

ASIA MEDIA GROUP BERHAD
("AMGB" or "the Company")
[Registration No. 200801011849 (813137-V)]
(Incorporated in Malaysia)

**POLICIES AND PROCEDURES TO ASSESS THE SUITABILITY,
OBJECTIVITY AND INDEPENDENCE OF EXTERNAL AUDITORS**
(w.e.f. 26 August 2022)

Introduction

Practice 9.3 of the Malaysian Code on Corporate Governance 2021 ("**MCCG**") stipulates that the Audit Committee ("**AC**") should have policies and procedures to assess the suitability, objectivity and independence of the external auditors to safeguard the quality and reliability of Audited Financial Statements. 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:-

- the criteria to guide decisions on the appointment and re-appointment of the external auditors. The criteria should include an assessment of the competence, audit quality and resource capacity of the external auditors in relation to the audit. The assessment should also consider information presented in the *Annual Transparency Report* of the audit firm. If the audit firm is not required to issue an **Annual Transparency Report*, the AC is encouraged to engage the audit firm on matters typically covered in an Annual Transparency Report including the audit firm's governance and leadership structure as well as measures undertaken by the firm to uphold audit quality and manage risks;

Remarks:

** Audit firms registered with the Audit Oversight Board ("**AOB**") with more than 50 public interest entity (PIE) audit clients; and total market capitalisation of the audit firm's PIE clients above RM10 billion at the end of the calendar year for two (2) consecutive years are required to issue an Annual Transparency Report. For other AOB-registered audit firms that do not meet the above criteria, they are encouraged to issue an Annual Transparency Report.*

- the appropriateness of audit fees to support a quality audit;
- requirement for non-audit services to be approved by the AC before they are rendered by the external auditors and its affiliates while taking into account the nature and extent of the non-audit services and the appropriateness of the level of fees. The AC should avoid situations where the audit firm inadvertently assumes the responsibilities of management in

the course of providing non-audit services. Such a situation may be a breach of the independence requirements on the part of the audit firm;

- 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; and
- the conduct of an annual evaluation on the performance of the external auditors and undertaking follow-up measures, where required.

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 (“**Policy**”) sets out the criteria which the AC should consider in assessing the suitability, objectivity and independence of the external auditors.

Assessment Criteria

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

(i) Fees

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

(ii) Competence, audit quality and resource capacity

Audit quality typically increases with audit firm size because of experience and functional industry knowledge. Typically, large or global companies have expansive resources, in terms of personnel, expertise and worldwide availability.

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.

(iii) Non-audit work

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

(iv) Independence

A candidate 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 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.

(v) 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.

Provision of Non Audit Services of External Auditors

The External Auditors can be engaged to perform non-audit engagement 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 three (3) basic principles on the prohibition of non-audit engagement are as follows:

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

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 engagement, 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 to provide non-audit services are subject to the approval by the Audit Committee; and with expectation on the Management to obtain confirmation from the External Auditors on their independence which shall not be impaired by the provision of non-audit engagement.

Monitoring and reporting

The Group Managing Director/Chief Financial Officer 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.

Rotation of External Audit 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 By-Laws (On Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("MIA By-Laws") sets out the maximum number of years key audit partners can serve in the same role, as well as the number of "cooling-off" years.

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.

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.

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