



BARAKAH OFFSHORE PETROLEUM BHD (980542-H)

**AUDIT AND RISK MANAGEMENT COMMITTEE
TERMS OF REFERENCE**

DOCUMENT NO: BOP/GEN/R/02-003

REVISION NO: 02

EFFECTIVE DATE: 30 March 2018

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.

- 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

- i. The Chairman of the ARMC shall be an Independent Non-Executive Director elected by the ARMC from amongst its members.
- ii. 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;
- 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, and 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 is 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 is not suitable for re-appointment; and

k) Take cognizance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.

l) Reviewing the appointment, transfer, remuneration, performance and dismissal of Chief Internal Auditor.

- v. Reviewing the related party transactions and any conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- vi. Performing any other activities consistent with the terms of reference, as the ARMC or the Board deem necessary or appropriate.

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.

i) 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.

ii) 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.