

Non-Assurance Services Pre-Approval Policy

1. Purpose and Introduction

The Malaysian Institute of Accountants (“**MIA**”) By-Laws on Professional Ethics, Conduct and Practice and International Ethics Standards Board for Accountants’ Code on Ethics for Professional Accountants (“**IESBA Code**”)’s revised non-assurance service standard requires that all non-assurance services (“**NAS**”) provided by the independent auditor to an audit client that is a public interest entity (“**PIE**”), or its direct or indirect controlling/controlled entities, should be pre-approved by those charged with governance. This requirement is to enable those charged with governance of the PIE audit client to have oversight of the independence of the auditor.

Accordingly, the Audit Committee (“**the AC**”) and the Board of Directors (“**the Board**”) of VSTECS Berhad (“**VSTECS**” or “**the Company**”) have adopted the following Non-Assurance Services Pre-Approval Policy (“**Policy**”). This Policy sets forth procedures and conditions whereby permissible NAS provided by the independent auditor will be pre-approved for the Company and its subsidiaries (“**the Group**”) within the corporate structure of VSTECS (see **Appendix A – Corporate Structure**).

2. Pre-Approval Policy

2.1 Pre-approval Policy of NAS

The AC has adopted the following procedure to pre-approve NAS to be provided by the independent auditor.

Under this procedure, the AC pre-approve the list of NAS in **Appendix B – List of Pre-approved Services** that may be provided by the independent auditor without the need for the auditor to seek pre-approval from the AC. This **Appendix B – List of Pre-approved Services** remains in effect until amended by the AC.

Unless a NAS shall have received such pre-approval, it will require pre-approval by the AC and, the concurrence must be provided to the independent auditor before an engagement letter contracting the NAS is signed.

2.2 Delegation of Authority

The Board hereby delegates to the Chairman of the AC authority to grant approval of services that are not on the pre-approved list and require individual approval. The Chairman of the AC shall report any pre-approval decisions to the Board at or prior to its next scheduled meeting.

2.3 Validity of pre-approval

The term of pre-approval for the list of NAS in **Appendix B – List of Pre-approved Services** is 24 months from the date of pre-approval, unless the AC approves a different period.

3. Entities within the corporate structure of VSTECS Berhad

3.1 This procedure applies to the Entities listed in **Appendix A**.

3.2 All NAS listed in **Appendix B**, for all entities listed in **Appendix A**, will follow the procedure described in **Section 2.0**.

NAS not stated in **Appendix B** for all entities listed in **Appendix A** of this Policy will require separate pre-approval by the AC of VSTECS Berhad.

4. Restrictions on disclosure of information regarding NAS

4.1 Restrictions due to professional standards, laws or regulations

The AC has not identified any professional standards, laws or regulations that would restrict the communication of information regarding NAS to the AC by the independent auditor.

4.2 When such restriction limits the information, the independent auditor can provide to AC, the AC can provide concurrence when:

- (i) The auditor provides such information as it is able without breaching its legal or professional obligations;
- (ii) The auditor informs the AC that the provision of the service will not create a threat to its independence, or that any identified threat is at an acceptable level or, if not, will be eliminated or reduced to an acceptable level; and
- (iii) The AC does not disagree with the auditor's conclusion above.

4.3 Restrictions due to sensitive or confidential information

In some circumstances, the provision of information necessary for the AC to evaluate the impact on the auditor's independence from providing a proposed service may result in the disclosure of sensitive or confidential information. The AC can provide concurrence for providing the NAS when:

- (i) The auditor agrees with the AC of the entity to whom the service will be provided and what information can be provided to the AC of the PIE that needs to provide concurrence for such service;
- (ii) The auditor provides such information as it is able without breaching its legal or professional obligations;
- (iii) The auditor informs that the provision of the service will not create a threat to its independence, or that any identified threat is at an acceptable level or, if not, will be eliminated or reduced to an acceptable level; and
- (iv) The AC does not disagree with the auditor's conclusion above.

5. Concurrence

5.1 Under this Policy, the AC understands that the provision of the NAS listed in **Appendix B – List of Pre-approved Services** by the auditor will not create a threat to the auditor's independence (or any such threat will be reduced to an acceptable level or the circumstance creating the threat will be eliminated by the auditor). Therefore, the independent auditor will not be required to obtain separate pre-approval for these services.

- (i) The independent auditor shall confirm in writing that the provision of NAS will not create a threat to the auditor's independence in the respective letter of engagement for the provision of NAS listed in **Appendix B – List of Pre-approved Services** and all other NAS not covered by this Policy.
- (ii) The independent auditor shall state the mitigating measures that the independent auditor has that will reduce or eliminate any identified threat to an acceptable level.

5.2 On an annual basis, the independent auditor should inform the AC of all services provided under this Policy and all other NAS not stated in **Appendix B – List of Pre-approved Services** of this Policy.

5.3 All other NAS not covered by this Policy will require communication from the independent auditor and individual concurrence from the Chairman of the AC regarding:

- (i) the provision of the NAS; and
- (ii) the conclusion that the provision of the NAS will not create a threat to the auditor's independence, or that any identified threat is at an acceptable level or, if not, will be eliminated, or reduced to an acceptable level.

5.4 The communication from the independent auditor should take place as needed or quarterly scheduled meetings in advance of the NAS being provided.

5.5 All requests or applications for services to be provided by the independent auditor shall be communicated to VSTECS's Chief Financial Officer ("**CFO**") in email and must include a detailed description of the services proposed to be rendered together with an estimated fee.

VSTECS's CFO will determine whether such services:

- (i) are included within **Appendix B – List of Pre-approved Services** that have received the pre-approval of the Chairman of the AC, or
- (ii) require separate pre-approval by the Chairman of the AC.

VSTECS's CFO will determine whether such services can be approved and communicate his assessment and conclusion to the Chairman of the AC for pre-approval.

5.6 The concurrence of the Chairman of the AC will be formalised by email or in the meeting minutes.

6. Review and Approval of this Policy

This Policy was recommended by AC to the Board and adopted by the Board on 11 September 2023.

In addition, as the need arises, the independent auditor may submit to the AC a request to amend or add to the terms of this Policy or to update **Appendix B - List of Pre-approved Services**.

This Policy will be reviewed by the AC as and when required and will be updated in accordance with the needs of the Group and where necessary, i.e. where there are changes to regulatory requirements and practices. Any requirement for amendment shall be deliberated by the AC and any recommendation for revisions to this Policy shall be recommended to the Board for consideration and approval.

Appendix A – Corporate structure

Entities within the corporate structure that are covered by this Policy:

1. Public Interest Entity

VSTECS Berhad

2. Direct and indirect Controlled entities (subsidiaries)

VSTECS Astar Sdn Bhd
VSTECS Ku Sdn Bhd
VSTECS Kush Sdn Bhd
VSTECS Pericomp Sdn Bhd

Appendix B – List of Pre-approved NAS

1. The AC believes the independent auditor can provide the following list of services without impairing its independence and has pre-approved these services. All other services not listed in **Appendix B** must be specifically pre-approved by the Chairman of the AC.

1.1 Tax services

- a) Preparing corporate tax returns for submission to the tax authorities.
- b) Providing training on deferred tax (without using current year's figures in the examples).
- c) 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.
- d) 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.
- e) 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.
- f) Prepare indirect tax returns for submission to the tax authorities.
- g) 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:
 - Preparing and making visa and work permit applications.
 - Advising on related immigration requirements.
 - Serving as a liaison between the applicant and immigration departments.
- h) Conduct general training with audit client personnel, audit committee and others on tax related matters.

1.2 Other non-assurance services

- a) Agreed-upon procedures engagement to comply with regulatory reporting matters in accordance International Standard on Related Services 4410 (Revised) Compilation Engagements.
- b) Compilation engagement to compile financial statements in accordance International Standard on Related Services 4400 (Revised) Agreed-Upon Procedures Engagements.
- c) Reporting accountant engagements in relation to corporate exercises.

- d) 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.
- e) 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.
- f) 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.
- g) Design plans
- Provide generic roadmap or implementation plan of a process or system based on leading practice experience that is not client-specific.
- h) 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.
- i) Transaction services - Buy side
- Pre close due diligence.
 - Post close due diligence.
- j) 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.
- k) Market research and benchmarking
- l) Operational due diligence
- m) 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).
- n) Separation services including separation advice, separation program planning and execution.
- o) 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)

- p) 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.
2. Audit and assurance services ("Services") are not subject to this Policy under the independence regulations of MIA By-Law & IESBA Code of Ethics. Accordingly, these Services will be subject to separate evaluation and approvals.