



SOUTHERN ACIDS (M) BERHAD

FIT AND PROPER POLICY

Southern Acids (M) Berhad (“SAB”) had, put in place a Fit and Proper Policy for ascertaining the “Fit and Proper” criterion of new and existing Directors of SAB and its related corporations.

1. Effective Date

1.1 The Fit and Proper Policy (“the Policy”) has been approved by the Board of Directors of SAB and comes into effect on 19 May 2022.

2. Scope and Application

2.1 The Policy shall apply in respect of the following :

- (a) the appointment of new Directors;
- (b) the evaluation of Directors on a continuous basis; and
- (b) the re-election of existing Directors.

3. Objective

3.1 The objectives of the Policy are as follows:

- (a) to set out the “Fit and Proper” policy criterion in respect of appointment of Directors to the Board of Directors (“Board”) as well as the continuation of appointment of Directors on the Board.
- (b) to improve the overall quality of Directors and promote greater transparency on the criterion for Board appointments.
- (c) to ensure that only individuals of high caliber and who possess the right blend of qualifications, expertise, track record, competence, diligence, character, honesty integrity and judgment to perform the duties properly are appointed to the Board which would be in tandem with good corporate governance practices.

4. Interpretation

4.1 In the Policy, unless the context otherwise requires:

- (a) the Recitals, headings and underlines are for convenience only and do not affect the interpretation of the Policy;
- (b) words and phrases defined in the Act shall bear the same meanings herein;
- (c) words importing the singular include the plural and vice versa;
- (d) words importing a gender include any gender; and
- (e) an expression importing a natural person includes any corporation or other body corporate, partnership, association, Public Authority, two or more persons having a joint or common interest, or any other legal or commercial entity or undertaking.

5. Review and Amendment

- 5.1 The Policy must be periodically reviewed by the Nomination & Remuneration Committee (“NRC”) and the Board to ensure their relevance and alignment with the organizational needs and structure and corporate governance practices.
- 5.2 The Policy may be amended, supplemented or substituted by the NRC upon the Board’s approval, from time to time to ensure compliance with any modification, amendment or supplementation to any notifications and directions issued by the respective authorities (including but not limited to Bursa Malaysia Securities Berhad Listing Requirements) or under any law applicable to SAB.

6. Required Notification

- 6.1 SAB will ensure that all reasonable steps are taken to ensure that each Director has knowledge of and fully understands the Policy, and each Director receives a copy of the Policy before any assessment of their suitability is conducted.
- 6.2 The policy will also form part of the induction process of new Directors.
- 6.3 It is the duty of SAB to publish the Policy, and every amendment and supplementation to the Policy, thereafter, in its Website at <http://www.southernacids.com/>

7. **Responsibility**

(a) **Board**

- The Board is primarily responsible for ensuring that the Directors fulfill fit and proper requirements and for conducting assessments of the fitness and propriety of Directors' of SAB.
- The Board is committed to ensuring that each Director has the appropriate skill and experience which commensurate with the role the Director holds and will make final determinations on the fitness and propriety of each Director.

(b) **NRC**

- The NRC shall undertake due diligence and be responsible for the assessment of the suitability of existing Directors and nomination or appointment of new Directors of SAB and making recommendations to the Board on all these matters.
- The NRC must ensure that :-
 - (i) the appropriate fit and proper assessments are carried out from time to time;
 - (ii) the required information is provided to the NRC and the Board on matters concerning the procedure for fit and proper assessments; and
 - (iii) SAB takes all reasonable steps to protect the information and documents collected for the fit and proper assessments from misuse, unauthorised access, modifications and/or disclosure.

8. **Assessment of "Fit and Proper"**

8.1 The Fit and Proper Assessments ("the assessments") on each Director within the scope of the Policy shall be conducted both prior to initial appointments, at regular intervals and re-election of Directors, on an annual basis or whenever SAB becomes aware of information that may materially compromise a Director's fitness and propriety.

8.2 The assessments must be supported by relevant information in relation to the Director being assessed. Where significant reliance is placed on information that is obtained about the Director being assessed, and that information is material to the determination of the Director's fitness and propriety, the NRC shall take reasonable steps to verify the information against independent sources.

- 8.3 The factors set out in Point 9 below shall be assessed individually and/or collectively, taking into account their relative importance.
- 8.4 Failure to meet one criterion on its own does not necessarily mean failure to meet the entire criterion. NRC should consider the specific circumstances which contributes to the Director's failure in meeting the criterion.
- 8.5 The assessment process will involve good measure of judgment, which must be exercised objectively and always in the best interest of SAB and the sound conduct o SAB's business.

9. Fit and Proper Criterion

- 9.1 For the purpose of establishing whether a person is fit and proper the Company shall have regard to the following:

(i) **Probity, Personal Integrity and Reputation**

- The Director must possess personal qualities including but not limited to qualities such as honesty, integrity, diligence, independence of mind and fairness.

(ii) **Competence and Capability**

- The Director must have the necessary skills, experience, ability and commitment to carry out the role.

(iii) **Financial Integrity**

- The Director must manage his debts or financial affairs prudently.

- 9.2 The assessment of the above criteria shall have regard to the considerations set out below

9.2.1 Probity, Personal Integrity and Reputation

SAB should consider matters including, but not limited to the following:

- (i) whether the Director is or has been the subject of any proceedings of a disciplinary or criminal nature, or has been notified of any impending proceedings or of any investigations, which might lead to such proceedings;
- (ii) whether the Director has contravened any provisions made by or under any written law designed to protect members of the public against

financial loss due to dishonesty, incompetence or malpractice;

- (iii) whether the Director has contravened any of the requirements and standards of a regulatory body, professional body, government or its agencies;
- (iv) whether the Director, or any business in which he has a controlling interest or exercises significant influence, has been investigated, disciplined, suspended or reprimanded by a regulatory or professional body, a court or tribunal, whether publicly or privately;
- (v) whether the Director has been engaged in any business practices which are deceitful, oppressive or otherwise improper (whether unlawful or not), or which otherwise reflect discredit on his professional conduct;
- (vi) whether the Director has been dismissed, asked to resign or has resigned from employment or from a position of trust, fiduciary appointment or similar position because of questions about his honesty and integrity;
- (vii) whether the Director has been associated, in ownership or management capacity, with a company, partnership or other business association that has been refused registration, authorisation, membership or a license to conduct any trade, business or profession, or has had that registration, authorisation, membership or license revoked, withdrawn or terminated;
- (viii) whether the Director has held a position of responsibility in the management of a business that has gone into receivership, insolvency, or involuntary liquidation while the Director was connected with that business;
- (ix) whether the Director has been a Director of, or directly concerned in the management of, any corporation which is being or has been wound up by a court or other authority competent to do so within or outside Malaysia, or of any licensed institution, the license of which has been revoked under any written law;
- (x) whether, in the past, the Director has acted unfairly or dishonestly in his dealings with his customers, employer, auditors and regulatory authorities;
- (xi) whether the Director has at any time shown a strong objection or lack of willingness to cooperate with regulatory authorities and failure to comply with legal, regulatory and professional requirements and standards, including compliance with tax requirements and obligations;

- (xii) whether the Director has contributed significantly to the failure of an organization or a business unit;
- (xiii) whether the Director has at any time shown strong objection or a lack of willingness to maintain effective internal control systems and risk management practices; and
- (xiv) whether the Director is free from any business or other relationship which could materially pose a conflict of interest or interfere with the exercise of his judgement when acting in the capacity of a Director which would be disadvantageous to SAB's interest.

9.2.2 **Competence and Capability**

Competence and capability are demonstrated by a Director who possesses the relevant competence, experience and ability to understand the technical requirements of the business, the inherent risks and the management process required to perform his role as a Director in his capacity effectively.

In assessing a Director's competence and capability, the NRC and the Board should consider matters including, but not limited to the following:

- (i) whether the Director has the appropriate qualification, training, skills, practical experience and commitment to effectively fulfil the role and responsibilities of the position and having regard to their other commitments; and
- (ii) whether the Director has satisfactory past performance or expertise in the nature of the business being conducted.

9.3.3 **Financial Integrity**

Financial integrity is demonstrated by a Director who manages his own financial affairs properly and prudently. In assessing a Director's financial integrity, the NRC and the Board must consider all relevant factors, including but not limited to the following:

- (i) whether the Director has been and will be able to fulfil his financial obligations, whether in Malaysia or elsewhere, as and when they fall due; and
- (ii) whether the Director has been the subject of a judgement debt which is unsatisfied, either in whole or in part, whether in Malaysia or elsewhere.

The fact that a Director may be of limited financial means does not in itself, affect the person's ability to satisfy the financial integrity criteria.