



## **POLICY ON NON-AUDIT SERVICES PROVIDED BY EXTERNAL AUDITORS**

### **Purpose**

QL Resources Berhad (the “Company” or “QL”), its Board and Audit Committee (“AC”) are committed to ensuring the independence of the external auditors in substance as well as in form. The following Policy on Non-Audit Services (hereinafter referred to as the “Policy”) provided by external auditors and their network member firms has been adopted in this regard.

### **Statement of policy**

The General Meeting has engaged the external auditors for the audit of the financial statements for QL. Within certain parameters, the **external auditors and/or its member network firms** (collectively called the “external auditors”) may be requested to perform certain non-audit services and may often be the obvious choice due to business knowledge, confidentiality and cost considerations.

The policy covers the engagement of the Company’s external auditors to provide non-audit services. The objectives of the policy are:

- to comply with the Malaysian Code on Corporate Governance (“MCCG”), Malaysian legislation, IFAC standards and other relevant auditor-independence rules, guidelines, standards etc.;
- to ensure that neither the nature of the service nor the level of reliance placed on it by the Company, could, or could be seen to, impair the objectivity of the external auditors’ opinion on the financial statements;
- to establish a transparent reporting process for the AC to monitor the observance and compliance of the external auditors with this Policy; and
- to avoid unnecessary restrictions on the request for services from the external auditors.

### **Policy**

Before 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. The external auditor should not be appointed unless appropriate safeguards have been identified to eliminate or reduce the threat to an acceptable level.



## **Role of the Board and the Audit Committee**

Practice 8.3 of the MCCG stipulates that the AC should have policies and procedures to assess the suitability, objectivity and independence of external auditors. The AC's objective is to ensure that the provision of non-audit services to QL does not impair the external auditors' independence or objectivity. In this context, the AC should consider the following:

- whether the skills and experience of the external auditors make it a suitable service provider of the non-audit service(s);
- whether safeguards have been deployed to eliminate or reduce to an acceptable level any threat to objectivity and independence in the conduct of the audit resulting from the non-audit services provided by the external auditors; and
- the nature of the non-audit services, the related fee levels and the fee levels individually, and in aggregate relative to the audit fee.

The AC should satisfy itself that any safeguards required by legislation or standards are implemented and complied with.

## **Definitions**

### *Professional services provided by external auditors*

These comprise all services, including accounting consultation necessary to perform an audit of the financial statements of the Company.

Audit services relate solely to services provided on statutory audit as required by the Companies Act, 2016.

### *Audit related services*

The external auditors shall be considered the preferred service provider of audit-related services if services are consistent with the attestation role of the external auditor and;

- the services can only be provided by the external auditor;
- the services are an extension of the work performed as part of the audit, or rely on work performed as part of the audit such that the quality and timeliness of the services can most effectively be provided by the external auditor; or
- the services enhance the effectiveness of the external auditor's examination of the Company's consolidated financial statements.

Examples of audit related services for which the external auditor shall be considered QL's preferred service provider include:



- advice and assurance on the interpretation and implementation of accounting standards, financial reporting matters and governance regulation, etc.;
- review and agreed upon procedures in relation to interim financial statements, etc.;
- due diligence assistance on acquisitions, mergers, joint ventures and divestures;
- internal accounting and risk management control reviews, including information systems (IT risk management/ IT audit) and reviews of policy and procedures compliance;
- audit, review or attestation of information derived from the Company's financial systems as required by third parties;
- audits of employee benefit plans.

#### *Other non-audit services*

The external auditors shall be considered a service provider of other non-audit services if the services rendered are consistent with the attestation role of the external auditor and either:

- the services rendered are an extension of the work performed as part of the audit, or rely on work performed as part of the audit such that the quality and timeliness of the non-audit services can most effectively be provided by the external auditors;
- the services enhance the effectiveness of the external auditor's examination of the Company's consolidated financial statements; and
- the services are not in conflict or inconsistent with the attestation role of the external auditors.

#### **Safeguards**

Safeguards that may be considered:

- ensuring the engagement letter for the work includes a paragraph confirming compliance with applicable auditor-independence laws and standards, etc.;
- ensuring Management of QL has sufficient knowledge to assume responsibility for all Management decisions and for the outcome of any reviews;
- services performed by personnel not involved in the audit (where relevant and permitted);
- additional arrangements to objectively and independently evaluate the engagement.

All significant facts that bear upon the external auditor's objectivity and independence relating to the provision of non-audit services, including safeguards in place must be considered.



## Approval of non-audit services

The Board of QL has authorised the AC to pre-approve non-audit services provided by the external auditors.

### *Recurring and/ or planned non-audit services preapproved by the AC<sup>1</sup>*

The Financial Officer via the Company Secretary will on an annual basis submit a list of recurring and/ or planned non-audit services together with an estimate of expected fees for the financial year to the AC for preapproval. An anticipated significant variance from the approved list must be specifically pre-approved by the AC in accordance with this Policy.

Approval for any other non-audit service, i.e. for those matters which are not considered recurring and/ or planned, must be sought from the AC or those whom the AC has delegated this responsibility to on a case-by-case basis.

### *Non-recurring and/ or planned non-audit services*

Engagements of the external auditors to approve the non-audit services (not distinguished in “*Recurring and/ or planned non-audit services preapproved by the AC*” above) must be preapproved only by the Company Secretary (on behalf of the AC), if the fee does not exceed thresholds set annually by the AC of QL, whilst taking into consideration the estimated audit fees for the year.

The Company Secretary must obtain prior approval by the AC (either from the AC Chairman or member of the AC appointed by the AC Chairman) before the external auditor can be engaged to render the non-audit services, where:

- the fee for the non-audit service exceeds RM50,000 (Ringgit Malaysia Fifty Thousand).

Such pre-approvals are to be reviewed by the AC no later than its next meeting for ratification.

## Approval process

Approvals of non-audit services committed by a subsidiary or entity of QL are required to be in accordance with this Policy.

The subsidiary or entity must complete the “Request for Authorisation – non-audit services” form (refer to **Appendix 1**), which sets out the nature of the non-audit service, the estimated fees (including reasonable expenses) to be incurred and any safeguards that are required.

The subsidiary or entity can only proceed with the non-audit service work when the form is authorised in accordance with this Policy.

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<sup>1</sup> Recurring and/ or planned non-audit services with an upfront preapproval from the AC in accordance with “*Recurring and/ or planned non-audit services preapproved by the AC*” above include general audit-related services and tax services.



## **Monitoring and reporting**

### *Audit Committee*

The AC is to provide an annual report to the Board with respect to the non-audit services provided by the external auditors during the year. The report must include:

- the amounts paid or payable to the external auditor for non-audit services provided during the year; and
- a statement as to whether the AC is satisfied that the services provided during the year are compatible with applicable independence rules and standards for auditors, as well as the provisions stipulated in this Policy.

### *Company Secretary*

The Company Secretary must report to the AC on a quarterly basis, the following:

- significant non-audit services rendered to QL by the external auditors; and
- the fees paid to the external auditor for non-audit services.

### *Internal audit*

The internal audit function will monitor whether this Policy is being adhered to and periodically report to the AC. The internal audit function must promptly report any breach of the provisions encapsulated in the Policy to the AC.

### *Finance*

The Finance Department will monitor the compliance to this Policy and periodically report to the AC. Any breach of the provisions contained within this Policy must be promptly reported to the AC.

### *Annual Report*

A summary of this Policy will be disclosed in the Company's Annual Report, to provide stakeholders, including shareholders, on how the external auditor's objectivity and independence are safeguarded when non-audit services are rendered to the Company.

## **Administrative matters**

On an annual basis, the AC will review and assess the effectiveness of the Policy. Any requirement for amendment shall be deliberated upon by the Committee and any recommendations for revisions shall be highlighted proposed for approval.

The Policy will be held in the custody of the Management of QL.



## Appendix 1

### Request for authorisation - non-audit services

Date	_____	
Name of subsidiary or entity	_____	
Description of service (see “ <b>Definitions</b> ” for description of permissible services)	Kindly provide a description of the service _____ _____	
Audit related services	YES/NO	_____ _____
Other non-audit services	YES/NO	_____ _____ _____
Confirmation that the service is permissible (see “ <b>Definitions</b> ” for list of permissible services)	_____	
Duration of service (weeks/ months/ years)	_____	
Estimated fee level (RM)	_____	
Safeguards required for the service? (see “ <b>Safeguards</b> ”) YES/NO	Kindly describe the safeguards deployed and state the applicable law/ regulation _____ _____ _____	
Approval (see “ <b>Approval process</b> ”)	Date:	Initials:
Subsidiary/ Entity level CFO (always required)	_____	_____
Company Secretary (required YES/ NO)	_____	_____
Audit Committee (required YES/ NO)	_____	_____