



CARING PHARMACY GROUP BERHAD

(Company No.1011859-D)

NON-AUDIT SERVICES POLICY

Policy for the engagement of External Auditors to Supply non-audit services

Approved by: Board of Directors

Date: 23 July 2014

1. Scope and Purpose

The policy covers the engagement of External Auditors to supply Non-Audit services. The objectives of the policy are to:

- Ensure that the provision of non-audit services does not impair the external auditor's independence or objectivity;
- Establish a straightforward and transparent process and reporting to enable the Audit Committee to monitor policy compliance;
- Avoid unnecessary restrictions on the purchase of services from the External Auditors where they are able to demonstrate provision of a higher quality and more cost effective service than other providers.

2. Principles

In all services purchased, Caring Pharmacy Group Berhad's objective is to select the provider who is best placed to deliver the service in terms of quality and cost. It is recognised that the knowledge of key areas of the Group gained by the External Auditors through the performance of their statutory audit work may enable them to be well placed to provide valuable services to the Group in respect of these areas.

In order to retain the option of utilising the External Auditors to provide non-audit services where it is in the Group's best interests to do so, a number of criteria have to be met. These are so that the External Auditors do not:

- Audit their own work;
- Make management decisions for the Group;
- Create a conflict of interest;
- Find themselves in the role of advocate for the company.

To ensure that the provision of non-audit services does not impair the external auditor's independence or objectivity, the Audit Committee should consider the following:

- whether the skills and experience of the audit firm make it the most suitable supplier of the non-audit service;
- whether there are safeguards in place to eliminate or reduce to an acceptable level any threat to objectivity and independence in the conduct of the audit resulting from the provision of such services by the external auditor;
- the nature of the non-audit services;
- the fees incurred, or to be incurred, for non-audit services both for individual services and in aggregate, relative to the audit fee; and
- the criteria which govern the compensation of the individuals performing the audit.

3. Types of service

Restricted services from our External Auditors will be divided into three categories:

- Category 1-Those services which the External Auditors are not allowed to provide

Any service where there is involvement in management functions or management decision making; and/or any service that Management may place primary reliance on in determining the adequacy of internal controls, financial systems, or financial reporting. These specifically include but are not limited to the following:

- a) Valuation services material to the financial statements and/or where there is a high degree of subjectivity;
- b) Management of Internal Audits;
- c) Design and implementation of, or management of the design and implementation of any IT system material to the accounting system;
- d) Management of material projects;
- e) Responsibility for appointment of senior management;
- f) Advice on the quantum of remuneration criteria for key management;
- g) Litigation support services involving the estimation of the likely outcome of a legal matter;
- h) Corporate finance and similar activities where there is a significant advocacy role;
- i) Contingent fee services on material projects;
- j) Transaction related services where there is a significant advocacy role.
- k) Restructuring services which would involve the audit firm undertaking a management role, or the engagement would require the audit firm to act as an advocate for the audited entity in relation to matters that are material to the financial statements;
- l) Any additional services prohibited by legislation or regulation.

Category 2-Those services provided by External Auditors where prior authorisation of the Audit Committee will be required and where additional safeguards may need to be put in place. These services will be those which, because of their size and nature or because of special terms and conditions, are thought to potentially give rise to threats to the auditor's independence

Service	Guidance
Taxation services where advice given or position taken is material to the financial statements or where there is a high degree of uncertainty — e.g. with a 'ground-breaking scheme'.	<p>Such assignments are generally not seen to create threats to independence though it is necessary to assess and react to potential threats. Safeguards may include the following:</p> <p>Ensuring Management has sufficient knowledge to take responsibility for the outcome of the service;</p> <p>Obtaining an additional independent third party opinion.</p>
Internal Audit services where acting under the instruction of Internal Audit management.	<p>The guidance provides that it is only considered acceptable to provide internal audit services where there are specific safeguards. These should include the following:</p> <ul style="list-style-type: none"> • Scope, risk and frequency of work to be determined by Internal Auditor; • No responsibility for establishing, maintaining or monitoring system of internal controls or for determining how recommendations made are to be implemented; • Sufficient arrangements for objectively and independently evaluating work performed as part of this service to form the audit opinion.

Category 3-Services which may be supplied by External Audit, which require approval by the Group Financial Controller to confirm necessary safeguards are in place.

- Valuation services not material to the financial statements and where there is not a high degree of subjectivity;
- Tax compliance work;
- Provision of non-material systems or project services;
- Services required by regulation or statute (e.g. in connection with a stock exchange circular);
- Due diligence and other assistance with acquisitions and disposals
- Secondment of staff other than to prepare accounting records or financial statements;
- Corporate finance and similar activities not restricted by the above;
- Compiling accounting records or financial statements;
- Secondment of staff to prepare accounting records or financial statements.
- Audit of environmental and safety performance indicators disclosed in the annual report
- Corporate finance and similar activities where there is not a significant advocacy role but where advice given or position taken is material to the financial statements for example working capital review for a major acquisition;
- Restructuring services where the engagement may give rise to a self review threat

Safeguards that must be considered:

- Ensuring Management has sufficient knowledge to take responsibility for all management decisions and for the outcome of any reviews;
- Service performed by personnel not involved in the audit;
- Additional arrangements for objectively and independently evaluating work performed as part of this service to form the audit opinion.

4. Reporting

A report will be provided to the Audit Committee outlining:

- All proposals considered during the year and the decisions taken, if any;
- Any Category 2 proposals which the Audit Committee is requested to approve, if any;
- Current Level of expenditure (actual and committed) for non-audit fees. This will include a description of the nature of the service provided and a comparison with the external audit fee and with the total fees earned by the external auditors.

The External Auditors will be requested to confirm that this is a complete and accurate representation. Written confirmation from the External Auditors outlining their independence policy and their compliance therewith will also be required annually and at other times as the Committee may request. This should include reassurance that External Audit staff have no family, financial, employment, investment or business relationship with the Company other than in the normal course of business.