

PROTASCO BERHAD

External Auditors Assessment Policies

This policy and procedure on evaluation of external auditors is to:

- i. ensure that the external audit of the financial statements are carried out in accordance with the accounting standards of Malaysia and the relevant rules and regulations governing the audit of financial statements;
- ii. enable external auditors to perform professional work of high quality at a competitive price;
- iii. evaluate the external auditors' work and their independence; and
- iv. permit the opportunity for recognised, accredited regional audit firms to offer their services to the Company.

Criteria for Selecting the External Auditors

The Audit Committee shall select the external auditors based on the following criteria:

- i. knowledge of the statutes and regulations and relevant accounting standards;
- ii. market reputation in terms of resources and high standard of auditing practices;
- iii. quantity and quality of audit staff of various competencies assigned to perform the audit; and
- iv. registered with the Audit Oversight Board and vast experience in auditing financial statements of public listed companies and similar industries.

The Audit Committee is not obligated to select the lowest price/cost submitted.

Criteria for Evaluating the External Auditors

The Audit Committee shall evaluate the external auditors' work and recommend to the Board of Directors for re-appointment annually.

The Audit Committee shall evaluate the external auditors based on the following criteria:

- i. the audit plan, strategy and scope of the statutory audits for every financial year;
- ii. knowledge of the statutes and regulations and relevant accounting standards;
- iii. declaration of independence and impartiality in conducting the audit;
- iv. ability to meet deadlines in performing the audit;
- v. quality and quantity of human resources used to perform the assigned audit;
- vi. work methods and value of samplings used;
- vii. availability of senior partner and other key personnel for crucial Audit Committee Meetings ;
- viii. competence, discretion and communication skills of personnel assigned to the audit;
- ix. clarity of presentations and quality of reports produced;
- x. recommendations on how to improve quality of financial reporting and internal controls; and
- xi. the costs quoted to perform the audit.

Tenure of Service of the External Auditors

The external auditors would be re-appointed annually subject to annual evaluation by the Audit Committee on the following criteria:

- 1) key accounting and audit judgements;
- 2) recommendations made by the external auditors in their management letters and the adequacy of management's responses;
- 3) audit approach in terms of resolving financial accounting issues that may be subjected to different interpretations of accounting standards;
- 4) co-operations between our staff and the auditors in terms of communications, timing and follow-up;
- 5) major issues that arose during the course of the audit and their resolutions; and
- 6) quantum and period of increase in annual audit fees.

Audit partner in-charge of a public listed company should be rotated (within the audit firm) every seven (7) years to ensure independence of audit.