



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.

SAB Board is dedicated to fulfilling these responsibilities in a lawful and professional manner, and with integrity and objectivity, and actively pursues best practices governance processes.

In line with this, SAB Board has adopted a Board Charter as part of the Group’s corporate governance framework.

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.

3. THE ROLE OF SAB BOARD

SAB Board’s role is to govern the Group rather than to manage it. It is the role of the MD, executive director, executive officers and managers (“the Management”) to manage the Group in accordance with the direction of and delegation by SAB Board. SAB Board oversees the activities of Management in carrying out these delegated duties. SAB Board also seeks to ensure that the Group complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body.

In discharging their duties, all Directors must act honestly, fairly, diligently and in accordance with the law and in the best interests of the Group as a whole.

More specifically, the primary roles of SAB Board include the following:

- Setting the overall direction of the Group by formulating strategies and establishing corporate goal;
- Overseeing the development and implementation of the Group's strategies and goals by working closely with members of the Management and reviewing plans, budgets, progress and performance in meeting these strategies and goals; and
- Delegating appropriate authority to the Board Committees and Management to ensure effective day-to-day management and the effective discharge of its duties.

4. RESPONSIBILITIES OF SAB BOARD

The responsibilities of SAB Board include the following:

- Approving the organisation/ management structures in the Group;
- Providing effective oversight over Management's activities;
- Adopting and reviewing a strategic plan for the Company;
- Overseeing the conduct of the Company's business to evaluate whether the business of the Group is properly managed and conducted;
- Presenting 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.
- Reviewing principal risks and ensuring that an effective and ongoing process is in place to identify risks to safeguard shareholders' investment and the Group's assets;
- Ensuring that the Group's business orientation promotes sustainability;
- Ensuring effective and timely communication with shareholders, the investing community and other stakeholders, to keep them informed of the Group's latest corporate and business developments;
- Reviewing and ensuring a succession programme is in place; and
- Reviewing the adequacy and integrity of the Company's internal control and management information system, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

5. AUTHORITIES OF SAB BOARD

The authorities of SAB 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 committee and making amendments thereto, as appropriate;
- Appointing senior management positions, including that of the chief executive and 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 Memorandum and Articles of Association of the Company;
- Changing Company's financial year-end, registered office and name of company;
- Issuing of securities, convertible securities and debt instruments; and
- Committing to/ entering into any scheme of reconstruction/ restructuring.

6. BOARD COMMITTEES

In discharging its stewardship role, SAB Board has established the following committees ("Board Committees") which will focus on certain functions and responsibilities of SAB Board as required by the Bursa Securities LR and/or recommendations as set out in the Malaysian Code on Corporate Governance 2012 ("MCCG 2012"). These are:-

(a) Audit & Governance Committee ("AGC")

The key oversight responsibilities of AGC are assisting SAB 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.
- In addition, AGC also covering the compliance of the relevant applicable laws, regulations, rules and directives, as well as in line with recommendations of the MCCG 2012.

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

In compliance with the recommendations as set out in the MCCG 2012, NRC is currently chaired by a Senior Independent Non-Executive Director.

Within the main functions of the NRC, there are specific responsibilities with regards to nomination and remuneration matters.

Primary Function of Nomination

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, CFO must have the suitable character, relevant experience, unquestionable integrity, competence and time in discharging their respective roles respectively effectively. The role of NRC is to develop, assess and recommend the following matters to SAB Board for approval:-

- Appointment of Directors;
- Re-election, Re-appointment and Termination/Resignation of Directors;
- Specific Nominations and Succession Planning;
- Annual Performance Assessment of SAB Board, Board Committees, Individual Directors, Independent Directors Evaluation and Company Secretary;
- Training Needs for each Director; and
- Board composition which include size, independent directors and diversity on gender, ethnicity and age.

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 is to recommend the following to SAB Board approval:-

- Setting general remuneration policy for directors and key senior personnel (where applicable);
- Prepare annual remuneration report;
- Review the performance and recommend the annual total remuneration packages of individual directors and key senior personnel (where applicable).

7. BOARD SIZE, COMPOSITION AND TENURE

The Company's Articles of Association provides:

There shall be a minimum of two and a maximum of twelve directors:-

- SAB Board shall comprise of executive and non-executive directors in which at least $\frac{1}{3}$ of the Board members shall be independent non-executive directors;
- A director who is appointed during a financial year shall retire in the next general meeting and if available and accepted by SAB Board to continue his/her directorship be subjected to re-election by shareholder;
- All directors are subject to retirement by rotation at least once every three years and if available and accepted by SAB Board to continue his/her directorship be subjected to re-election by shareholders; and
- A director who is above seventy years old is subject to re-appointment by shareholders annually.

In addition to compliance with applicable laws and regulations, SAB Board is committed in ensuring that the composition of SAB Board is structured in accordance with the appropriate standards for good corporate governance especially those recommended by the MCCG 2012 as follows:

SAB Board should establish a NRC which should comprise exclusively of non-executive directors, a majority of whom must be independent for the functions as described in Section 6 of this Board Charter:-

- The tenure of an independent director should not exceed a cumulative term of nine years. Upon completion of the nine (9) years, an independent director may continue to serve on the Board subject to the director's re-designation as a non-independent director, or subject to yearly re-election by shareholders if the director remains as independent director;
- The position of the chairman of SAB Board and chief executive officer of the Company should be held by different individuals, and the chairman must be a non-executive member of SAB Board; and
- Where the chairman of SAB Board is not an independent director, the Board must comprise a majority of independent directors.

In any event if any of the principles and recommendations by the MCCG 2012 was not or has not been observed, SAB Board must justify the non-compliance with practically justifiable reasons and ensure that the operations and conducts of the Board will not deviate from the spirits advocate by the applicable MCCG 2012 during the period before full compliance is in place.

In line with the importance of SAB Board as the driving factor of the Company, all Directors accepting new Directorship with the Company shall commit to devote sufficient time to undertake their responsibilities and to attend to the Company's meetings and matters.

Insofar as gender diversity is concerned, SAB Board does not have a specific policy on diversity, which includes diversity policy on gender, ethnicity and age. The evaluation of the suitability of candidates is based solely on competency, character, time commitment, integrity and experience in meeting the needs of the Company.

8. 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 SAB Board and the Board Committees of which such director is a member.

(b) Frequency of Meetings

SAB Board meets at least four (4) times during a financial year. Additional meetings will be convened as and when necessary.

(c) Board Papers

The company secretary together with the executive director and the chief executive officer are responsible for the preparation and the circulation of board papers.

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") prior to board meetings. This is issued in sufficient time to enable the directors to obtain further explanations where necessary, in order to be properly briefed before the meeting.

(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"). SAB 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.

9. DIRECTORS' CONTINUING EDUCATION

SAB Board shall evaluate the training of its directors and ensure that directors are kept abreast of regulatory changes and 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 SAB Board and on Board Committees. In this respect, the Company should provide the necessary resources for developing and updating directors' knowledge and capabilities. This would include organising field trips to study the Group's operations, and facilitating access to the Management and staff.

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

10. ACCESS TO MANAGEMENT AND OUTSIDE ADVISORS

In discharging their duties and responsibilities, all members of the board have full and unrestricted access to information from internal management personnel pertaining to the management and operations of the Group, and if necessary, to seek external independent professional services.

11. POSITION DESCRIPTIONS

SAB Board shall review the following position descriptions as and when required.

(a) Role of the chairman of SAB Board ("Chairman")

The role and responsibilities of the Chairman include:

Providing effective leadership to SAB Board in carrying out its functions;

- Ensuring the efficient conduct of the board meetings;
- Facilitating the board discussions to ensure that the key issues facing the Group are addressed;
- Promoting consultative and respectful relations between Board members and between SAB Board and Management; and
- Chairing shareholders' meetings.

(b) Role of MD

The MD reports to the Board as a whole. The MD's responsibility is to oversee the operations of the Group, adopt strategic planning processes and strategic directions for the Group's Division, taking into account, amongst others, the opportunities and risks of the business and to review the critical assessment of these directions, in order to achieve the objectives set by SAB Board.

(c) Role of Senior Independent Director

The main role of the senior independent director is as follow:-

- act as a sounding board for 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 Chairman, the senior independent director is expected to provide leadership and advice to board; and
- contact point for shareholders, other stakeholders and whistle-blower.

(d) Role of Independent Directors

Pursuant to the Main Market LR, an independent director is a director who is independent of Management and free from any business or other relationship which could interfere with the exercise of independent judgment or the ability to act in the best interests of a listed company.

The role of the independent directors is to constructively challenge and help develop proposals on strategy. Other responsibilities include:

- scrutinising the performance of the Management in meeting agreed goals and objectives, and monitor the reporting of performance; and
- satisfying themselves on the integrity of financial information and that financial controls and systems of risk management are robust and defensible.

12. ENFORCEMENT OF THE BOARD CHARTER

The revised Board Charter has been adopted by SAB Board on 15 July 2015.