



# **Policy on External Auditor**

Duopharma Biotech Berhad

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## **1.0 Introduction**

### **1.1 Policy statement**

- 1.1.1 The Board of Directors (the “Board”) including the Audit Committee of Duopharma Biotech Berhad (“Duopharma Biotech” or the “Company”) is committed in ensuring the suitability, objectivity and independence as well as the sound performance of the external auditor.
- 1.1.2 The Company, through the Audit Committee has established a transparent and formal relationship with the external auditor who is ultimately accountable to the Company’s shareholders. The Company’s external auditor plays an essential role in providing credibility to the financial statements by performing the requisite audit procedures so as to have a reasonable basis for the opinion that they render on the financial statements.
- 1.1.3 The objective of the Policy on External Auditor (“this Policy”) is to outline guidelines and procedures for the Audit Committee to assess and monitor the external auditor and its affiliates in order to preserve the integrity and credibility of the external audit process.

### **1.2 Scope and application**

- 1.2.1 This Policy should be read together with the relevant enumerations encapsulated in the following legislations:
  - (a) Companies Act 2016;
  - (b) Capital Markets and Services Act 2007 (Amendment 2012); and
  - (c) Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Listing Requirements”).
- 1.2.2 Where there is a conflict between the contents of this Policy and the aforementioned legislations, the relevant enumerations contained in the said legislations shall prevail.
- 1.2.3 This Policy is also developed in alignment with the Malaysian Code on Corporate Governance (“MCCG”), the By-Laws (on Professional Ethics, Conduct and Practice) by the Malaysian Institute of Accountants (“MIA”) and the International Ethics Standard for Board for Accountants (“IESBA”).

### **1.3 Definitions**

1.3.1 These terms are ascribed with the following definitions in relation to this Policy:

<b>Terms</b>	<b>Definition</b>
Affiliate of the external audit firm	Entities that are connected to the external audit firm including those providing advisory services and tax consulting
External audit	Services in relation to the statutory audit of the financial statements
Group	Duopharma Biotech and its subsidiaries
Independence in appearance	The avoidance of facts and circumstances where a reasonable and informed third party, having knowledge of all relevant information, including any safeguards applied, would reasonably conclude that the individual's integrity or objectivity has been compromised.
Independence of mind	Refers to the state of mind that enables individuals to exercise professional judgment without undue influence so that they are allowed to act with integrity and to be objective.
Key audit partner	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 judgments on significant matters with respect to the audit of the financial statements on which the external auditor will express an opinion
Non-audit services	Services that are not related to the performance of the statutory audit and assurance.
Objectivity	A state of mind that imposes upon an individual the obligation to be impartial and free from conflicts of interest.

## 2.0 Appointment and removal of external auditor

### 2.1 Appointments and resignations

- 2.1.1 The Audit Committee 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 Annual General Meeting ("AGM").
- 2.1.2 Shareholders shall at each AGM (by way of an ordinary resolution) appoint the external auditor and the external auditor appointed shall hold office until the conclusion of next AGM of the Company *[Section 271(3) and (4) of Companies Act 2016]*. Shareholders (by way of an ordinary resolution and a special notice) are also entitled to remove the external auditor at any time *[Section 276(1) of Companies Act 2016]*.
- 2.1.3 In the event of a resignation of the external auditor, the Audit Committee 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 auditor to the Registrar of the Companies Commission of Malaysia and the Exchange within seven days from the date of resignation *(Paragraphs 15.12 and 15.22 of Listing Requirements; and Section 282 of Companies Act 2016)*.

### 2.2 Assessment of external auditor

- 2.2.1 The Audit Committee's recommendation on the appointment of external auditor to the Board shall be anchored on a defined set of criteria. In addition to the aspects of independence and objectivity, the Audit Committee when appointing 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.  
*(Paragraph 15.21 of Listing Requirements)*
- 2.2.2 Annually, the Audit Committee shall review the re-appointment of the external auditor and ascertain whether there is reason (supported by grounds) to believe that the external auditor is not suitable for re-appointment *[Paragraph 15.12(1)(f) of Listing Requirements]*.
- 2.2.3 If the external auditor is deemed to be not suitable, the Audit Committee should source for alternative external audit firms via a formal tender process and make recommendations to the Board. In conducting this assessment, the Audit Committee shall also gather feedback from the Chief Financial Officer and other relevant Senior Management personnel.

2.2.4 In assessing the quality of services rendered by the external auditor during the year under review, the Audit Committee 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 audit committee;
- 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.

2.2.5 The assessment of the external auditor shall also consider information presented in the Annual Transparency Report of the audit firm (as outlined below). If the external audit firm is not required to issue an Annual Transparency Report<sup>1</sup>, the Audit Committee will engage the external audit firm on matters typically covered in an Annual Transparency Report including the external audit firm's governance and leadership structure as well as measures undertaken by the firm to uphold audit quality and manage risks (*Guidance to Practice 9.3 of MCCG*).

#### Legal and governance structure

- Legal and ownership structure
- Governance and leadership structure
- Network and structural arrangements
- Disclosure on partners with substantial equity in the partnership
- Disclosure on family relationship between partners undertaking leadership role or holding substantial equity in the partnership with other partners of the external audit firm

#### Measures undertaken by the external audit firms to uphold audit quality and manage risks

- Firm's systems of quality controls
- Accountability framework for partners
- Compliance monitoring
- Risk management process

#### Information on the external audit firm's measurement of indicators for audit quality comprising 15 indicators to be disclosed relating to:

- Audit partner workload
- Auditor independence
- Capacity and competence of the firm
- Audit engagement supervision
- Firm's investments to uphold quality
- Monitoring reviews on quality

The evaluation form for assessing the external auditor is outlined in **Appendix 1** of this Policy.

<sup>1</sup> 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 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.

## **2.3 Remuneration of external auditor**

- 2.3.1 The Board shall be authorised by shareholders vide an ordinary resolution at the AGM to fix the remuneration of the external auditor *[Section 274(1) of Companies Act 2016]*. Remuneration in this context includes sums paid in respect of expenses and payment otherwise than cash *[Section 274(2) of Companies Act 2016]*. In determining the remuneration of the external auditor, the Board shall consult the Audit Committee.
- 2.3.2 The Audit Committee shall take into consideration the industry benchmarks when assessing the remuneration that should be accorded to the external auditor. The Audit Committee shall ensure that the remuneration awarded to the external auditor is 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 auditor.
- 2.3.4 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 *[Provision 330.4A1 of By-Laws (on Professional Ethics, Conduct and Practice) by the MIA]*.

## **2.4 Independence of external auditor**

- 2.4.1 The Audit Committee shall review the independence of the external auditor annually, and the Audit Committee shall consider whether the external auditor is independent both in mind and in appearance.
- 2.4.2 In ensuring the independence of external auditor, the Audit Committee shall obtain written assurance from the external auditor, confirming that the external auditor is, and has been, independent throughout the conduct of the audit engagement<sup>2</sup> with the Group in accordance with the independence criteria set out by MIA *[Guidance to Practice 9.3 of MCCG]*.
- 2.4.3 The Audit Committee shall also consider all relationships between the Company and the external audit firm in assessing the independence of the external auditor. It is acknowledged that the provision of non-audit services by the external auditor to the Company may result in skewed incentives and impair the independence of external auditor.

## **2.5 Relationship between the external auditor and Audit Committee**

- 2.5.1 The external auditor and Audit Committee shall have a strong and candid relationship. The Audit Committee shall establish that the external auditor is directly accountable to the Audit Committee, and through it to the Board and ultimately to shareholders.
- 2.5.2 The Audit Committee shall regularly meet the external auditor to discuss matters relating to its remit and any issues arising from the external audit either in camera or as part of its formal meetings.
- 2.5.3 The lead audit partner of the external audit firm shall also attend the AGM and be prepared to respond to shareholders' queries and to provide explanation on the issues related to its scope of work.

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<sup>2</sup> From the start of the audit engagement to the date the audit report is issued

## 2.6 Provision of non-audit services

- 2.6.1 The provision of selected non-audit services could impair the independence, or at least give the appearance of impairing independence of the external auditor in the course of its audit engagement.
- 2.6.2 The external auditor is prohibited from rendering the non-audit services listed on the following page as the threats cannot be reduced to an acceptable by safeguards.

Prohibited non-audit services	Rationale
<b>Accounting and bookkeeping services</b> , including payroll services and the preparation of financial statements or financial information.	Independence threat
<b>Valuation services</b> if the valuations would have a material effect on the financial statements.	Self-review threat
<b>Preparation of tax calculations</b> of current and deferred tax liabilities (or assets) for the purpose of preparing accounting entries.	Self-review and advocacy threats
<b>Internal audit services</b> that relate to a significant part of the internal controls over financial reporting, financial accounting systems or amount or disclosures that are material to the financial statements.	Self-review threat to independence
<b>Design or implementation of information systems</b> that form a significant part of the internal control or information on financial reporting, accounting records or financial statements.	Self-review threat
<b>Litigation support services</b> in resolving a dispute or litigation when the amounts involved are material to the financial statements.	Self-review or advocacy threats
<b>Recruiting services</b> including reference checks with respect to a director, officer or senior management personnel who would be in a position to exert significant influence over the preparation of the financial statements.	Self-interest, familiarity or intimidation threats
<b>Corporate finance services</b> which involve promoting, dealing in, or underwriting shares.	Advocacy and self-review threats

*[Provision 600 of By-Laws (on Professional Ethics, Conduct and Practice) by the MIA]*



- 2.6.3 Prior to the provision of any other non-audit services by the external auditor to the Group, the Audit Committee shall review and approve the acceptance of these engagements, barring a de minimis exception for individual non-audit services (i.e. per engagement basis) that represent less than 5% of the total audit fee of the Group.

The Audit Committee should ensure that the consequent threats arising from the non-audit services provided can be reduced to an acceptable level by the application of safeguards.

- 2.6.4 In addition, annual confirmation from the external auditor shall be obtained that the independence of the external auditor will not be impaired by the provision of non-audit services.

## **2.7 Limitation of the fees of non-audit services**

- 2.7.1 There may be instances whereby the external audit firm and its affiliates may be well placed to provide permissible non-audit services to the Group. In this regard, the Audit Committee must take into account the nature and extent of the non-audit services and the appropriateness of the level of fees so as to ensure that there is no over-reliance on the fee generated and undue familiarity developed with the Group.
- 2.7.2 As a general principle, the fees for non-audit services performed by the external auditor for the Group shall not in any financial year exceed the sum of audit fees unless due to exceptional circumstances and have been approved by the Chairman of the Audit Committee, and for the Board to be notified at the next scheduled Board meeting or via a circular resolution.
- 2.7.3 If the fees on the non-audit services performed by the external auditor for the Group are significant, details on the nature of the services rendered shall be disclosed in the Annual Report. Generally, if the non-audit fees constitute 50% of the total amount of audit fees paid to their external auditors, then such non-audit fees are regarded as significant *[Item 9.47A of the Questions and Answers in relation to Listing Requirements]*.
- 2.7.4 The amount of non-audit fees paid or payable to the Company's external auditor, or a firm or corporation affiliated to the auditors' firm, in respect of the non-audit services performed by the external auditor for the Group shall also be disclosed in the annual report, stating the amount incurred on a Group basis. If no non-audit fees were incurred, a statement to that effect shall be disclosed *[Paragraph 18, Part A, Appendix 9C of Listing Requirements]*.

**2.8 Provision of Non-Audit Services under IESBA to an Entity that controls Duopharma Biotech directly or indirectly**

2.8.1 Prior to the provision of any non-audit services by the external auditors to an entity that controls Duopharma Biotech directly or indirectly ("Duopharma Biotech's Controlling Entity"), the Audit Committee shall review and approve the provision of the non-audit services and ensure that the consequent threats arising from provision of the non-audit services will not impair the independence of the external auditor or where applicable, that any identified threat is at an acceptable level or, will be eliminated or reduced to an acceptable level by application of relevant safeguards. *[By-Laws (on Professional Ethics, Conduct and Practice) by the MIA and the IESBA]*

2.8.2 Prior to the provision of the non-audit services to Duopharma Biotech's Controlling Entity, the external auditor shall:

- (a) notify the Audit Committee when they have established that the provision of the non-audit engagement is not prohibited and will not impede the independence of the external auditor, or that any identified threat is at, or will be reduced to, an acceptable level;
- (b) provide information to the Audit Committee, to facilitate the Audit Committee in forming an informed decision on the nature and acceptable extent of the non-audit engagement, i.e. the potential effect of the non-audit engagement on the external auditor's independence in connection to Duopharma Biotech.
- (c) obtain approval from the Audit Committee before providing any non-audit engagement that providing the non-audit services will not impair the external auditor independence.

*[By-Laws (on Professional Ethics, Conduct and Practice) by the MIA and the IESBA]*

2.8.3 In ensuring the independence of the external auditor with regards to the provision of the non-audit services to Duopharma Biotech's Controlling Entity, the Audit Committee shall obtain written assurance from the audit partner, at reasonable intervals to be determined by the Audit Committee confirming that the provision of the non-audit services:

- (i) is not prohibited; and
- (ii) will not impair their independence as an external auditor *(or where applicable, that any identified threat is at an acceptable level or, will be eliminated or reduced to an acceptable level by application of relevant safeguards.)*

2.8.4 The Group Managing Director, on behalf of the Audit Committee, may review and approve the provision of non-audit services to Duopharma Biotech's Controlling Entity and ensure that the consequent threats arising from provision of the non-audit services will not impair the independence of the external auditor or where applicable, that any identified threat is at an acceptable level or, will be eliminated or reduced to an acceptable level by application of relevant safeguards, subject to provision in para 2.8.2 and 2.8.3 above.

- 2.8.5 Prior to approving the provision of permissible non-audit services to Duopharma Biotech's Controlling Entity, the Audit Committee and/or the Group Managing Director must take into account the nature and extent of the non-audit services and the appropriateness of the level of fees so as to ensure that there is no reliance-connection on the fee generated and undue familiarity developed with the Group with the proposed parties on such provision of the non-audit services.
- 2.8.6 In relation to the provision of non-audit services by the external auditor to Duopharma Biotech's Controlling Entity, and subject to paragraph 2.8.7 below, the non-audit services in the list of non-audit services outlined in **Appendix 2** of this Policy are permissible provided the external auditor undertakes to ensure that the Duopharma Biotech Controlling Entity receiving the non-audit services undertakes the following functions in connection with the provision of the non-audit services:
- Actively involved throughout the engagement.
  - Make all decisions and perform all management functions.
  - Designate a competent employee, preferably within senior management, to oversee the service.
  - Evaluate the adequacy and results of the services performed.
  - Accept responsibility for the results of the services.

For the avoidance of doubt, the provision of each permissible non-audit services by the external auditor to Duopharma Biotech's Controlling Entity shall nevertheless be subject to the pre-approval of the Audit Committee, or the pre-approval of the Group Managing Director pursuant to paragraph 2.8.7 below.

- 2.8.7 Subject to, the external auditor does not assume any management responsibility, the Group Managing Director on behalf of the Audit Committee, from time to time may pre-approve the non-audit services as outlined in Appendix 2 as he may deem fit and in the best interest of Duopharma Biotech and this shall remain in force, unless otherwise provided by or subject to any applicable laws or legislative requirements. The Audit Committee may review and amend the permissible non-audit services outlined in **Appendix 2** from time to time or as and when necessary, to be in line with legislative promulgations such as Companies Act 2016, Capital Markets and Services Act 2007 (Amendment 2012) and Listing Requirements whilst also taking into account the enumerations of the MCCG and the By-Laws (on Professional Ethics, Conduct and Practice) of MIA and IESBA.
- 2.8.8 In the event, the non-audit services to be provided by the external auditor to Duopharma Biotech's Controlling Entity fall outside of the permissible non-audit services outlined in Appendix 2, the external auditor shall obtain the approval from the Audit Committee, and the Audit Committee shall review and approve the provision of non-audit services and ensure that the consequent threats arising from provision of the non-audit services will not impair the independence of the external auditor or where applicable, that any identified threat is at an acceptable level or, will be eliminated or reduced to an acceptable level by application of relevant safeguards.
- 2.8.9 The details of accepted non-audit services by the external auditor to Duopharma Biotech's Controlling Entity shall be reported to the Audit Committee, stating the details of the accepted non-audit services.

## **2.9 Appointment of former partners and employees of the external audit firm and its affiliates**

- 2.9.1 All existing partners of the external audit firm and its affiliates (including those providing advisory services, tax consulting etc) will not be offered employment or be appointed as a Non-Executive Director by the Group. All former partners of the external audit firm and its affiliates (including those providing advisory services, tax consulting etc) will not be offered employment or be appointed as a Non-Executive Director by the Group unless a cooling-off period of three years is observed *[adapted from Practice 9.3 of MCCG]*.
- 2.9.2 Other key audit team members will not be offered employment or be appointed as a Non-Executive Director the Group within six months of undertaking any role on the external audit.
- 2.9.3 Other key audit team members who accept employment or are appointed as a Non-Executive Director of the Group must cease the audit activity immediately and tender their resignation to the external audit firm.
- 2.9.4 Any offer of employment to a former employee of the external audit firm in respect of a Senior Management position or appointment of the former employee as a Non-Executive Director must be pre-approved by the Audit Committee.
- 2.9.5 Between meetings, the Audit Committee Chairman, in consultation with the members of the Audit Committee, has the delegated authority to deal with such appointments at his or her discretion. Any such interim approval must be ratified at the next meeting of the Audit Committee.

## **2.10 Rotation of external audit firm for external audit of the Group**

- 2.10.1 The external audit firm responsible for external audit of the Group is subject to change to a different external audit firm at least every five (5) years financial years commencing from financial year 2021.

### 3.0 Review and amendment

The Audit Committee shall review and amend this Policy from time to time or as and when necessary, to be in line with legislative promulgations such as Companies Act 2016, Capital Markets and Services Act 2007 (Amendment 2012) and Listing Requirements whilst also taking into account the enumerations of the MCCG and the By-Laws (on Professional Ethics, Conduct and Practice).

All revisions or amendments to this Policy shall be approved by the Board.

Version	Release Date	Summary of Changes	Prepared by	Reviewed by	Approved by
1.0	28.11.2018	Adoption Policy	KPMG Management & Risk Consulting Sdn Bhd (KPMG MRC)	Encik Leonard Ariff bin Abdul Shatar, Group Managing Director  Encik Ibrahim Hussin Salleh, Chief Legal Officer and Group Company Secretary	YBhg. Tan Sri Datin Paduka Siti Sa'diah binti Sh Bakir, Non-Independent Non-Executive Chairman, Duopharma Biotech Berhad  Encik Razalee bin Amin, Chairman, Audit Committee, Duopharma Biotech Berhad
2.0	13.08.2020	Set the limitation to the years of engagement of external auditor	Group Legal and Secretarial Department	Encik Leonard Ariff bin Abdul Shatar, Group Managing Director  Encik Ibrahim Hussin Salleh, Chief Legal Officer and Group Company Secretary	YBhg. Tan Sri Datin Paduka Siti Sa'diah binti Sh Bakir, Non-Independent Non-Executive Chairman, Duopharma Biotech Berhad  Encik Razalee bin Amin, Chairman, Audit Committee, Duopharma Biotech Berhad
3.0	09.12.2021	Revision based on the requirements of MCCG 2021	KPMG MRC	Encik Leonard Ariff bin Abdul Shatar, Group Managing Director  Encik Ibrahim Hussin Salleh, Chief Legal Officer and Group Company Secretary	YBhg. Tan Sri Datin Paduka Siti Sa'diah binti Sh Bakir, Non-Independent Non-Executive Chairman, Duopharma Biotech Berhad  Encik Razalee bin Amin, Chairman, Audit Committee, Duopharma Biotech Berhad

<b>Version</b>	<b>Release Date</b>	<b>Summary of Changes</b>	<b>Prepared by</b>	<b>Reviewed by</b>	<b>Approved by</b>
4.0	23.02.2023	Revision based on the requirements provided by the MIA and IESBA by-laws on the Revision of the Non-Assurances Services Provisions	Shazrin Erma binti Azmi Assistant Manager, Company Secretary	Encik Leonard Ariff bin Abdul Shatar, Group Managing Director  Encik Ibrahim Hussin Salleh, Chief Legal Officer and Group Company Secretary	YBhg. Tan Sri Datin Paduka Siti Sa'diah binti Sh Bakir, Non-Independent Non-Executive Chairman, Duopharma Biotech Berhad  Encik Razalee bin Amin, Chairman, Audit Committee, Duopharma Biotech Berhad
5.0	24.08.2023	Revision of the de minimis threshold under Paragraph 2.6.3 and revision of the External Auditor Evaluation Form	Shazrin Erma binti Azmi Assistant Manager, Company Secretary	Encik Leonard Ariff bin Abdul Shatar, Group Managing Director  Encik Ibrahim Hussin Salleh, Chief Legal Officer and Group Company Secretary	YBhg. Tan Sri Datin Paduka Siti Sa'diah binti Sh Bakir, Non-Independent Non-Executive Chairman, Duopharma Biotech Berhad  Encik Razalee bin Amin, Chairman, Audit Committee, Duopharma Biotech Berhad

## Appendix 1 - External Auditor Evaluation Form

*(This External Auditor Evaluation Form contained two (2) parts)*

**PART A - External Auditor Evaluation Form (To be completed ONLY by Finance Team)**

**PART B - External Auditor Evaluation Form (To be completed ONLY by Audit Committee (“AC”) members)**

The External Auditor Evaluation criteria are developed based on emerging and leading practices to facilitate AC’s evaluation of the external auditor’s performance. The criteria are derived from roles and responsibilities of external auditors mentioned in the Bursa Securities Main Market Listing Requirements and the Malaysian Code on Corporate Governance as well as other relevant provisions such as the By-Laws (on Professional Ethics, Conduct and Practice) by the Malaysian Institute of Accountants.

The evaluation may be conducted in the following manner:

1. In respect of the assessment of the external auditor’s performance for a financial year under review, the Company Secretary shall distribute the evaluation form (“Form”) to the Chief Financial Officer of the Group (“CFO”) of Duopharma Biotech and its subsidiary companies (collectively “Duopharma Group”) and all the AC members either during the 4<sup>th</sup> quarter of each financial year or the 1<sup>st</sup> quarter of the subsequent financial year;
2. The CFO and AC members shall complete the Form based on their knowledge, understanding and observations of external auditor’s activities and dynamics for the financial year under review;
3. The CFO to carry out evaluation on the performance of the External Auditor appointed for the financial year under review by completing **Part A** of the Form;
4. The results/feedback and/or recommendations of the evaluation by the CFO, together with Part B of the Form, shall then be forwarded to the AC members;
5. The AC in its recommendation to the Board of Directors on the reappointment of the external auditor to perform external audit before the shareholders at the General Meeting, shall perform further evaluation of the performance of the external auditor appointed for the financial year under review by completing **Part B** of the Form. In completing Part B of the Form, the AC should first review the CFO’s evaluation of the external auditor in Part A of the Form and the external auditor’s latest Audit Transparency Report (if available);
6. The Company Secretary shall compile the results from the evaluation undertaken by the AC and present it to the AC Chairman; and
7. The AC Chairman shall review the results and tables to the Board the outcome of the evaluation.

**PART A - External Auditor Evaluation Form (To be completed ONLY by CFO)**

**Background information**

Name of External Auditor: \_\_\_\_\_

Financial year: \_\_\_\_\_

Date of evaluation: \_\_\_\_\_

The Evaluation Form provides questions requiring 5-scale ratings from one (1) to five (5) or with the indicators illustrated below, to be responded in relation to the nature of the questions:

1	2	3	4	5
<b>No</b>	<b>Yes, but seldom</b>	<b>Yes, usually</b>	<b>Yes, most of the time</b>	<b>Yes, always</b>
<b>or</b>				
<b>Suboptimal</b>	<b>Headroom for improvement</b>	<b>Moderate/satisfactory</b>	<b>At par/ strong performance</b>	<b>Exceptional</b>

Respond by ticking the selected rating for each of the following statement/question:

No.	Evaluation criteria	1	2	3	4	5	Comments
<b>Section A: Calibre of external audit firm</b>							
1.	What is the reputation of the external audit firm? Are there recent or current litigation cases against the firm?						
2.	Does the external audit firm have the size, resources and geographical coverage required to audit the Company?						
<b>Total for Section A</b>							
<b>Section B: Quality processes/performance</b>							
3.	How are the quality control processes maintained in the external audit firm? Factors to be considered include the level and nature of review procedures, the approach to audit judgments and issues, independent quality control reviews and the external audit firm's approach to risk.						



No.	Evaluation criteria	1	2	3	4	5	Comments
4.	How have key risks, including fraud risk and financial misstatement risk, being discussed and factored into the audit plan?						
5.	How key audit individuals at the external audit firm are compensated and evaluated, and do these compensation and evaluation schemes run the risk of impairing the external auditor's independence?						
6.	How is the external audit firm's process for internal review of accounting judgments, including an understanding of the key issues?						
7.	How are relevant technological tools and specialists/experts being employed by the external audit firm and how are these linked to the audit process?						
8.	How multiple-location audits and/or overseas audits are controlled and is audit effectiveness regarded as consistent internationally?						
9.	Are the reporting processes for subsidiary audit teams effective?						
10.	How is the external audit firm's approach to seeking and assessing management representations?						
11.	In cases where there are any differences in views between management and the external auditor, does the external auditor communicate its view clearly and accurately from an accounting perspective?						
12.	Does the CFO agree with the bases and extent of reliance external auditors place on management and internal audit testing, if any? (Comment as 'N/A' if none)						
13.	Does the external auditor have an effective working relationship with internal audit?						
14.	Did the auditors meet the performance targets, i.e. audit scope, audit plan, timing, etc.?						
<b>Total for Section B</b>							

No.	Evaluation criteria	1	2	3	4	5	Comments
<b>Section C: Audit team</b>							
15.	Rate whether the audit engagement partner and individuals assigned to the external audit team have the requisite skills and expertise, including industry knowledge, to effectively audit this company and meet its requirements.						
16.	Is the lead engagement partner able to provide a clear and understandable explanation on auditing and accounting issues faced by the company?						
17.	What is the scope of the audit engagement partner's/other senior personnel's involvement in the audit process and is this sufficient?						
<b>Total for Section C</b>							
<b>Section D: Independence and objectivity</b>							
18.	Does the external audit firm communicate to the Company on any matters which might reasonable be perceived to affect the independence of the firm and/or of individuals assigned to the external audit team?						
19.	Does the external audit firm have adequate key member succession plans in place, which meet the relevant audit partner rotation requirements and facilitate the maintenance of objectivity?						
20.	Does the external audit firm discuss with the company on safeguards in place to detect and resolve independence issues?						
21.	Prior to approval by the audit committee on non-audit services to be rendered by the external audit firm, does the lead engagement partner explain and discuss safeguards in place to protect against impairment to independence and objectivity of the external audit firm?						
<b>Total for Section D</b>							

No.	Evaluation criteria	1	2	3	4	5	Comments
<b>Section E: Audit scope and planning</b>							
22.	Does the external audit firm, with the audit engagement partner present, agree the audit scope and plan with the AC?						
23.	Is the external audit scope and plan adequate to address company/industry-specific areas of accounting risks, audit risks and financial reporting risks facing the Company?						
24.	In planning the audit, are adequate considerations given to geographical coverage, resources allocation, level of audit testing and the nature of the audit reports issued at each location?						
25.	Is specialist input to the audit in areas such as taxation, pensions and regulation at an appropriate level?						
26.	Are all key operations covered by the external audit?						
27.	Did the auditors maintain or update the audit plan to respond to changing risks and circumstances, in a manner agreeable and determined appropriate by the audit committee?						
<b>Total for Section E</b>							
<b>Section F: Audit fee</b>							
28.	Is the external audit fee reasonable given the scope of the external audit, the size, complexity and risks of the Company?						
29.	How does the audit fee compare with other similarly sized companies in this industry?						
30.	Rate how the differences between actual and estimated fees are handled.						
31.	Is an assessment made of the amounts and relationship of audit and non-audit fees and services?						
<b>Total for Section F</b>							

No.	Evaluation criteria	1	2	3	4	5	Comments
	<b>Section G: Audit communications</b>						
32.	Does the external audit firm meet freely, regularly, and on a confidential basis with the audit committee, including being able to communicate to the audit committee if not being provided with sufficient cooperation during the audit?						
33.	Does the external audit engagement partner maintain professional and open dialogues with the audit committee and communicate findings and discussions in a frank and complete manner (including matters on management's reporting process, internal control over financial reporting, etc.)?						
34.	Does the external audit firm advise the AC about significant issues and new developments regarding risk management, corporate governance, financial accounting and related risks and controls on a timely basis?						
35.	Does the external auditor discuss the critical accounting policies and whether the accounting treatment is conservative or aggressive?						
36.	Does the external audit firm discuss with the audit committee the quality of the Company's financial reporting, including the reasonableness of accounting estimates and judgments?						
37.	Does the external audit firm resolve accounting issues in a timely manner?						
38.	Does the external audit firm seek feedback on the quality and effectiveness of the service they are providing?						
	<b>Total for Section G</b>						
	<b>Overall total (Section A + B + C + D + E + F + G)</b>						
	<b>Scoring (Overall total/ total number of questions applicable x 5)</b>						

**Other Comments on External Auditors**

Evaluation carried out by:

\_\_\_\_\_  
Name:

Designation:

**PART B - External Auditor Evaluation Form (To be completed ONLY by Audit Committee (“AC”) members)**

**Background information**

Name of External Auditor: \_\_\_\_\_

Financial year: \_\_\_\_\_

Date of evaluation: \_\_\_\_\_

Outcome of Internal Assessment by the Company's CFO	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Do you agree with the ratings and/or recommendations provided by the Company's CFO regarding the performance of the external audit firm and/or audit partner engaged to perform the audit i.e. audit scope, ability of the external audit firm to meet audit deadlines; etc.?					

Overall Comments

Evaluation carried out by:

\_\_\_\_\_  
Name:

Designation:

The Evaluation Form provides questions requiring 5-scale ratings from one (1) to five (5) or with the indicators illustrated below, to be responded in relation to the nature of the questions:

1	2	3	4	5
No	Yes, but seldom	Yes, usually	Yes, most of the time	Yes, always
or				
Suboptimal	Headroom for improvement	Moderate/satisfactory	At par/ strong performance	Exceptional

Respond by ticking the selected rating for each of the following statement/question:

No.	Evaluation criteria	1	2	3	4	5	Comments
<b>Section A: Calibre of external audit firm</b>							
1.	What is the reputation of the external audit firm? Are there recent or current litigation cases against the firm?						
2.	Rate whether the audit engagement partner and individuals assigned to the external audit team have the requisite skills and expertise, including industry knowledge, to effectively audit this company and meet its requirements.						
<b>Section B: Quality processes/performance</b>							
3.	Does the AC agree with the bases and extent of reliance external auditors place on management and internal audit testing, if any? (Comment as 'N/A' if none)						
<b>Section C: Audit team</b>							
4.	Is the lead engagement partner able to provide a clear and understandable explanation on auditing and accounting issues faced by the company?						
<b>Section D: Audit fee</b>							
5.	Is the external audit fee reasonable given the scope of the external audit, the size, complexity and risks of the Company?						

	Overall total (Section A + B + C + D)						
	Scoring (Overall total/ total number of questions applicable x 5)						

## Other Comments on External Auditors

Evaluation carried out by:

Name: \_\_\_\_\_

Designation:



## Appendix 2

### List of Pre-Approved Non-Assurance Services

#### Tax Related Services

- Preparing corporate tax returns for submission to the tax authorities.
- Providing training on deferred tax (without using current year's figures in the examples).
- Dealing with the Tax Authority
  - Assisting with tax authority requests for additional information, analysis and/or explanations in relation to a tax return.
  - Assisting with a tax examination by the tax authority.
  - Review of tax assessment notices / audit findings letters/ bill of demand issued by the tax authority.
  - Filing of administrative remedies against tax assessment notices/ audit findings letters/ bill of demand issued by the tax authority.
- Transfer pricing
  - Assisting to assess the impact of transfer pricing policies on overall tax position.
  - Analysing and document transactions between related parties. Preparing global and local documentation (without using external auditor web-based transfer pricing platform).
  - Translating transfer pricing policies into transaction level prices, reconcile transfer pricing and customs requirements and automate transfer pricing calculations.
- Tax due diligence (buy-side and vendor initiated)
  - Typically covering group structure and tax history, compliance/tax audit status, tax risks identified, effective tax rate analysis, review of tax accruals, tax implications of the proposed transaction, etc.
- Prepare indirect tax returns for submission to the tax authorities.
- International Executive Services
  - Assist on development of tax efficient compensation and reward packages for international assignees.
  - Assist on employment compensation and benefit programs for international assignees.
  - Assist on the tax implications of global employment companies.
  - Preparing and filing of international assignee tax returns.
  - Immigration services including:
    - Preparing and making visa and work permit applications.
    - Advising on related immigration requirements.
    - Serving as a liaison between the applicant and immigration departments.
- Conduct general training with audit client personnel, audit committee and others on tax related matters.

## **Other Non-Assurance Services**

- Agreed-upon procedures engagement to comply with regulatory reporting matters in accordance International Standard on Related Services 4410 (Revised) Compilation Engagements.
- Compilation engagement to compile financial statements in accordance International Standard on Related Services 4400 (Revised) Agreed-Upon Procedures Engagements.
- Reporting accountant engagements in relation to corporate exercises.
- Reports on regulatory returns.
- Provision of accounting advice and assistance:
  - Review and provide comments on client-prepared technical accounting and reporting memos.
  - Conduct general training with audit client personnel, audit committee and others on new accounting standards or existing accounting standards.
  - Perform gap analysis of client's accounting policies and disclosures against leading practices or other resources.
  - Read and comment on client's documentation of accounting policies and accounting manuals.
  - Participate in discussions with client personnel on application of accounting standards to actual or proposed transactions and provide observations and recommendations.
  - Advise on industry and corporate governance requirements.
- Assessment – Gap analysis for internal use
  - Perform gap analysis or maturity assessment of the current state of a process, system, organisational structure, policy, controls over financial reporting etc. against leading practices or other resources (such as accounting or regulatory standard). Provide advice, observations and recommendations.
- Document current state
  - Assist in documenting the current state and/or changes made to processes, systems, organisational structure, policies, or internal control over financial reporting, after they have been implemented, on non-recurring basis.
- Design plans
  - Provide generic roadmap or implementation plan of a process or system based on leading practice experience that is not client-specific.
- Project Management – Advice
  - Provide general advice on developing project plans, including general advice on project management.
  - Provide industry standard or best practice project plans.
  - Provide feedback to project management office structure/organization.
- Transaction services – Buy side
  - Pre close due diligence.
  - Post close due diligence.

- Commercial due diligence (buy side)
  - Analysis of target's projections/business plan by reference to historical evidence.
  - Report market and commercial issues which may affect the target and transaction.
- Market research and benchmarking
- Operational due diligence
- Sell side assist, including:
  - Pre-sale due diligence.
  - Establish and coordinate data room activities (limited to administrative tasks, does not include data room set up).
- Separation services including separation advice, separation program planning and execution.
- Assistance on Sales and Purchase Agreement and completion accounts:
  - Provide commentary (in conjunction with client's lawyers) on draft transaction agreements).
  - Providing advice and recommendations on the preparation of the completion accounts.

(This service does not include completion due diligence on completion accounts)
- Integration due diligence, in connection with:
  - Pre-acquisition synergy and integration planning, post-acquisition integration planning, and operations advice, provided such work is unrelated to the client's financial statements, accounting records and risk management controls.
- Valuation Solutions - Independent and neutral valuations.