



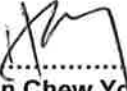



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**GAGASAN NADI CERGAS BERHAD
EXTERNAL AUDITORS POLICY**

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GAGASAN NADI CERGAS BERHAD

Document Title: GROUP POLICY – EXTERNAL AUDITORS POLICY	Company	Gagasan Nadi Cergas Berhad
	Department	Finance and Accounts
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1.0 OBJECTIVE

In accordance with its terms of reference, the Audit and Risk Management Committee (“the ARMC”) of Gagasan Nadi Cergas Berhad (“GNCB” or the “Company”) is responsible for the assessment of the suitability, objectivity, independence and overall performance of the External Auditors (“EA”). The External Auditors Policy (“this Policy”) sets out the guidelines and procedures to be undertaken by the ARMC in discharging this responsibility.

2.0 SELECTION AND APPOINTMENT

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

The ARMC shall follow the following procedures for the change of the EA:-

- a) the ARMC to identify audit firms which meet the criteria for appointment and to request for their proposals of engagement for consideration;
- b) the ARMC to assess the proposals received and shortlist the suitable audit firms;
- c) the ARMC will meet and/or interview the shortlisted candidates;
- d) the ARMC may delegate or seek the assistance of the Chief Financial Officer (“CFO”) to perform items (a) to (c) above;
- e) the ARMC will recommend the suitable audit firm to the Board for appointment as EA; and
- f) the Board will enclose the recommendation proposed by the ARMC and seek shareholders’ approval for the appointment of the new EA and/or resignation/removal of the existing EA at the general meeting.

3.0 INDEPENDENCE OF EXTERNAL AUDITORS

The independence of the EA is essential to the provision of an objective opinion on the financial statements of the Company.

Pursuant to Practice 9.3 of Principle B of the Malaysian Code on Corporate Governance (“MCCG”), the ARMC is mandated to ensure continuing objectivity and independence of the EA.

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The EA are precluded from providing any services that may impair their independence or conflict with their role as EA.

The ARMC shall obtain assurance from the EA 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.

4.0 NON – AUDIT ENGAGEMENT

The EA can be engaged to perform non-audit services that are not expected to be in conflict with their role as EA. Non-audit services do not include audit related work performed in compliance with statutory requirements including but not limited to reviews of the statements and reports in the Annual Report.

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

The provision of non-audit services by the EA shall be based on the following basic principles :-

- a) the EA cannot perform the role of Management;
- b) the EA cannot audit their own work; and
- c) the EA cannot serve in an advocacy role for the Company and its subsidiaries ("the Group").

If non-audit fees incurred were more than fifty percent (50%) of the Group's audit fees, details on the nature of the services rendered will be disclosed in the Company's Annual Report.

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4.1 SAFEGUARDS

Safeguards that can be taken to mitigate the risk of EA compromising their professional independence and objectivity of the EA comprise the following:-

- a) obtain confirmation from the EA that their independence will not be impaired by the provision of the non-audit services; and
- b) initiate additional arrangements to objectively and independently evaluate the engagement.

All significant facts that bear upon the EA's objectivity and independence relating to the provision of non-audit services, including measures in place shall be considered.

4.2 APPROVAL PROCESS OF NON-AUDIT SERVICES

a) *Non-audit services fees for approval of the CFO or Group Managing Director ("GMD")*

Non-audit services may be undertaken by the EA without prior approval of the ARMC if,

- i. the cumulative annual value of non-audit services is not more than fifty percent (50%) of the Group's prior year audit fees,
- AND**
- ii. the non-audit services are recurrent in nature or are related to the annual audit services rendered by the EA.

Such services may be approved by either the CFO or the GMD.

b) *Non-audit services fees for approval of the ARMC*

The Board of GNCB has authorised the ARMC to grant approval for non-audit services provided by the EA, if they do not meet the requirement as stated in 4.2(a) above.

5.0 ROTATION OF KEY AUDIT PARTNERS

The ARMC recognizes that there exists a threat to the EA independence if there was no limit to the continuous number of years that key audit partners involved in the annual audits of the Company's financial statements.

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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 EA meets or exceeds the requirements of the By-Laws of the MIA relating to the rotation of key audit partners.

6.0 APPOINTMENT OF FORMER PARTNERS OF THE EA FIRM AS MEMBER OF THE ARMC

Pursuant to Practice 9.2 of Principle B of the Malaysian Code on Corporate Governance (“MCCG”), no former partner of the EA firm, including those providing advisory services, tax consulting and other services, shall be appointed as a member of the ARMC before first observing a cooling-off period of at least 3 years.

7.0 ANNUAL PERFORMANCE AND INDEPENDENCE ASSESSMENT

The ARMC shall carry out an annual assessment on the suitability, objectivity, performance and independence of the EA as well as the effectiveness of the audit process, by taking into consideration the following:-

- calibre of EA firm;
- adequacy of resources;
- quality of audit services;
- effectiveness of recommendations to addressing weaknesses observed during the audit;
- adequacy of audit scope;
- appropriateness of audit fees;
- communication and interaction with Management and the Internal Auditors;
- timeliness in escalating audit issues to the ARMC; and
- the information as presented in its Annual Transparency Report.

The ARMC shall delegate its responsibilities on the assessment of the EA to the ARMC member who is a member of the Malaysian Institute of Accountants, and the CFO of the Company.

8.0 REVIEW OF THIS POLICY

The ARMC shall review this Policy to ensure that it continues to remain relevant and appropriate every 3 years or whenever deemed necessary.