

# **ANCOM LOGISTICS BERHAD**

[Registration No.: 196601000150 (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 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”) and whether they have been prepared in accordance with the Act, the Malaysian Financial Reporting Standards, the International Financial Reporting Standards 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 regard 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:

#### **(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**

To reappoint the 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 their 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 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.

#### **(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

**ANCOM LOGISTICS BERHAD [Registration No.: 196601000150 (6614-W)]**  
**External Auditors Assessment Policy**

Committee shall also give due consideration to the fees to be paid to the External Auditors for any unreasonable excess above the 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 objectivity 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 capacity for 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 the existing External Auditors.

The Committee shall conduct an 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 in compliance with the relevant laws and regulations.

This External Auditors Assessment Policy was adopted on 26 July 2018 and last reviewed on 28 July 2020 by the Board of Directors.