

TERMS OF REFERENCE OF THE BOARD AUDIT AND RISK COMMITTEE SAPURA RESOURCES BERHAD (“SRB”)

INTRODUCTION

This Terms of Reference (“TOR”) of the Board Audit and Risk Committee (“BARC”) sets out the duties and responsibilities of the BARC.

OBJECTIVES

The primary objectives of the BARC are as follows:-

- a) To provide assistance to the Board of Directors (“Board”) in the fulfilment of its fiduciary duties vis-à-vis the corporate accounting and reporting practices of the Company;
- b) To maintain, through regular scheduled meetings, a direct line of communication between the Directors, Management, External Auditors and Internal Auditors;
- c) To ensure the independence of external and internal audit functions;
- d) To grant to External Auditors a forum at which issues may be raised for the appraisal of the BARC in respect of Management practices and policies;
- e) To act upon any request from the Board to investigate and report on any issues of concern as regards to the management of the Group;
- f) To review existing policies and practices within the Group in order to regulate and streamline the same to ensure uniformity therein;
- g) To deal with and attend to any other matter, which the independence of the BARC is an essential ingredient to ensure that any action taken shall be unbiased and fair;
- h) To formulate and review the risk strategy of the Group;
- i) To approve and periodically review the Group’s risk management policies in line with the risk strategy;

- j) To define the risk management objectives across risk categories and business lines;
- k) To review the overall risk profile of the organisation and specific market risk and credit risk portfolio profile on periodic basis;
- l) To approve the methodology to be adopted for risk based economic capital computation;
- m) To approve the contingency plan for dealing with various extreme internal / external events and disasters; and
- n) To ensure the cultivation of proper awareness of risk culture in the organisation.

COMPOSITION AND SIZE

The members of the BARC shall be appointed by the Board of Directors of SRB from amongst its Directors and shall consist of not less than three (3) members and not more than five (5) members, comprising solely of Non-Executive Directors, a majority of whom shall be independent. No alternate Director(s) shall be appointed as member of the BARC.

Where the members for any reason reduced to less than three, the Board shall within 3 months, appoint such number of new member(s) as may be required to meet the minimum number of three (3) members.

Subject to any regulatory disqualification, members of the BARC shall not be removed except by the Board. In the event of any vacancy in the composition of the BARC resulting in non-compliance with the Bursa Malaysia Securities Berhad Main Market Listing Requirements (“MMLR”) and the election of an Independent Chairman of the BARC, the Board shall within three (3) months fill the same so as to comply with all regulatory requirements.

At least one member of the Committee must met the criteria set by MMLR:-

- At least one (1) member of the BARC:
 - (i) Must be a member of the Malaysian Institute of Accountants (“MIA”); or
 - (ii) If not a member of the MIA, he/she 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

- Be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act, 1967.
- (iii) Fulfils such other requirements as prescribed and/or approved by Bursa Malaysia.

All members of the BARC, including the Chairman, shall only hold office so long as they serve as Directors of the Company.

No former key audit partner shall be appointed as a member of the BARC before observing a cooling-off period of at least two (2) years before being appointed as a member of the BARC. For the purpose of the foregoing, a former key audit partner means the engagement partner, the individual who is responsible for the engagement of quality control review and other audit partners, if any, on the engagement team who make key decisions and/or judgments on significant matters with respect to the audit of the financial statements on which the auditor will express an opinion.

CHAIRMAN

The Chairman of the BARC shall be an Independent Non-Executive Director and shall be approved by the Board. Should the Chairman be absent from any meeting, one of the members from amongst the BARC, who shall be an Independent Non-Executive Director shall be elected as the Chairman. The Chairman of the BARC is not the Chairman of the Board.

SECRETARY

The Company Secretary or other appropriate senior officer of the Company shall act as the Secretary of the BARC.

NOTICE OF MEETINGS

Notice of meetings shall be circulated at least seven (7) days and the relevant documents to the meeting agenda shall be circulated at least three (3) working days prior to the meeting to the BARC members, the External Auditors and all those who are required to attend the meeting. Consent from all members of the BARC shall be obtained for meetings called shorter than the required notice period.

The Chairman or any other members of the BARC may also call for additional meetings at any time by giving at least seven (7) days prior written notice unless consent for a shorter notice had been obtained from all members.

MEETINGS

The BARC may meet together for dispatch of business, adjourn and otherwise regulate the meetings quarterly or more frequent as deemed necessary, but shall not be less than four (4) times a year, and normally will be attended by the Chief Financial Officer. The presence of External Auditors will be requested if required.

Other Board members and employees of the Company may attend meetings only upon invitation of the BARC. However, at least once a year, the BARC shall meet with the External Auditors without any executive Board member and Management present. The External Auditors may request a meeting if they consider it necessary.

All resolutions of the BARC shall be adopted by a simple majority vote, where each member having one vote, and shall in case of fair votes, the Chairman of the BARC shall have the casting vote.

Members of the BARC who participate in a meeting by means of a teleconference or any other means of communication method shall be deemed as if being present in person at the meeting and shall be entitled to vote and be counted in a quorum accordingly.

The BARC may regulate its own procedure, in particular in the conduct of the BARC meetings, including attendance at a meeting by being present in person or by participating in the meeting by means of video or teleconference.

The BARC shall record its deliberations, in relation to the matters being discussed during the meeting, and the conclusions in discharging its duties and responsibilities related to the matter discussed, with the minutes kept and distributed to each member of the BARC and of the Board, prior to the next meeting held. The Chairman of the BARC shall provide the Board with a report of the BARC meetings, at the next Board meeting after the conclusions of each BARC meeting. The books containing minutes of proceedings of any meetings of the BARC shall be kept by the Company at the registered office of the Company and shall be opened for inspection by any member of the BARC or the Board.

QUORUM

The quorum for all meetings of the BARC shall not be less than two (2) members, which shall comprise of Independent Non-Executive Directors.

CIRCULAR RESOLUTIONS

A circular resolution in writing shall be valid and effectual if it is approved and signed by a majority of members of the BARC as if it had been passed at a meeting of the BARC. Any such resolution may consist of several documents in like form, each signed by one or more BARC members.

AUTHORITY

In carrying out its duties and responsibilities, the BARC is authorised by the Board to:

- a) Have explicit authority to investigate and dealt with any matter which fall under its authority as stated in this TOR or as directed by the Board;
- b) Have the necessary resources to performs its duties as stated in this TOR including approving the budget for the external and internal audit functions;
- c) Have full and unrestricted access to any information, records, properties and personnel of the Company which it requires in the course of performing its duties. This includes authority to seek information from any employees. Employees subjected to such requisition are directed to co-operate with BARC;
- d) Have the authority to obtain independent professional advice in the performance of its duties at the cost of the Company;
- e) Have the authority to invite external third party with relevant experience to attend and provide necessary advice related to the matters discussed during its meeting, where it is necessary;
- f) Convene meetings with the External and Internal Auditors, or both excluding the attendance of the other Directors and Management, whenever deemed necessary;
- g) Communicate directly with the External Auditors, Internal Auditors and all employees of the Company;
- h) Approve the appointment of the Internal Auditors and the Internal Auditors shall report directly to the BARC;
- i) Approve the appointment of the Integrity Officers and the Integrity Officers shall report directly to the BARC;

- j) Where the BARC is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”), the BARC must promptly report such matters to Bursa Securities; and
- k) Recommend to the Board for approval on any changes to its TOR that shall be amended revised and updated when necessary in line with the changes to the MMLR of Bursa Malaysia, Malaysia Code on Corporate Governance of Securities Commission Malaysia or any other regulatory requirements.

DUTIES AND RESPONSIBILITIES

The BARC shall review, evaluate, report and, where appropriate make recommendations and, report to the Board the following:

(a) Financial Reporting

To review the quarterly financial statements, interim financial announcements and year end annual financial statements of the Company and press release relating to financial matters before submission to the Board and announcements to the Bursa Securities focusing on:

- changes in or implementation of accounting policies and practices;
- significant adjustments arising from the audit;
- significant matters highlighted including financial reporting issues, significant judgements made by Management, significant and unusual events or transactions, and how these matters are addressed;
- going concern assumption; and
- compliance with accounting standards and other legal requirements.

To review with the Group’s counsel, any legal matter that could have a significant impact on the Group’s financial statements.

(b) Audit Reports

- Internal and external audit reports together with management’s responses to ensure that appropriate and prompt remedial action is taken by the management on major deficiencies in controls or procedures that are identified, including status of previous audit recommendations; and
- Findings of internal investigations and related management responses.

(c) External Audit

- The External Auditors' audit plan and scope of their audits, including any changes to the planned scope of the audit plan;
- The External Auditors' audit report and their evaluation of the system of internal controls. The appointment and performance of External Auditors, the audit fee and any question of resignation or dismissal including any written explanations before making recommendations to the Board;
- The assistance given by the employees to the External Auditors, and any difficulties encountered in the course of the audit work; and
- Establish policies and procedures to assess the performance, suitability, objectivity and independence of external auditors that considers, among others:
 - The competence, audit quality and resource capacity of the external auditor in relation to the audit;
 - The nature and extent of the non-audit services rendered and appropriateness of the level of fees; and
 - Obtaining written assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

The assessment on the suitability, objectivity and independence of the external auditors should be conducted annually.

d) Internal Audit

- Review the adequacy of scope, functions and resources of the Internal Auditors and that it has the necessary authority to carry out its work;
- Review and approve Internal Audit Plan and all major changes to the plan;
- Review the results of the Internal Audit reviews and where necessary ensure that appropriate and adequate remedial actions are taken by Management;
- Review any appraisal or assessment of the performance of the Internal Audit Department;
- Review report issued by the Internal Auditors and the coordination of audit approach between the External and Internal Auditors;
- Approve any appointment transfer or termination of the Internal Auditors, inform itself of resignations and/or provide an opportunity to submit his/her reason for resignation;
- Appraise the performance of the Internal Auditors; and
- Direct any special investigations to be carried out by the Internal Auditors.

(e) Risk Management and Internal Control

- Consider whether the Group has effective management systems in place to identify, assess, monitor and manage its key risk areas;
- Review, approve and ensure adherence to the Group's risk management policy and strategies;
- Establish the roles and respective accountabilities of the Board, the BARC and the Management in managing risks;
- Provide for regular review of the effectiveness of the Group's implementation of its risk management system;
- Receive regular reports on the risk profile of the Group, describing material risks (both financial and non-financial) facing the Group and action plans taken by the Management to mitigate the risks; and
- Review the appropriateness of management's response to key risk areas.

(f) Related Party Transactions

To review any related party transaction entered into by the Company and the Group and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of Management's integrity.

(g) Corporate Governance and Compliance

- To review and approve the Corporate Governance Report and the Statement of Corporate Governance for the annual report as required under MMLR;
- To examine matters that may have compromised the principle of corporate governance and report back to Board; and
- To review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.

(h) Integrity

- To review and approve the Whistleblowing Policy;
- To have oversight on the whistleblowing system and review any complaints received through the whistleblowing channels;
- To ensure that appropriate actions are taken to address reports on improper conducts; and
- To appraise the performance of the integrity officers.

(i) Anti – Bribery and Corruption

- To review and approve the Anti-Bribery and Corruption Policy and oversight of anti-bribery and corruption initiatives;
- To review and decide on bribery and corruption risk assessment, audit and investigations; and
- To review on periodic basis the risk assessment on bribery and corruption risk.

(j) Other Functions

Any such other functions as the BARC considers appropriate or as authorised by the Board.

REVIEW OF THE BARC

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

AMENDMENTS OF THE TOR

Any amendment to this TOR of the BARC, as proposed by the BARC or any other third party, shall be presented to the Board for approval. Upon the Board’s approval, the said amendment shall form part of the TOR of the BARC, of which shall be considered duly amended.

Dated : 22 November, 2021