

AUDIT AND RISK MANAGEMENT COMMITTEE'S TERMS OF REFERENCE

TERMS OF REFERENCE ("TOR")

The TOR of Audit and Risk Management Committee ("ARMC") is prepared and adopted by the Board of Directors of Barakah Offshore Petroleum Berhad ("the Board") based on the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and the Malaysian Code on Corporate Governance.

1. PURPOSE

The ARMC is established as a committee of the Board in providing assistance to the Board in fulfilling its statutory and fiduciary responsibilities for the audit and risk management activities of Barakah Group. Consistent with this function, the Committee shall encourage continuous adherence and improvement to the Group's policy, procedures and practices as well as the applicable laws and regulations.

The Committee is expected to ensure that the financial reports and processes are presented in a true and fair view for the Board's deliberation, assessment and approval. It is also expected to review the Group's risk management and internal controls instituted in the achievement of the Group's objectives.

The Internal Audit function reports directly to the ARMC. Its functions shall be independent of the activities it audits and that the internal audit activities shall be free from interference in determining the scope of internal audit, performing the audit and communicating the audit results.

2. COMPOSITION OF ARMC

The following requirements are to be fulfilled by the Board in respect of the appointment of the ARMC from among its members:

- i. The ARMC must be composed of no fewer than three (3) members.
- ii. All the ARMC members must be non-executive directors, with a majority of them being Independent Directors.
- iii. All members of the ARMC shall be financially literate and at least one member of the ARMC
 - a. Must be a member of the Malaysian Institute of Accountants ("MIA"); or
 - b. If he is not a member of MIA, he must have at least three (3) years' working experience and;
 - must have passed the examinations specified in Part I 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 Acts, 1967; or
 - c. Fulfils such other requirements as prescribed or approved by Bursa Malaysia.
- iv. An alternate director must not be appointed as a member of the ARMC;
- v. Subject to any regulatory disqualification, or provision in the Companies Act 2016 ("Companies Act") or removal of directors, members of the ARMC shall not be removed except by the Board; and
- vi. In the event of any vacancy in the ARMC, the Board shall within three (3) months fill the same so as to comply with all regulatory requirements.

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- vii. The Nominating and Remuneration Committee must review the term of office and performance of the ARMC and each of its members annually to determine whether such ARMC and its members have carried out their duties in accordance with their TOR.

3. CHAIRMAN

The Chairman of the ARMC shall be an Independent Non-Executive Director elected by the ARMC from amongst its members.

The Chairman of the ARMC is not the Chairman of the Board.

In the absence of the Chairman of the ARMC, the other members of the ARMC shall amongst themselves elect a Chairman who must be an independent director to chair the meeting.

4. AUTHORITY

The ARMC is authorised by the Board to conduct any activities within its TOR. It is authorised to seek any information it requires from any employee and it has unlimited access to all the Company's and its subsidiary and associate companies' records and information.

The ARMC is authorised by the Board whenever necessary to seek external legal or other independent professional advice and to secure the attendance of outsiders with the relevant experience and expertise.

5. ROLES AND RESPONSIBILITIES OF COMMITTEE

The ARMC shall assume the following six fundamental responsibilities and report the same to the board:

- i. Overseeing the financial reporting:
 - a. Reviewing the quarterly results and annual financial statements, prior to the approval by the Board, focusing on:
 - changes in or implementation of major accounting policy changes;
 - significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed; and
 - compliance with accounting standards and other legal requirements.
- ii. Reviewing the ARMC Report and Statement on Risk Management and Internal Control.
- iii. Assessing the risk and control environment:
 - a. Determining that the Group has adequate administrative, operational and internal accounting controls and that the Group is operating in accordance with its prescribed procedures, codes of conduct and applicable legal and regulatory requirements;
 - b. Reviewing the Group's risk management framework, policy and risk registers and internal controls instituted for the achievement of Group's objectives. (This shall include reviewing the establishment of an appropriate overall internal control framework including financial information systems, and potential enhancement);
 - c. Overseeing that the procedures are in place to ensure that the Group is in compliance with the Companies Act, MMLR, Capital Market and Services Act 2007 and other legislative and reporting requirements;

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- iv. Evaluating the internal audit and external audit:-
 - a. Ensuring that the Internal Audit Charter is properly in place so as to have an independent standing in the Group for its terms of reference and functions;
 - b. Providing directions and overseeing the internal auditors and the external auditors so as to enhance their independence from management;
 - c. Reviewing the adequacy of the scope, competency and resources of the Internal Audit function and that it has the necessary authority to carry out its work;
 - d. Reviewing and approving the scope of audit and the audit plan of the external auditors, including any changes in the scope of the audit plan and to ensure the smooth coordination between internal auditor and external auditor;
 - e. Reviewing the internal audit plan, processes, the results of the internal audit assessments, investigation undertaken and whether or not appropriate action is taken on the recommendations.
 - f. Reviewing the external audit reports and internal audit reports to ensure that where major deficiencies in controls or procedures have been identified, appropriate and prompt actions are taken by management. The ARMC shall be required to provide assistance towards any difficulties encountered in the course of audit work, including any restrictions on the scope of activities or access to required information, or investigation reports on any major misappropriation and fraud within the Group;
 - g. Reviewing the significant/major audit findings during the interim and final audit in the year with external auditors and management's responses including the status of the previous audit recommendations;
 - h. Reviewing with the external auditors, their evaluation of the system of internal control;
 - i. Reviewing the assistance given by the staff to the external auditors;
 - j. Recommending and reviewing the nomination, appointment, fees, resignation, dismissal and performance of the external auditors before making recommendations to the Board. ARMC shall review whether there is reason (supported with grounds) to believe that the external auditors are not suitable for re-appointment;
 - k. Take cognizance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning; and
 - l. Reviewing the appointment, transfer, remuneration, performance and dismissal of Chief Internal Auditor.
- v. Performing any other activities consistent with the terms of reference, as the ARMC or the Board deem necessary or appropriate.
- vi. Reviewing and monitoring any related party transactions/business dealings entered into by the Group to ensure that they are conducted on arms' length basis and based on terms that are fair to the Group.
- vii. Reviewing any conflict of interest ("COI") or potential COI situation involving a director, key senior management and legal representative ("key person") within the Group which may include but not limited to:-
 - Using property or resources of the Group for his or her personal purpose or business;

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- Channeling benefits or resources meant for the Group to a company which he or she has an interest in;
- Disclosing trade secrets to a competitor where he or she has an interest in;
- Prioritising his or her private venture by depriving the Group from an identified business opportunity;
- leveraging on the Group's business or developmental plan by acquiring adjacent lands using the said key person's private company;
- involving in a business which offers similar products or services that are likely to replace or substitute the products or services offered by the Group;
- holding offices or directorships in competitors of the Group; or
- providing financial assistance to, or receiving financial assistance from, the Group on terms and conditions which are more favourable to the said key person than normal commercial terms,

and to undertake measures to resolve, eliminate and mitigate such COI situation within the Group which may include but not limited to:-

- requiring declaration of COI as soon as practicable after the relevant facts have come to the knowledge of the said key persons, as well as on a periodic and regular basis;
- restricting participation of the said key persons in any applicable Board, committee or general meetings and requiring the said key persons to abstain or recuse themselves from deliberation and voting on matters relating to the said COIs;
- undertaking an assessment on COI of the said key persons during the performance appraisal on an annual basis and for new appointments, before the appointment;
- requiring the said key persons to execute a non-disclosure or confidentiality agreement to protect any type of confidential and proprietary information or trade secrets;
- restricting the said key persons from participating in businesses which compete with the Group; or in extreme circumstances where the COI is likely to affect the performance of the said key persons, requiring such persons to either divest the interest causing the conflict or resign from the Group.

PROCEDURES

- **Duty to Disclose:**
Any individual who has a conflict of interest situation is obligated to disclose his interest prior to entering into any transactions or business arrangement with the Group, or as soon as it arises if the transaction or business arrangement is still in subsistence. Failure to make such disclosures may lead to termination of employment and business relationships. The interested individual shall abstain from deliberating and approving the transactions or business arrangement.
- **Evaluating potential conflict of interest situation:**
The ARMC shall evaluate the conflict of interest situation when a possible conflict of interest arises. If the AC determines that a conflict exists, steps will be taken to manage the situation. If no conflict exists, the inquiry may be documented and no further action will be taken.
- **Addressing conflicts of interest:**
When an actual conflict of interest is identified, any transactions that may have been affected will be reviewed retroactively. An investigation will also be conducted by the AC to determine the extent of the conflict and the intentions of the parties involved. If the conflict in question involves a member or members of the board of directors, such a member will be excused from the deliberations.

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- Investigation and disciplinary action
All conflicts of interest cases will be investigated by the AC. Upon completion of the investigation, the AC shall refer its investigation report to the board of directors for appropriate disciplinary action to be taken.

Where the ARMC is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the MMLR, the ARMC shall promptly report such matters to Bursa Securities.

6. RIGHTS OF ARMC

The ARMC shall, wherever necessary and reasonable, for the performance of its duties and in accordance with the procedures determined by the Board and at the cost of the Group:

- i. Have authority to investigate any matter within its TOR;
- ii. Have the resources which are required to perform its duties;
- iii. Have full and unrestricted access to any information pertaining to the Group;
- iv. Have direct communication channels with the external auditors and internal auditors;
- v. Be able to obtain independent professional advice or other advice; and
- vi. Be able to convene meetings with the external auditors, the internal auditors or both, without the attendance of other directors, management and employees of the Group, whenever deemed necessary.

7. QUORUM AND MEETINGS

The quorum for meeting of the ARMC shall be two (2) in which the majority present in respect of such meeting must be Independent Directors.

The ARMC shall meet a minimum of 4 times in a financial year or as frequently as the Chairman shall decide.

The ARMC meeting shall be attended by its members and the Company Secretary/ies. Other Directors, members of the management, employees, and representatives of the internal and external auditors shall attend the meeting only by invitation of the ARMC.

Upon request of the external auditors, the Chairman of the ARMC shall convene a meeting of the ARMC to consider any matter the external auditors believe should be brought to the attention of the directors and/ or shareholders.

8. REVIEW OF TERMS OF REFERENCE

The ARMC's TOR may be reviewed by the ARMC/ Board annually or whenever necessary to ensure its relevance in assisting the Board to discharge its duties with any changes in the laws and regulations that may arise from time to time and to remain consistent with the Board's objectives and responsibilities.