EXTERNAL AUDITORS ASSESSMENT POLICY

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1. Introduction and Objectives

In accordance with its terms of reference, the Audit and Risk Management Committee ("the ARMC") of ACO Group Berhad ("ACO" or the "Company") is responsible for the assessment of the suitability, objectivity, independence and overall performance of the External Auditors to safeguard the quality and reliability of audited financial statements. The External Auditors Assessment Policy ("this Policy") sets out the guidelines and procedures to be undertaken by the ARMC in discharging this responsibility.

2. Regulatory Requirements

Pursuant to Section 271 of the Companies Act 2016, the Company shall at each annual general meeting appoint or re-appoint External Auditors, and the External Auditors so appointed or re-appointed shall hold office until the conclusion of the next annual general meeting.

3. Selection and Appointment

The ARMC is entrusted the duty to oversee the appointment, remuneration, and removal of External Auditors.

Should the ARMC determine a need for a change in External Auditors, the ARMC will follow the following procedures for selection and appointment of new External Auditors:

a) the audit firm's reputation and presence in the industry;

b) the qualifications and experience of the proposed key audit team members;

c) the audit firms' audit methodology, including its independent quality control review procedures and approach to audit judgments, to be employed in the audit of ACO;

d) to assess and review the proposals (including proposed fees) and shortlist suitable audit firms;

e) to meet and/or interview the shortlisted audit firms:

f) to recommend the appropriate audit firm to the Board for appointment; and

g) to endorse the recommendation and seek shareholders' approval for the appointment of the new External Auditors and/or resignation/removal of the existing External Auditors at the general meeting.

The Committee may delegate or seek the assistance of the Group Managing Director, the Chief Executive Officer, or a person with equivalent authority overseeing the finance function to carry out the tasks listed above.

4. Assessment of Independence

The External Auditors are precluded from providing any services that may impair their independence or conflict with their role as External Auditor. For the avoidance of doubt, the ARMC shall 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.

5. Annual Assessment/Evaluation

The ARMC shall carry out an annual assessment/evaluation of the performance, as outlined in Appendix I, and may request the Group Managing Director, the Chief Executive Officer, or a person with equivalent authority overseeing the finance function to participate in the assessment/evaluation of the suitability and independence of the External Auditors in the following areas:

a. Adequacy of audit scope;

b. Service quality and allocation of resources;

c. Communication with the management;

d. Independence, objectivity and professionalism;

e. Ability to meet audit deadlines and responding to issues in a timely manner;

f. Effectives of the External Auditors' recommendations in addressing weaknesses observed during audits, particularly on internal controls relevant to the financial reporting process.

6. Annual Reporting

The External Auditors shall:

a. Issue an annual audit plan for review and discussion with the ARMC; and

b. At the conclusion of the audit review, shall discuss findings, significant audit weaknesses and audit-related recommendations with the ARMC.

7. Non-Audit Services

The External Auditors can be engaged to perform non-audit services that 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 three (3) basic principles on the prohibition of non-audit services are as follows:

a. the External Auditors cannot perform the role of Management;

b. the External Auditors cannot audit their own work; and

c. the External Auditors cannot serve in an advocacy role for the Company.

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 ARMC prior to commencement considering the nature and extent of the non-audit services and the appropriateness of the level of fees. For each engagement, 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.

Management shall provide the ARMC with an update at its quarterly meetings on all non-audit services rendered by the External Auditors since the date of the last ARMC meeting, including the amount of fees charged.

8. Term of Audit Partner

The external audit firm shall be required to rotate the engagement audit partner at least once every five (5) years.

9. Appointment of Former Partners as Members of the ARMC

A former partner of the Company’s external audit firm must observe a cooling-off period of at least three (3) years before being appointed as a director or member of the ARMC. This applies to all former partners of the audit firm and its affiliate firms (including those providing advisory services, tax consulting, etc.).

10. Review of this Policy

The ARMC shall review this Policy periodically to ensure it remains relevant and appropriate.

This Policy was adopted by the Board of Directors of the Company on 24 October 2024.

Appendix I

ACO GROUP BERHAD
EVALUATION OF EXTERNAL AUDITORS

No.	Questions	Yes / No	Ratings					Comment
			5	4	3	2	1	
			Always/ Excellent	Frequently/ Above average	Sometimes/ Average	Seldom/ Below average	Never/ Poor	
	Section A: Calibre of External Audit Firm							
1	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?							
	Section B: Quality Processes/ Performance							
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?							
4	Have key risks, including fraud risk and financial misstatement risk, been discussed and factored into the audit plan?							
5	In cases where there are any differences in views between management and the external auditor, does the external auditor communicate their views clearly and accurately from an accounting perspective?							
6	Does the audit committee agree with the bases and extent of reliance external auditors place on management and internal audit testing, if any? (Comment as `Not Applicable' if none)?							
7	Does the external auditors inform the audit committee of any detection of fraud or any significant risks of which the audit committee was not previously aware?							
8	Did the external auditors meet the audit committee's expectation?							

No.	Questions	Yes / No	Ratings 5 Always/ Excellent	4 Frequently/ Above average	3 Sometimes/ Average	2 Seldom/ Below average	1 Never/ Poor	Comment
	Section C: Audit Team							
9	Rate whether the audit engagement partner and individuals assigned to the external audit team. Do they have the requisite skills and expertise, including industry knowledge, to effectively audit this company and meet its needs and requirements?							
10	Is the lead engagement partner able to provide a clear and understandable explanation of auditing and accounting issues faced by the company?							
11	Is the audit engagement partner's/ other senior personnel's involvement in the audit process sufficient?							
	Section D: Independence and Objectivity							
12	Does the external audit firm communicate to the company on any matters which might reasonably be perceived to affect the independence of the firm and/or of individuals assigned to the external audit team?							
13	Is the audit committee of the opinion that the external audit function is independent and objective in fact and appearance?							
14	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?							
	Section E: Audit Scope and Planning							
15	Does the external audit firm discuss and agree with the audit committee on the audit scope and plan, and also communicate about new and applicable accounting practices and their impact on the company's financial statements?							
16	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?							
17	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?							

No.	Questions	Yes / No	Ratings					Comment
			5	4	3	2	1	
			Always/ Excellent	Frequently/ Above average	Sometimes/ Average	Seldom/ Below average	Never/ Poor	
	Section F: Audit Fees							
18	Does the audit committee consider the audit fee fair and reasonable in comparison to fees charged to companies of a comparible size in the industry?							
19	Does the audit committee consider the fee for the external audit practical and sufficient for the scope, size, complexity, and risks of the company?							
	Section G: Audit Communications							
20	Does the external audit firm meet and communicate freely, regularly, and confidentially with the audit committee on findings and matters regarding the management's reporting process, internal controls over financial reporting, and cooperation during the audit process?							
21	Does the external audit firm timely advise the audit committee about significant issues and new developments regarding risk management, corporate governance, financial accounting, and related risks and controls, as well as discuss accounting policies and whether the accounting treatment is conservative or aggressive?							
22	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?							
23	Does the external audit firm resolve accounting issues in a timely manner?							
24	Does the external audit firm seek feedback on the quality and effectiveness of the services they are providing?							