

**STARHUB LTD**  
(Incorporated in the Republic of Singapore)  
(Company Registration No. 199802208C)

**SUPPLEMENTARY INFORMATION: NON-AUDIT FEES PAID TO AUDITORS FOR FINANCIAL  
YEAR ENDED 31 DECEMBER 2018**

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StarHub Ltd (the “**Company**”) refers to Note 23.3 of its financial statements for the year ended 31 December 2018 (“**FY2018**”), in which it disclosed that the audit fees and non-audit fees paid to its auditors, KPMG LLP (“**KPMG**”), for FY2018 were S\$0.7 million and S\$1.4 million respectively.

As announced by the Company on 5 September 2018, the Company had formed a joint venture company, Ensign InfoSecurity Pte. Ltd. (“**Ensign**”), with Temasek Holdings (Private) Limited. The Company holds a 40% equity interest in Ensign, with an additional assigned economic interest of 20% in Ensign. Accordingly, the Company consolidates Ensign and its subsidiaries (the “**Ensign Group**”) in its financial statements for FY2018.

As part of the above joint venture transaction, Ensign on 4 October 2018 acquired Ensign InfoSecurity (Cybersecurity) Pte. Ltd. (“**EIC**”) (formerly known as Quann World Pte. Ltd.), a Managed Security Services Provider that provides a suite of security services to prevent, detect and rapidly respond to cyber-attacks. At the time of acquisition of EIC by Ensign, KPMG had been engaged by EIC since July 2018 to assist with the implementation of certain IT systems for selected subsidiaries of EIC. The implementation involved both financial related and non-financial related systems, with the financial related system implementation being regarded as a non-permissible service by an auditor. As the on-going non-permissible services could not reasonably be terminated by the time EIC became part of the StarHub Group (being the Company and its subsidiaries) in October 2018, the Company considered paragraphs 290.33 to 290.35 of the Accountants (Public Accountants) Rules - Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (the “**Accountants (Public Accountants) Rules**”), which provide for such situations arising from a merger and acquisition to determine whether, notwithstanding the engagement of KPMG by EIC, there would be sufficient measures to safeguard the independence of KPMG and enable it to continue its audit engagement for the StarHub Group.

Paragraphs 290.33 to 290.35 of the Accountants (Public Accountants) Rules allow for overlapping pieces of work to be conducted by an auditor, within the following parameters, where:

- the auditor shall identify and evaluate previous and current interests and relationships with the Company that, taking into account available safeguards, could affect its independence and therefore its ability to continue the audit engagement after the effective date of the merger or acquisition;
- the auditor shall discuss with those charged with governance the reasons why the interest or relationship cannot reasonably be terminated by the effective date of the merger or acquisition and the evaluation of the significance of the threat;
- the auditor shall do so only if the interest or relationship will be terminated as soon as reasonably possible and in all cases within six months of the effective date of the merger or acquisition;
- any individual of the audit firm who has such an interest or relationship, including one that has arisen through performing the non-audit service, will not be a member of the engagement team for the audit or the individual responsible for the engagement quality control review; and

- appropriate transitional measures, such as having another professional firm performing the audit of the acquired subsidiary, shall be applied, as necessary.

The Audit Committee assessed the potential threat to KPMG's independence created by the aforementioned services provided by KPMG for EIC and reviewed the measures put into place to safeguard KPMG's independence as auditor of the StarHub Group. Such safeguard measures include having the work done for EIC being undertaken by a different KPMG team, and EIC retaining Deloitte & Touche LLP as its auditors, so as to mitigate the threat of self-review by KPMG. With the above measures in place, KPMG further assured the Audit Committee and the Company that they are in compliance with the independence requirement under the Accountants (Public Accountants) Rules.

The Audit Committee and the Board noted that the above situation was event specific due to the overlapping timing of the project for the implementation of certain IT systems for selected subsidiaries of EIC, and the completion of the Ensign joint venture transaction. A repeat of this specific scenario was unlikely.

The Audit Committee proactively interviewed KPMG and considered the following factors, amongst others:

- The non-permissible work for EIC would be completed within six months from the acquisition date;
- The KPMG EIC team was completely separated from the KPMG Company audit team and there were no common members;
- There was no overlap between the lead partners on the respective KPMG teams;
- The work undertaken for EIC was related to IT systems and not related to audit practices; and
- EIC retained separate auditors.

On this basis, and in line with Paragraph 290.35(a) of the Accountants (Public Accountants) Rules, KPMG continued its work and completed the non-permissible services by 3 April 2019, within 6 months from the effective date of the acquisition of EIC by Ensign.

The total non-audit fees for the aforementioned services provided to EIC amounted to S\$1.3 million, of which S\$0.9 million was incurred in 2018 and the remaining in 2019, as the work was due to be completed in the financial year ending 31 December 2019. Excluding the non-audit fees for the aforementioned services of S\$0.9 million recorded by the StarHub Group for FY2018, the non-audit fees as a percentage of the total fees paid to KPMG for FY2018 would be 41.7%, which is consistent with prior years.

As disclosed in the Company's FY2018 Annual Report, the Audit Committee of the Company has undertaken a review of all non-audit services provided by its external auditors, and is satisfied that the independence, objectivity and effectiveness of the external auditors are not compromised as a result thereof and has recommended to the Board of Directors of the Company that KPMG be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company to be held on 30 April 2019.

23 April 2019