

TANCO HOLDINGS BERHAD

Company No.: 195801000190 (3326-K)

TERMS OF REFERENCE OF AUDIT AND RISK MANAGEMENT COMMITTEE

Composition of Audit and Risk Management Committee

1. The Audit and Risk Management Committee (“Committee”) shall be appointed by the Board of Directors (“Board”) from amongst the Directors and shall compose of not fewer than three (3) members. All the Committee members must be Non-Executive Directors, with a majority of them, being Independent Directors.
2. The Committee shall include at least one (1) Director who is a member of the Malaysian Institute of Accountants or alternatively, a person who must have at least three (3) years’ working experience and must have passed the examinations specified in Part 1 of the First Schedule of the Accountants Act 1967 or must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967 or a person who fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad (“Bursa Securities”).
3. No alternate Director shall be appointed as a member of the Committee.
4. The members of the Committee shall elect a Chairman from among themselves and that person so elected need to be an Independent Non-Executive Director who is not the Chairman of the Board.
5. Any former key audit partner of the Company and the Group shall observe a cooling-off period of at least three (3) years before being appointed as a member of the Committee.
6. In the event that a member or the Chairman of the Committee resigns, dies or for any other reason ceases to be a member or Chairman or as determined by the Board with the result that the number of members is reduced to below three (3) or there is no Chairman in the Committee, the Board shall, within three (3) months of that event, appoint such number of new members or Chairman.

Terms of Memberships

The term of office and performance of the Committee and each of its members shall be reviewed by the Nomination Committee annually.

Authority

The Committee is authorised by the Board to investigate any activity of the Company and the Group within its terms of reference, and shall be given the resources and full access to information, which it needs to do.

The Committee is also authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

The Committee shall have direct communication channels with the external and internal auditors, any other members and person(s) carrying out the internal audit function and activities and be able to convene meetings with the members, and/or external and/or the internal auditors, excluding the attendance of other Directors and employees of the Company and the Group, whenever deemed necessary.

Duties

The duties of the Committee should include the following:--

(A) In respect of the audit matters:-

- (i) To consider the appointment of the external auditors, the audit fee and any questions of resignation or dismissal;
- (ii) To establish policy and procedures to assess the performance, suitability, objectivity and independence of the external auditors in accordance with the external auditors policy;
- (iii) To review with the external auditors before the audit commences, the nature and scope of the audit and their audit plan;
- (iv) To review the assistance given by the Company to the internal and/or external auditors;
- (v) To review the quarterly and annual results of the Company and the Group, prior to the approval of the Board, focusing particularly on:-
 - any changes in accounting policies and practices;
 - significant and unusual events;
 - significant adjustments arising from the audit;
 - the going concern assumption; and
 - compliance with accounting standards and other legal requirements;
- (vi) To review the external auditors' evaluation of the Group's system of internal controls;
- (vii) To discuss problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss (in the absence of management where necessary);
- (viii) To review the external auditors' management letter and management's response;
- (ix) To do the following in relation to the internal audit function:--
 - review the adequacy of the scope, functions, competency and resources of the internal audit functions, and that it has the necessary authority to carry out its work;
 - review the internal audit programme and results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of the internal audit function;
 - review any appraisal or assessment of the performance of members of the internal audit function;
 - approve any appointment or termination of internal auditor; and
 - take cognizance of the resignation of the internal auditor and to provide the resigning internal auditor an opportunity to submit his/her reason(s) for resigning.

- (x) To review any related party transactions and conflict of interest situation that arose, persist or may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity, and the measures take to resolve, eliminate, or mitigate such conflicts;
- (xi) To consider the major finding of internal investigations and management's response;
- (xii) To report promptly to the Bursa Securities on matters reported by the Committee to the Board which have not been satisfactorily resolved resulting in a breach of Listing Requirements of Bursa Securities;
- (xiii) To verify the allocation of options pursuant to Share Issuance Scheme ("SIS for eligible employees in compliance with the criteria of the SIS at the end of each financial year;
- (xiv) To review the Committee Report at the end of each financial year; and
- (xv) To consider other topics as defined by the Board.

(B) In respect of the risk management matters:-

- (i) To review and recommend risk management strategies, policies and risk tolerance levels for Board's approval;
- (ii) To review and assess adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risks and the extent to which these are operating effectively;
- (iii) To ensure infrastructure, resources and systems are in place for risk management i.e. ensure that the staff responsible for implementing risk management systems perform those duties independently of the risk originating activities of the Company and the Group (where applicable);
- (iv) To review periodic risk management and business exposures reports from the respective business units of the Company and the Group (where applicable) on risk exposures, risk portfolio compositions and risk management activities;
- (v) To review and recommend new policies or changes to policies, and to consider their risk implications;
- (vi) To review matters relating to the requirements of compliance to the Anti-Bribery and Anti-Corruption policy and review the measures put in place to prevent employees and/or associated persons from undertaking corrupt practices in relation to the Company or the Group's business activities.
- (vii) To ensure that the respective committees of the companies in the group (where applicable) mirror the role and responsibility functions, duties and authority described herein;
- (viii) To note and adopt the respective board minutes (or any other forms of documents that highlight the risk exposures and activities) of companies in the group with respect to risk management activities carried out at that level; and
- (ix) To review disclosures statements relating to management of sustainability and internal control in Annual Report.

Attendance at Meetings

The Senior Management of the Group, including Group Financial Controller/ Chief Financial Officer, representative(s) of the internal and/or external auditors shall attend meetings upon the invitation of the Committee. Other Board members and employees may attend meetings upon the invitation of the Committee.

The Committee shall meet with the external auditors without Executive Board members present at least twice a year.

The Company Secretary shall be the Secretary of the Committee. The Secretary shall be responsible for keeping the minutes of the meeting of the Committee, circulating them to Committee members and to the other members of the Board.

Quorum

The quorum of the Committee Meetings shall consist of two (2) and a majority of members of whom is Independent. In the absence of the Chairman of the Committee, the members present shall elect one (1) of their members to chair the meeting.

Frequency of Meetings

The Committee shall meet not less than four (4) times a year.

In addition, the Chairman may call a meeting if a request is made by the Committee member and/or the external auditors if they consider it necessary.

Review of the Terms of Reference

The members of the Committee will assess, review and update the above terms of reference periodically or as and when there are changes to the regulatory requirements and changes to the direction or strategies of the Company that may affect the Committee's roles and recommend the changes for approval by the Board.

The latest copy of the terms of reference of the Committee shall be made available on the Company's website.

Approval

This Terms of Reference was revised and approved by the Board of Directors on 29 August 2023.