

POLICY ON NON-AUDIT SERVICES PROVIDED BY EXTERNAL AUDITORS

1. Purpose

Malakoff Corporation Berhad (the “Company” or “MCB”), 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 or a firm or corporation affiliated to the auditors’ firm (collectively called the “External Auditors”) has been adopted in this regard.

The objectives of the policy are:

- to comply with the Malaysian Code on Corporate Governance 2012 (“MCCG 2012”) which is amended and replaced from time to time, Malaysian legislation, International Federation of Accountants 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.

2. Role of the Audit Committee

Recommendation 5.2 of the MCCG 2012 stipulates that the AC should have policies and procedures to assess the suitability of External Auditors. The AC’s objective is to ensure that the provision of non-audit services to MCB does not impair the External Auditor’s independence or objectivity. In this context, the AC shall consider the followings:

- whether the skills and experience of the External Auditors make it suitable service provider of the non-audit service(s);
- whether the suitability and need for the service of the External Auditors has been considered
- 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 non-audit services, the related fee levels and 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.

3. Policy

The External Auditors' appointment for the statutory audit of the financial statements for MCB is approved by the shareholders at the Annual General Meeting upon recommendation of the Board.

The signing partner may have no active role in the audit for a period of five years from the date of his/her rotation following the completion of his/her five-year term.

Within certain parameters, 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 External Auditors must remain independent of the Company both in fact as well as in appearance.

Before appointing the External Auditor 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 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 or promulgations of the International Federation of Accountants for which no safeguard can eliminate or reduce the threat on the External Auditors' independence.

4. Prohibited services

The prohibition of non-audit services is based on the following principles:

- Create a mutual or conflicting interest between the External Auditors and the Company;
- Result in the External Auditors functioning in the role of management;
- Place the External Auditors in the position of auditing its own work; and
- Place the External Auditors in the position of being an advocate for the Company.

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:-

- accounting and book keeping services;
- valuation services;
- taxation services;
- internal audit services;
- IT systems services;
- litigation support services;
- recruitment services; and
- corporate finance services.

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. 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 MCB has sufficient knowledge to assume responsibility for all Management's decisions and for the outcome of any reviews;
- services performed by personnel not involved in the audit (where relevant and permitted); and
- 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.

6. Approval Process of Non-audit services

Prior to obtaining relevant approval, the Management of MCB must ensure that the non-audit services to be rendered by the external auditors, are not prohibited services as highlighted under Section 4. Furthermore, the award of the non-audit services has to be processed in accordance to the Group Procurement Policy.

6.1 Non-audit services fees for approval of the Chief Financial Officer ("CFO") or Group Managing Director ("GMD")

Non-audit services may be undertaken by the External Auditors without prior approval of the AC up to a cumulative annual value of fifty percent (50%) of the prior year's audit fees. Such services may be approved by either the CFO or the GMD.

6.2 Non-audit services fees for approval of the AC

The Board of MCB has authorised the AC to grant approval for non-audit services provided by the External Auditors for the value in excess of annual limit of fifty percent (50%) of the prior year audit fees.

7. Authorisation process for MCB and Group

Approvals of non-audit services committed by MCB and its group of companies (“Group”) are required to be in accordance with this Policy.

MCB and Group 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. MCB and Group can only proceed with the non-audit service work when the form is authorised in accordance with this Policy.

8. Monitoring and reporting

8.1 *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 non-audit services provided during the year are compatible with applicable independence rules and standards for auditors, as well as the provisions stipulated in this Policy.

8.2 *Finance*

The Chief Financial Officer must report to the AC on a quarterly basis, the following:

- the non-audit services rendered to MCB and Group and actual fees paid to the External Auditors for said non-audit services;
- non-compliance of the Policy; and
- any breach of the provisions contained within the Policy must be promptly reported to the AC.

8.3 *Internal audit*

The internal audit function will provide assurance and shall promptly report to the AC on any non-compliances to the provisions encapsulated in the Policy.

9. 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 AC and any recommendations for revisions shall be highlighted proposed for approval.

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

Request for authorisation - non-audit services

Date _____

Name of subsidiary or entity _____

Description of service Kindly provide a description of the service

Recurrent services
 YES/NO
 (refer to Group Finance & Accounts
 ("GFA")) _____

Non-recurrent services
 YES/NO
 (refer to GFA) _____

Duration of service (weeks/months/
 years) _____

Estimated fee level (RM) _____

Safeguards required for the service?
 (see "**Safeguards**")
 YES/NO Kindly describe the safeguards
 deployed and
 state the applicable law/ regulation

Prepared by: _____ Date: _____
(Subsidiary/division/
 department)

Reviewed by: _____ Date: _____
(Subsidiary/division/
 department)

Approval (see "**Approval process**") Date: _____ Initials: _____

Subsidiary/ Entity level CFO
 (required YES/NO) _____

Group Managing Director
 (required YES/ NO) _____

Audit Committee
 (required YES/ NO) _____