

External Auditors' Policy

Policies and Procedures to assess the Suitability, Objectivity and Independence of External Auditors

1. Introduction

This External Auditors' Policy sets out the criteria which the Audit Committee ("**AC**") shall consider in assessing the suitability, objectivity and independence of the External Auditors.

Practice 9.3 of the Malaysian Code on Corporate Governance ("**MCCG**") stipulates that the AC shall 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*⁽ⁱ⁾ 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;
- 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;
- requirement to obtain 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.

2. Frequency of Assessment

The AC shall conduct the assessment of the suitability, objectivity and independence of the external audit firm annually.

(i) *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.*

(External Auditors' Policy - cont'd)

3. Assessment Criteria

Some of the matters for the AC's consideration regarding the appointment, re-appointment and removal of the Company'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

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 this Policy adopted by the Company.

(iv) Independence

The External Auditors 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 partner⁽ⁱⁱ⁾ of the external audit firm of the Company 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 the partner concerned is in a position to exert significant influence over the audit and preparation of the Company's financial statements.

(v) Material matters

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.

(ii) *Former partner includes the engagement partner, the individual responsible for the engagement of quality control review, and other partners of the external audit firm and/or the affiliate firm (including those providing advisory services, tax consulting etc).*

(External Auditors' Policy - cont'd)

(vi) Past performance / Disciplinary Records

During its annual assessment of the performance of the External Auditors for the immediate past financial year, the AC should also look into the historical performance of the External Auditors, whether any disciplinary action(s)/ reprimand(s) have been imposed by the regulatory authority(ies) on either the external audit firm, or the key engagement partner or other partner(s) of the external audit firm and/or affiliates.

4. Approval of Non-Audit Services

The External Auditors shall observe and comply with the By-Laws of the Malaysian Institute of Accountants ("**MIA**") in relation to the provision of non-audit services.

All engagements for non-audit services shall be approved by the AC prior to commencement. For each engagement, the Management shall obtain written confirmation from the External Auditors that their independence as External Auditors would not be impaired by virtue of the non-audit engagement.

5. Monitoring and Reporting

The Management shall report to the AC on an annual basis on all non-audit services and its related fees on non-audit rendered to the Company by the External Auditors.

6. Rotation of Key Audit Partner

The Key Audit Partners can be classified as Engagement Partner, Engagement Quality Control Reviewer and other Key Audit Partner.

The By-Laws of the MIA 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.

The AC shall ensure that the firm of External Auditors meets or exceeds the requirements of the By-Laws of the MIA relating to the rotation of key audit partners

7. Review of the Policy

The AC shall review regularly and assess the effectiveness of this Policy. Any requirement for amendment shall be deliberated by the AC and any recommendation for revisions shall be highlighted to the Board for consideration and approval.

8. Effective Date

This Policy has been approved by the Board of Directors for adoption with effect from 28 June 2022.

History

Date	Description
28 June 2022	Establishment