

Revision No.	01
Effective Date	25.02.2021



KIA LIM BERHAD

Registration No.: 199501013667 (342868-P)

**EXTERNAL
AUDITOR POLICY
AND
PROCEDURE**

The Audit Committee (the “AC”) of Kia Lim Berhad (“Kia Lim” or the “Company”) is committed to ensuring the suitability, objectivity and independence of external auditor in substance as well as in form. The objective of this External Auditor Policy (“the Policy”) is to outline the guidelines and procedures for the AC to assess and monitor the external auditor’s performance.

The independence of the external auditor is a key governance issue for Kia Lim Group. On an annual basis, the AC should ensure the independence and impartiality of the external auditor, taking into consideration relevant professional and regulatory requirements.

In avoidance of doubt, the AC 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.

1. Selection & Appointment Procedure

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

The Board has delegated to the AC the responsibility for the appointment, remuneration and removal of external auditor. Should the AC determine a need for a change of external auditor, the AC will recommend/report the same to the Board.

Some of the matters for consideration regarding appointment, reappointment and removal of Kia Lim Group’s external auditor by the AC include:

1.1 Fees

The audit firm must provide a fixed fee quotation for its audit services. However, price will not be the sole determining factor in the selection of a preferred external auditor.

1.2 Objectivity & Independence

The audit firm must satisfy the AC that it is independent and outline the procedures it has in place to maintain its independence. The external auditor must be independent from Kia Lim Group and be seen to be independent from Kia Lim Group.

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.

Pursuant to Recommendation 8.3 of Principle B of the Malaysian Code on Corporate Governance 2017, the AC is mandated to ensure continuing objectivity, suitability and independence of the external auditor.

The independence of the external auditor is integral to the role of auditor and the AC will give due consideration to this requirement when selecting a preferred auditor for recommendation to the Board.

1.3 Material Matters

The audit firm must outline its proposed procedures to address the issue of material significance or matter of disagreement with Kia Lim management. The external auditor will be required to disclose to the AC all issues of material significance and all matters of disagreement with Kia Lim management, whether resolved or unresolved, and to assist the AC to review such matters.

1.4 Non-Audit Work

The external auditor is precluded from providing any services that may impair their independence or conflict with its role as external auditor. Refer further details in Note 2 below.

1.5 Competency and Resources

Audit quality increases with audit firm size because of experience and functional industry knowledge. Typically, large or global companies require the expansive resources, in terms of personnel, expertise and worldwide availability. The AC could consider the candidate firm's reputation and qualifications of its professionals, including the breadth and depth of resources, expertise and experience of the team members. Their networking ability and competency to address local / overseas subsidiaries not audited by the firm, i.e. its liaison capability with the secondary auditors, are equally important to assess the suitability.

1.6 Industry specialty

Industry specialty should provide higher quality audits for three reasons: better audit technologies, lower costs due to economies of scale and superior knowledge due to economies of knowledge. In addition, industry experience can improve the detection of fraudulent reporting and task-level performance.

2. Non-Audit Services

The external auditor can be engaged to perform non-audit services that are not, and are not perceived to be, in conflict with the role of external auditor. This excludes audit related work in compliance with statutory requirements.

The prohibition of non-audit services is based on three (3) basic principles as follows:

- (a) external auditor cannot function in the role of Management;
- (b) external auditor cannot audit their own work; and
- (c) external auditor cannot serve in an advocacy role of the Company and its subsidiaries.

The external auditor shall observe and comply with the By-Laws of the Malaysian Institute of Accountants in relation to the provision of non-audit services, which include the following items:

- (a) accounting and book keeping services;
- (b) valuation services;
- (c) taxation services;
- (d) internal audit services;
- (e) IT systems services;
- (f) litigation support services;

- (g) recruitment services; and
- (h) corporate finance services.

All engagement of the external auditor to provide non-audit services are subject to the approval/endorsement of the AC.

Management shall obtain confirmation from the external auditors that the independence of the external auditor will not be impaired by the provision of non-audit services.

3. Rotation of External Audit Partner

The audit partner responsible for the external audit of the Company is subject to a mandatory rotation at least every five (5) financial years or such period in accordance with the By-Laws of MIA.

4. Appointment of a Former Audit Partner

A person who is a former audit partner in charge of the external audit of the Company is required to observe a **cooling-off period** of at least three (3) years before he/she can be considered to be appointed as a director or a member of the Audit Committee or senior management team of the Company.

5. Annual Reporting

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

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

6. Annual Assessment and Re-appointment

The AC will assess the external auditor's performance annually, on the suitability, objectivity and independence of the external Auditor on the following areas:

- (a) caliber of external audit firm;
- (b) quality processes / performance;
- (c) audit team;
- (d) independent and objectivity;
- (e) audit scope and planning;
- (f) audit fees; and
- (g) audit communications.

As part of this review the AC may obtain feedback from the members of senior management regarding the quality of the audit services.

Annual assessment on the performance of the external auditor will be performed through the External Auditor evaluation form and the result of the assessment and recommendation by the AC will be presented to the Board for consideration.

Upon due consideration, re-appointment of the external auditors and the authority to fix their remuneration would be recommended by the Board for seeking shareholders' approval in the Annual General Meeting.

7. Review

This Policy was adopted by the Board on 28 August 2018 and is subject to review periodically to ensure that it continues to remain relevant and appropriate.