

SANBUMI HOLDINGS BERHAD (8386-P)

External Auditors Assessment Policy

Introduction

Sanbumi Holdings Berhad (“Company”) Audit Committee (“the Committee”) is responsible for making recommendations to the Board regarding the appointment and removal of the external auditors. In making those recommendations, the Committee is authorised to conduct an annual assessment and review of the external auditors.

Selection and Appointment

The Board has delegated to the Committee the responsibility for the appointment, remuneration and removal of external auditors.

Pursuant to Section 271 (1) of the Companies Act 2016, the Company shall at each annual general meeting appoint or re-appoint the external auditors of the Company, and the external auditors so appointed shall, hold office until the conclusion of the next annual general meeting of the Company.

Should the Committee after due assessments and reviews, determine a need for a change of external auditors, the Committee will follow the following procedures for selection and appointment of new external auditors:-

- (a) The Committee to identify the audit firms who meet the criteria for appointment and to request for their proposals of engagement for consideration;
- (b) The Committee will assess the proposals received and shortlist the suitable audit firms;
- (c) The Committee will meet and/or interview the shortlisted candidates;
- (d) The Committee may seek the assistance of the Finance Manager to perform items (a) to (c) above;
- (e) The Committee will recommend the appropriate audit firm to the Board for appointment as external auditors; and
- (f) The Board will if deemed appropriate, endorse the recommendation and seek shareholders’ approval for the appointment of the new external auditors and/or resignation/removal of the existing external auditors at the general meeting.

Objectivity and Independence of External Auditors

The independence of external auditors is essential to the provision of an objective opinion on the truth and fairness of the financial statements of the Company.

Pursuant to Recommendation 8.3 of Principle B of the Malaysian Code on Corporate Governance 2017, the Audit Committee is also mandated to ensure continuing objectivity, suitability and independence of the external auditors.

The external auditors are precluded from providing any services that may impair their independence or conflict with their role as external auditors.

The Committee shall obtain 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.

Non-audit Service

The 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.

The prohibition of non-audit services is based on three (3) basic principles as follows:-

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

The external auditors shall observe and comply with the By-Laws of the Malaysian Institute of Accountants in relation to the provision of non-audit services, which include the following:-

- (a) Accounting and book keeping services;
- (b) Valuation services;
- (c) Taxation services;
- (d) Internal audit services;
- (e) IT systems services;
- (f) Litigation support services;
- (g) Recruitment services; and
- (h) Corporate finance services.

All engagements of the external auditors provide non-audit services are subject to the approval/endorsement of the Committee.

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.

Rotation of Engagement Partner

The Company recognises that there exists a threat to the auditor's independence where the same audit partner conducts consecutive audits of the Company.

To mitigate this risk, it is important for regular audit partner rotation to occur.

The audit partner responsible for the external audit of the Group is subject to rotation at least every five (5) financial years in accordance with the MIA By-Laws which requires that the engagement partner involved in the external audit should not remain in a key audit role beyond five (5) years.

Reporting

The external auditors must provide an annual declaration addressed to the Committee confirming:

- (a) The nature of any non-audit services provided to the Company; and
- (b) That the auditors have maintained their independence in accordance with relevant legislation and professional accounting standards.

Annual assessment

The Committee shall carry out annual assessment on the performance, suitability and independence of the external auditors based on the following four (4) key areas:-

- (a) Services quality;
- (b) Resources sufficiency;
- (c) Communication and interaction with the Management; and
- (d) Independence, objectivity and professionalism

The Committee may seek the assistance of the Finance Manager to complete the annual assessment of the external auditors.

Review of the policy

The Committee will review the Policy periodically to ensure that it continues to remain relevant and appropriate.