

SUNWAY REIT MANAGEMENT SDN BHD

Company No. 200801005046 (806330-X)

POLICY ON SELECTION OF EXTERNAL AUDITORS

The Trustee and the Manager 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 Sunway REIT and its group of companies (“Group”). Annually, the Audit Committee of the Manager should ensure the independence and impartiality of the external auditors, taking into consideration relevant regulatory requirements.

The Manager 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.

The Auditor may voluntarily retire upon giving three (3) months’ notice of its intention to retire to the Trustee.

The Auditor’s remuneration shall be fixed by the Trustee, with the recommendation from the Manager after the approval by the Audit Committee and the Board.

SELECTION CRITERIA

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

1. Independence

A candidate must satisfy and declare to 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 Sunway REIT.

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 auditor for recommendation to the Board.

2. 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.

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 auditor 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. 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.

5. 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 seven (7) years.

6. Non-Audit Services

All engagements of the external auditors to provide non-audit services in excess of 45% of the total audit fee are subject to the approval/endorsement of the Audit Committee. Prior approval of the said engagement must be obtained from the Audit Committee before commencement of the works. The Manager would include this triggering threshold in the risk management report as well as to monitor the actual non-audit fees incurred.

Total non-audit fees incurred for the financial year shall be tabled to the Audit Committee annually.

7. 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.