



# **EXTERNAL AUDITOR INDEPENDENCE POLICY**

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## **1. External Auditor's Confirmation of Independence**

The external auditors are required to confirm in writing on an annual basis to the Audit and Risk Management Committee ("ARMC") that they have complied with the independence rules of their profession and regulations governing independence. The external auditors are required to maintain appropriate records to provide reasonable assurance that its independence from SMRT Holdings Berhad and its subsidiaries ("Group") is not impaired.

Prior to its approval of the Audit Planning Memorandum, the ARMC will determine annually and report accordingly to the Board, whether it is satisfied that the independence of the external auditor has been maintained. The external auditor must remain independent of the Group at all times and comply with the requirements of applicable laws, rules and regulations dealing with auditor independence.

## **2. Performance of External Auditor**

The ARMC reviews the performance of the external auditors on an annual basis. The focus of the annual review includes; the quality and rigour of the audit; the quality of service provided; the audit firm's reputation; and the independence of the external auditor.

Where the performance of the external auditor is assessed as being unsatisfactory, the ARMC determines and recommends to the Board the course of action, which may include:

- A. Discussion with the external audit firm to resolve performance issues;
- B. Replacement of members within the external audit team; or
- C. Commencement of a process in order to select a new suitable service provider.

### 3. Provision of Services

The range of services provided or may be provided by the Group's external auditors are categorised as follows:

#### 3.1 Audit and audit related services

3.1.1 The list of pre-approved audit and audit related services are as follows: -

- A. Statutory audits, financial audits, interim reviews;
- B. Other regulatory or compliance audits or attestation services;
- C. Agreed upon procedures on financial and non-financial information/data;
- D. Accounting advice with respect to potential transactions or events and/or the potential impact of final or proposed rules, standards or interpretations by the regulatory authorities or standard-setting bodies;
- E. Services associated with periodic reports or other documents filed with the regulatory authorities or other documents issued in connection with securities offerings and assistance in responding to comment letters of the regulatory authorities;
- F. Financial or tax or other due diligence reviews;
- G. Review of financial / operational controls over activities / reporting requirements of the Group and its investments;
- H. Post-acquisition review of acquired business financial statements (including purchase accounting issues);
- I. Closing balance sheet audits for divestments;
- J. Opening balance sheet audits for acquisitions.

#### 3.2 Non-Audit Services

3.2.1 The list of pre-approved non-audit services is as follows: -

- A. Review of effectiveness of internal audit function;
- B. Assistance in implementation of requirements of regulatory authorities or relevant standard setting bodies;
- C. Assistance with local and international tax filing;
- D. Tax planning and advice regarding tax consequences of proposed or actual transactions or corporate exercises;
- E. International tax planning and advice regarding the tax consequences of proposed or actual transactions or corporate exercises;
- F. Tax advice regarding new statutory, regulatory or administrative developments;
- G. Risk management advisory services;
- H. Project management assistance reporting to Group project manager;
- I. Advisory in relation to valuations (purchase price allocation, share options, financial derivatives, etc.); and
- J. Review of statements included in the Annual Report.

### 3.3 Prohibited non-audited services

3.3.1 In determining whether non-audit services are prohibited to be conducted by the external auditors, the following guiding principles are to be adhered to: -

- A. The external auditor must not audit its own work;
- B. The external auditor must not make management decisions for the Group;
- C. The engagement of external auditor must not create a conflict of interest between the external auditor and the Group; and
- D. The external auditor must not assume the role of advocate for the Group.

3.3.2 The non-audit services which must not be provided by the external auditor include, but is not limited to, the following: -

- A. Bookkeeping or other services related to the preparation / maintenance of the Group's accounting records or financial statements;
- B. Financial information design and implementation unless the responsibility for the overall systems of internal controls, operations and design of the system rests with the Group;
- C. Appraisal or valuation services where an opinion is expressed on the proposed venture or acquisition, or performing economic or market valuations related to such activities (excluding due diligence services);
- D. Actuarial services (excluding due diligence services);
- E. Management functions or human resources (sourcing and recruitment); and
- F. Legal services – litigation support.

## 4. Others

Significant permissible non-audit assignments awarded to external auditors must be approved in advance by the ARMC or, between ARMC meetings, the ARMC Chair. All non-audit assignments are to be reported to the ARMC annually. This policy applies to services supplied by the external auditors and their related firms to the Group, its related entities and the trusts and entities managed by the Group. The key audit partner and the quality review partner should be rotated every five years or as mandated by local regulatory requirements.