



# **BP PLASTICS HOLDING BHD**

## **EXTERNAL AUDITOR POLICY**

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## **1. INTRODUCTION**

The External Auditor Policy outlines the principles and guidelines governing the appointment, responsibilities and relationship between BP Plastics Holding Bhd (“Group” or “Company”) and its External Auditors.

In accordance with 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**

The objectives of the External Auditor Policy are to:

- (a) maintain the independence of the External Auditors from the Company and the Management;
- (b) comply with Malaysian Code on Corporate Governance (“MCCG”), applicable laws and regulations, including those set by Bursa Malaysia Securities Berhad and relevant regulatory bodies; and
- (c) establish criteria for selecting External Auditors based on their qualifications, experience, reputation and adherence to regulatory requirements.

## **3. SELECTION AND APPOINTMENT**

Pursuant to Section 271 of the Companies Act 2016, the Company shall appoint or re-appoint External Auditors at each annual general meeting. The External Auditors so appointed or re-appointed shall hold office until the conclusion of the next annual general meeting.

In the event of vacancy or resignation of External Auditors, the Audit Committee shall follow the following procedures for the selection and appointment of the new firm of External Auditors:

- (i) Invite a suitable number of audit firms to submit proposals of engagement for consideration;
- (ii) Assess and review the proposals (including proposed fees) and shortlist suitable audit firms;
- (iii) Meet and interview representatives of the shortlisted firms;

#### **4. SELECTION GUIDELINE**

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 judgements;
- 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;
- The firm's capability and resources; and
- The profile of the firm's major clients.

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.

#### **5. INDEPENDENCE OF EXTERNAL AUDITORS**

The independence of the External Auditors is essential to the provision of an objective opinion of the Group'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.

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.

## **6. NON-AUDIT SERVICE ENGAGEMENT**

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.

Before 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.

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.

The External Auditors shall observe and comply with the By-Laws of the MIA in relation to the provision of non-audit services.

All engagements for non-audit services shall be approved by the AC prior to commencement after 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, that their independence as External Auditors would not be impaired by virtue of the non-audit engagement.

## **7. ROTATION OF KEY AUDIT PARTNERS**

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.

## **8. APPOINTMENT OF A FORMER PARTNER AS COMMITTEE MEMBER**

No former partner of the external audit firm of the Group 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.

## **9. ANNUAL REPORTING**

The External Auditors shall present an Audit Plan Memorandum (“APM”) outlining the responsibilities of the Directors and Management, audit scope approach, audit timeframe, areas of audit emphasis, fraud considerations, audit fees and development in Malaysian Financial Reporting Standards to the AC.

The External Auditors shall also present an Audit Review Memorandum (“ARM”) which summarises the key audit findings and summary of audit adjustments arising from the statutory audit of the Group to the AC upon completion of annual audit.

## **10. ANNUAL PERFORMANCE AND INDEPENDENCE EVALUATION**

The AC will conduct an annual assessment of the performance, suitability, objectivity and independence of the External Auditors with emphasis of evaluation based on the following key considerations:

- (i) Competence of audit services;
- (ii) Adequacy of experience and resources;
- (iii) Quality of audit performances;
- (iv) Independence and objectivity of the External Auditors;
- (v) Reasonableness of audit fees and comparison of audit and non-audit fees rendered and;
- (vi) Communication and interaction with Management and the Internal Auditors.

## **11. REVIEW OF THIS POLICY**

This Policy shall be reviewed from time to time by the AC and/or Board as deemed necessary in accordance with the needs of the Company and/or Listing Requirements or any other regulatory requirements enforced at the time being.

## **12. EFFECTIVE DATE**

This Policy has been approved by the Board for adoption with effect from 24 May 2024.