GLOBALTEC FORMATION BERHAD (“GFB”)
AUDITOR EVALUATION POLICY

The Audit Committee has direct responsibility to oversee the integrity of the Group’s financial statements and to hire and oversee the external auditor.

Each year, the Audit Committee shall evaluate the external auditor in fulfilling their duty to make an informed recommendation to the Board of Directors (“Board”) whether to retain the auditor. The evaluation shall encompass an assessment of the qualifications and performance of the auditor, the quality and openness of the auditor’s communications with the Audit Committee and the management, and the auditor’s independence, objectivity and professional scepticism.

Assessment Process

The Audit Committee shall draw on its own experience with the auditor during the current engagement (presentations, reports, dialogue during formal, ad hoc and executive sessions), and corroborated by prior year evaluations. The Audit Committee shall obtain observations on the auditor from others within the Group, including management and internal auditors, accompanied by discussions with key managers. In assessing information obtained from management, the Audit Committee shall be sensitive to the need for the auditor to be objective and sceptical while still maintaining an effective and open relationship. Accordingly, the Audit Committee shall be alert to both a strong preference for and a strong opposition to the auditor by management and follow up as appropriate.

The Audit Committee members shall continuously evaluate the auditor’s performance (audit and non-audit) throughout the audit process, for example, noting the auditor’s scepticism in evaluating unusual transactions or responsiveness to issues. These contemporaneous assessments provide important input into the annual assessment. To ensure that all views are considered, the Audit Committee may wish to finalise their assessment during group discussions (as opposed to collecting Audit Committee member comments separately) during formal committee meetings or conference calls.

Finally, the Audit Committee shall consider advising shareholders that they perform an annual evaluation of the auditor and explain their process and scope of the assessment.

Quality Of Services And Sufficiency Of Resources Provided By The Auditor

The Audit Committee’s evaluation of the auditor begins with an examination of the quality of the services provided by the engagement team during the audit and throughout the financial reporting year. Because audit quality largely depends on the individuals who conduct the audit, the Audit Committee shall assess whether the primary members of the audit engagement team demonstrated the skills and experience necessary to address the Group’s areas of greatest financial reporting risk and had access to appropriate specialists and/or its national office resources during the audit. The engagement team shall have provided a sound risk assessment at the outset of the audit, including an assessment of fraud risk. During the engagement, the auditor shall have demonstrated a good understanding of the Group’s business, industry, and the impact of the economic environment on the Group. Moreover, the auditor shall have identified and responded to any auditing and accounting issues that arose from changes in the Group or its industry, or changes in applicable accounting and auditing requirements. Another consideration for the Audit Committee is the quality of the engagement teams that perform portions of the audit in various domestic locations, or abroad by the firm’s global network or other audit firms.

A broader but important consideration is whether the audit firm has the relevant industry expertise, as well as the geographical reach necessary to continue to serve the Group, and whether the engagement team effectively utilises those resources. Other firm-wide questions include the results of the audit firm’s most recent inspection report by the Audit Oversight Board (“AOB”), including whether the Group’s audit had been inspected and, if so, whether the AOB made comments on the quality or results of the audit. The Audit Committee also may want to know how the firm plans to respond to AOB's comments contained in the inspection report, more generally, and to any internal findings regarding its quality control program.

Communication And Interaction With The Auditor

Frequent and open communication between the Audit Committee and the auditor is essential for the Audit Committee to obtain the information it needs to fulfill its responsibilities to oversee the Group's financial reporting processes. The quality of communication also provides opportunities to assess the auditor's performance. While the auditor shall communicate with the Audit Committee as significant issues arise, the auditor ordinarily shall meet with the Audit Committee on a frequent enough basis to ensure the Audit Committee has a complete understanding of the stages of the audit cycle (e.g., planning, completion of final procedures, and, if applicable, completion of interim procedures). Such communication shall focus on the key accounting or auditing issues that, in the auditor's judgment, give rise to a greater risk of material misstatement of the financial statements as well as any questions or concerns of the Audit Committee.

Auditor Independence, Objectivity And Professional Scepticism

The auditor must be independent of the Group. The Audit Committee shall be familiar with the statutory and regulatory independence requirements for auditors, including requirements that the auditor advise the Audit Committee of any services or relationships that reasonably can be thought to bear on the firm's independence.

The technical competence of the auditor alone is not sufficient to ensure a high-quality audit. The auditor also must exercise a high level of objectivity and professional scepticism. The Audit Committee's interaction with the auditor during the audit provide a number of opportunities to evaluate whether the auditor demonstrated integrity, objectivity and professional scepticism. For example, the use of estimates and judgments in the financial statements and related disclosures (e.g., fair value, impairment) continues to be an important component of financial reporting. The auditor must be able to evaluate the methods and assumptions used and challenge, where necessary, management's assumptions and application of accounting policies, including the completeness and transparency of the related disclosures.

An important part of evaluating the auditor's objectivity and professional scepticism is for the Audit Committee to gauge the frankness and informative nature of responses to open-ended questions put to the lead audit engagement partner (and members of the audit engagement team as appropriate). Examples of appropriate topics include: the financial reporting challenges posed by the Group's business model, the quality of the financial management team, the robustness of the internal control environment, changes in accounting methods or key assumptions underlying critical estimates, and the range of accounting issues discussed with management during the audit (including alternative accounting treatments and the treatment preferred by the auditor). The auditor also shall be able to clearly articulate the processes followed and summarise the evidence used to evaluate the significant estimates and judgments, and to form an opinion whether the financial statements, taken as a whole, were fairly presented in accordance with the Malaysian Financial Reporting Standards.

The Board of Directors of GFB has adopted this policy on 17 October 2016.