

SPB DEVELOPMENT BERHAD

EXTERNAL AUDITORS ASSESSMENT POLICY

1. INTRODUCTION

- 1.1 The Board of Directors ("**Board**") of SPB Development Berhad ("**Company**") is committed in ensuring the suitability, independence and sound performance of the external auditors ("**External Auditors**") of the Company and its subsidiaries ("**Group**") in substance as well as in form.
- 1.2 The Board has assigned the responsibilities to assess, review and supervise the performance, suitability and independence of External Auditors of the Group to the Audit and Risk Management Committee ("**ARMC**").
- 1.3 External Auditors play a vital role in the process of accountability for shareholders and the effective functioning of the capital market by the provision of consistent and reliable financial reporting.
- 1.4 Both the internal and External Auditors of the Group provide integral support for the ARMC, among others, to assist in its oversight function of the Group's financial reporting.

2. OBJECTIVES

- 2.1 The objective of this External Auditors Assessment Policy ("**Policy**") is to outline the guidelines and procedures for the ARMC to assess and review the suitability, objectivity and independence of the External Auditors of the Group in order to preserve the integrity and credibility of the external audit process.

3. SCOPE

- 3.1 This Policy should be read together with the relevant provisions in the following legislations:
- (a) Companies Act 2016 ("**CA**");
 - (b) Capital Markets and Services Act 2007 ("**CMSA**"); and
 - (c) Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**MMLR**").
- 3.2 Where there is a conflict between the contents of this Policy and the aforementioned legislations, the relevant provisions contained in the said legislations shall prevail.
- 3.3 This Policy is established in line with the Malaysian Code on Corporate Governance ("**MCCG**") issued by the Securities Commission Malaysia and the By-Laws (on Professional Ethics, Conduct and Practice) issued by the Malaysian Institute of Accountants ("**MIA By-Laws**").

4. APPOINTMENT AND REMOVAL OF THE EXTERNAL AUDITORS

- 4.1 In accordance with Section 271 of the CA, an auditor of a public company shall be appointed for each financial year and shall only be appointed by the Board or members of the Company.
- 4.2 The Board shall appoint an auditor:
- (a) at any time before the first Annual General Meeting ("**AGM**") of the Company and the auditor will hold office until the conclusion of the first AGM for the appointment; or
 - (b) to fill casual vacancy in the office of the auditor and the auditor will hold office until the conclusion of the next AGM for the appointment.

- 4.3 The ARMC has been entrusted with the responsibility of recommending the appointment or re-appointment of the external auditor for the concurrence of the Board prior to being tabled as a resolution for the approval of shareholders at the AGM.

5. SELECTION AND APPOINTMENT PROCEDURE

- 5.1 The ARMC follows the following policies and procedures for selection and appointment of new External Auditors should the ARMC determines a need for a change of External Auditors:
- (a) to identify the audit firms which meet the criteria for appointment and to request for their proposals of engagement for consideration;
 - (b) to confirm whether the audit firm and engagement partner are registered with the Audit Oversight Board (“**AOB**”);
 - (c) to assess the proposals and fee, and shortlist the suitable audit firms;
 - (d) to meet and interview the shortlisted audit firms; and
 - (e) to recommend the suitable audit firm to the Board for appointment as External Auditors.
- 5.2 When assessing the suitability of a potential firm of External Auditors for recommendation to the Board, the ARMC shall consider, inter-alia:
- (a) the firm’s reputation and presence in the industry;
 - (b) qualifications and experience of the proposed key audit team members;
 - (c) the firm’s international presence through membership in or affiliation with reputable international accounting networks with member firms capable of auditing the Group’s overseas subsidiaries or joint ventures;
 - (d) the firm’s audit methodology to be employed in the audit of the Group;
 - (e) the firm’s independent quality control review procedures and the approach to audit judgments;
 - (f) results of recent inspections on the firm by the AOB, the Malaysian Institute of Accountants (“**MIA**”) or other regulatory bodies;
 - (g) the firm’s capability to deliver value in ways other than through the provision of statutory audit services;
 - (h) the profile of the firm’s major clients, including those in the same industry as that of the Group; and
 - (i) the information presented in the Annual Transparency Report of the audit firm or, in the event the audit firm is not required to issue an Annual Transparency Report, to engage the audit firm on matters typically covered in an Annual Transparency Report of the audit firm.
- 5.3 Shareholders shall at each AGM (by way of an ordinary resolution) appoint the External Auditors and the External Auditors appointed shall hold office until the conclusion of next AGM of the Company pursuant to Section 271(3) and Section 271(4) of the CA.
- 5.4 In accordance with Section 276(1) of the CA, the shareholders (by way of an ordinary resolution and a special notice) are also entitled to remove the External Auditors at any time.
- 5.5 In the event of a resignation of the External Auditors, the ARMC alongside the Board shall review the letter of resignation from the External Auditors and send a copy of the resignation notice and

representations made by the External Auditors to the Registrar of the Companies Commission of Malaysia and Bursa Malaysia Securities Berhad within seven (7) days from the notice / date of resignation.

6. ASSESSMENT OF EXTERNAL AUDITORS

- 6.1 The ARMC's recommendation on the appointment of External Auditors to the Board shall be anchored on a defined set of criteria. In addition to the aspects of independence and objectivity, the ARMC when recommending an external auditor shall, amongst others, consider:
- (a) the adequacy of the experience and resources of the external audit firm;
 - (b) the persons assigned to the external audit engagement;
 - (c) the external audit firm's audit engagements;
 - (d) the size and complexity of the subject matter being audited; and
 - (e) the number and experience of supervisory and professional staff assigned to the particular external audit engagement.
- 6.2 The ARMC shall conduct an annual review of the re-appointment of the External Auditors and ascertain whether there are reasonable grounds to believe that the External Auditors are not suitable for re-appointment. If the External Auditors are deemed to be not suitable, the ARMC should source for alternative external audit firms via a formal tender process and make recommendations to the Board.
- 6.3 In assessing the quality of services rendered by the External Auditors during the year under review, the ARMC may be guided by the following non-exhaustive indicators:
- (a) adequacy of audit scope;
 - (b) ability of the external audit firm to meet audit deadlines;
 - (c) timeliness in escalating audit issues to the ARMC;
 - (d) allocation of resources to significant audit risk areas; and
 - (e) effectiveness of the external audit firm's recommendations in addressing weaknesses observed during previous audits, particularly on internal controls relevant to financial reporting process.

7. REMUNERATION OF EXTERNAL AUDITORS

- 7.1 Pursuant to Section 274(1) of the CA, the Board shall be authorised by shareholders at the AGM to fix the remuneration of the External Auditors. Remuneration in this context includes sums paid in respect of expenses and payment otherwise than cash as specified under Section 274(2) of the CA.
- 7.2 The ARMC shall take into consideration the industry benchmarks when assessing the remuneration that should be accorded to the External Auditors. The ARMC shall ensure that the remuneration awarded to the External Auditors commensurate with the scope of the audit, considering the required resources, skills and knowledge needed to complete the external audit engagement, and the responsibilities of the External Auditors.
- 7.3 The Group shall not enter into any contingent fee arrangement relating to the outcome of a transaction or the result of the services performed with the External Auditor in accordance with the MIA By-Laws.

8. INDEPENDENCE OF THE EXTERNAL AUDITORS

- 8.1 The ARMC shall review the independence of the External Auditors annually, and the ARMC shall consider whether the External Auditors are independent both in mind and in appearance.
- 8.2 The External Auditors are precluded from providing any services that may impair their independence or conflict with their role as External Auditors.
- 8.3 In assessing the independence of the External Auditors, the ARMC shall obtain written assurance from the External Auditors confirming that the External Auditors are, and have been, independent throughout the conduct of the audit engagement with the Group in accordance with the independence criteria set out by MIA and in compliance with the best practices guided by MCCG as well as all relevant professional and regulatory requirements.

9. PROVISION OF NON-AUDIT SERVICES

- 9.1 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.
- 9.2 The prohibition of non-audit services is predicated on the following basic principles:
- (a) the External Auditors cannot function in the role of the management of the Group;
 - (b) the External Auditors cannot audit their own work; and
 - (c) the External Auditors cannot serve in an advocacy role of the Group.
- 9.3 The External Auditors shall also observe and comply with the MIA By-Laws in relation to the provision of non-audit services, which include a prohibition on the following:
- (a) accounting and book-keeping services;
 - (b) valuation services;
 - (c) taxation services;
 - (d) internal audit services;
 - (e) information systems services (design or implementation);
 - (f) litigation support services;
 - (g) recruitment services; and
 - (h) corporate finance services.
- 9.4 The Board shall obtain written confirmation from the External Auditors that the independence of the External Auditors will not be impaired by the provision of the non-audit services.
- 9.5 Prior to the provision of any other non-audit services by the External Auditor, the ARMC shall review and approve the acceptance of these engagements. The ARMC shall ensure that the consequent threats arising from the non-audit services provided can be reduced to an acceptable level by the application of safeguards.
- 9.6 In relation to concerns on the objectivity and independence of the External Auditors, if there is any extent that they cannot be reduced to an acceptable level by the application of safeguards, the non-audit services shall not be accepted.

10. LIMITATION OF NON-AUDIT SERVICE FEES

- 10.1 If the total fees from the provision of non-audit services constitute a significant portion of the total fees from the External Auditors forming the audit opinion, the dependency issues may arise as the External auditors are not able to reduce the ethical threat of familiarity to an acceptable level which causes significant doubt to independence and objectivity.
- 10.2 If the fees for non-audit services in any financial year exceed the total amount of audit fees, approval shall be sought from the ARMC, and the Board shall be notified at the next scheduled Board meeting or via a circular resolution.
- 10.3 The Group shall not enter into any contingent fee direct or indirectly in respect of any non-audit services provided by the External Auditors.
- 10.4 If the fees on the non-audit services performed by the external auditor are significant, details on the nature of the services rendered shall be disclosed. Generally, if the non-audit fees constitute 50% of the total amount of audit fees paid to the External Auditors, then such non-audit fees are regarded as significant.
- 10.5 Pursuant to Paragraph 18, Part A, Appendix 9C of the MMLR, the amount of non-audit fees paid or payable to the External Auditors, or a firm or corporation affiliated to the external audit firm shall also be disclosed in the Annual Report of the Company, stating the amount incurred by the Group. If no non-audit fees were incurred, a statement to that effect shall be disclosed.

11. APPOINTMENT OF FORMER KEY AUDIT PARTNER OR EMPLOYEES FROM EXTERNAL AUDIT FIRM

- 11.1 Key audit partners shall not be appointed as a member of the ARMC by the Group within three (3) years (cooling-off period) in order to safeguard the independence of the audit by avoiding the potential threats which may arise when a former key audit partner is in a position to exert significant influence over the audit and preparation of the Group's financial statements as specified in Practice 9.2 of the MCCG.
- 11.2 Other key team members will not be appointed as a member of the ARMC by the Group within one (1) year of undertaking any role on the External Auditors unless pre-approved by the Board.
- 11.3 Other audit team members (excluding key audit partners or key audit team members) who accept employment or are appointed as a member of the ARMC of the Group must cease the audit activity immediately and tender their resignation to the respective external audit firm.
- 11.4 Any appointment of a former employee of the external audit firm in respect of a member of the ARMC must be pre-approved by the Board.

12. ANNUAL AUDIT PLAN

- 12.1 The External Auditors shall issue an annual audit planning memorandum for review and discussion with the ARMC and provide a management letter to the ARMC upon completion of the annual audit.

13. ROTATION OF AUDIT PARTNER FROM AUDIT

- 13.1 The audit partner responsible for the external audit of the Group is subject to rotation at least once every five (5) years under the MIA By-Laws.

14. ANNUAL ASSESSMENT

- 14.1 The ARMC shall carry out annual assessment on the performance, suitability and independence of the External Auditors based on the following four (4) key areas:
- (a) quality of service;
 - (b) sufficiency of resources;
 - (c) communication and interaction; and
 - (d) independence, objectivity and professional scepticism.
- 14.2 The ARMC may also request the Chief Financial Officer and/or Head of Internal Audit of the Group to perform the annual assessment of the External Auditors.

15. POLICY SUBJECT TO PERIODICAL REVIEW

- 15.1 The ARMC is responsible for regular reviews of this Policy and making any recommended changes to ensure that it continues to remain relevant, appropriate and consistent with the Group's practices, MCCG or any other applicable regulatory requirements.
- 15.2 Any revisions and/or changes to the terms of this Policy as recommended by the ARMC shall be subject to the approval of the Board.

This Policy is approved and adopted by the Board on 18 July 2024.