



## **POLICY ON NON-ASSURANCE 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-Assurance 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-assurance 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-assurance 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-assurance 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-assurance 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-assurance 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-assurance services provided by the external auditors; and
- the nature of the non-assurance 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**

### *Conflict of Interests*

A conflict of interest creates threats to compliance with the principle of objectivity and might create threats to compliance with the other fundamental principles. Such threats might occur under the following circumstances:

- a. Self-interest;
- b. Self-review;
- c. Advocacy;
- d. Intimidation; and/or
- e. Familiarity.

### *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.

#### *1) 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; and
- 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.

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 interim financial statements in accordance ISRE 2410, etc.;



- audit, review or attestation of information derived from the Company's financial systems as required by third parties;

## 2) *Non-assurance services*

Non-assurance services are those services which are not auditing, review or other assurance services, and may include:

- Tax compliance
- Due diligence
- Agreed-upon procedures to comply with regulatory reporting matters

## **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 of external auditor 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-assurance services**

The Board of QL has authorised the AC to pre-approve non-assurance services provided by the external auditors as listed in **Appendix 2**.

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

The Chief Financial Officer via the Company Secretary will on an annual basis submit a list of recurring and/ or planned non-assurance services listed in **Appendix 2** together with an estimate of expected fees for the financial year to the AC for pre-approval.

Approval for non-assurance service not listed in **Appendix 2**, must be sought from the AC or those whom the AC has delegated this responsibility to on a case-by-case basis.

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



The Company Secretary must obtain prior approval by the AC before the external auditor can be engaged to render the non-assurance services, where:

- the aggregate fee for the non-assurance services is 50% or less of the annual audit fees.

Without the Board approval the fees payable to the external auditor on non-assurance services should not exceeds its 50% of the annual audit fees.

### Prohibited Services

The external auditor is prohibited from rendering the prohibited services listed following as the threats cannot be reduced to an acceptable by safeguards:

Prohibited services	Rationale
<b>Accounting and bookkeeping services</b> , including payroll services and the preparation of financial statements or financial information.	Self-review threat.
<b>Valuation services</b> if the valuations would have a material effect on the financial statements.	Self-review threat.
<b>Preparation of tax calculations</b> of current and deferred tax liabilities (or assets) for the purpose of preparing accounting entries.	Self-review and advocacy threats.
<b>Internal audit services</b> that relate to a significant part of the internal controls over financial reporting, financial accounting systems or amount or disclosures that are material to the financial statements.	Self-review threat to independence.
<b>Design or implementation of information systems</b> that form a significant part of the internal control or information on financial reporting, accounting records or financial statements.	Self-review threat.
<b>Litigation support services</b> in resolving a dispute or litigation when the amounts involved are material to the financial statements.	Self-review or advocacy threats.
<b>Recruiting services</b> including reference checks with respect to a director, officer or senior management personnel who would be in a position to exert significant influence over the preparation of the financial statements.	Self-interest, familiarity or intimidation threats.
<b>Corporate finance services</b> which involve promoting, dealing in, or underwriting shares.	Advocacy and self-review.



## Approval process

a) Pre-approved non-assurance services

Approvals of non-assurance services committed by a subsidiary or entity under effective control of QL are pre-approved as listed in **Appendix 2**.

b) Approval required

In the event approval required from the audit committee, the subsidiary or entity must complete the “Request for Authorisation – non-assurance services” form (refer to **Appendix 1**), which sets out the nature of the non-assurance 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-assurance service work when the form is authorised in accordance with this Policy.

## Monitoring and reporting

### *Audit Committee*

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

- the amounts paid or payable to the external auditor for non-assurance 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-assurance services rendered to QL by the external auditors; and
- the fees paid to the external auditor for non-assurance 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-assurance 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 and proposed for approval by Board.



## Appendix 1

### Request for authorisation - non-assurance 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-assurance 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)	_____	_____



## **Appendix 2**

### **List of pre-approved non-assurance services**

#### **Tax related services**

- Preparing corporate tax returns for submission to the tax authorities.
- Providing training on deferred tax (without using current year's figures in the examples).
- Dealing with the Tax Authority
  - Assisting with tax authority requests for additional information, analysis and/or explanations in relation to a tax return.
  - Assisting with a tax examination by the tax authority.
  - Review of tax assessment notices / audit findings letters/ bill of demand issued by the tax authority.
  - Filing of administrative remedies against tax assessment notices/ audit findings letters/ bill of demand issued by the tax authority.
- Transfer pricing
  - Assisting to assess the impact of transfer pricing policies on overall tax position.
  - Analysing and document transactions between related parties. Preparing global and local documentation (without using KPMG web-based transfer pricing platform).
  - Translating transfer pricing policies into transaction level prices, reconcile transfer pricing and customs requirements and automate transfer pricing calculations.
- Tax due diligence (buy-side and vendor initiated)
  - Typically covering group structure and tax history, compliance/tax audit status, tax risks identified, effective tax rate analysis, review of tax accruals, tax implications of the proposed transaction, etc.
- Prepare indirect tax returns for submission to the tax authorities.
- International Executive Services
  - Assist on development of tax efficient compensation and reward packages for international assignees.
  - Assist on employment compensation and benefit programs for international assignees.
  - Assist on the tax implications of global employment companies.
  - Preparing and filing of international assignee tax returns.
  - Immigration services including:
    - o Preparing and making visa and work permit applications.
    - o Advising on related immigration requirements.
    - o Serving as a liaison between the applicant and immigration departments.
- Conduct general training with audit client personnel, audit committee and others on tax related matters.





### **Other non-assurance services**

- Agreed-upon procedures engagement to comply with regulatory reporting matters in accordance International Standard on Related Services 4410 (Revised) Compilation Engagements.
- Compilation engagement to compile financial statements in accordance International Standard on Related Services 4400 (Revised) Agreed-Upon Procedures Engagements.
- Reporting accountant engagements in relation to corporate exercises.
- Provision of accounting advice and assistance:
  - Review and provide comments on client-prepared technical accounting and reporting memos.
  - Conduct general training with audit client personnel, audit committee and others on new accounting standards or existing accounting standards.
  - Perform gap analysis of client's accounting policies and disclosures against leading practices or other resources.
  - Read and comment on client's documentation of accounting policies and accounting manuals.
  - Participate in discussions with client personnel on application of accounting standards to actual or proposed transactions and provide observations and recommendations.
  - Advise on industry and corporate governance requirements.
- Assessment – Gap analysis for internal use
  - Perform gap analysis or maturity assessment of the current state of a process, system, organizational structure, policy, controls over financial reporting etc. against leading practices or other resources (such as accounting or regulatory standard). Provide advice, observations and recommendations.
- Document current state
  - Assist in documenting the current state and/or changes made to processes, systems, organizational structure, policies, or internal control over financial reporting, after they have been implemented, on non-recurring basis.
- Design plans
  - Provide generic roadmap or implementation plan of a process or system based on leading practice experience that is not client-specific.
- Project Management – Advice
  - Provide general advice on developing project plans, including general advice on project management.
  - Provide industry standard or best practice project plans.
  - Provide feedback to project management office structure/organization.
- Transaction services – Buy side
  - Pre close due diligence.
  - Post close due diligence.



- Commercial due diligence (buy side)
  - Analysis of target's projections/business plan by reference to historical evidence.
  - Report market and commercial issues which may affect the target and transaction.
- Market research and benchmarking
- Operational due diligence
- Sell side assist, including:
  - Pre-sale due diligence.
  - Establish and coordinate data room activities (limited to administrative tasks, does not include data room set up).
- Separation services including separation advice, separation program planning and execution.
- Assistance on Sales and Purchase Agreement and completion accounts:
  - Provide commentary (in conjunction with client's lawyers) on draft transaction agreements).
  - Providing advice and recommendations on the preparation of the completion accounts. (This service does not include completion due diligence on completion accounts)
- Integration due diligence, in connection with:
  - Pre-acquisition synergy and integration planning, post-acquisition integration planning, and operations advice, provided such work is unrelated to the client's financial statements, accounting records and risk management controls.
- Legal services such as compliance of law and review terms and conditions of the contracts which does not affect the audit of the financial statements of QL Resources Berhad and its subsidiaries.
- Sustainability Advisory Services in relation to Development of Sustainability Management Framework which does not affect the audit of the financial statements of QL Resources Berhad and its subsidiaries.