



**PROGRESSIVE IMPACT CORPORATION BERHAD**  
(Company No: 203352-V)  
(Incorporated in Malaysia)

**POLICY ON EXTERNAL AUDITORS**

**1. INTRODUCTION**

- 1.1 The purpose of this Policy is to detail the responsibilities of the Audit Committee (“AC”) regarding the External Auditors of the Company (“External Auditors”), as laid down in the Terms of Reference of the AC, being:
- (a) the establishment of policies and procedures for the selection, appointment, re-appointment of the External Auditors
  - (b) the assessment of the suitability, objectivity and independence of the External Auditors
  - (c) the establishment of policies and procedures for the provision of non-audit services by the External Auditors
- 1.2 This Policy shall be read in conjunction with the Terms of Reference of the AC.

**2. SELECTION AND APPOINTMENT OF EXTERNAL AUDITORS**

- 2.1 Pursuant to Section 271(3) of the Companies Act 2016, the Company shall at each Annual General Meeting (“AGM”), appoint or re-appoint the External Auditors of the Company, and the External Auditors so appointed shall, hold office until the conclusion of the next AGM of the Company.
- 2.2 If a need for a change of External Auditors or in the event a vacancy arises, the AC shall follow the procedures below for selection and appointment of new External Auditors:-
- (a) identify the audit firms that meet the criteria for appointment and request for proposals for consideration
  - (b) assess the proposals received and shortlist the suitable audit firms
  - (c) interview the shortlisted audit firms
- If need be, the AC may request the Group Chief Financial Officer (“Group CFO”) to facilitate steps (a) to (c) above.
- 2.3 Once the assessment process is completed, the AC shall report to the Board of Directors of the Company (“Board”) of the process adopted in undertaking the review, the audit firm recommended by the AC and the basis for the recommendation.
- 2.4 If the audit firm recommended by the AC is endorsed by the Board, the Company shall obtain the selected audit firm’s consent to act as auditors and seek shareholders’ approval for the appointment at the general meeting.

- 2.5 In assessing the audit firms, the following criteria shall be taken into account:-
- (a) the audit firm's reputation (including the outcome of any recent inspections on the firm by the Securities Commission Malaysia's Audit Oversight Board or other regulatory bodies)
  - (b) the adequacy of the experience and resources of the audit firm
  - (c) the number of audit staff who will be assigned to the audit engagement and their qualifications and experience
  - (d) the profile of the audit firm's major clients, including those in the same or similar industry as the Company and its subsidiaries ("Group")
  - (e) audit approach and methodology of the audit firm
  - (f) independence of the audit firm
  - (g) internal governance processes of the audit firm
  - (h) reasonableness of fees
  - (i) any other criteria deemed fit by the AC

### **3. REVIEW OF EXTERNAL AUDITORS FOR RE-APPOINTMENT**

3.1 The AC will review the suitability, objectivity and independence of the External Auditors annually to facilitate its recommendation to the Board for the tabling of the re-appointment of the External Auditors to the shareholders at the AGM.

3.2 In evaluating the External Auditors, the AC shall consider the following:

- (a) quality and rigour of their audit
- (b) quality of service provided
- (c) the External Auditors' internal quality control procedures
- (d) relationship with the Group
- (e) independence (both in fact and appearance) and objectivity
- (f) ability to meet deadlines and respond to issues in a timely manner
- (g) effectiveness and timeliness of communicating and reporting to the Board and/or the AC
- (h) level of understanding of the Group's business
- (i) competency and resource adequacy
- (j) appropriateness of the proposed fees to support a quality audit
- (k) Annual Transparency Report or if the External Auditors are not required to issue such report, then the AC shall engage with the External Auditors on matters typically covered under such report which shall include the External Auditors' governance and leadership structure as well as measures undertaken by them to uphold audit quality and manage risks

3.3 The AC may seek feedback from Management during the evaluation exercise.

### **4. INDEPENDENCE OF EXTERNAL AUDITORS**

4.1 This External Auditors of the Company shall independent in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("MIA").

4.2 The External Auditors shall be precluded from providing services that might threaten its independence or be in conflict with its assurance and compliance role. The independence of the External Auditors will be impaired where the External Auditors provide services which:-

- (a) create conflict of interests between the External Auditors and the Group
  - (b) result in the External Auditors functioning in the role of management
  - (c) place the External Auditors in the position of auditing its own work
  - (d) place the External Auditors in the position of being an advocate for the Group
- 4.3 The External Auditors shall be required to furnish their written assurance to the AC annually, 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.
- 4.4 The Audit Engagement Partner responsible for the external audit shall be subject to rotation and shall observe the cooling-off period in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of MIA.

## 5. NON-AUDIT SERVICES

- 5.1 The External Auditors shall observe and comply with the By-Laws (on Professional Ethics, Conduct and Practice) of MIA in relation to the provision of non-audit services.
- 5.2 The External Auditors (including their network member firms, associates as well as overseas affiliates) shall not provide non-audit services which are clearly prohibited under the By-Laws (on Professional Ethics, Conduct and Practice) of MIA and/or the International Federation of Accountants where no amount of safeguards can eliminate the threat on the independence and objectivity of the External Auditors, or non-audit services which are or perceived to be in conflict with their role as External Auditors.
- 5.3 Before appointing the External Auditors to undertake any non-audit services, the AC shall take the following into consideration in determining whether the non-audit services may create a threat to the External Auditors' independence and/or objectivity or give rise to a conflict of interest:-
- (a) whether the skills and experience of the External Auditors make them a suitable service provider of the non-audit services
  - (b) whether adequate safeguards have been deployed to eliminate or reduce to an acceptable level any threat to objectivity and independence in the conduct of the audit resulting from the non-audit services provided by the External Auditors
  - (c) the nature of the non-audit services, the actual fee level individually, and in aggregate, relative to the audit fee.
- 5.4 The following services cannot be provided by the External Auditors:-
- (a) services that involve playing a part in management or decision-making
  - (b) accounting and bookkeeping services, including payroll services and the preparation of financial statements or financial information
  - (c) valuation services if the valuations would have a material effect, separately or in the aggregate, on the financial statements on which the External Auditors will express an opinion
  - (d) preparing tax calculations of current and deferred tax liabilities (or assets) for the purpose of preparing accounting entries that are material to the financial statements on which the External Auditors will express an opinion

and provision of certain tax services that would create self-review and advocacy threats

- (e) internal audit services
  - (f) information technology ("IT") systems services involving the design or implementation of IT systems that (i) form a significant part of the internal control over financial reporting or (ii) generate information that is significant to the Company's accounting records or financial statements on which the External Auditors will express an opinion
  - (g) litigation support services
  - (h) dispute resolution services
  - (i) recruiting services
  - (j) internal audit function
  - (k) corporate finance services involving promoting, dealing in, or underwriting the Company's shares that would create an advocacy or self-review threat that is so significant that no safeguards could reduce the threat to an acceptable level.
- 5.5 Non-audit fees paid to the External Auditors in a financial year shall be no more than 50% of the total amount of audit fees paid or payable to the External Auditors.
- 5.6 All engagement of non-audit services to be provided by the External Auditors shall be tabled at the AC meeting for approval prior to the engagement (with the exception of the External Auditors' annual review of the Statement on Risk Management and Internal Control for inclusion in the Annual Report, for which the Group CFO shall be authorised to engage the External Auditors).

In obtaining the AC's approval for permitted non-audit services, the Group CFO will provide the following information to the AC:-

- (a) the nature and details of the non-audit services
  - (b) estimated fees
  - (c) justifications as to why the non-audit services is best provided by the External Auditors
  - (d) why the engagement will not impair the External Auditors' independence and objectivity.
- 5.7 If there is an urgent need to commence non-audit services work before the next scheduled AC meeting, the requirement for approval in advance may be satisfied by providing the details of the engagement and obtaining written approval (including via email) from the AC.

## **6. MONITORING AND REPORTING OF NON-AUDIT SERVICES**

- 6.1 The AC shall report to the Board annually with respect to the non-audit services provided by the External Auditors during the financial year. The report shall include:-
- (a) the amounts paid or payable to the External Auditors for non-audit services provided during the year to the Group, and

- (b) a statement as to whether the AC is satisfied that the services provided during the year complies with the applicable independence rules and standards for auditors, as well as the provisions stipulated in this Policy.

6.2 The Company's Annual Report shall report the following particulars in relation to the audit and non-audit services rendered to the Company or its subsidiaries for the financial year:-

- (a) the amount of audit fees paid or payable to the External Auditors, stating the amount incurred by the Company and the amount incurred on a group basis respectively, and
- (b) the amount of non-audit fees paid or payable to the External Auditors, or a firm or corporation affiliated to the External Auditors, stating the amount incurred by the Company and the amount incurred on a group basis respectively. If no non-audit fees were incurred, a statement to that effect.

## 7. REVIEW OF THE POLICY

This Policy shall be reviewed periodically and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the AC's duties and responsibilities with regards to External Auditors.

Adopted on : 22 August 2016  
Amended on : 1 December 2021