



SOUTHERN ACIDS (M) BERHAD Board Charter

1. INTRODUCTION

The Board of Directors (“SAB Board”) of Southern Acids (M) Berhad (“SAB” or “the Company”) derives its authority from the Company’s shareholders and is responsible for the proper stewardship of the Company and its subsidiaries (collectively “Group”).

SAB Board has the ultimate responsibility for establishing strategies and policies to drive the affairs of the Group to build and deliver long-term shareholders’ value whilst meeting the interests of the shareholders and other stakeholders.

All Board members are expected to show good stewardship and act in a professional manner, as well as upholding the core values of integrity and objectivity with due regard to their fiduciary duties and responsibilities, including practicing a high level of good governance.

2. PURPOSE OF THE BOARD CHARTER

The purpose of the Board Charter is to set out:

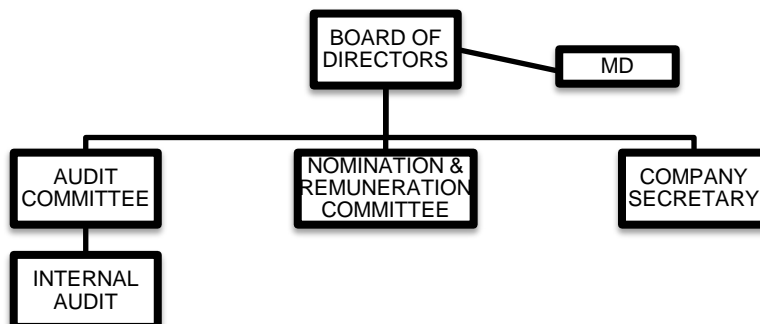
- the roles, functions, responsibilities and authorities of the board, including that of the Board Committees established by SAB Board;
- the board size, composition, tenure of the members and the board policies and processes in respect of its duties, functions and responsibilities; and
- the role and responsibilities of the chairman, managing director (“MD”), executive director, senior independent director and independent directors.

In addition, it will assist the Board in the assessment of its own performance and of its individual Directors.

3. THE BOARD

3.1 Governance Structure

The governance structure of the SAB Board is as follows:-



3.2 Board Membership

3.2.1 Size and Composition of the Board

The Board consists of qualified individuals with diverse set of skills, experience, knowledge and independent elements that are necessary to govern the Company and achieve its objectives and strategic goals. The Board composed of a strong element of independence (i.e. a group of independent directors who act as such in name and in substance). The composition and size of the Board is such that it facilitates the decision making of the Company.

The Constitution of the Company provides for a minimum of two (2) Directors and a maximum of twelve (12) Directors. The Board shall ensure that at least half of the Board composed of Independent Directors in order to foster greater objectivity in the boardroom.

The **Independent Directors** can make significant contributions to the Company's decision-making by bringing in the quality of detached impartiality and provide independent judgment, experience and objectivity without being subordinated to operational considerations. They help to ensure that the interests of all shareholders are indeed taken into account by the Board and that the relevant issues are subjected to objective and impartial considerations by the Board.

The tenure of the Independent Directors shall not exceed a cumulative term of twelve (12) years. However, the retention of Independent Directors after serving a cumulative term of nine (9) years shall be subject to shareholders' approval in line with the recommendation of the Malaysian Code on Corporate Governance 2017.

The Board shall appoint a **Senior Independent Director** ("SID"). The role of the SID, amongst others, is as follows :-

- Works closely and acts as a sounding board for the Chairman. In the event of a situation where board is undergoing a period of stress, and/or there is a perceived conflict of interest involving the Chairman, the SID is expected to provide leadership and advice to Board;
- Acts as an intermediary for other Directors when necessary; and
- Becomes the contact of point for shareholders, stakeholders and whistle-blower and also to attend to any query or concern raised by them.

The composition and size of the Board are reviewed from time to time to ensure its appropriateness.

3.2.2 Appointments and Re-election

The appointment of a new director is for consideration and decision by the Board, upon the recommendation from the Nomination & Remuneration Committee ("NRC").

The Constitution of the Company provides that every newly appointed Director be subject to re-election at the immediate Annual General Meeting ("AGM"). Further, one third (1/3) of the Board shall retire from office and be eligible for re-election at every AGM and all the Directors shall submit themselves for re-election at least every three (3) years.

3.3 Board Role

3.3.1 Duties and Responsibilities

The Board assumes, amongst others, the following duties and responsibilities :-

- (a) Promotes good corporate governance culture within the Company and its subsidiaries (“the Group”);
- (b) Set the Group’s strategy, review and adopt the overall strategic plans and programmes for the Group and ensure that the strategic plan supports long term value creation and sustainability for the Group.
- (c) Oversee the conduct of the business of the Group to evaluate whether the business of the Group is properly being managed and conducted;
- (d) Approve the organisation/ management structures in the Group;
- (e) Provide effective oversight over Management’s activities;
- (e) Present a balanced, clear and comprehensive assessment on the financial performance, position and prospects of the Company and of the Group through quarterly and annual financial statements and reports to stakeholders.
- (f) Review the adequacy and the integrity of the financial and non-financial reporting of the Group
- (g) Review principal risks and ensure that an effective and ongoing process is in place to identify risks to safeguard shareholders’ investment and the Group’s assets;
- (h) Ensure that the Group’s business orientation promotes sustainability;
- (i) Ensure the Company has in place procedures to enable effective and timely communication with shareholders and stakeholders;
- (j) Ensure the senior management has the necessary skills and experience and there are measures in place to ensure succession of the Board and senior management;
- (k) Review the adequacy and integrity of the Company’s internal controls, risk management and management information system, including systems for compliance with applicable laws, regulations, rules, directives and guidelines; and
- (l) Understand the principal risks of the Group, set the risk appetite within which Management is expected to operate and ensure that there is an appropriate risk management framework to identify, analyse, manage and monitor financial and non-financial risks.

3.3.2 Matters Reserved for the Board

Matters specifically reserved for the Board are as follows:

- (a) approval for corporate plans and programmes;
- (b) approval of annual budgets;
- (c) approval of new ventures;
- (d) approval of material acquisitions and disposals of properties and undertakings; and
- (e) changes to the Management and control structures within the Group, including key policies, delegated authority limits.

3.4 Authorities of the Board

The authorities of the Board include the following:

- Engagement and propose for the dis-engagement of board member;
- Engagement and dis-engagement of Company Secretary;
- Incorporating new board committee and appointing board committee members;
- Approving the terms of reference of board committees and making amendments thereto, as appropriate;
- Appointing Chief Executive Officer (CEO) and Chief Financial Officer (CFO), his/ her duties and the extension of his/ her contract;
- Approving Group's business strategy, operational plans and annual budgets;
- Approving new investments/ divesting investments in a company / business;
- Approving the opening/ closing of Bank Accounts;
- Approving the limits of authority/ mandate for the Company on operational and non- operational expenses, capital expenditures, provision and/or write-off of doubtful debts and assets;
- Approving interim and annual financial statements for public release;
- Approving statutory audited financial statements, which include reports from directors;
- Approving interim dividends and the recommendation of final dividends for shareholders' approval at the Annual General Meeting;
- Granting power of attorney by the Company;
- Committing to/ entering into any indemnities/ guarantees;
- Recommending for the alteration of the Constitution of the Company;
- Changing Company's financial year-end and registered office;
- Issuing of securities, convertible securities and debt instruments; and
- Committing to/ entering into any scheme of reconstruction/ restructuring.

3.5 Chairman and Managing Director (MD)

The Board ensures that its Chairman is an independent non-executive member of the Board. The position of the Chairman of the Board and MD of the Company should be held by different individuals.

The role of the Independent Non-Executive Chairman and the MD are distinct and separate to ensure there is a balance of power and authority. The Chairman is responsible for the leadership, effectiveness, conduct and governance of the Board, while the MD has overall responsibility for the day-to-day management of the business and implementation of the Board's policies and decisions. The MD is responsible to ensure due execution of strategic goals, effective operation within the Company, and to explain, clarify and inform the Board on matters pertaining to the Company.

3.5.1 The responsibilities of the Chairman, amongst others, are as follows :

- (a) To lead the Board in establishing and monitoring good corporate governance practices in the Company;
- (b) To lead the Board efficiently and in an effective manner;
- (c) To ensure the efficient organisation and conduct of the Board's functions and meetings;
- (d) To facilitate the effective contribution of all Directors at Board meetings;
- (e) To encourage active participation and allowing dissenting views to be freely expressed;
- (f) To promote constructive and respectful relations between Directors and between the Board and Management; and
- (g) To ensure effective communication with shareholders and stakeholders.

3.5.2 The responsibilities of the MD, amongst others, are as follows:

- (a) To develop and implement corporate strategies for the Group as well as contributes to strategy and runs the Company to meet its objectives and is accountable to the Board;
- (b) To supervise heads of divisions and departments who are responsible for all functions contributing to the success of the Group;
- (c) To ensure the efficiency and effectiveness of the operation for the Group;
- (d) To assess business opportunities which are of potential benefit to the Group; and
- (e) To bring material and other relevant matters to the attention of the Board in an accurate and timely manner.

3.6 Board Committees

In discharging its stewardship role, the Board may from time to time establish Committees (“Committees”) as is considered appropriate to assist in carrying out its duties and responsibilities. The Board delegates certain functions under defined terms of reference to the Committees to assist in the execution of its responsibilities and this delegation should not contradict the Company’s authority matrix. The Chairman of the Committees reports to the Board on the outcome of the Committee meetings and such reports or minutes are included in the Board papers.

The Board shall at all times exercise collective oversight of the Committees and regular reviews on the roles and responsibilities of the Committees would be conducted, when the need arises, noting that ultimately, responsibilities for decisions or recommendations taken by the Board Committees rests with the Board as a whole.

The Board Committees of the Company are :

(i) Audit Committee (“AC”)

The key oversight responsibilities of AC are assisting the Board overseeing the following functions:-

- assessing the adequacy and effectiveness of the internal control system;
- evaluating the performance of the external and internal audit functions;
- overseeing the Company’s financial statements; and
- reviewing the related party transactions and conflict of interest situations.
- ensuring compliance of the relevant applicable laws, regulations, rules and directives, as well as in line with recommendations of the MCCG.

The Chairman of the Audit Committee is not the Chairman of the Board.

(ii) Nomination & Remuneration Committee (“NRC”)

(a) Primary Function of Nomination

The members of NRC should comprise exclusively of non-executive directors, majority of whom must be independent.

The key tasks are to ensure that the Company recruits, retains, trains and develops the best available executive and non-executive directors including effectiveness of renewal and succession planning. In line with Para 2.20A of the Bursa Securities LR, each of the Board members, CEO and CFO must have the suitable character, relevant experience, unquestionable integrity, competence and time in discharging their respective roles respectively effectively. The role of NRC amongst others, is as follows:-

- Establish clear and appropriate criteria on the selection and recruitment as well as on the annual assessment of the Board, Board Committees, Individual Directors, Independent Directors Evaluation and Company Secretary. Such criteria to take into consideration the suitability of candidates against considerations on competencies, commitment, contribution and performance, including the current composition of the Board and Board Committees, mix of skills and experiences of directors, taking into account the current and future needs of the Company, boardroom diversity (including gender diversity) and other soft attributes required as company directors.
- Assess and recommend on the Re-election, Re-appointment and Termination/Resignation of Directors;
- Identify appropriate candidates for Board’s approval to fill casual vacancies and succession planning;
- Identify training needs for each Director.

(b) Primary Function of Remuneration

The key tasks are to establish official and transparent remuneration policies and procedures to attract potential directors and retain existing directors. The role of NRC amongst others, is as follows :-

- Assist the Board in reviewing, developing and administering a fair and transparent procedure for setting policy on remuneration for individual directors and senior management, to ensure that remuneration packages are determined based on the basis of the directors’ and senior management’s merit, qualification and competence, having regard to the Company’s operating results, individual performance and comparable market statistics;
- Prepare annual remuneration report.

3.7 BOARD PROCESSES

(a) Participation in Meetings

Board meetings are a fundamental component of governance processes as they are the main opportunity for directors to obtain and exchange information with the senior management team, obtain and exchange information with each other and make decisions.

Each director shall commit his/her best efforts to attend and actively participate in all the meetings of the Board and the Board Committees of which such director is a member.

(b) Frequency of Meetings

The Board shall conduct at least four (4) scheduled meetings during a financial year. Additional meetings will be convened as and when necessary. Every Director is required to attend at least fifty (50) percent of the Board meetings held in each financial year.

(c) Board Papers

The preparation and circulation of board papers are the responsibility of the Company Secretary together and MD/CEO.

All directors are provided with agenda, minutes of the previous meeting and a set of comprehensive reports or write-ups on matters to be discussed ("Board Papers") circulated at least five (5) business days before a board meeting to ensure that Directors are well informed and have the opportunity to seek additional information and are able to obtain further clarifications should such a need arise. Where necessary, the services of other senior management or external consultants will be engaged to clear any doubt or concern.

(d) Conduct of Meeting

The Chairman will determine the degree of formality required at each meeting while maintaining the decorum of such meetings. The Chairman will ensure that:

- all members are present or a quorum of directors is reached.
- the decisions are well concluded and recorded.
- interested directors will abstain from board deliberation and making decisions on matters where there is a known conflict of interest with a particular director.

(e) Board Minutes

The company secretary is responsible for the integrity of the board documents, including the Minutes of the Board Meetings ("Board Minutes"). The Board shall ensure that Board Minutes are a concise summary of the matters discussed at a board meeting and contain a brief reference to relevant Board Papers tabled plus any official resolutions adopted by directors.

All decisions will be recorded in Board Minutes.

4 PROFESSIONAL DEVELOPMENT AND CONTINUOUS EDUCATION FOR DIRECTORS

In addition to the Mandatory Accreditation Programme (MAP) as required by Bursa Malaysia Securities Berhad ("Bursa Securities"), the Directors shall continue to update their knowledge and enhance their skills through appropriate continuous education programmes.

The Board shall evaluate the training of its directors and ensure that directors are kept abreast of regulatory and legislative reforms that impact the Board and Committee work, gain understanding of financial statements and investment products which the Company may be exposed to developments in corporate governance by participating in seminars/workshops/ conferences.

Directors should also continually update their knowledge and familiarity with the businesses, operations of the Group in order to fulfil their role both on the Board and Board Committees. In this respect, the Company should provide the necessary resources for developing and updating directors' knowledge and capabilities. This would include visiting the Group's operations sites to gain insightful perspectives of matters concerning the staff, factory, department or plantation (as the case may be).

Directors are expected to attend a minimum of one training session a year, at the expense of the Company.

5 ACCESS TO INFORMATION AND INDEPENDENT ADVICE

The Directors, collectively or individually, may seek independent professional advice and information in the furtherance of their duties at the Company's expense, so as to ensure the Directors are able to make independent and informed decisions.

6 COMPANY SECRETARY

The Company Secretary's role is in advising the Board, usually through the Chairman, on governance matters and ensuring there is an effective system of corporate governance in place as well as guiding and advising the Board on compliance matters such as company law and listing requirements.

The Board shall appoint someone who is qualified, experienced and capable of carrying out duties attached to the post, and the removal of the Company Secretary shall be a matter for the Board as a whole. The Company Secretary shall report directly to the Board. The Company Secretary shall undertake continuous professional development, to keep abreast with the many developments around corporate and securities law, listing rules and corporate governance practices.

The roles and responsibilities of the Company Secretary are as follows:

- (a) Advise the Board and Board Committees on their roles and responsibilities;
- (b) Advise the Board and Board Committees on governance issues and assist the Board in applying governance practices to meet the Board's needs and stakeholders' expectation;
- (c) Advise and continuously update the Board on corporate disclosures and compliance with listing requirements, company and securities legislations and related regulations;
- (d) Ensure proper upkeep of statutory registers and records;
- (e) Manage the logistics of all Board, Board Committees and general meetings, attend and record minutes of the meetings thereof;
- (f) Assist the Chairman in determining the annual Board plan and the administration of other strategic issues;
- (g) Facilitate in the induction of new directors and assist in director training and development.

7 ENFORCEMENT OF THE BOARD CHARTER

The revised Board Charter has been adopted by SAB Board on 9 July 2018. Any subsequent amendment to the Board Charter can only be approved by the Board.

8 REVIEW OF THE BOARD CHARTER

The Board Charter will be reviewed periodically by the Board to ensure its relevance in assisting the Board to discharge its duties with the changes in the corporate laws and regulations that may arise from time to time and to remain consistent with the Board's objectives and responsibilities.