

EXTERNAL AUDITORS POLICY

1. INTRODUCTION

Audit Committee (“the Committee”) of Eco World International Berhad (“Company”) is responsible for making recommendations to the Board of Directors (“the Board”) regarding the appointment and removal of the external auditors. In making those recommendations, the Committee is authorised to conduct periodic reviews of the external auditors.

The objective of this External Auditors Policy (“the Policy”) is to outline the guidelines and procedures for the Committee to assess the suitability, objectivity and independence of the external auditors.

2. SELECTION AND APPOINTMENT

The Board has delegated to the Committee the responsibility for the appointment, resignation, remuneration and removal of external auditors.

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

The appointment, resignation, remuneration and removal of external auditors are subject to the provisions of the Companies Act 2016 and Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Should there be a need to fill a casual vacancy or change of external auditors, the Committee will follow the following procedures for selection and appointment of new external auditors:

- a) the Committee to identify the audit firms who meet the criteria for appointment and to request for their proposals of engagement for consideration;
- b) the Committee will assess the proposals received and shortlist the suitable audit firms;
- c) the Committee will meet and/or interview the shortlisted candidates;
- d) the Committee may delegate or seek the assistance of the Chief Financial Officer (“CFO”) to perform items (a) to (c) above;
- e) the Committee will recommend the appropriate audit firm for the Board’s approval; and
- f) the Board will endorse the recommendation and seek shareholders' approval for the appointment of the new external auditors and/or removal of the existing external auditors at the general meeting.

3. INDEPENDENCE

The Committee shall review the independence of the external auditor annually.

In evaluating independence, the Committee shall consider whether the external auditors are independent both in fact and in appearance.

The external auditors are precluded from providing any services that may impair their independence or conflict with its role as external auditors. The external auditors will need to satisfy the Committee that:

- a) no services will be provided that will result in a conflict of interest;
- b) any services provided additional to that of the audit function involving non-audit services, would not have a material bearing on the audit and would not involve the firm auditing their own work;
- c) the audit firm has an audit personnel rotation policy, including lead and signing partners, requiring rotation at least every five (5) years; and
- d) there will be no situations where the auditors assume the role of management or where the auditors are placed in the role of advocate for the Company, subsidiaries and joint ventures.

In avoidance of doubt, the Committee shall obtain a written declaration on annual basis from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

4. NON-AUDIT SERVICES

In order to ensure that the external auditors maintain their independence, there are strict controls in place in relation to non-audit work performed by the external auditors.

The external auditors or a firm or corporation affiliated to the auditors' firm can be engaged to perform non-audit services that are not, and are not perceived to be, in conflict with the role of the external auditors. The external auditors should be appointed for other service engagements only when they have specific or unique knowledge or expertise. This excludes audit related work in compliance with statutory requirements.

The prohibition of non-audit 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, subsidiaries and joint ventures.

The external auditors shall observe and comply with the By-Laws of the Malaysian Institute of Accountants in relation to the provision of non-audit services, which include the following:

- i) accounting and book keeping services;
- ii) valuation services;
- iii) taxation services;
- iv) internal audit services;
- v) IT systems services;
- vi) litigation support services;
- vii) recruitment services; and
- viii) corporate finance services.

All engagements of the external auditors or a firm or corporation affiliated to the auditors' firm to provide non-audit services above RM300,000 per year are subject to the approval/endorsement of the Committee. Prior approval of the Committee must be obtained before commencement of the works. Management shall obtain confirmation from the external auditors that the independence of the external auditors will not be impaired by the provision of non-audit services.

5. ROTATION OF AUDIT PARTNER

The audit partner responsible for the external audit of the Company and its subsidiaries is subject to rotation at least every five (5) financial years.

6. APPOINTMENT OF A FORMER AUDIT PARTNER AS COMMITTEE MEMBER

In the event of a former audit partner being appointed as a member of the Committee, he/she shall observe a cooling-off period of at least four (4) years before such appointment.

7. ANNUAL REPORTING

The external auditors shall:

- a) issue an annual audit plan for review and discussion with the Committee;
- b) at the conclusion of the audit review, shall discuss findings, significant audit weakness and audit related recommendations with the Committee and Senior Management; and
- c) provide a management letter to the Committee upon completion of the annual audit.

8. ANNUAL ASSESSMENT

In discharging this duty, the Committee shall carry out annual assessment of the external auditors which shall encompass an assessment of the qualifications and performance of the auditors; the quality and candour of the auditor's communications with the Committee and the Company; and the auditor's independence, objectivity as well as professional scepticism.

An assessment tool comprising assessment questionnaires shall be used for the evaluation of the external auditors.

The Committee may also request the CFO and/or Chief Audit Executive to perform the annual assessment of the external auditors.

Where the performance of the external auditors assessed as being unsatisfactory, the Committee shall determine and recommend to the Board the course of action, which may include:

- a) discussion with the external auditors to resolve performance issues;
- b) replacement of members within the external auditors' team; or
- c) commencement of a competitive tender process in order to select a new external auditors.

9. REVIEW OF THE POLICY

The Committee and Board will review the Policy periodically or as and when necessary to ensure that it continues to remain relevant and appropriate.

This Policy has been approved by the Board on 27 June 2019.