

ANCOM LOGISTICS BERHAD (COMPANY NO.: 6614-W)
(Incorporated in Malaysia)

EXTERNAL AUDITORS ASSESSMENT POLICY

INTRODUCTION

Section 248(2) of the Companies Act 2016 (“Act”) requires that financial statements be duly audited before being distributed to its shareholders.

The purpose of the statutory audit is to provide an independent opinion to the shareholders on the truth and fairness of the financial statements of the Company and its subsidiaries (“Group”). whether they have been properly prepared in accordance with the Act, Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards (“IFRSs”) and other relevant regulations.

Based on its Terms of Reference, the Audit Committee (“Committee”) has been delegated by the Board to assess the suitability, objectivity and independence of the External Auditors. Based on its findings, the Committee then reports and makes recommendations to the Board with regards to the appointment, reappointment or dismissal and the fees to be paid to the External Auditors.

ASSESSMENT CRITERIA

In carrying out its assessment of the External Auditors, the Committee considers the following factors:

(a) Competence

The Committee shall only consider External Auditors who have not had disciplinary actions taken against them for failure to comply with relevant accounting and reporting standards in the past five (5) years.

The Committee shall also consider the amount of resources that shall be allocated by the External Auditors to the Group, and the qualifications and/or experience of the team leader.

(b) Audit quality

For reappointment of External Auditors, the Committee shall, in addition to its own assessment, seek feedback from management on the professional working relationship with the External Auditors, the quality of the audit delivery and the quality of people and service.

Due consideration shall be given to the ability of the External Auditors to adhere to the external audit plan which was agreed at the beginning of the audit period, thoroughness of the audit (within reasonable limits) and effectiveness and efficiency of the engagement team, amongst others.

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(c) Independence

Pertaining to independence, the assessment would focus on whether there exists any relationship between the External Auditors and the Directors or senior management and major shareholders of the Group as well as any conflict of interest arising therefrom. The Committee shall also give due consideration to the fees to be paid to the External

Auditors for any unreasonable excess above market rate, which may be perceived to affect the objectivity of the External Auditors.

The Committee shall obtain written assurance from the External Auditors that they have complied with the relevant ethical requirements regarding professional independence.

With regards to non-audit services, the Committee may engage the External Auditors provided that the non-audit services do not, and will not, give rise to questions about the External Auditors' independence and objectivities in carrying out the responsibilities entrusted to them.

The three (3) basic principles to consider in the appointment of External Auditors for non-audit services are as follows:

- (i) External Auditors must not function in the role of management;
- (ii) External Auditors must not audit their own work; and
- (iii) External Auditors cannot serve in an advocacy role of the Group. The External Auditors shall observe and comply with the By-Laws (On Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") in relation to the provision of audit and non-audit services.

The same criteria shall apply in the assessment of potential candidates in cases where the Audit Committee seeks to recommend to the Board replacements for existing External Auditors.

The Committee shall conduct annual assessment on the External Auditors based on the abovementioned criteria.

ROTATION OF KEY AUDIT PARTNERS

In accordance with Paragraph 290.151 of the By-Laws, the key audit partner responsible for the external audit of the Group shall not serve for a period exceeding five (5) consecutive years, after which the individual shall not be a member of the engagement team or be a key audit partner for the client for two years.

REPORTING AND MONITORING

The Committee shall present its findings on the assessment of the External Auditors to the Board. The Board shall be responsible for and may choose whether to endorse the recommendations made by the Committee, for shareholders' approval.

REVIEW OF POLICY

The Board may review and amend this External Auditors Assessment Policy from time to time, based on Group values and to be in compliance with the relevant laws and regulations.

This External Auditors Assessment Policy was adopted by the Board on 25 July 2018.