

SCOMI GROUP BHD (571212-A)
AUDIT AND RISK MANAGEMENT COMMITTEE – TERMS OF REFERENCE

Objective

To assist the Board of Directors (the "Board") to review the adequacy and integrity of the Group's financial administration and reporting, internal control and risk management systems including the management information system and systems for compliance with applicable laws, regulations, rules, directives and guidelines.

Balance and Composition

- (a) The members of the Audit and Risk Management Committee (the "Committee") shall be appointed by the Board based on recommendations from the Nomination and Remuneration Committee. The Committee shall comprise at least three (3) members, all of whom must be non-executive directors with a majority of them being independent directors.
- (b) None of the members of the Committee shall be an alternate director.
- (c) A majority of the members of the Committee must be financially literate with sufficient financial experience and ability and at least one member of the Committee must be an Accountant or such other qualifications as defined by the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.
- (d) The Committee shall have a mixture of expertise and experience, including an understanding of the industry(ies) in which the Group operates in.
- (e) Members of the Committee shall elect a Chairman from among themselves who is an Independent Non-Executive Director.
- (f) Members of the Committee may relinquish their membership in the Committee with prior written notice to the Company Secretary.
- (g) In the event of any vacancies arising in the Committee resulting in the number of members of the Committee falling below three (3), the vacancy should be filled within three (3) months of it arising.
- (h) The Nomination and Remuneration Committee shall review the term of office and performance of the Committee and each of its members annually to determine whether the Committee and its members have carried out their duties in accordance with the terms of reference of the Committee.

Powers of the Committee

- (a) In carrying out its duties and responsibilities, the Committee shall, at the expense of the Company,
 - Have the authority to investigate any matter within its terms of reference;
 - Have full, free and unrestricted access to the Company's and Group's records, properties, personnel and other resources;
 - Have direct communication channels with the external auditors and person(s) carrying out the internal audit function;
 - Be able to obtain independent professional or other advice in furtherance of their duties; and

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- Be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of the other directors and employees, whenever deemed necessary.
- (b) The Committee is not authorised to implement its recommendations, save and except for the internal audit function, on behalf of the Board but shall report its recommendation back to the Board for its consideration and implementation.
- (c) Where the Committee 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, the Committee is authorised to promptly report such matters to Bursa Malaysia Securities Berhad.

Duties and Responsibilities of the Committee

- (a) To consider and recommend to the Board the appointment of the external auditor, the audit fee and any questions of resignation or dismissal;
- (b) To pre-approve all non-audit services to be provided by the independent auditors to the Company in accordance with the Company's policies and procedures, and regularly review:
 - (i) the adequacy of the Company's policies and procedures for pre-approving the use of the independent auditors for non-audit services with a view to auditor independence;
 - (ii) the non-audit services pre-approved in accordance with the Company's policies and procedures; and
 - (iii) fees paid to the independent auditors for pre-approved non-audit services;
- (c) To monitor regular rotation of audit partners by the independent auditors;
- (d) To discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- (e) To act as an intermediary between the management or other employees, and the external auditors;
- (f) To assess the suitability and independence of external auditors including the review of the policy and procedures relating thereto;
- (g) To review the quarterly and year-end financial statements, focusing particularly on:
 - Any changes in accounting policies and practices
 - Significant adjustments arising from the audit
 - Litigation that could affect results materially
 - The going concern assumption
 - Compliance with accounting standards and other legal requirements;
- (h) To discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss (in the absence of management where necessary);
- (i) To review the external auditor's management letter and management's response;
- (j) In relation to the internal audit function:
 - Review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;

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- Review and approve the internal audit plan and results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendation of the internal audit function;
 - Review the independence of the internal audit function;
 - Approve the appointment or termination of employment of the head of the internal audit function and to review his/her performance appraisal or assessment; and
 - Receive reports from the head of the internal audit function on resignations of other internal audit staff members, their reasons for resigning and to review the performance appraisal or assessment of the other internal audit staff conducted by the head of the internal audit function;
- (k) To consider and report back to the Board any related party transactions and conflict of interest situation that may arise within the Company or Group including any course of conduct that raises questions of management integrity;
- (l) To consider the major findings of internal investigations and management's response;
- (m) To consider other topics as defined by the Board;
- (n) To review and consider the appropriateness and adequacy of internal processes for risk oversight and management. In particular, the Committee shall:
- 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 Committee and 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 management to mitigate the risks;
 - Review the appropriateness of management's response to key risk areas;
- (o) In relation to major business investment proposals:
- To review and evaluate the risk associated with any proposal prepared by the project sponsor(s); particularly that all risks have been considered and are within the Group's strategic goals and that action plans or strategies to mitigate identified risks are adequate;
 - To conduct meetings with the project sponsor(s) and chief executive officer ("CEO"), if necessary, to discuss risk matters related to the proposal; and
 - To make a recommendation to the Board on the appropriate course of action to take;
- (p) To oversee the Group's internal compliance and control systems established by management, including reviewing the effectiveness of these systems and approving management's programmes and policies to ensure effectiveness.

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Meetings and Minutes

- (a) The Committee shall meet at least four (4) times during a financial year, with special meetings of the Committee to be convened as and when deemed necessary. In order to form a quorum, the majority of members present must be independent directors.
- (b) The CEO, the Chief Financial Officer (by whatever name called), the Head of the Group Internal Audit Department and a representative of the external auditors shall normally attend meetings. Other persons may attend meetings only upon the invitation of the Committee. However, at least twice a year the Committee shall meet with the external auditors without executive board members or management present.
- (c) The Company Secretary shall act as secretary of the Committee and shall be responsible, with the concurrence of the Chairman of the Committee, for drawing up and circulating the agenda and notice of meetings together with supporting explanatory documentation to all Committee members at least five (5) days prior to each meeting. If there is a unanimous consent by the members of the Committee present in the meeting, a short notice shall suffice.
- (d) The agenda and notice of meetings together with supporting explanatory documentation for Special meeting of the Committee shall be circulated to all Committee members as soon as practicable but not less than two (2) days prior to the Special meeting of the Committee.
- (e) The Secretary of the Committee shall record all proceedings and minutes are to be prepared and circulated to the Committee members and the Board. In addition, the Chairman of the Committee will report significant matters and resolutions, at each Board meeting.