



**Registration NO:
201801043588 (1305620-D)
(Incorporated in Malaysia)**

EXTERNAL AUDITOR POLICY

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HPP HOLDINGS BERHAD



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EXTERNAL AUDITORS ASSESSMENT POLICY

1.0 INTRODUCTION

- 1.1. The Board of Directors (“**Board**”) of HPP Holdings Berhad (“**HPP**” or the “**Company**”) together with its subsidiaries (“**Group**”) has assigned the Audit and Risk Management Committee (“**ARMC**”) to assess, review and supervise the performance, suitability, independence and objectivity of the external auditors. The objective of this External Auditors Assessment Policy (“**Policy**”) is to outline the guidelines and procedures for the ARMC to assess and review the external auditors.
- 1.2. Both the internal and external auditors of the Group provide integral support for the ARMC which was established by the Board, among others, to assist in its oversight function of the Group's financial reporting.

2.0 SCOPE

- 2.1. This Policy should be read together with the relevant enumerations encapsulated in the following legislations:-
 - (i) Companies Act 2016 (“**CA**”);
 - (ii) Capital Markets and Services (Amendment) Act, 2015 (“**CMSA**”); and
 - (iii) ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Bursa Securities**”)(“**AMLR**”).
- 2.2. Where there is a conflict between the contents of this Policy and the aforementioned legislations, the relevant enumerations contained in the said legislations shall prevail.
- 2.3. This Policy is established in alignment with the Malaysian Code on Corporate Governance 2021 (“**MCCG**”), and the By-Laws (on Professional Ethics, Conduct and Practice) by the Malaysian Institute of Accountants (“**MIA By-Laws**”).

3.0 SECTION 271 OF THE CA

- 3.1. In accordance with Section 271 of the CA, an auditor of a public company shall be appointed for each financial year and should only be appointed by the Board or members of the Group.
- 3.2. The Board shall appoint an auditor:-
 - (i) at any time before the first Annual General Meeting (“**AGM**”) of the Group and the auditor will hold office until the conclusion of the first AGM for the appointment; or
 - (ii) to fill casual vacancy in the office of the auditor and the auditor will hold office until the conclusion of the next AGM for the appointment.

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4.0 SELECTION AND APPOINTMENT

- 4.1.** The ARMC follows the following policies and procedures for selection and appointment of new external auditors should the ARMC determines a need to fill a casual vacancy or change of external auditors:-
- (i) to identify the audit firms which meet the criteria for appointment and to request for their proposals of engagement for consideration;
 - (ii) to confirm whether the audit firm and engagement partner are registered with the Audit Oversight Board (“**AOB**”);
 - (iii) to assess the proposals and fee, and shortlist the suitable audit firms;
 - (iv) to meet and interview the shortlisted audit firms; and
 - (v) to recommend the suitable audit firm to the Board for appointment as external auditors.
- 4.2.** When assessing the suitability of a potential firm of external auditors for recommendation to the Board, the ARMC shall consider, inter-alia:
- (i) the firm’s reputation and presence in the industry;
 - (ii) qualifications and experience of the proposed key audit team members;
 - (iii) the firm’s international presence through membership in or affiliation with reputable international accounting networks with member firms capable of auditing the Group’s overseas subsidiaries or joint ventures;
 - (iv) the firm’s audit methodology to be employed in the audit of the Group;
 - (v) the firm’s independent quality control review procedures and the approach to audit judgments;
 - (vi) results of recent inspections on the firm by the Audit Oversight Board, the Malaysian Institute of Accountants (“**MIA**”) or other regulatory bodies;
 - (vii) the firm’s capability to deliver value in ways other than through the provision of statutory audit services;
 - (viii) the profile of the firm’s major clients, including those in the same industry as that of the Group; and
 - (ix) the information presented in the Annual Transparency Report or, in the event the audit firm is not required to issue an Annual Transparency Report, to engage the audit firm on matters typically covered in an Annual Transparency Report of the audit firm.
- 4.3.** Shareholders shall at each AGM (by way of an ordinary resolution) appoint the external auditor and the external auditor appointed shall hold office until the conclusion of next AGM of the Group pursuant to Section 271(3) and Section 271(4) of the CA.
- 4.4.** In accordance to time Section 276(1) of the CA, the Shareholders (by way of an ordinary resolution and a special notice) are also entitled to remove the external auditor at any time.

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- 4.5. In the event of a resignation of the external auditor, the ARMC alongside the Board shall review the letter of resignation from the external auditors and send a copy of the resignation notice and representations made by the external auditor to the Companies Commission of Malaysia and the Bursa Securities within seven (7) days from the notice / date of resignation.

5.0 ASSESSMENT OF EXTERNAL AUDITOR

- 5.1. The ARMC shall conduct an annual review of the re-appointment of the external auditor and ascertain whether there are reasonable grounds to believe that the external auditor is not suitable for re-appointment. If the external auditor is deemed to be not suitable, the ARMC should source for alternative external audit firms via a formal tender process and make recommendations to the Board.
- 5.2. In assessing the quality of services rendered by the external auditor during the year under review, the ARMC may be guided by the following non-exhaustive indicators:
- (i) adequacy of audit scope;
 - (ii) ability of the external audit firm to meet audit deadlines;
 - (iii) timeliness in escalating audit issues to the ARMC;
 - (iv) allocation of resources to significant audit risk areas; and
 - (v) effectiveness of the external audit firm's recommendations in addressing weaknesses observed during previous audits, particularly on internal controls relevant to financial reporting process.

6.0 REMUNERATION OF EXTERNAL AUDITOR

- 6.1. Pursuant to Section 274(1) of the CA, the Board shall be authorised by shareholders at the AGM to fix the remuneration of the external auditor.
- 6.2. Remuneration in this context includes sums paid in respect of expenses and payment otherwise than cash which specified under Section 274(2) of the CA.
- 6.3. The ARMC shall take into consideration the industry benchmarks when assessing the remuneration that should be accorded to the external auditor. The ARMC shall ensure that the remuneration awarded to the external auditor is commensurate with the scope of the audit, considering the required resources, skills and knowledge needed to complete the external audit engagement, and the responsibilities of the external auditor.
- 6.4. HPP and its subsidiaries shall not enter into any contingent fee arrangement relating to the outcome of a transaction or the result of the services performed with the external auditor in accordance to the MIA By-Laws.

7.0 INDEPENDENCE OF EXTERNAL AUDITOR

- 7.1. The ARMC shall review the independence of the external auditor annually, and the ARMC shall consider whether the external auditor is independent both in mind and in appearance.

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- 7.2.** The External Auditors are precluded from providing any services that may impair their independence or conflict with their role as External Auditors.
- 7.3.** In assessing the independence of external auditor, the ARMC shall obtain written assurance from the external auditor, confirming that the external auditor is, and has been, independent throughout the conduct of the audit engagement with the Group in accordance with the independence criteria set out by MIA and in compliance with the best practices guided by MCCG.

8.0 PROVISION OF NON-AUDIT SERVICES

- 8.1.** 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 the external auditor. This excludes audit related work in compliance with statutory requirements.
- 8.2.** The prohibition of non-audit services is predicated on the following basic principles:
- (i) external auditor cannot function in the role of Management;
 - (ii) external auditor cannot audit their own work; and
 - (iii) external auditor cannot serve in an advocacy role of the Group.
- 8.3.** The external auditor shall also observe and comply with the MIA By-Laws in relation to the provision of non-audit services, which include a prohibition on the following:
- (i) Accounting and Book-Keeping Services;
 - (ii) Valuation Services;
 - (iii) Tax related Services;
 - (iv) Internal Audit Services;
 - (v) Information Systems Services (Design or Implementation);
 - (vi) Litigation Support Services;
 - (vii) Recruitment Services; and
 - (viii) Corporate Finance Services.
- 8.4.** The Board shall obtain written confirmation from the external auditor that the independence of the external auditor will not be impaired by the provision of non-audit services.
- 8.5.** In relation to concerns on objectivity and independence of external auditor, if there is any extent that they cannot be reduced to an acceptable level by the application of safeguards, the non-audit service shall not be accepted.

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9.0 LIMITATION OF NON-AUDIT SERVICE FEES

- 9.1.** If the total fees from the provision of non-audit services constitute a significant portion of the total fees from the external auditor forming the audit opinion, the dependency issues may arise as the external auditor is not able to reduce the ethical threat of familiarity to an acceptable level which causes significant doubt to independence and objectivity.
- 9.2.** If the fees for non-audit services in any financial year exceed the total amount of audit fees, approval shall be sought from the ARMC, and the Board shall be notified at the next scheduled Board meeting or via a circular resolution.
- 9.3.** Engagements of the external auditor to provide non-audit services must be reviewed and approved as follows:

Approval thresholds for non-audit services to be carried out for the Company or its subsidiaries	Reviewer	Approver
Below RM30,000 per engagement	ARMC	Managing Director
Above RM30,000 per engagement ⁽¹⁾	ARMC	Board

Note:

- (1) All engagements of the external auditor to provide non-audit services above RM30,000 per engagement are subject to approval from the Board.

- 9.4.** The Group shall not enter into any contingent fee direct or indirectly in respect of any non-audit services provided by the external auditor.
- 9.5.** Pursuant to Paragraph 19, Part A, Appendix 9C of AMLR, the amount of non-audit fees paid or payable to the Group's external auditor, or a firm or corporation affiliated to the auditors' firm shall also be disclosed in the Annual Report, stating the amount incurred on both HPP Group and its subsidiaries.

10.0 APPOINTMENT OF FORMER KEY AUDIT PARTNER OR EMPLOYEES FROM EXTERNAL AUDIT FIRM

- 10.1.** Key audit partners shall not be appointed as a member of the ARMC by the Group within three (3) years (cooling-off period) in order to safeguard the independence of the audit by avoiding the potential threats which may arise when a former key audit partner is in a position to exert significant influence over the audit and preparation of the Group's financial statements as specified in Practice 9.2 of the MCCG.
- 10.2.** Other key team members will not be appointed as a member of the ARMC by the Group within one (1) year of undertaking any role on the external audit unless pre-approved by the Board.
- 10.3.** Other audit team members (excluding key audit partners or key audit team members) who accept employment or are appointed as a member of the ARMC of the Group must cease the audit activity immediately and tender their resignation to the respective external audit firm.
- 10.4.** Any appointment of a former employee of the external audit firm in respect of a member of the ARMC must be pre-approved by the Board.

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11.0 ROTATION OF AUDIT PARTNER FROM AUDIT

11.1. The audit partner responsible for the external audit of the Group is subject to rotation at least once every five (5) years under the MIA By-Laws.

12.0 REVIEW AND AMENDMENT

12.1. The Policy will be reviewed at least once every three (3) years or as and when necessary, to be in line with legislative promulgations such as CA, CMSA, and AMLR whilst also taking into account the enumerations of the MCCG and the MIA By-Laws.

12.2. Any revision or amendment to the Policy, as proposed by the ARMC or any third party, shall first be presented to the Board for its approval.

12.3. Upon the Board's approval, the said revision or amendment shall form part of the Policy and this Policy shall be considered duly revised or amended.

12.4. This Policy was last reviewed and approved by the Board on 18 July 2024.