

PERDANA PETROLEUM BERHAD

Company No. 372113-A
(Incorporated in Malaysia)

EXTERNAL AUDITORS

APPOINTMENT AND INDEPENDENCE

POLICY

23 AUGUST 2018

PERDANA PETROLEUM BERHAD (Company No. 372113-A) External Auditors Appointment & Independence Policy	Effective Date	23 August 2018
	Revision No.	-
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OVERVIEW

Perdana Petroleum Berhad (“the Company”) is committed to comply with the principles and recommendations embodied in the Malaysian Code on Corporate Governance (“Code”) in order to meet the highest standard of corporate governance. The Code seeks to safeguard the integrity of financial reporting as well as to ensure the independence and competence of the Company’s external auditors.

The objective of this Policy is to establish procedures for the selection and appointment of the external auditors and also to ensure that audit independence is maintained, both in fact and appearance.

Oversight of the Company’s external audit arrangements is the responsibility of the Company’s Audit and Risk Management Committee. One of the key aspects in discharging the Audit and Risk Management Committee’s responsibility is to assess the external auditors and to ensure that external audit independence is maintained. This Policy has been adopted by the Audit and Risk Management Committee to meet this requirement.

PART A : APPOINTMENT OF EXTERNAL AUDITORS

1. Policy on Appointment of External Auditors

This Policy is for the Company to appoint an independent external auditor with the appropriate skills, knowledge and experience to contribute to the integrity of the Company’s financial reporting, for the purposes of fulfilling the role and responsibilities of the auditors appointed under the Companies Act 2016.

The external auditors of the Company are appointed annually by the shareholders at the Annual General Meeting (“AGM”) of the Company, based on the recommendations of the Board of Directors (“Board”) to perform audit services on the Company’s annual financial statements. During the AGM, the shareholders of the Company will also authorise the Directors to determine the remuneration of the external auditors.

2. Selection and Appointment of External Auditors

a) Responsibility

The Board is responsible for the appointment of an independent external auditor, with appropriate skills, knowledge and experience subject to shareholders’ approval at the Company’s general meeting. It is the responsibility of the Audit and Risk Management Committee to make recommendations to the Board on the appointment, reappointment and removal of the external auditors, engagement terms and the remuneration of the external auditors.

b) Selection criteria

The Audit and Risk Management Committee will evaluate potential external auditors on a number of criterias including, but not limited to the following and make the necessary recommendation to the Board:

- The auditor being registered as an auditor or authorised audit company;
- The independence of the external audit firm from the Company and ability to

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maintain independence throughout the engagement;

- There being no conflict of interest situations that could affect the independence of the external auditors;
- Professional competency, experience and integrity of key personnel;
- Adequacy of resources including relevant industry and technical expertise;
- Ability to provide quality and efficient audit services;
- Thoroughness of audit approach and methodology; and
- Cost effectiveness.

c) Selection and Appointment Procedures

In the event that the Board decides a new external auditor is required:

- The Audit and Risk Management Committee in assistance of the Company's Management will construct a shortlist of candidates that meet their selection criteria and ascertain their willingness to act and recommend to the Board.
- The Board may request for a presentation from the shortlist candidates in order to further assess their suitability.
- The Board will make a final decision to determine a preferred candidate and approve the fees.
- The Company Secretary will arrange the necessary notices, meetings and resolutions for the resignation or removal of the existing auditor and the appointment of new auditor.

d) Upon engagement

Upon engagement, the external auditors will have unfettered access to Management, staff, records, and company facilities, and is permitted reasonable, agreed time to conduct its audit.

e) Review

The Audit and Risk Management Committee will review both the performance and independence of the external auditors and report its findings to the Board on an annual basis.

f) Vacancy

Should a vacancy arise, for any reason, the Board will appoint a new external auditors until the next general meeting.

PART B : INDEPENDENCE OF EXTERNAL AUDITORS

1. Policy Statement

The objective of this Policy is to ensure that audit independence is maintained, both in fact and appearance, such that the Company's external financial reporting is viewed as being highly reliable and credible.

2. Provision of Non-Audit Services by External Auditors

The guidelines that follow are designed to ensure that related assurance services provided by the Company's external auditors are not perceived as conflicting with the

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independent role of the external auditors.

The general principles to be applied in assessing related assurance services are as follows:

- the external auditors should not have any involvement in the production of financial information or preparation of financial statements such that they might be perceived as auditing their own work. This includes the provision of valuation services where such valuation forms an input into audited financial information;
- the external auditors should not perform any function of management, or be responsible for making management decisions;
- the external auditors should not be responsible for the design or implementation of financial information systems; and
- the separation between internal and external audit should be maintained.

Services permitted to be performed

The Audit and Risk Management Committee must pre-approve all statutory and regulatory audit and related assurance services provided by the external auditors.

Aside from core audit services relating to the statutory and regulatory audits, it is appropriate for the Company's external auditors to provide the following services, with prior approval from the Audit and Risk Management Committee:

- other assurance services;
- accounting policy advice;
- listing advice; and
- accounting/technical training.

Services not permitted

It is not considered appropriate for the Company's external auditors to provide:

- book keeping/other services related to accounting records or financial statements;
- the design of financial information systems and implementation;
- appraisal/valuation services/opinions as to fairness;
- internal audit services;
- structured finance advice;
- due diligence services;
- legal services and expert services unrelated to the audit;
- tax planning, strategy and compliance services;
- management functions;
- broker/dealer/investment adviser/investment banking services;
- actuarial services;
- provision of temporary staff for appropriate assignments;
- assistance in the recruitment of senior management; and
- tax services to employees of the Company who act in a financial reporting oversight role.

Billing arrangements

The billing arrangements for services provided by the Company's external auditors should not include any contingent fees (e.g. where a success fee is paid depending upon

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whether a transaction proceeds or not).

Other procedural requirements

Regardless of this Policy, it is expected that the Company's external auditors will rigorously comply with their own internal policies on independence and all relevant professional guidance.

While this Policy does not prescribe any particular ratio of "other" service fees to audit fees, this ratio should be monitored by the Audit and Risk Management Committee. Accordingly, the nature of services provided by the Company's external auditors and the level of fees incurred should be reported to the Audit and Risk Management Committee in detail to enable the Audit and Risk Management Committee to perform its oversight role.

3. External Auditors Rotation

The continued appointment of the Company's external auditors is to be confirmed annually by the Audit and Risk Management Committee. A policy of regular rotation of audit firm is not mandated.

4. Hiring of Staff from External Audit Firm

The hiring by the Company of any former audit partner must first be approved by the Chairman of the Audit and Risk Management Committee. A former key audit partner will need to observe a cooling-off period of at least two years before being appointed as a member of the Audit and Risk Management Committee.

There are no other restrictions on the hiring of other staff from the audit firm.

5. External Audit services provided by firms other than the External Auditor

The Audit and Risk Management Committee must pre-approve all audit and related assurance services by firms other than the external auditors. Any firm providing such services must meet the requirements of Section 2, Part B of this Policy.

PART C : REVISION AND UPDATES

This External Auditors Appointment and Independence Policy was approved and adopted by the Board of Directors of the Company effective from 23 August 2018. It is to be reviewed by the Board as required. Any intervening changes or additions will be by way of circular.

Confirmed by

- Signed -

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 Chairman
 Signed for & on behalf of the
 Board of Directors of **Perdana Petroleum Berhad**