



PIMPINAN EHSAN BERHAD
(201601021838) (1192777-W)
(Incorporated in Malaysia)

EXTERNAL AUDITORS ASSESSMENT POLICY

INTRODUCTION

The Audit and Risk Management Committee (“ARMC”) of Pimpinan Ehsan Berhad (“PEB” or “the Company”) is responsible for the assessment of the suitability, objectivity, independence and overall performance of the External Auditors. The External Auditors Assessment Policy (“this Policy”) sets out the guidelines and procedures to be undertaken by the ARMC in discharging this responsibility.

INDEPENDENCE OF EXTERNAL AUDITOR

The independence of external auditor is essential to the provision of an objective opinion on the truth and fairness of the financial statements of the Company.

The external auditor is precluded from providing any services that may impair their independence or conflict with their role as external auditor.

The ARMC shall obtain a written assurance from the external auditor 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.

SELECTION AND APPOINTMENT

Pursuant to Section 271 (1) of the Companies Act 2016, the Company shall at each annual general meeting appoint or re-appoint the external auditors of the Company, and the external auditors so appointed shall, hold office until the conclusion of the next annual general meeting of the Company.

Should the ARMC determine a need for a change of external auditors, the ARMC will follow the policy stated herein:-

Selection guidelines

When assessing the suitability of a potential firm of External Auditors for recommendation to the Board, the ARMC shall consider, inter-alia:-

- a). the firm's reputation and presence in the industry;
- b). the firm's international presence through membership in or affiliation with reputable international accounting networks;
- c). qualifications and experience of the proposed key audit team members;
- d). the firm's audit methodology to be employed in the audit of the Company;
- e). the firm's independent quality control review procedures and the approach to audit judgments;
- f). results of recent inspections on the firm by the Audit Oversight Board, the Malaysian Institute of Accountants ("the MIA") or other regulatory bodies;
- g). the firm's capability to deliver value in ways other than through the provision of statutory audit services; and
- h). the profile of the firm's major clients, including those in the same industry as that of the Company.

Upon the endorsement of the Board, a resolution for the appointment of the new External Auditors and/or removal of the existing External Auditors shall be tabled for the approval of shareholders in general meeting.

NON-AUDIT ENGAGEMENT

The External Auditors can be engaged to perform non-audit services that are not perceived to be in conflict with their role as External Auditors. Non-audit services do not include audit related work performed in compliance with statutory requirements.

Before appointing the External Auditors to undertake a non-audit service, considerations should be given to whether this would create a threat to the external auditors' independence or objectivity. The External Auditors should not be appointed unless appropriate safeguards are present to eliminate or reduce the threat to an acceptable level.

The provision of non-audit services by the External Auditors shall be based on the following 3 basic principles whereby the External Auditors:-

1. cannot perform the role of Management;
2. cannot audit their own work; and
3. cannot serve in an advocacy role for the Group.

The External Auditors shall observe and comply with the By-Laws of the 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. 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 an update to the ARMC at its quarterly meetings of all non-audit services rendered by the External Auditors (including the amount of fees charged).

ROTATION OF KEY AUDIT PARTNERS

The Company recognises that there exists a threat to the External Auditors' independence if there was no limit to the number of consecutive years that key audit partners may serve in the same role in the annual audits of the Group's financial statements.

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 ARMC 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.

APPOINTMENT OF FORMER KEY AUDIT PARTNER AS MEMBER OF THE ARMC

It is the Company's policy that requires a former key audit partner to observe a cooling-off period of at least three (3) years before being appointed as a member of the ARMC, which is as set out in the Terms of Reference of the ARMC.

ANNUAL ASSESMENT AND EVALUATION

The ARMC shall carry out an annual assessment on the performance, independence and capabilities of the External Auditors as well as the effectiveness of the audit process and may request the Management to assist in the assessment, by taking into consideration the following:-

a). quality of audit services:-

- adequacy of audit scope;
- ability to meet audit deadlines;
- timeliness in escalating audit issues to the ARMC;
- allocation of resources to significant audit risk areas; and
- effectiveness of recommendations to addressing weaknesses observed during the audit;

- b). adequacy of resources;
- c). communication and interaction with Management and the Internal Auditors; and
- d). independence, objectivity and professional skepticism.

Review of this Policy

The ARMC, together with the Board shall, from time to time and at any time as it deems necessary, review this Policy to ensure that it continues to remain relevant and appropriate.

This policy has been approved and adopted by the Board of Directors on 13 April 2022.