

POLICIES AND PROCEDURES

TO ASSESS THE SUITABILITY AND INDEPENDENCE OF
AND
THE PROVISION OF NON-ASSURANCE SERVICE BY
EXTERNAL AUDITORS

(REVISION: MAY 2024)

POWER ROOT BERHAD
[Company Registration No.: 200601013517 (733268-U)]

Duly approved by the Board of Directors of Power Root Berhad via Board of
Directors' Circular Resolutions dated 8 May 2024

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1. ASSESSMENT OF SUITABILITY OF EXTERNAL AUDITORS

1.1 Appointment and Reappointment of External Auditors

For the appointment and reappointment of External Auditors, it is the responsibility of the Audit Committee to review the appointment or reappointment of External Auditors in accordance with its terms of reference and to recommend to the Board of Directors (“the Board”) annually or at other appropriate times for consideration for recommendation to the shareholders.

The criteria used for the assessment of suitability of External Auditors for appointment or reappointment includes:

- (a) Qualifications of the External Auditors,
- (b) Technical expertise and capability of the External Auditors in relation to the size and business complexity of the Group;
- (c) Resources (including senior personnel assigned to the audit) available/provided by the External Auditors in relation to the size and business complexity of the Group;
- (d) Suitable size of the External Auditors in relation to the size and complexity of the Group;
- (e) Size of the External Auditors in relation to the existing client base of the External Auditors;
- (f) Independence of the External Auditors;
- (g) Professionalism and responsiveness demonstrated by the External Auditors;
- (h) Information presented by the External Auditors in the Annual Transparency Report; and
- (i) Overall conduct of the audits by the External Auditors.

The Board recommends, through the Chairmen, to the shareholders for approval at the Annual General Meeting or Extraordinary General Meeting (where applicable), that the External Auditors be retained or appointed as the Group's External Auditors.

1.2 Resignation and Dismissal of External Auditors

Upon receipt of the notice of resignation from the External Auditors or special notice requesting for the removal of the External Auditors, the Audit Committee shall convene a meeting to review the reasons for the resignation or the rationale for the removal together with the written representation from the External Auditors and to meet with the External Auditors to seek his representations without the presence of management or shareholder(s) request for such removal, if necessary. The Audit Committee shall report to the Board any proposed resignation (including letter of resignation from the external auditors) or dismissal of the external auditors (including notice of removal and written representation from such External Auditors) and whether there are reasons (supported by grounds) to believe that the External Auditors are not suitable for continuing of service, together with the Audit Committee's recommendation.

Where the External Auditors are removed from office or has issued a notice of their intention to do so, the Board shall concurrently forward to Bursa Securities Malaysia Berhad and the Registrar of Companies, a copy of any written representations or written explanations of the resignation made by the external auditors in accordance with the Main Market Listing Requirements and Companies Act 2016.

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The Board recommends through the Chairmen, to the shareholders for approval at the Annual General Meeting or Extraordinary General Meeting where applicable, that the External Auditors not to be retained or to be removed as the Group's External Auditors.

2. REVIEW OF INDEPENDENCE OF EXTERNAL AUDITORS

The Audit Committee shall review the information provided by the external auditors relating to their independence and report such review to the Board, including, among other things:

- 2.1 External Audit firm's compliance with Malaysian regulations and ethical guidance relating to rotation of audit partner, the level of fees that the Group pays in proportion to the overall fee income of the External Auditors and network firms/companies and other related regulatory requirements.
- 2.2 Seeking from the External Auditors, on an annual basis, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements.
- 2.3 Assurance from the External Auditors that representatives of the External Auditors assigned to the engagements with the Group have no family, financial, employment, investment or any other business relationship with the Group, other than that in the normal course of business.
- 2.4 Employment of former employees of the External Auditors to key management positions within the Group.
- 2.5 Relationship between the Group and the External Auditors including the non-assurance services which was provided by the External Auditors and their network companies, and expected to be provided by the External Auditors.

The Audit Committee is responsible for:

- (1) actively engaging in dialogue with the External Auditors with respect to any disclosed relationship or services that may impact the objectivity and independence of the external auditors; and
- (2) taking, or recommending that the Board to take, appropriate action, to oversee the independence of the external auditors.

3. POLICY ON THE PROVISION OF NON-ASSURANCE SERVICES BY THE EXTERNAL AUDITORS

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The external auditors or a firm or corporation affiliated to the auditors' firm can be engaged to perform non-assurance services that are not, and are not perceived to be, in conflict with the role of the external auditors. This excludes audit related work in compliance with statutory requirements.

The prohibition of non-assurance services is based on three (3) basic principles as follows:-

- (a) External auditors cannot function in the role of Management;
- (b) External auditors cannot audit their own work; and
- (c) External auditors cannot serve in an advocacy role of the Company and its subsidiaries ("the Group").

The Audit Committee shall ensure that the provision of non-assurance services by the External Auditors and their network firms/companies comply with the policy on the provision of non-assurance services by the external auditors to ensure that the objectivity and independence of the External Auditors are not impaired.

- 1) Non-assurance services may be provided by the Group's External Auditor and their network firms/companies including, but not limited to:
 - Advice and assurance on the interpretation and implementation of accounting standards, financial reporting matters, tax and governance regulations;
 - Advice and assurance in respect of direct and indirect tax matters including tax compliance, routine tax planning advice, tax consultancy services and employee tax services, including share plans; and
 - Due diligence investigations related to potential acquisitions, disposals or joint ventures.
 - Agreed-upon procedures engagement to comply with regulatory reporting matters in accordance International Standard on Related Services 4410 (Revised) Compilation Engagements

The Audit Committee shall consider:

- 1) the proposed fees for the new engagement together with the existing total fees payable to them in proportion to the overall fee income of the External Auditors and network firms/companies, in any event shall not be more than 50% of the overall fee income of the External Auditors and network firms/companies. Group Financial Controller is required to monitor this.; and
- 2) representatives of the External Auditors assigned to the new engagements with the Group have no family, financial, employment, investment or any other business relationship with the Group.

For an individual service or specific project in the above categories of which the overall fee income is less than 50%, the engagement must be approved by the Chief Executive Officer/ Executive Director with the consultation from Group Financial Controller.

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- 2) The following non-assurance services must not be provided by the Group's External Auditors/network firms/companies:
- Bookkeeping and other services relating to accounting records and corporate financial statements;
 - The design, implementation and operation of financial information systems;
 - Actuarial and internal audit functions;
 - Executive management of company operations and activities, including acting temporarily or permanently as a director, officer or employee of the Group; and
 - Legal, broker, investment adviser or investment banking services.
- 3) Details of non-assurance services provided by the Group's external auditors shall be provided to the Audit Committee on an annual basis, within 60 days following the completion of the fiscal year.