



PARAGON GLOBE BERHAD

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EXTERNAL AUDITORS' POLICY

(VERSION 2.0)

APPROVED BY THE BOARD OF DIRECTORS OF THE COMPANY ON 22 MAY 2026

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1. INTRODUCTION

- 1.1 This External Auditors' Policy ("Policy") sets out the principles and guidelines governing the appointment, responsibilities and relationship between Paragon Globe Berhad ("Company" or "PGB") and its External Auditors.
- 1.2 In accordance with its terms of reference, Audit Committee ("AC") of the Company is responsible for assessing the suitability, objectivity, independence and overall performance of the External Auditors.

2. OBJECTIVES

The objectives of this Policy are to:

- (a) ensure the independence and objectivity of the External Auditors in relation to the Company and Management, both in substance and form;
- (b) ensure that the External Auditors maintain a neutral and impartial perspective in assessing the Company's financial statements and internal controls;
- (c) comply with the Malaysian Code on Corporate Governance ("MCCG"), applicable laws and regulations, including those set by Bursa Malaysia Securities Berhad ("Bursa Securities") and relevant regulatory bodies;
- (d) establish clear criteria for selecting External Auditors based on their qualifications, experience, reputation, and adherence to regulatory requirements; and
- (e) support the integrity, transparency and sustainability of the Company's financial reporting process.

3. SELECTION AND APPOINTMENT

- 3.1 The Board has delegated to the AC the responsibility to assess the suitability, objectivity, independence and performance of the External Auditors, and to review and recommend to the Board on the appointment, re-appointment, remuneration and removal of External Auditors.
- 3.2 In the event of a casual vacancy or if the AC deems it is necessary to change External Auditors, the AC shall follow the procedures outlined below for the selection and appointment of the new firm of External Auditors:

3. SELECTION AND APPOINTMENT (continued)

(a) Procedures

The AC shall undertake the following steps:

- (i) identify the audit firms that meet the criteria for appointment and invite an appropriate number of audit firms to submit engagement proposals for consideration;
- (ii) review and evaluate the proposals received, including proposed audit fees, and shortlist qualified firms;
- (iii) conduct meetings and interviews with representatives of the shortlisted firms;
- (iv) the AC may, when necessary, seek assistance from the Finance Director in performing steps (i), (ii) and (iii); and
- (v) utilise the selection guidelines outlined in 3(b) below and recommend the preferred firm to the Board of Directors ("Board").

(b) Selection Guidelines

When evaluating the suitability of a potential firm of External Auditors for recommendation to the Board, the AC shall consider, among other factors:

- Qualifications, experience and competencies of the proposed key audit team members;
- The firm's reputation and industry presence;
- The firm's audit methodology to be employed in auditing of the Group;
- The firm's independent quality control review procedures and the approach to audit judgments;
- Information disclosed in the firm's Annual Transparency Report ("ATR"), where applicable, or engagement with audit firms (for firms that are not required to issue ATR), regarding the firm's governance and leadership structure, measures undertaken by the firm to uphold audit quality and risk management;
- The appropriateness of audit fees to support a quality audit;
- The firm's capability to deliver value beyond statutory audit services; and
- The profile of the firm's major clients, including those in the same industry as the Group.

These guidelines shall assist the AC in making an informed decision regarding the selection of External Auditors that best meet the Company's needs and requirements.

4. OBJECTIVITY AND INDEPENDENCE OF EXTERNAL AUDITORS

- 4.1 The independence of the External Auditors is crucial to provide an unbiased opinion on the accuracy and fairness of the Company's financial statements. As per Practice 9.3 of Principle B of the Malaysian Code on Corporate Governance ("MCCG"), the AC is responsible for assessing and ensuring the ongoing suitability, objectivity, and independence of the External Auditors.
- 4.2 The External Auditors are prohibited from providing any services that could compromise their independence or conflict with their role as External Auditors. The AC shall obtain written assurance from the External Auditors confirming that they have maintained their independence throughout the audit engagement in accordance with all relevant professional and regulatory requirements.

5. NON-AUDIT SERVICE ENGAGEMENT

- 5.1 The External Auditors or their affiliates may be engaged to perform non-audit services that do not conflict with their role as External Auditors. This excludes audit-related work performed in compliance with statutory requirements.
- 5.2 Prior to appointing the External Auditors for any non-audit service, due consideration shall be given to whether such engagement may create a threat to their independence or objectivity. The appointment shall only proceed where appropriate safeguards are in place to eliminate or reduce the threat to an acceptable level.
- 5.3 The engagement of the External Auditors for non-audit services shall be assessed based on the following three (3) basic principles:
- (i) the External Auditors shall not participate in decision-making or assume any Management role;
 - (ii) the External Auditors shall not audit their own work; and
 - (iii) the External Auditors shall not act in an advocacy role for the Company.
- 5.4 The External Auditors shall observe and comply with the By-Laws of the MIA regarding the provision of non-audit services. This includes, but is not limited to, the following services:
- (i) accounting and book keeping services;
 - (ii) valuation services;
 - (iii) taxation services;
 - (iv) internal audit services;
 - (v) information technology systems services;
 - (vi) litigation support services;
 - (vii) recruitment services;
 - (viii) corporate finance services; and
 - (ix) reporting accountant services in relation to corporate exercises.

5. NON-AUDIT SERVICE ENGAGEMENT (continued)

- 5.5 All engagements for non-audit services shall be approved by the AC prior to commencement, taking into consideration the nature and extent of the non-audit services and the appropriateness of the level of fees. Management shall be responsible for obtaining written confirmation from the External Auditors for each engagement, ensuring that their independence as External Auditors is not compromised by the non-audit engagement.
- 5.6 In accordance with the Main Market Listing Requirements of Bursa Securities, if the fees for non-audit services are significant, meaning they exceed 50% of the Group's statutory audit fee, disclosure must be made regarding the nature and extent of these non-audit services.

6. ROTATION OF EXTERNAL AUDIT ENGAGEMENT PARTNER

In accordance with the By-Laws of the Malaysian Institute of Accountants ("MIA"), the lead audit engagement partner and the engagement quality control reviewer responsible for the external audit of the Group shall be subject to rotation at least every seven (7) years, unless otherwise provided for under any amendments to the MIA's By-Laws.

7. APPOINTMENT OF A FORMER AUDIT PARTNER AS COMMITTEE MEMBER

No former partner of the Company's external auditors or their affiliate firms may be appointed as a member of the AC unless a cooling-off period of three (3) years has been observed, in order to ensure the independence and objectivity of the AC. This requirement applies to all former partners, including those previously involved in advisory services, tax consulting, and other related services.

8. ANNUAL REPORTING

The External Auditors shall submit an annual declaration to the AC confirming the following:

- (i) the nature and extent of any non-audit services rendered to the Company during the financial year; and
- (ii) the External Auditors have maintained their independence and objectivity throughout the audit engagement, in accordance with the relevant legislation and professional accounting standards.

9. DISCLOSURE TO THE AUDIT COMMITTEE

The partner of the external audit firm shall meet privately with the AC at least twice (2) every financial year to discuss any matters deemed appropriate, without the presence of Management.

10. ANNUAL PERFORMANCE AND INDEPENDENCE EVALUATION

- 10.1 The AC is responsible for conducting an annual assessment of the performance, suitability and independence of the External Auditors of the Company, as well as evaluating the effectiveness of the audit process, by taking into consideration the following factors:
- (i) quality of audit services over the past financial year;
 - (ii) adequacy of resources;
 - (iii) effectiveness of communication and interaction with Management and the Internal Auditors; and
 - (iv) independence, objectivity and professional skepticism.
- 10.2 As part of this review, the AC shall obtain feedback from the Management and members of the Board regarding the quality and effectiveness of the audit service. The AC also evaluates the appropriateness of audit fees in relation to the quality of audit services provided.
- 10.3 The assessment shall also consider information about the audit firm contained in the Annual Transparency Report ("ATR") submitted to the Audit Oversight Board. If the audit firm is not required to issue an ATR, the AC is obliged to engage the audit firm on matters typically covered in the ATR, such as the audit firm's governance and leadership structure as well as measures undertaken by the firm to uphold audit quality and risk management.
- 10.4 The AC, upon satisfaction with the competence and independence of the External Auditors, shall recommend their re-appointment to the Board for consideration. The Board shall then seek shareholders' approval for the re-appointment of the External Auditors at the AGM.

11. DURATION LIMIT OF EXTERNAL AUDITOR

The decision to limit the duration or terminate the appointment of the External Auditors is at the discretion of the Board. The Management may propose a change of External Auditors, as it deems appropriate, for the AC's consideration and recommendation to the Board, subject to compliance with the relevant regulatory provisions.

12. POLICY GOVERNANCE

This Policy shall be reviewed at least once for every three (3) years, or as and when necessary, to ensure its continued relevance and effectiveness. Any changes to the Policy, if any, shall be submitted to the AC for review and be recommended to the Board for approval in writing.



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