



EXTERNAL AUDITOR INDEPENDENCE POLICY



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1. INTRODUCTION

The Board and its Audit Committee (“the AC”) of Gabungan AQRs Berhad (“**GBGAQRs**” or “**the Company**”) are committed to ensuring the suitability and independence of external auditors in substance as well as in form.

The independence of the external auditors is a key governance issue for the Company and its group of companies (“**Group**”). Annually, the AC should ensure the independence and impartiality of the external auditors, taking into consideration relevant regulatory requirements.

Management shall obtain assurance from 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.

The objective of this External Auditor Policy (“**the Policy**”) is to outline the guidelines and procedures for the AC to assess and monitor the external auditors.

2. SELECTION CRITERIA

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

2.1 Fees

A candidate must provide a fixed fee quotation for its audit services. However, price will not be the sole determining factor in the selection of the preferred external auditors.

2.2 Independence


A candidate must satisfy the AC that it is independent and outline the procedures it has in place to maintain its independence. The external auditors must be independent from GBGAQRs Group and be seen to be independent from GBGAQRs Group.

The independence of the external auditors is integral to the role of auditors and the AC will give due consideration to this requirement when selecting the preferred external auditors for recommendation to the Board.

2.3 Material matters

The external auditors must outline its proposed procedures to address the issue of material significance or matter of disagreement with GBGAQRs management. The external auditors will be required to disclose to the AC all issues of material significance and all matters of disagreement with GBGAQRs management, whether resolved or unresolved, and to assist the AC to review such matters.

2.4 Non-audit Work

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The external auditors must detail its approach to the provision of non-audit related services to GBGAQRS Group.

2.5 Competency and Resources

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


The AC could consider the firm’s reputation and 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 overseas subsidiaries not audited by the firm, i.e. its liaison capability with the secondary auditors, are equally important to assess the suitability.

2.6 Industry specialty

Industry specialty should provide higher quality audits for three reasons: better audit technologies, lower costs due to economies of scale and superior knowledge due to economies of knowledge. In addition, industry experience can improve the detection of fraudulent reporting and task-level performance.

Should there be a need to fill a casual vacancy of the external auditors, the AC will follow the following procedures for selection and appointment of new external auditors:-

- (a) the AC to identify the audit firms who meet the criteria for appointment and to request for their proposals of engagement for consideration;
- (b) the AC will assess the proposals received and shortlist the suitable audit firms;
- (c) the AC will meet and/or interview the shortlisted candidates;
- (d) the AC may delegate or seek the assistance of the Group Chief Financial Officer (“**Group CFO**”) / Group Financial Controller (“**GFC**”) to perform items (a) to (c) above;
- (e) the AC will recommend the appropriate audit firm for the Board’s approval; and
- (f) the Board will consider and endorse the recommendation of the AC and approve the appointment of the new external auditors. Any external auditors appointed as such shall hold office until the conclusion of the next annual general meeting.

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3. APPROVAL OF NON-AUDIT SERVICES

The external auditors or a firm or corporation affiliated to the auditors' firm can be engaged to perform non-audit services 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 policy on audit and non-audit services is guided by the following principles:-


- (a) external auditors cannot function in the role of Management;
- (b) external auditors cannot audit their own work;
- (c) external auditors cannot serve in an advocacy role of GBGAQRS and its Group.
- (d) the auditors may provide audit and non-audit related services that, while outside the scope of the statutory audit, are consistent with the role of auditors;
- (e) the external auditors may be permitted to provide non-audit services that are not perceived to be materially in conflict with the role of external auditors; and
- (f) exceptions may be made to the policy where the variation is in the interest of GBGAQRS and arrangements are put in place to preserve the integrity and independence of the external audit process. The Board must specifically approve any such exception.

Before appointing the external auditors to undertake a non-audit service, considerations shall be given to whether this would create a threat to the external auditors' independence or objectivity. The external auditors shall not be appointed to undertake a non-audit service unless appropriate safeguards are in place to eliminate or reduce the threat to an acceptable level. External auditors shall not be considered for non-audit services specifically prohibited by the by-laws of the Malaysian Institute of Accountants ("MIA") or promulgations of the International Federation of Accountants for which no safeguard can eliminate or reduce the threat on the external auditors' independence.

The subsidiary or entity must inform the Group CFO/GFC of the non-audit services and the estimated fees to be incurred. The subsidiary or entity can only proceed with the non-audit service work when authorised by the Group CFO/GFC.

However, the Group CFO/GFC shall communicate and obtain prior approval from the AC before engaging the external auditor to provide non-audit services, either through an AC meeting or by circular resolution if necessary.

The Management shall also obtain confirmation from the external auditors that the independence of the external auditors will not be impaired by the provision of non-audit services.

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4. MONITORING AND REPORTING

The Group CFO/ GFC shall report to the AC on an annual basis on any significant non-audit services and its related fees on non-audit rendered to GBGAQRS Group or its subsidiaries by the external auditors.

5. ROTATION OF EXTERNAL AUDIT ENGAGEMENT PARTNER

The audit partner responsible for the external audit of GBGAQRS Group is subject to rotation at least every 5 years in accordance with By-Laws of the MIA.

6. APPOINTMENT OF NEW DIRECTOR OF THE COMPANY

The AC requires at least three years “cooling off” period before any key audit partner of the external auditor may be appointed as a Director of the Company.

7. ANNUAL REPORTING

The external auditors shall issue an annual audit plan for review and discussion with the AC. The external auditors shall also provide a management letter to the Committee upon completion of the annual audit.

8. ANNUAL ASSESSMENT

The AC shall carry out annual assessment on the performance, suitability and independence of the external auditors based on the following four (4) key areas:-

- i) quality of service;
- ii) sufficiency of resources;
- iii) communication and interaction; and
- iv) independence, objectivity, reliability and professional scepticism.

The AC may also request the Group CFO/ GFC to perform the annual assessment of the external auditors.

9. REVIEW OF THE POLICY

The AC will review the Policy periodically to ensure that it continues to remain relevant and appropriate.