



SKYWORLD DEVELOPMENT BERHAD

EXTERNAL AUDITOR'S ASSESSMENT POLICY

Contents

1.	INTRODUCTION	1
2.	OBJECTIVE	1
3.	SELECTION AND APPOINTMENT	1
4.	ASSESSMENT CRITERIA.....	2
4.	ASSESSMENT CRITERIA (CONT'D).....	3
5.	PROVISION OF NON-AUDIT SERVICE.....	3
5.	PROVISION OF NON-AUDIT SERVICE (CONT'D).....	4
6.	ROTATION OF AUDIT PARTNER	4
7.	APPOINTMENT OF FORMER KEY AUDIT PARTNER AS A MEMBER OF AUDIT COMMITTEE	4
8.	ANNUAL REPORTING.....	5
9.	ANNUAL ASSESSMENT	5
10.	REVIEW OF THE POLICY.....	5

1. INTRODUCTION

Practice 9.3 of the Malaysian Code on Corporate Governance 2021 stipulates that the Audit Committee should have policies and procedures to assess the suitability and independence of the external auditors to safeguard the quality and reliability of Audited Financial Statements.

2. OBJECTIVE

This Policy sets out the Company's approach to outline the guidelines and procedures for the Board of Directors ("Board") and the Audit and Risk Management Committee ("ARMC") to assess on annual basis the performance, suitability, objectivity and independence of external auditor in order to preserve the integrity and credibility of the external audit process.

3. SELECTION AND APPOINTMENT

In accordance with Section 271 of the Companies Act 2016, an Auditor of a public company shall be appointed or re-appointed for each financial year and should only be appointed by the Board or Members ("Board") of the Company.

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 ("AGM") of the Company.

In the event of a resignation of the external auditor, the Board shall review the letter of resignation from the external auditors and send a copy of the resignation notice and representations made by the external auditor to the Registrar of the Companies Commission of Malaysia and the Exchange within seven days from the date of resignation.

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 to confirm whether the audit firms are registered with Audit Oversight Board Malaysia;
- c. the Committee will assess the proposals received and shortlist the suitable audit firms;
- d. the Committee will meet and/or interview the shortlisted candidates;
- 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 resignation/removal of the existing external auditors at the general meeting.

4. ASSESSMENT CRITERIA

4.1 COMPETENCE

The Committee when appointing an external auditor, shall amongst others consider:

- a. the adequacy of the experience and resources of the external audit firm;
- b. the persons assigned to the external audit engagement;
- c. the external audit firm's audit engagements;
- d. the size and complexity of the subject matter being audited; and
- e. the number and experience of supervisory and professional staff assigned to the particular external audit engagement.

4.2 AUDIT QUALITY

In assessing the quality of services rendered by the external auditor during the year under review, the Committee may be guided by the following non-exhaustive indicators:

- a. adequacy of audit scope;
- b. ability of the external audit firm to meet audit deadlines;
- c. timeliness in escalating audit issues to the audit committee;
- d. allocation of resources to significant audit risk areas; and
- e. effectiveness of the external audit firm's recommendations in addressing weaknesses observed during previous audits, particularly on internal controls relevant to financial reporting process.

4.3 REMUNERATION

The Board shall be authorised by shareholders at the AGM to fix the remuneration of the external auditor. In determining the remuneration of the external auditor, the Board shall alongside with the Committee take into consideration the industry benchmarks when assessing the remuneration that should be accorded to the external auditor.

The Committee shall ensure that the remuneration awarded to the external auditor is commensurate with the scope of the audit, considering the required resources, skills and knowledge needed to complete the external audit engagement, and the responsibilities of the external auditor.

4. ASSESSMENT CRITERIA (CONT'D)

4.4 INDEPENDENCE

The Committee shall review the independence of the external auditor annually, and shall consider whether the external auditor is independent both in mind and in appearance.

The assessment would focus on whether there exists any relationship between the External Auditors and the Directors or senior management and major shareholders of the Company as well as conflict of interest arising therefrom.

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; and
- c. the audit firm has an audit personnel rotation policy, including lead engagement partner, signing partner, key audit partner and engagement quality control reviewer, requiring rotation at least every seven (7) years.

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.

5. PROVISION OF NON-AUDIT SERVICE

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 auditor cannot function in the role of Management;
- b. external auditor cannot audit their own work; and
- c. external auditor cannot serve in an advocacy role of the Company.

5. PROVISION OF NON-AUDIT SERVICE (CONT'D)

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:

- a. accounting and book keeping services;
- b. valuation services;
- c. taxation services;
- d. internal audit services;
- e. IT systems services;
- f. litigation support services;
- g. recruitment services; and
- h. corporate finance services.

All engagements of the external auditors or a firm or corporation affiliated to the auditors' firm to provide non-audit services are subject to the approval/ endorsement of the Committee.

Prior to the provision of any other non-audit services by the external auditor, the Committee shall review and approve the acceptance of these engagements. The Committee should ensure that the consequent threats arising from the non-audit services provided can be reduced to an acceptable level by the application of safeguards.

The Management shall obtain confirmation from the External Auditors on their independence which shall not be impaired by the provision of non-audit services.

6. ROTATION OF AUDIT PARTNER

The Company recognizes that there exists a threat to the External Auditors' independence where the same audit partner conducts consecutive audits of the Company.

The By-Laws (On Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants set out the maximum number of years key audit partners can serve in the same role as well as the number of "cooling-off" years.

The audit partners (lead engagement partner, signing partner, key audit partner and engagement quality control reviewer) responsible for the external audit of the Company and its subsidiaries are subject to rotation at least every seven (7) financial years.

7. APPOINTMENT OF FORMER KEY AUDIT PARTNER AS A MEMBER OF AUDIT COMMITTEE

A former partners of the Company's External Audit Firm and or the affiliate firm (including those providing advisory services, tax consulting, etc.) needs to observe a cooling-off period of at least three (3) years before being appointed as a director or member of the Audit Committee Board.

8. 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.

9. ANNUAL ASSESSMENT

The Committee shall carry out annual assessment on the performance, suitability and independence of the external auditor based on the following four (4) key areas:

- a. the quality of services provided by the external auditors;
- b. the qualifications, competency, resource capacity of the external auditors;
- c. the auditor's communications and interaction with the Committee and the Company;
- d. the independence, objectivity and professional scepticism of the external auditors; and
- e. appropriateness of audit fees to support a quality audit.

10. REVIEW OF THE POLICY

The Committee will review this Policy periodically to ensure that it continues to remain relevant and appropriate.

The Committee shall table any amendments or changes to this Policy to the Board for approval.