



# SOUTHERN ACIDS (M) BERHAD

## AUDIT & GOVERNANCE COMMITTEE

### TERM OF REFERENCE

#### 1. INTRODUCTION

The key oversight responsibilities of Audit & Governance Committee (“AGC”) are to assist SAB Board overseeing the following functions:-

- a. Assessing the adequacy and effectiveness of the internal control system;
- b. Evaluating the performance of the external and internal audit functions;
- c. Overseeing the Company’s financial statements;
- d. Reviewing the related party transactions and conflict of interest situations; and
- e. Ensure compliance of the relevant applicable laws, regulations, rules and directives, as well as the MCCG 2012 for FY2017.

#### 2. COMPOSITION

The AGC shall be appointed by the Board amongst its directors and shall comprise at least three members who must be non-executive directors and financially literate, the majority of whom shall be independent directors. At least one member of the AGC:-

- a. Must be a member of the Malaysian Institute of Accountants (MIA); or
- b. If he is not a member of the MIA, he must have at least three years' working experience; and
  - He must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
  - He must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967;
- c. Fulfils such other requirements as prescribed by Bursa Malaysia Securities Berhad or approved by the Securities Commission.

No alternate Director shall be appointed as a member of the AGC.

In the event of any vacancy in the AGC resulting in non-compliance with Bursa Malaysia’s Main Market Listing Requirements (“MMLR”) in respect of composition of the AGC and / or the election of an independent chairman, the Board must fill the vacancy within three months.

The Nomination & Remuneration Committee must review the term of office and performance of the AGC and each of its members annually to determine whether the AGC and its members have carried out their duties in accordance with their terms of reference.

### **3. MEETING**

The AGC shall meet at least four times during a financial year. The Chairman may call and convene additional meetings on matters within the scope and responsibilities of the AGC or upon valid request by any of the following:-

- a. The Board;
- b. Management;
- c. Internal auditors; or
- d. External auditors.

The quorum for AGC meetings shall be at least two members, majority of whom must be independent non-executive directors.

The Chairman of the AGC shall not be the Chairman of the Board.

The AGC Chairman reports to the Board on salient principal matters deliberated and recommended at AGC meetings for the Board's approval.

### **4. AUTHORITY**

The AGC has obtained the following mandate from the Board in carrying out its duties:

- a. To have sufficient and competent resources, including access to external independent professional advice when necessary in carrying out its duties;
- b. To have full and unrestricted access to information, reports, records, properties and personnel at all levels of management; and
- c. To communicate directly with the external auditors and the outsourced internal auditor and if necessary, convene meetings without the presence of executive directors and management.

### **5. DUTIES AND RESPONSIBILITIES**

The duties and responsibilities of the AGC are as follows but are not limited to:

- a. Review the Group's quarterly results and year-end financial statements before submission to the Board, focusing particularly on:
  - i. Changes in or implementation of major accounting policy changes
  - ii. Significant matters highlighted including financial reporting issues, significant judgements made by management, significant and unusual events or transactions, and how these matters are addressed
  - iii. Significant adjustments arising from the audit
  - iv. Compliance with accounting standards and other legal requirements
  - v. The going concern assumption
- b. To oversee the internal control system including the outsourced internal audit, management accounting, financial reporting and business ethics, to ensure operational efficiencies and effectiveness in achieving the Company's objectives.
- c. To ensure the outsourced internal audit function is equipped with sufficient and competent resources, and has the necessary authority to carry out its work.
- d. To oversee the management of the outsourced internal auditor including appraisal of its performance and its termination or reappointment;

- e. To review and/or approve the outsourced internal audit plans or any programs and processes of investigation, assessment of the results thereon and formulation of remedial action plans, if necessary.
- f. To consider and recommend to the Board, the appointment, resignation or dismissal of external auditors, and the audit fee;
- g. To review and assess the scope of the external audit on financial statements and system of internal controls, and subsequently the audit findings, if any, and the response of the management to the audit findings;
- h. To investigate any matter that is deemed necessary, within its Terms of Reference;
- i. To review and monitor any related party transaction ("RPT") and conflict of interest that may arise within the Company and/or the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- j. To report to the Board if there is any breach on the Bursa MMLR and recommend corrective measures;
- k. To report promptly to Bursa where a matter reported by AGC to the Board has not been satisfactorily resolved resulting in a breach of Bursa MMLR;
- l. To ensure employees at all levels of the Company and the Group give adequate assistance and cooperation during the course of internal and external audit; and
- m. To undertake such other function and assignment as may be agreed by AGC and the Board.

## **6. SECRETARY AND MINUTES**

The Company Secretary shall be the Secretary of the AGC, and record minutes for each meeting. The minutes of the meeting shall be distributed to all members of the AGC for confirmation at the next meeting and to be circulated to the Board at the subsequent Board meeting for board information.

## **7. ENFORCEMENT OF THE AGC TOR**

The revised AGC TOR has been adopted by SAB Board on 10 July 2017.