



(Company No. 217120- W)

(Incorporated in Malaysia under the Companies Act, 2016)

# **POLICY TO ASSESS EXTERNAL AUDITORS**

## **POLICIES AND PROCEDURES TO ASSESS THE SUITABILITY AND INDEPENDENCE OF EXTERNAL AUDITORS**

### **1.0 INTRODUCTION**

The Board of Directors (the “Board” or “BOD”) its Audit and Nominating Committee (the “AC & NC”) of Evergreen Fibreboard Berhad (“EFB” or the “Company” or the “Group”)) are committed to ensure the suitability and independence of external auditors in substance as well as in form.

The independence of the external auditors is a governance issue for the Group. On an annual basis, the AC together with the NC are to ensure the independence and impartiality of the external auditors, taking into consideration relevant regulatory requirements.

The Board to obtain assurance 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.

### **2.0 SELECTION CRITERIA**

Some of the matters for consideration regarding appointment, reappointment and removal of EFB’s external auditors by the AC and NC include: -

#### **2.1 FEES**

External Auditor shall provide a fee quotation for its audit services. However, price will not be the sole determining factor in the selection of a preferred external auditors.

#### **2.2 INDEPENDENCE**

External Auditor must satisfy the AC & NC that it is independent and outline the procedures it has in place to maintain its independence. The external auditors must be independent from AC & NC and be seen to be independent from EFB’s Group. The independence of the external auditors is integral to the role of auditors and the AC & NC will give due consideration to this requirement when selecting a preferred auditors for recommendation to the Board.

#### **2.3 MATERIAL MATTERS**

External Auditor must outline its proposed procedures to address the issue of material significance or matter of disagreement with EFB’s Board. The external auditors will be required to disclose to the AC all issues of material significance and all matters of disagreement with EFB’s management, whether resolved or unresolved, and to assist the AC to review such matters.

### **3.0 NON-AUDIT WORK**

External Auditor must detail its approach to the provision of non-audit related services to EFB and its Group.

### **4.0 COMPETENCY AND RESOURCES**

The AC & NC must consider the candidate firm’s reputation and qualifications of its professionals, including the breadth and depth of resources, expertise and experience of the team members. Their networking ability and competency to address overseas subsidiaries not audited by the firm, i.e., its liaison capability with the secondary auditors, are equally important to assess the suitability.

## **5.0 APPROVAL OF NON-AUDIT SERVICES**

The policy on audit and non-audit services is to be guided by the following: -

- 5.1** external auditor may provide audit and non-audit related services outside the scope of the statutory audit that are consistent with the role of auditors;
- 5.2** external auditors shall not provide services that are perceived to be materially in conflict with the role of auditors;
- 5.3** external auditors may be permitted to provide non-audit services that are not perceived to be materially in conflict with the role of auditors; and
- 5.4** exceptions may be made to the policy where the variation is in the interest of EFB and arrangements are put in place to preserve the integrity of the external audit process. The Board must specifically approve any such exception.
- 5.5** Prior to appointing the external auditors to undertake a non-audit service, considerations should be given to whether this would create a threat to the external auditors' independence or objectivity. External auditors should not be appointed unless appropriate safeguards are present to eliminate or reduce the threat to an acceptable level. External auditors shall not be considered for non-audit services specifically prohibited by the by-laws of the Malaysian Institute of Accountants ("MIA") or promulgations of the International Federation of Accountants for which no safeguard can eliminate or reduce the threat on the external auditors' independence.
- 5.6** The subsidiary or entity or business unit must inform the Group Chief Financial Officer ("GCFO") of any non-audit services and the estimated fees to be incurred prior to any engagement.
- 5.7** The subsidiary or entity or business unit can only proceed with the non-audit service work when authorised by the GCFO after informing the AC/Board.
- 5.8** Engagements of external auditors to provide non-recurring and/or unplanned non-audit services must be approved as follows: -

Approval thresholds for non-audit work: -

Below RM50,000 per engagement – Approval by Group Chief Financial Officer & Group COO / GCEO

Above RM50,000 per engagement – Audit Committee & Board

## **6.0 MONITORING AND REPORTING**

GCFO shall report to the AC/Board on an annual basis on any significant non-audit services and its related fees on non-audit rendered to the company or its subsidiaries by the external auditors.

## **7.0 ROTATION OF EXTERNAL AUDIT ENGAGEMENT PARTNER**

**7.1** The audit engagement partner responsible for the external audit of the Group is subject to rotation with cooling-off period in accordance with the By-Laws of the Malaysia Institute of Accountants on Professional Ethics.

**7.2** AC requires at least a 3-year "cooling off" period before any key audit engagement partner of the external auditor is appointed as a Director of the Company.

## **8.0 REVIEW OF AUDIT ARRANGEMENTS**

The AC & NC will review the external auditors' performance annually. As part of this review the AC & NC will obtain feedback from the members of senior management regarding the quality of the audit service.

**Policy adopted in November 2022 - Effective: November 2022**

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