

**POLICIES AND PROCEDURES TO ASSESS THE SUITABILITY, OBJECTIVITY AND
INDEPENDENCE OF EXTERNAL AUDITORS
(Updated on 18 October 2022)**

1. Introduction

Practice 9.3 of the Malaysian Code on Corporate Governance (“**MCCG**”) stipulates that the Audit Committee (“**AC**”) should have policies and procedures to assess the suitability, objectivity and independence of the external auditors. In addition, Guidance 9.3 of the MCCG stipulates that the AC should consider the following in assessing the suitability, objectivity and independence of the external auditors:-

- (a) the competence, audit quality and resource capacity of the external auditor in relation to the audit;
- (b) the nature and extent of the non-audit services rendered and the appropriateness of the level of audit and non-audit fees; and
- (c) 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 AC should conduct the assessment of the suitability, objectivity and independence of the external audit firm annually.

The Policies and Procedures to Assess the Suitability, Objectivity and Independence of External Auditors (the “**Policy**”) sets out the criteria which the AC should consider in assessing the suitability, objectivity and independence of the external auditors.

2. Assessment Criteria

Some of the matters for the AC’s consideration regarding the appointment, re-appointment and removal of CSH’s external auditors include:-

2.1 Fees

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

2.2 Competence, audit quality and resource capacity

The AC 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.

2.3 Non-audit work

All engagements of the external auditors to provide non-audit services are subject to the necessary approvals outlined in the Policy.

CSH ALLIANCE BERHAD
[Registration No. 200001002113 (504718-U)]
(Incorporated in Malaysia)

(Policies and procedures to assess the suitability, objectivity and independence of External Auditors – cont'd)

2.4 Independence

The external auditor must satisfy the AC 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 AC 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 of the Company's external auditors has to observe a cooling-off period of at least three (3) years before being appointed as a member of the AC 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.

2.5 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 AC all issues of material significance and all matters of disagreement with the Management, whether resolved or unresolved, and to assist the AC to review such matters.

3. Approval of non-audit services

Prior approval of the AC must be obtained before commencement of non-audit services by the external auditors and its affiliates.

For all engagements of the external auditors and its affiliates to provide non-audit services with value in aggregate exceeding 50% of the latest Group audit fees, the AC shall assess the nature and extent of the non-audit services, the appropriateness of the level of fees, and whether it would impair the independence of the external auditors.

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4. Monitoring and Reporting

The Chief Financial Officer/ Financial Controller shall report to the AC 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.

5. Rotation of External Audit Engagement Partner

In compliance with the requirements of the Malaysian Institute of Accountants, the external auditors are to rotate their engagement partners and engagement quality control reviewer assigned to the Company every five (5) years.

6. Review of the Policy

The AC will review regularly and assess the effectiveness of the Policy. Any requirement for amendment shall be deliberated by the AC and any recommendation for revisions shall be highlighted to the Board for approval.

7. Revision to the Policy

This Policy shall be reviewed by the AC from time to time as necessary to ensure the Policy remains relevant and viable to meet the needs of the Company. Any revision to the Policy shall be recommended to the Board for consideration and approval.

This Policy is reviewed and updated by the Board of Directors of the Company on 18 October 2022.

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