

POLICY FOR THE ASSESSMENT OF THE SUITABILITY AND INDEPENDENCE OF EXTERNAL AUDITORS

1.0 OBJECTIVE

We, at Agricore CS Holdings Berhad (“Agricore” or “the Company”) are obliged to establish formal and transparent arrangements in considering how the Agricore and its subsidiaries (“the Group”) should apply financial reporting and internal controls, and maintaining an appropriate relationship with the Group’s external auditors. Recommendation 9.3 of the Malaysian Code of Corporate Governance (“MCCG”) stipulates that the Audit Committee should have policies and procedures to review, assess and monitor the performance, objectivity, suitability and independence of the Company’s external auditors.

The Board and the Audit and Risk Management Committee (“ARMC”) of Agricore are committed to ensure the suitability and independence of external auditors. The independence of the external auditors is a key governance issue for Agricore Group and is met through its ARMC.

The objectives of this External Auditors Policy are:-

- ❖ to comply with MCCG, Malaysian legislation, and other relevant auditor independence rules, guidelines, standards, etc.;
- ❖ to ensure that neither the nature of the audit and other services nor the level of the reliance placed on it by the Group, could, or could be seen to, impair the objectivity of the external auditors’ opinion on the financial statements;
- ❖ to establish a transparent reporting process for the ARMC to monitor the observance and compliance of the external auditors with this Policy; and
- ❖ to avoid unnecessary restrictions on the request for services from the external auditors.

On an annual basis, the ARMC should ensure the independence and impartiality of the external auditors, taking into consideration relevant regulatory requirements.

Management shall obtain assurance from the external auditors confirming that they are, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

2.0 SELECTION CRITERIA

The following criteria should be considered by the ARMC when evaluating the appointment, reappointment and removal of Agricore Group’s external auditors:-

2.1 Audit Fees

A candidate must provide a fixed fee quotation for its audit services. However, price will not be the sole determining factor in the selection process.

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2.2 Independence

A candidate must satisfy the ARMC that it is independent and outline the procedures it has in place to maintain its independence. The external auditors must be independent and be seen to be independent from Agricore Group.

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

2.3 Material matters

A candidate must outline its proposed procedures to address the issue of material significance or matter of disagreement with the management of Agricore. The external auditors will be required to disclose to the ARMC all issues of material significance and all matters of disagreement with the management of Agricore, whether resolved or unresolved, and to assist the ARMC to review such matters.

2.4 Non-audit work

A candidate must detail its approach to the provision of non-audit related services to Agricore Group.

2.5 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 ARMC could consider the firm's reputation of the candidate 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 the issue of the overseas subsidiaries not audited by the firm, i.e. its liaison capability with the component auditors, are equally important assessing their suitability.

2.6 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.

3. APPROVAL OF NON-AUDIT SERVICES

The policy on audit and non-audit services is guided by the following principles:-

- (a) the auditors may provide audit and non-audit related services that, while outside the scope of the statutory audit, are consistent with the role of auditors;

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- (b) the external auditors should not provide services that are perceived to be materially in conflict with the role of auditors;
- (c) the external auditors may be permitted to provide non-audit services that are not perceived to be materially in conflict with the role of auditors; and
- (d) exceptions may be made to the policy where the variation is in the interest of Agricore and arrangements are put in place to preserve the integrity of the external audit process. Such exception is specifically subject to the approval/endorsement of the Board of the Company.

Before appointing the external auditors to undertake a non-audit service, considerations should be given to whether this would create a threat to the external auditors' independence or objectivity. The external auditors should not be appointed unless appropriate safeguards are present to eliminate or reduce the threat to an acceptable level. External auditors shall not be considered for non-audit services specifically prohibited by the by-laws of the Malaysian Institute of Accountants ("MIA") or promulgations of the International Federation of Accountants for which no safeguard can eliminate or reduce the threat on the external auditors' independence.

The subsidiary or entity must inform the Chief Financial Officer ("CFO") of the non-audit services and the estimated fees to be incurred. Engagements of external auditors to provide non-recurring and/or unplanned non-audit services must be approved by the ARMC Chairman.

Provision of services other than audit or assurance type services shall be subject to the overriding limitation that, in any financial year, the fees for such services should not exceed two times the annual fees for the audit of the financial statements unless with the ARMC's approval.

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

4. MONITORING AND REPORTING

The CFO shall report to the ARMC on an annual basis on any significant non-audit services and its related fees on non-audit rendered to Agricore Group by the appointed external auditors.

5. ROTATION OF EXTERNAL AUDIT ENGAGEMENT PARTNER

The lead audit partner responsible for the external audit of Agricore Group is subject to rotation at least every 5 years in accordance with By-Laws of the MIA.

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6. DISCLOSURE TO THE ARMC

The external audit firm partner shall be required to meet privately with the ARMC at least twice every financial year to discuss any issue that need to be deliberated in the absence of the Management.

7. ANNUAL ASSESSMENT

The ARMC shall carry out annual assessment on the performance, suitability and independence of the external auditors based on the following three (3) key areas:-

- i) quality of service;
- ii) sufficiency of resources; and
- iii) independence, objectivity and professional skepticism.

As part of this review, the ARMC shall obtain feedback from the members of management regarding the quality of the audit service. The ARMC shall evaluate the appropriateness of audit fees to support the quality of the audit

The assessment should also consider information presented in the *Annual Transparency Report* of the audit firm. If the audit firm is not required to issue an *Annual Transparency Report*, the ARMC is obliged to engage the audit firm on matters typically covered in the said report such as the audit firm's governance and leadership structure as well as measures undertaken by the firm to uphold audit quality and manage risk.

Upon satisfaction with the competence and independence of the external auditors and the abovementioned criteria, the ARMC will recommend the re-appointment of the external auditors to the Board for their consideration. The Board will seek shareholders' approval for the re-appointment of the external auditor at the Annual General Meeting.

8. REVIEW OF THE EXTERNAL AUDITORS POLICY

The Board and the ARMC will review the External Auditors Policy periodically to ensure that it continues to remain relevant and appropriate.

This policy has been updated and adopted by the Board of Directors on 19 September 2023.