



Registration No. 201001016854 (900557-M)
(Incorporated in Malaysia)

EXTERNAL AUDITORS POLICY

1. PURPOSE

The establishment of this External Auditors Policy (“Policy”) is to outline the policies and procedures for the Audit Committee of Bermaz Auto Berhad (“BAuto” or the “Company”) to govern the assessment and monitor the External Auditors so that the External Auditors’ competence, objectivity, professionalism and independence is maintained in driving its effectiveness.

2. COVERAGE

This Policy covers the following areas:

- (i) Appointment of External Auditors;
- (ii) Assessment of External Auditors;
- (iii) Independence of the External Auditors;
- (iv) Non-audit services;
- (v) Annual Reporting;
- (vi) Rotation of external audit engagement partner; and
- (vii) Appointment of a former key audit partner as member of Audit Committee and/or Director.

3. APPOINTMENT OF EXTERNAL AUDITORS

The Board has delegated the Audit Committee the responsibility to oversee the appointment, re-appointment and removal of External Auditors.

Pursuant to Section 271(1) of the Companies Act 2016, the public 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.

The procedures for the appointment of the new External Auditors are as follows:

- (i) to identify the audit firms who meet the criteria for appointment and to request for their proposals of engagement for consideration;
- (ii) to assess the proposals received and shortlist the suitable audit firms;
- (iii) to meet and/ or interview the shortlisted candidates;

The Audit Committee may delegate or seek assistance of the Chief Financial Officer to perform the above (i) to (iii);

- (v) Audit Committee to recommend the appropriate audit firm to the Board for appointment as External Auditors;
- (vi) the Board will endorse the recommendation and seek shareholders’ approval for the appointment of a new External Auditors and/ or resignation and/ or removal of the existing External Auditors at the general meeting.

The Audit Committee will consider the following list of audit quality indicators to monitor the effectiveness of the external audit process:

- (i) adequacy of audit scope;
- (ii) ability of the external audit firm to meet audit deadlines;
- (iii) timeliness in escalating audit issues to the Audit Committee;

- (iv) allocation of resources to significant audit risk areas; and
- (v) effectiveness of the external audit firm's recommendations in addressing weaknesses observed during previous audits, particularly on internal controls relevant to financial reporting process.

The Audit Committee will make recommendation for re-appointment of the External Auditors to the Board for members' approval at annual general meeting. The External Auditors so appointed or re-appointed shall, hold office until the conclusion of the next annual general meeting.

4. ASSESSMENT OF EXTERNAL AUDITORS

The Audit Committee is responsible to carry out annual assessment on the performance and quality of the External Auditors as well as their independence, objectivity and professionalism.

The areas of assessment include among others, the following:

- (a) Calibre of external audit firm;
- (b) Quality processes/ performance;
- (c) Audit team;
- (d) Independence and objectivity;
- (e) Audit scope and planning;
- (f) Audit fees; and
- (g) Audit communications;

An assessment questionnaire shall be used as a tool to obtain input from the Company's Chief Financial Officer in performing the annual assessment of the External Auditors.

5. INDEPENDENCE OF THE EXTERNAL AUDITORS

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

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

Audit Committee shall review the independence of the External Auditors annually. To satisfy the Audit Committee, the External Auditors shall provide a written assurance to the Audit Committee to confirm their independence throughout the conduct of the audit engagement in accordance with the relevant professional and regulatory requirements.

The External Auditors shall declare their independence annually to the Audit Committee as specified by the By-Laws (on Professional Ethics, Conduct and Practice) issued by the Malaysian Institute of Accountants ("MIA") and continue to notify the Audit Committee of any information that may be material to reviewing its independence.

6. NON-AUDIT SERVICES

The External Auditors can be engaged to perform non-audit engagement 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 External Auditors shall observe the guidance from the By-Laws (on Professional Ethics, Conduct and Practice) by the MIA on the following prohibition of non-audit services:

- (a) Accounting and book keeping services including payroll services and preparation of the financial statements or financial information which forms the basis on which the audit report is provided;
- (b) Valuation services if the valuation would have a material effect on the financial statements;
- (c) Preparation of tax calculations of current and deferred tax liabilities (or assets) for the purpose of preparing accounting entries that are material to the financial statements;
- (d) Internal audit services that relate to a significant part of the internal controls over financial reporting, financial accounting systems or amount or disclosures that are material to the financial statements;
- (e) Design or implementation of information systems that form a significant part of the internal control or information on financial reporting, accounting records or financial statements;
- (f) Acting in an advocacy role on behalf of the Company to resolve a dispute or litigation when the amounts involved are material to the financial statements;
- (g) Recruiting services with respect to a director, officer or key senior management who would be in a position to exert significant influence over the preparation of accounting records or the financial statements; and
- (h) Corporate finance services which involve promoting, dealing in, or underwriting shares.

Besides the non-audit services listed above, it will be prohibited if the non-audit service creates material threat to the independence of the External Auditors.

All engagements of the External Auditors to provide non-audit services are subject to approval as follows:

Approval threshold for non-audit work	Approver
Below RM100,000 per engagement	Chief Financial Officer/ Executive Director
Above RM100,000 per engagement	Audit Committee

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

Disclosure should also be made on the nature and extent of non-audit services if the fees on such non-audit services are significant.

7. ANNUAL REPORTING

The External Auditors shall issue an annual audit plan for review and discussion with the Audit Committee.

The External Auditors shall also provide a management letter to the Audit Committee upon completion of the annual audit.

The External Auditors must provide an annual declaration addressed to the Audit Committee confirming:

- (a) the nature of any non-audit services provided to the Company; and
- (b) that the External Auditors has maintained its independence in accordance with relevant legislation as well as the Bye-Laws issued by MIA and professional accounting standards.

8. ROTATION OF EXTERNAL AUDIT ENGAGEMENT PARTNER

The External Audit Engagement Partner responsible for the external audit of BAuto group is subject to rotation at least once every seven (7) years in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the MIA.

9. APPOINTMENT OF A FORMER KEY AUDIT PARTNER AS MEMBER OF AUDIT COMMITTEE AND/ OR DIRECTOR

A former key audit partner and other audit team member is required to observe a cooling off period of at least three (3) years before being appointed as a member of the Audit Committee and/or Director of the Company to ensure the independence of such appointment.

Any hiring of the former key audit partner and other audit team member as a member of the Audit Committee and/or Director of the Company must be approved by the Audit Committee. There are no restrictions on the hiring of other staff from audit firm.

10. REVIEW OF THE POLICY

The foregoing Policy will be amended and modified from time to time in line with any changes in relevant legislation, codes, regulations and the By-Laws (on Professional Ethics, Conduct and Practice) issued by MIA (in so far as they are applicable to this Policy and are mandatory), and all such amendments and modifications shall be deemed incorporated without the requirement for further approvals from the Audit Committee and the Board. The Audit Committee and the Board shall thereafter be duly informed of such amendments and modifications. A copy of the Policy is available on the Company's website at www.bauto.com.my.

Updated on 13 March 2023.