditors of Public Listed Companies (“PLCs”) are recommended by the Board of Directors and appointed by shareholders at the annual general meetings.
- 3.6. **Management** includes Executive Chairman, President, Group CFO and managing directors of the Group.

#### 4. RESPONSIBILITIES

##### 4.1. Overall responsibilities

Group Chief Financial Officer (“Group CFO”) shall be responsible for ensuring compliance with this Policy.

##### 4.2. Interpretations

Group CFO, in consultation with relevant parties, shall be responsible to provide clarity to this Policy in the event of ambiguity.

##### 4.3. Exceptions

Any exception, waiver or deviation from the requirements of this Policy should be highlighted to the Group CFO for his recommendation for the approval of the AC and the Board.

#### 5. SELECTION CRITERIA

The following criteria should be considered by Management in its recommendation proposal to the AC when evaluating the appointment, re-appointment and removal of the Group’s external auditors: -

##### 5.1. Independence

A candidate must satisfy 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 this requirement will be a key consideration when selecting preferred auditors for recommendation to the AC and the Board.

##### 5.2. Competency and Resources

A candidate must have the capacity and capability to provide quality audit functions. In this regard, the candidate’s reputation and its resources, personnel’s capabilities and

technical expertise to undertake the audit of the Group's business operations in the different business segments and geographical markets is an important consideration.

### 5.3. Material Matters

A candidate must demonstrate that it has proper process and procedures in place to address all issues of material significance, regardless of whether they are resolved or unresolved with the management and to report independently to the AC.

### 5.4. Audit Fees

A candidate must provide a fixed fee quotation for its audit services. However, fee will not be the sole determining factor in the selection process but will be taken into consideration with regard to its support in the provision of a quality audit.

## 6. NON-AUDIT SERVICE ENGAGEMENT

- 6.1. All engagement of the external auditors to provide non-audit services are subject to the approval/ endorsement of the AC and prior approval of the AC must be obtained before the commencement of non-audit service engagement.
- 6.2. In accordance with the Bursa Listing Requirements, disclosure should also be made on the nature and extent of non-audit services if the fees on such services are significant (ie. more than 50% of statutory audit fee of Malaysian entities)
- 6.3. The policy on audit and non-audit services is guided by the following principles: -
  - a) the external auditors may provide *audit and non-audit* related services that, while outside the scope of the statutory audit, are consistent with the role of auditors;
  - b) the external auditors should not provide *services* that are perceived to be materially in conflict with the role of auditors;
  - c) the external auditors may be permitted to provide *non-audit services* that are not perceived to be materially in conflict with the role of auditors; and
  - d) exceptions may be made to the policy where the variation is in the interest of Group and arrangements are put in place to preserve the integrity of the external audit process. Such exception is specifically subject to the recommendation of the AC and the approval/endorsement of the Board of Directors.
- 6.4. Management shall obtain confirmation from the external auditors that the independence of the external auditors will not be impaired by the provision of non-audit services.
- 6.5. The subsidiary or entity must inform the Group CFO of the non-audit services and the estimated fees to be incurred.

- 6.6. The Group CFO shall report to the AC on a quarterly basis on any significant non-audit services and its related non-audit fees, as rendered to the Group by the appointment of external auditors.
- 6.7. The appointment of external auditors for the provision of non-audit services, otherwise approved with exception by the AC, should not include non-audit services that are prohibited by the by-laws of the Malaysian Institute of Accountants (“MIA”).
- 6.8. Examples of non-audit services (non-exhaustive) that shall not be provided by the external auditors are outlined below.
- accounting and bookkeeping services, including payroll services and the preparation of financial statements or financial information;
  - valuation services if the valuations would have a material effect on the financial statements;
  - preparation of tax calculations of current and deferred tax liabilities (or assets) for the purpose of preparing accounting entries that are material to the financial statements;
  - internal audit services that relate to a significant part of the internal controls over financial reporting, financial accounting systems or amount or disclosures that are material to the financial statements;
  - design or implementation of information systems that form a significant part of the internal control or information on financial reporting, accounting records or financial statements;
  - acting in an advocacy role on behalf of the company to resolve a dispute or litigation when the amounts involved are material to the financial statements;
  - recruiting services with respect to a director, officer or senior management personnel who would be in a position to exert significant influence over the preparation of accounting records or the financial statements; and
  - corporate finance services which involve promoting, dealing in, or underwriting shares.

## 7. ROTATION OF EXTERNAL AUDIT ENGAGEMENT PARTNER

In accordance to the By-Laws of the Malaysian Institute of Accountants (“MIA”), the lead audit engagement partner and the engagement quality control reviewer, responsible for the external audit of the Group, is subject to rotation at least every 7 years, subject to any amendments to the By-Laws of the MIA.

## **8. DISCLOSURE TO THE AUDIT COMMITTEE**

The partner of external audit firm shall be required to meet privately with the AC at least twice every financial year to discuss any issue that need to be deliberated in the absence of the Management.

## **9. ANNUAL ASSESSMENT AND THE RE-APPOINTMENT OF EXTERNAL AUDITORS**

9.1. The AC shall carry out annual assessment on the performance, suitability and independence of the external auditors based on the following three key areas: -

- a) quality of service;
- b) sufficiency of resources; and
- c) independence, objectivity and professional skepticism.

9.2. As part of this review, the AC shall obtain feedback from the members of management and members of the Board regarding the quality of the audit service. The AC shall evaluate the appropriateness of audit fees to support the quality of the audit.

9.3. The assessment should also consider information of the audit firm in the Annual Transparency Report submitted to the AOB. If the audit firm is not required to issue an Annual Transparency Report, the AC is obliged to engage the audit firm on matters typically covered in the said report such as the audit firm's governance and leadership structure as well as measures undertaken by the firm to uphold audit quality and risk management.

9.4. The AC, upon satisfaction with the competence and independence of the external auditors will recommend the re-appointment of the external auditors to the Board for its consideration.

9.5. The Board will seek shareholders' approval for the re-appointment of the external auditors at the Annual General Meeting.

## **10. DURATION LIMIT OF EXTERNAL AUDITOR**

The decision to limit the duration or to terminate the external auditors shall be at the discretion of the Board. The Management may present its proposal for a change of external auditors, as it deems appropriate, for the AC's consideration and recommendation for the approval of the Board, subject to compliance with the relevant regulatory provisions.

## **11. REVIEW OF THE EXTERNAL AUDITORS POLICY**

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