

TANCO HOLDINGS BERHAD

(Company No. : 3326-K)

BOARD CHARTER

1. INTRODUCTION

The enhancement of corporate governance standards is vital towards achieving the objectives of transparency, accountability and effective performance for Tanco Holdings Berhad (“THB” or the “Company”) and its subsidiaries (the “Group”). It is with the aim of enshrining concepts of good governance as promulgated by the Malaysian Code on Corporate Governance (the “Code”) that this Board Charter (the “Charter”) is established.

The Charter serves as a reference point for Board activities and should not be construed as a blueprint for Board operations. Just as each organisation has its own corporate culture, the dynamics of each Board are unique. The dynamics shift as the composition of the Board changes, and the Directors of the Company should always be open to new opportunities and ready to confront new challenges brought about by the changes.

This Charter is designed to provide guidance and clarity for Directors and Management regarding the role of the Board and its Committees, the requirements of Directors in carrying out their stewardship role and in discharging their duties towards the Company as well as the Board's operating practices. This Charter does not overrule or pre-empt the statutory requirements of Directors enshrined in the Companies Act 1965, the Income Tax Act 1967 and other relevant statutes, including the conduct of the Board as stipulated in the Articles of Association of the Company.

2. INTERPRETATION

In this Charter:

"Board" means the Board of Directors of the Company;

"Bursa Securities" means Bursa Malaysia Securities Berhad;

"Chairman" means the Chairman of the Board;

"Company Secretary" means the Board secretary(ies) or the person(s) normally exercising the functions of a Board secretary;

"Group" means the Company and all its subsidiaries;

"Independent Director" is defined in accordance with Paragraph 1.01 of the Listing Requirements of Bursa Securities;

"Listing Requirements" means the Main Market Listing Requirements of Bursa Securities;

"Management" means the management personnel of the Company and its subsidiaries;

"MCCG" means Malaysian Code on Corporate Governance;

"GMD & CEO" means the Group Managing Director & Chief Executive Officer; and

"Shareholders" means the shareholders of the Company.

"SC" means Securities Commission

3. THE BOARD

3.1 Role of the Board

- 3.1.1 The Board is charged with leading and managing the Company in an effective and responsible manner. Each Director has a legal duty to act in the best interest of the Company. The Directors, collectively and individually, are aware of their responsibilities to shareholders and stakeholders for the manner in which the affairs of the Company are managed. The Board sets the Company's values and standards and ensures that its obligations to its shareholders and stakeholders are understood and met.
- 3.1.2 The Board understands that the responsibility for good Corporate Governance rests with them and therefore strives to follow the principles and best practices stated in the MCCG. The Board includes a narrative statement in its Company's Annual Report on the extent of compliance with the principles and best practices in Corporate Governance pursuant to Paragraph 15.25 of the Listing Requirements.
- 3.1.3 The Company complies with the various guidelines issued by Bursa Securities and the SC relating to disclosure and internal audit functions. The Group shall outsource its internal audit function to a professional consulting firm. The internal audit function shall be independent of the activities of the Group and performs its duties with impartiality, objectivity and due professional care.
- 3.1.4 Duties of the Board include establishing the corporate vision and mission, as well as the philosophy of the Company, setting the aims of the Management and monitoring the performance of the Management.

3.1.5 The principal responsibilities of the Board are:

- a) to review and adopt a strategic plan of the Group and responsible for monitoring the implementation of the strategic plan by management;
- b) to oversee the conduct of the Group's businesses and evaluate whether the businesses are being properly managed;
- c) to ensure that the Group's strategies promote sustainability;
- d) to identify principal business risks faced by the Company and the Group and ensure implementation of appropriate systems to manage these risks;
- e) to consider and implement succession planning, includes appointing, training, determining the compensation, as well as the performance of Directors and Committee members and, where appropriate, retiring and appointing new members of the Board and Executive Directors;
- f) to oversee the development and implementation an investors relations programme or shareholder communication policy for the Group;
- g) to review the adequacy and the integrity of the Group's internal control systems and management information;
- h) to determine the remuneration of Executive Directors and Non-Executive Directors of the Company, with the individuals concerned abstaining from discussions of their own remuneration; and
- i) to ensure that the Group adheres to high standards of ethics and corporate behaviour.

3.1.6 The Board has established written procedures determining which issues require a decision of the full Board and which issues can be delegated to Board Committees or the Management.

3.1.7 The Board reserves full decision-making powers on the following matters:

- a) Conflict of interest issues relating to a substantial shareholder or a Director;
- b) Material acquisitions and disposition of assets not in the ordinary course of business;
- c) Investments in Capital projects;
- d) Authority levels;
- e) Treasury policies;
- f) Risk management policies; and
- g) Key human resource issues.

- 3.1.8 In overseeing the conduct of the Group's businesses, the Board shall ensure that an appropriate financial planning, operating and reporting framework as well as an embedded risk management framework is established. Elements under this combined framework include the operating plan and budget, financial statements, performance review reports and risk management reports.
- 3.1.9 The Board as well as any Director may seek independent professional advice relating to the affairs of the Group or his responsibilities as a Director, at the Company's expense. If a Director considers such advice necessary, for the benefit of the Company, such Director shall first discuss it with the GMD and/or CEO and having done so, shall be free to proceed, where appropriate. The Director must also ensure that it is practicable and the cost is reasonable.

3.2 Composition and Board Balance

- 3.2.1 The Board consists of qualified individuals with diverse experiences, backgrounds and perspectives. The composition and size of the Board is such that it facilitates the making of informed and critical decisions.

The Company's Articles of Association allow a minimum of two (2) and a maximum of eleven (11) Directors. It is important for the Board to keep its size at a reasonable level, Boards that are too small or too large may significantly limit the level of individual participation, involvement and effectiveness. The Board shall, from time to time, examine its size with a view to determine the impact of its number upon its effectiveness.

- 3.2.2 The Board also recognises the importance of independence and objectivity in the decision making process. At least one-third (1/3) of the Board shall consist of Independent Non- Executive Directors or a minimum of two (2), whichever is the higher.
- 3.2.3 The Independent Directors provide independent judgement, experience and objectivity without being subordinated to operational considerations.
- 3.2.4 The Independent Directors help to ensure that the interests of all shareholders, and not only the interests of a particular fraction or group, are indeed taken into account by the Board and that the relevant issues are subjected to objective and impartial consideration by the Board.
- 3.2.5 The views of the Independent Directors should carry significant weight in the Board's decision-making process.
- 3.2.6 The Board identified and appoints from amongst its members, a Senior Independent Non-Executive Director to whom the concerns of Directors and shareholders of the Company may be conveyed, The name of the Senior Independent Non-Executive Director shall be disclosed in the Annual Report of the Company.
- 3.2.7 Profiles of Board members are included in the Annual Report of the Company.

3.3 Chairman and Group Managing Director

The Board recognises the importance of having a clearly accepted division of power and responsibilities at the head of the Company to ensure a balance of power and authority. For this purpose, the positions of the Chairman of the Board and the Group Managing Director is held by different Directors of the Company. The Chairman must be a non-executive member of the Board.

3.3.1 Role of Chairman

The Chairman is responsible for:

- a) The leadership of the Board in ensuring the effectiveness of all aspects of its role;
- b) The efficient organisation and conduct of the Board's function, chairing Board meetings and encouraging all Directors to play an active role in Board activities;
- c) Taking the lead in setting the values and standards of the Company;
- d) Ensuring quality information is furnished to Board members on a timely basis to facilitate decision-making;
- e) Ensuring accurate and timely information, in particular, about the performance of the Company is furnished to Board members;
- f) Chairing general meetings of shareholders and ensuring orderly conduct and proceedings of such meetings;
- g) Ensuring effective communication with shareholders and stakeholders; and
- f) Facilitating the contribution of Non-Executive Directors and ensuring constructive relations be maintained between Executive and Non-Executive Directors.

3.3.2 Role of the Group Managing Director

Generally, the Group Managing Director is responsible to the Board for the following key functions:

- a) Develop and implement corporate strategies and business development for the Group;
- b) Manage the team such that they deliver the strategies and plans approved by the Board;
- c) Ensure the Company has an effective management team and structure as well as develop management skills and putting in place an effective management succession plan to sustain continuity of operations. The succession planning, including ensuring that processes are in place to recruit senior management with the highest standards of integrity and competence, and to train, develop and retain them;

- d) Ensure the efficiency and effectiveness of the operations for the Group and that the business and affairs of the Group are carried out in an ethical manner and in compliance with the relevant laws and regulations;
- e) Achievement of Company's goals and observance of management authorities delegated by the Board;
- f) Ensure that the financial management practice is performed at the highest level of integrity and transparency; and
- g) Ensure that effective internal controls for the Group are instituted.

3.4 Appointments

- 3.4.1 The appointment of a new Director is a matter for consideration and decision by the full Board upon appropriate recommendation from the Nomination Committee.
- 3.4.2 New Directors are expected to have such expertise so as to qualify them to make a positive contribution to the Board performance of its duties and to give sufficient time and attention to the affairs of the Company.
- 3.4.3 The Company Secretary has the responsibility of ensuring that relevant procedures relating to the appointments of new Directors are properly executed.
- 3.4.4 Upon the appointment of a new Director, the Company Secretary advises the Director of his/her principal duties and responsibilities and explains the restrictions to which he or she is subject to in relation to price-sensitive information and dealings in the Company's securities, Thereafter, all Directors are provided with appropriate briefings on the Company's affairs and up-to-date Corporate Governance materials published by the relevant bodies.
- 3.4.5 The Company has adopted an induction programme for newly appointed Directors. The induction programme aims at communicating to the newly appointed Directors, the Company's vision and mission, its philosophy and nature of business, current issues within the Company, the corporate strategy and the expectations of the Company concerning input from Directors. Induction of Directors may include, but not limited to, the following:-
 - a) provision of a copy of this Charter, recent board minutes, relevant company policies, most recent annual and interim reports to shareholders and information on the time commitment needed, as well as specific information about the Group;
 - b) meetings with relevant management; and
 - c) site visits to major operating locations.
- 3.4.6 The Company has adopted educational / training programmes to update the Board in relation to new developments pertaining to the laws and regulations and changing commercial risks which may affect the Board and/or the Company.

- 3.4.7 In addition to the Mandatory Accredited Programme (MAP) as required by the Bursa Securities, Directors are required to attend relevant training courses/seminars at periodic intervals to keep them abreast with development pertaining to the oversight function of Directors as well as updates on technical matters, for example financial reporting standards, tax budgets, etc. The Board will assess the training needs of the Directors and ensure its members have access to appropriate continuing education programmes, Trainings attended by the Directors during the year will be disclosed in the Annual Report.
- 3.4.8 All Directors are expected to make proper and timely disclosure of new directorships to the Company Secretary.
- 3.4.9 The Board shall assess the independence of Directors on an annual basis.

3.5 Tenure of Directors

- 3.5.1. New Directors shall hold office only until the next Annual General Meeting at which they will retire and be available for re-appointment.
- 3.5.2 Pursuant to the Company's Articles of Association, all Directors must retire once at least every three (3) years but shall be eligible for re-election.
- 3.5.3 There is a maximum age of 70 years for Directors. However, a Director who has attained the age of 70 years may be re-appointed as a Director until the next Annual General Meeting provided that the resolution must be passed by a majority of not less than three quarters (3/4) of such members of the Company present and voting who, being entitled to do so, vote in person or by proxy at the General Meeting of the Company.
- 3.5.4 An Independent Director should not exceed a cumulative term of nine (9) years with intervals. Upon completion of the nine (9) years, an Independent Director may continue to serve the Board subject to the Director's re-designation as a Non-Independent Director. Subject to obtaining the approval of the Company's shareholders in general meeting, an Independent Director who has served a cumulative term of nine (9) years may continue to serve the Company in that capacity. In such a situation, the Board must make a recommendation and provide strong justification to the shareholders in a general meeting.

3.6 Supply of Information

- 3.6.1 The Board should have access to all information pertaining to the Company. Management should supply accurate and complete information to the Board in a timely manner to enable the Board to discharge its duties effectively.
- 3.6.2 The Chairman, assisted by the Company Secretary, assesses the type of information required to be provided to the Board. If the information provided by the Management is insufficient, the Board will make further enquiries where necessary to which the persons responsible will respond as fully and promptly as possible.

3.7 Board meetings

- 3.7.1 The Board shall conduct at least four (4) scheduled meetings annually, with additional meetings to be convened as and when necessary.
- 3.7.2 Board members are required to attend the Board meetings. However, other senior officers may be invited to attend meetings for particular items within their responsibility. The Board may also invite external parties such as the auditors, solicitors and consultants as and when the need arises.
- 3.7.3 The notice of a Directors' meeting with a full agenda and comprehensive Board papers are circulated to all Directors in advance of each Board meeting, The Board shall record its deliberations, in terms of the issues discussed and the conclusions thereof in discharging its duties and responsibilities.
- 3.7.4 Full Board minutes of each Board meeting are kept by the Company Secretary and are available for inspection by any Director during office hours.

4. BOARD COMMITTEES

The Board appoints the following Board Committees with specific terms of reference:

- Audit Committee
- Nomination Committee
- Remuneration Committee

Independent and Non-Executive Directors play a leading role in these Committees. The Management and third parties are co-opted to the Committees as and when required.

4.1 Audit Committee

The Audit Committee assists and supports the Board's responsibility to oversee the Group's operations by providing a means for review of the Group's processes for producing financial data, its internal controls, risk management activities and independence of the Group's external and internal auditors.

4.2 Nomination Committee

The Nomination Committee oversees matters relating to the nomination of new Directors, annually reviews the required mix of skills, experience and other requisite qualities of Directors as well as the annual assessment of the effectiveness of the Board as a whole, its Committees and the contribution of each individual Director.

An effective Nomination Committee will contribute towards ensuring that the Board composition meets the needs of the Company.

4.3 Remuneration Committee

The Remuneration Committee is primarily responsible for recommending to the Board the remuneration of Executive Directors and Non-Executive Directors in all its forms, drawing from outside advice if necessary.

5. FINANCIAL REPORTING

5.1 Transparency

- 5.1.1 The Company aims to present a clear and balanced assessment of the Company's financial position and future prospects that extends to the interim and price-sensitive information and other relevant reports submitted to regulators.
- 5.1.2 The Directors ensure that the financial statements are prepared so as to give a true and fair view of the current financial status of the Company in accordance with the approved accounting standards.
- 5.1.3 The Company's practice is to announce to Bursa Securities its quarterly financial results as early as possible within two (2) months after the end of each quarterly financial period.
- 5.1.4 The Auditors Report shall contain a statement from the Auditors explaining their responsibility in forming an independent opinion, based on their audit, of the financial statements.

5.2 Company Auditors

- 5.2.1 The Board has established formal and transparent arrangements for considering how financial reporting and internal control principles will be applied and for maintaining an appropriate relationship with the Company Auditors through its Audit Committee.
- 5.2.2 The Audit Committee also keeps under review the scope and results of the audit and its cost effectiveness and the suitability, independence and objectivity of the Company Auditors. The Company ensures that the Company Auditors do not supply a substantial volume of non-audit services to the Company.
- 5.2.3 Appointment of the Company Auditors is subject to approval of shareholders at General Meetings, The Company Auditors have to retire during the AGM every year and be re-appointed by shareholders for the ensuing year.

5.3 Internal Controls and Risk Management

- 5.3.1 The Company has outsourced its internal audit function to a professional consulting firm. The Internal Auditors reviews all aspects of the Company's activities and its internal controls. Comprehensive audits of the practices, procedures, expenditure and internal controls of all business and support units and subsidiaries are undertaken on a regular basis.

- 5.3.2 The Board ensures the system of internal controls is reviewed on a regular basis.
- 5.3.3 The Board should establish a sound framework to manage risks.
- 5.3.4 The Audit Committee receives reports regarding the outcome of such reviews on a regular basis.

6. GENERAL MEETINGS

6.1 Annual General Meeting (AGM)

- 6.1.1 The Company regards the AGM as an important event in the corporate calendar of which all Directors and key senior executives should attend.
- 6.1.2 The Company regards the AGM as the principal forum for dialogue with shareholders and aims to ensure that the AGM provides an important opportunity for effective communication with, and constructive feedback from, the Company's shareholders.
- 6.1.3 The Chairman encourages active participation by the shareholders during the AGM.
- 6.1.4 The Chairman and, where appropriate, the GMD & CEO & Directors respond to shareholders' queries during the meeting.

6.2 Extraordinary General Meeting (EGM)

- 6.2.1 The Directors will consider requisitions by shareholders to convene an EGM or any other urgent matters requiring immediate attention of the Company.

7. RELATIONSHIP WITH SHAREHOLDERS AND STAKEHOLDERS

- 7.1 The Board shall maintain an effective communications policy that enables both the Board and Management to communicate effectively with its shareholders, stakeholders and the general public.
- 7.2 The Board ensures the timely release of financial results on a quarterly basis to provide shareholders with an overview of the Company's performance and operations in addition to the various announcements made during the year.
- 7.3 The Company conducts dialogues with financial analysts from time to time as a means of effective communication that enables the Board and Management to convey information relating to the Company's performance, corporate strategy and other matters affecting shareholders' interests.
- 7.4 The Company's website provides easy access to corporate information pertaining to the Company and its activities and is continuously updated.

8. COMPANY SECRETARY

- 8.1 The Company Secretary is a central source of information and advice to the Board and its Committees on issues relating to compliance with laws, rules, procedures and regulations and other governance matters affecting the Company.
- 8.2 The key role of the Company Secretary is to provide unhindered advice and services for the Directors, as and when the need arises, to enhance the effective functioning of the Board and to ensure regulatory compliance.
- 8.3 Other primary responsibilities of the Company Secretary shall include:
- a) ensuring that Board procedures and applicable rules are observed;
 - b) maintaining records of the Board and ensure effective management of the organisation's records;
 - c) preparing comprehensive minutes to document Board proceedings and ensure conclusions are accurately recorded; and
 - d) carrying out other functions as deemed appropriate by the Board from time to time.
- 8.4 The Board members have unlimited access to the professional advice and services of the Company Secretary.

9. CODE OF ETHICS AND CONDUCT

The Board, in discharging its role, is guided by the Code of Ethics and Conduct for Directors (“the Code”). The Code requires Directors to observe high ethical business standards, honesty and integrity. Directors are required to apply these values to all aspects of the Company’s businesses and act in good faith in the best interests of the Company and its stakeholders.

In the performance of his duties, a Director should at all times observe the following standards of conduct:

- a) A director must have a clear understanding of the aims and objectives, capabilities and capacity of the company.
- b) A director must act honestly, in good faith and in the best interests of the company as a whole.
- c) A director must use his powers for a proper purpose and in good faith in the best interest of the company.
- d) A director must use reasonable care, skill and diligence in discharging his duties.

- e) A director should devote adequate time to the company's activities.
- f) A director must recognize that the primary responsibility is to the company's shareholders as a whole but should, where appropriate, have regard for the interests of all stakeholders of the company.
- g) A director must not make improper use of the information acquired as a Director.
- h) A director must not take improper advantage of his or her position as Director.
- i) A director must not allow personal interests, or the interests of any associated person, to conflict with the interests of the company.
- j) A director has an obligation to be independent in judgement and actions and to take all reasonable steps to be satisfied as to the soundness of all decisions taken by the board of directors.
- k) A director should disclose immediately all contractual interests whether directly or indirectly with the company.
- l) A director can seek independent expert advice in accordance with the Company's policy on external advice.
- m) A director should not engage in conduct likely to bring discredit to the company.

10. APPLICATION

10.1 The principles set out in this Charter are:

- a) kept under review and updated as practices on Corporate Governance develop and further guidelines on Corporate Governance are issued by the relevant regulatory authorities;
- b) applied in practice having regard to their spirit and general principles rather than to the letter alone; and
- c) summarised in the Annual Report as part of a narrative statement by the Directors on Corporate Governance.

10.2 The Board endeavours to comply at all times with the principles and practices set out in this Charter.