



PARAGON GLOBE BERHAD

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194801000095 (1713-A)

EXTERNAL AUDITORS' POLICY

(VERSION 1.0)

APPROVED BY THE BOARD OF DIRECTORS OF THE COMPANY ON 18 JULY 2023

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1. INTRODUCTION

- 1.1 This External Auditor Policy (the “Policy”) outlines 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 the assessment of the suitability, objectivity, independence and overall performance of the External Auditors.

2. OBJECTIVES

- 2.1 The objectives of the External Auditor Policy are to:
- (a) To maintain the independence of the external auditors from the Company and Management, both in fact and appearance;
 - (b) To ensure that the external auditors maintain a neutral and impartial perspective in their assessment of the Company’s financial statements and internal controls;
 - (c) To comply with Malaysian Code on Corporate Governance (“MCCG”), applicable laws and regulations, including those set by Bursa Malaysia Securities Berhad (“Bursa Securities”) and relevant regulatory bodies; and
 - (d) To establish criteria for selecting external auditors based on their qualifications, experience, reputation, and adherence to regulatory requirements.

3. SELECTION AND APPOINTMENT

- 3.1 The Board has delegated to the AC the responsibility for the appointment, remuneration and removal of External Auditors.
- 3.2 In the event of a casual vacancy or if the AC determines the need 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 follow the procedures outlined below for the selection and appointment of the new External Auditors:

- (i) Identify the audit firms that meet the criteria for appointment and invite a suitable number of audit firms to submit engagement proposals for consideration;
- (ii) Assess and review the received proposals, including proposed fees, and shortlist suitable audit firms;
- (iii) Conduct meetings and interviews with representatives of the shortlisted firms;
- (iv) The AC may seek the assistance from the Finance Director in performing steps (i), (ii) and (iii); and
- (v) Utilise the selection guidelines outlined in 3(b) below to select a firm and recommend their appointment to the Board of Directors (“Board”).

(b) Selection Guidelines

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

- The firm’s reputation and industry presence;
- Qualifications and experience of the proposed key audit team members;
- 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 contained in the Annual Transparency Report (“ATR”) of the firm, if 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 will 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"), it is the responsibility of the AC to ensure 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 in compliance with statutory requirements.
- 5.2 Before to appointing the External Auditors for a non-audit service, considerations should be given to whether it would create a threat to their independence or objectivity. The appointment should only proceed if appropriate safeguards are in place to eliminate or reduce the threat to an acceptable level.
- 5.3 The prohibition of non-audit services by the External Auditors is based on three (3) basic principles:
- (i) The External Auditors cannot assume the role of Management;
 - (ii) The External Auditors cannot audit their own work; and
 - (iii) The External Auditors cannot serve 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; and
 - (viii) Corporate finance services.

5. NON-AUDIT SERVICE ENGAGEMENT (continued)

- 5.5 All engagements for non-audit services shall be approved by the AC prior to commencement considering the nature and extent of the non-audit services and the appropriateness of the level of fees. Management is responsible for obtaining confirmation from the External Auditors for each engagement, ensuring that their independence as External Auditors will not be 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 KEY AUDIT PARTNERS

- 6.1 In accordance to the By-Laws of the Malaysian Institute of Accountants ("MIA"), the audit engagement partner and the engagement quality control reviewer, who are responsible for the external audit of the Group, is subject to rotation at least every seven (7) years, unless otherwise specified in any amendments to the MIA's By-Laws.

7. APPOINTMENT OF A FORMER PARTNER AS COMMITTEE MEMBER

- 7.1 No former partner of the external audit firm of the Company shall be appointed as a member of the AC before first observing a cooling-off period of at least three (3) years. This requirement extends to all former partners of the audit firm and/or its affiliate firm, including those who have provided advisory services, tax consulting, and other related services.

8. ANNUAL REPORTING

- 8.1 The External Auditors are required to submit an annual declaration to the AC in which they confirm the following:
- (i) The nature of any non-audit services provided to the Company; and
 - (ii) The External Auditors have maintained their independence in accordance with relevant legislation and professional accounting standards.

9. DISCLOSURE TO THE AUDIT COMMITTEE

- 9.1 The partner of the external audit firm shall be required to meet privately with the AC at least twice (2) every financial year to discuss any issue that need to be deliberated in the absence of the 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, as well as evaluating the effectiveness of the audit process, by taking into consideration of the following factors:

- (i) Quality of audit services;
- (ii) Adequacy of resources;
- (iii) 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 gathers feedback from the Management and members of the Board regarding the quality of the audit service. The AC also evaluates the appropriateness of audit fees to supporting the quality of the audit.

- 10.3 The assessment should also consider information of the audit firm 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 will recommend their re-appointment to the Board for consideration. The Board will then seek shareholders’ approval for the re-appointment of the External Auditors at the AGM.

11. DURATION LIMIT OF EXTERNAL AUDITOR

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

12. POLICY GOVERNANCE

- 12.1 This Policy shall be reviewed at least once for every three (3) years, as and when necessary to ensure it continues to remain relevant and appropriate. Any changes to the Policy, if any, shall be submitted to the Audit Committee for review and be recommended to the Board of Directors for approval in writing.



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