

PROTASCO BERHAD

Policy and Procedure on Evaluation of External Auditors

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 statues and regulations and relevant accounting standards;
- ii. quality and allocation of the individuals to be assigned to perform the audit; and
- iii. experience in auditing financial statements of public companies and similar industry.

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 statues 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; and
- x. 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 response
- 3) the effectiveness, the qualification and performance of the external auditors, the quality and the auditors' communication
- 4) major issues that arose during the course of the audit and their resolutions

Audit partner in-charge of a public listed company should be rotated (within the audit firm) every five (5) years to ensure independence of audit.