

1. Introduction

- 1.1 The Board and its Audit Committee (“AC”) of Pensonic Holdings Berhad (“PHB” or “the Company”) are committed to ensuring the suitability and independence of external auditors in substance as well as in form.
- 1.2 The independence of the external auditors is a key governance issue for PHB Group. On an annual basis, the AC should ensure the independence and impartiality of the external auditors, taking into consideration relevant regulatory requirements.
- 1.3 Management shall obtain assurance from the external auditors 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.

2. Selection Criteria

Some of the matters for consideration regarding appointment, reappointment and removal of PHB Group’s external auditors by the AC include:-

2.1 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 of a preferred external auditors.

2.2 Independence

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

The independence of the external auditors is integral to the role of auditors and the AC will give due consideration to this requirement when selecting a 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 Management. The external auditors will be required to disclose to the AC all issues of material significance and all matters of disagreement with Management, whether resolved or unresolved, and to assist the AC to review such matters.

2.4 Non-audit work

A candidate must detail its approach to the provision of non-audit related services to PHB 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 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 overseas subsidiaries not audited by the firm, i.e. its liaison capability with the secondary auditors, are equally important to assess the 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

3.1 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;
- (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 PHB and arrangements are put in place to preserve the integrity of the external audit process. The Board must specifically approve any such exception.

- 3.2 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.
- 3.3 Any subsidiary or entity of PHB must inform the Managing Director ("MD") of the non-audit services and the estimated fees to be incurred.
- 3.4 Any subsidiary or entity of PHB can only proceed with the non-audit service work when authorised by the MD.
- 3.5 Engagements of external auditors to provide non-recurring and/or unplanned non-audit services must be approved as follows:-

Approval thresholds for non-audit work	Approver
Below RM500,000 per engagement	MD
Greater than RM500,000 per engagement, or if the value of non-audit fees to audit fees reaches a ratio of 1:2 as a result of a new engagement, regardless of value	AC

4. Monitoring and Reporting

The CFO shall report to the AC on an annual basis on any significant non-audit services and its related fees on non-audit rendered to PHB Group or its subsidiaries by the external auditors.

5. Rotation of external audit engagement partner

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

AC requires at least a two year "cooling off" period before any key audit partner of the external auditor is appointed as a Director of the Company.

6. Review of Audit Arrangements

The AC will review the external auditors' performance annually. As part of this review the AC will obtain feedback from the members of senior management regarding the quality of the audit service.

7. Periodic Review

7.1 This policy shall be reviewed from time to time by the Board when deemed necessary.

8. Effective Date

8.1 This Policy is effective 13 September 2018.