



SOUTHERN ACIDS (M) BERHAD

AUDIT COMMITTEE

TERMS OF REFERENCE (“TOR”) OF THE AUDIT COMMITTEE

MEMBERSHIP

Members of the Audit Committee (“AC”) shall be appointed by the Board of Directors from amongst the non-executive directors and shall comprise of at least three members with a majority of whom are independent. The Chairman of the AC shall be an Independent Director and shall not be the Chairman of the Board. No alternate Director shall be appointed as a member of the AC. The observation of a cooling-off period of at least two years before a former audit partner is appointed as a member of the Audit Committee.

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

At least one member of the AC:-

- (i) shall be a member of the Malaysian Institute of Accountants (MIA); or
- (ii) if not a member of the MIA, the member shall have at least three years' working experience; and
 - shall have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - shall be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
- (iii) fulfils such other requirements as prescribed by Bursa Malaysia Securities Berhad.

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

MEETINGS AND MINUTES

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

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

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

The Company Secretary shall act as secretary to the AC and record minutes for each meeting. The minutes of each meeting shall be distributed to all members of the AC for confirmation at the next meeting and to be circulated to the Board at the subsequent Board meeting for the Board's information. The Chairman of the AC shall report on key issues discussed at each meeting to the Board.

AUTHORITY

The AC shall have the authority as empowered by the Board as follows:-

- to investigate any activity within its terms of reference;
- to have sufficient and competent resources, including access to external independent professional advice when necessary in carrying out its duties;
- to have full and unrestricted access to information, reports, records, properties and personnel at all levels of management; and
- 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.

DUTIES

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

- 1) To review the Group's quarterly results and year-end financial statements before submission to the Board, focusing particularly on:
 - i. any changes in or implementation of major accounting policies and practices;
 - ii. significant issues arising from the audit including financial reporting issues, significant judgements made by management, significant and unusual events or transactions, and how these matters are addressed;
 - iii. compliance with accounting standards, regulatory and other legal requirements; and
 - iv. the going concern assumption.
- 2) 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.
- 3) To ensure the outsourced internal audit function is equipped with sufficient and competent resources and has the necessary authority to carry out its work.
- 4) To oversee the management of the outsourced internal auditor including appraisal of its performance and its termination or reappointment.
- 5) 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.
- 6) To consider and recommend to the Board, the appointment, resignation or dismissal of external auditors, and the audit fee.

- 7) 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.
- 8) To investigate any matter that is deemed necessary, within its Terms of Reference.
- 9) 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.
- 10) To report to the Board if there is any breach on the Bursa MMLR and recommend corrective measures.
- 11) To report promptly to Bursa where a matter reported by AC to the Board has not been satisfactorily resolved resulting in a breach of Bursa MMLR.
- 12) 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.
- 13) To undertake such other function and assignment as may be agreed by AC and the Board.

7. ENFORCEMENT OF THE AC TOR

The revised AC TOR has been adopted by SAB Board on 16 July 2018.