



# AUDIT COMMITTEE POLICY

## EVALUATION OF EXTERNAL AUDITORS

*Date of Approval: 25 February 2015*

KAREX BERHAD (201201034091 (1018579-U))  
(Incorporated in Malaysia)



**1. OBJECTIVE**

This policy aims to assess the suitability and independence of the Group's statutory financial auditors ("External Auditors").

**2. QUALIFICATION CRITERIA FOR THE EXTERNAL AUDITORS**

Before selecting the External Auditors for the Group and deciding their fees, the Audit Committee shall assess the suitability and independence of the candidates for external audit based on the following criteria:

- i) Registration with the Audit Oversight Board ("AOB");
- ii) Its knowledge of the statutes and regulations and relevant accounting standards;
- iii) Quality and allocation of the individuals assigned to perform the audit;
- iv) Experience in auditing financial statements of public companies and similar industry;
- v) Past and on-going legal cases against the firms;
- vi) Reprimand records (if any) by AOB and its findings on the firms; and
- vii) Independence and confidentiality policies and procedures of the firms.

**3. ANNUAL PERFORMANCE EVALUATION OF EXTERNAL AUDITORS**

Annually, the Audit Committee shall evaluate the External Auditors' work and recommend to the Board of Directors for re-appointment. Besides, reconsidering the above pre-appointment criteria, the Audit Committee shall also consider the following factors:

- i) The External Auditor's ability to meet deadlines in the course of their audit;
- ii) Adequacy and appropriateness of the materiality, sampling and work methods;
- iii) Competence, discretion and communication skills of the senior engagement team members; and
- iv) Clarity of presentations and quality of reports produced

**4. TENURE OF SERVICE OF THE EXTERNAL AUDITORS**

Subject to the result of the annual evaluation conducted by the Audit Committee, the External Auditors would be recommended to the Board and shareholders for re- appointment. Audit partner in-charge shall be rotated at least once every five (5) years in order to ensure the objectivity and independence of audit.

**5. APPOINTMENT FOR NON-AUDIT WORK**

Independence of External Auditors can be impaired by the provision of non-audit services to the Group. Therefore, in order to ensure the objectivity of auditing of the External Auditors, the circumstances in which the Group may use the External Auditors for other non-audit services shall be evaluated by the Audit Committee before recommending any no-audit service engagements to the Board for approval.

Principally, the Company shall not engage External Auditors for provision of non- audit services that may be perceived to be materially in conflict with their role or potentially could influence their audit objective and independence. Nonetheless, when External Auditors are engaged for non-audit services, the Audit Committee must satisfy with the extent of controls and arrangements that are put in place by the External Auditors to preserve the integrity, objectivity and independence of the statutory audit processes.