



BUMIARMADA

**BUMI ARMADA BERHAD
(370398 – X)**

RISK MANAGEMENT COMMITTEE

TERMS OF REFERENCE

1. Status

- 1.1 The Risk Management Committee (“Committee” or “RMC”) is a committee of the Board of Directors (“Board”) of Bumi Armada Berhad (“BAB” or “Company”).

2. Objectives

- 2.1 The Committee’s objectives are to:
- (a) oversee the Group’s risk management systems, practices and procedures to ensure Enterprise Risk Management (“ERM”) processes and culture are embedded throughout the Group, including effectiveness of risk identification and management, and compliance with internal guidelines and external requirements; and
 - (b) promote a Group wide governance culture with respect to risk management and internal controls.
- 2.2 The Committee shall further undertake all other matters and perform all functions as shall be delegated to the Committee by the Board from time to time.

3. Composition

- 3.1 The membership of the Committee is by the appointment and mandate by the Board and shall comprise not less than two (2) members.

The Chief Executive Officer, the Chief Financial Officer and the General Counsel shall have a standing invitation to attend meetings of the Committee.

Other senior management of the Group or professional persons with relevant knowledge, skills and competence may be invited to attend any Committee meeting to provide additional insight and relevant guidance on specific subjects.

- 3.2 The Chairman of the Committee shall be appointed by the Board.
- 3.3 All members shall hold office only for so long as they serve as Directors of the Company. The Board shall have the power to rescind the appointment of any member of the Committee and appoint such other person as his/her replacement.
- 3.4 Members of the Committee may relinquish their membership in the Committee with prior written notice to the Secretary and may continue to serve as Directors of the Company.
- 3.5 The Secretary of the Committee shall be the Company Secretary of BAB or such other person as designated by the Committee to be the Secretary of the Committee (referred to hereinafter as “Secretary”).

4. Meetings

- 4.1 The Committee shall meet at any time as requested by the Chairman, or if so directed by the Board, provided that the Committee shall meet at least once every quarter. The venue of the meeting shall be at the Company's office or such other location as the Chairman shall nominate.
- 4.2 Notice of any Committee meeting, upon the requisition of any member of the Committee, shall be served on each member at least three (3) business days before the date of such meeting, unless otherwise agreed by the members, save in the case of any matter requiring the Committee's immediate attention, where a meeting may be called by giving shorter notice. The notice shall set out the agenda of issues to be considered and resolved at such meeting.
- 4.3 The quorum of a meeting shall be at least two (2) members, with at least one (1) member being an Independent Non-Executive Director.
- 4.4 Attendance at a meeting may be by being present in person or by participating in the meeting by means of video or telephone conference.
- 4.5 Any person other than the Committee members may attend any Committee meeting, as determined necessary by the Committee, or as invited by the Chairman.
- 4.6 Minutes of the meeting shall be recorded and its draft circulated to all members of the Committee for comments. Such minutes shall be signed by the Chairman of that meeting or by the Chairman of the next meeting. The duly signed minutes shall be sufficient evidence of the proceedings at the meeting.
- 4.7 Minutes of each Committee meeting shall be kept at the registered office of the Company under the custodian of the Company Secretary. The Minutes shall be open for the inspection by the Board and external auditors.
- 4.8 A resolution in writing, signed by a majority of the members for the time being entitled to receive notice of the Meeting of the Committee, shall be as valid and binding as if it has been passed at a meeting of the Committee duly convened and quorate, provided that all members have been given a reasonable opportunity to consider such resolutions. Any such resolution may consist of several documents in like form, each signed by one or more members of the Committee.

5. Duties, Responsibilities and Rights

- 5.1 The responsibility, duties and rights of the Committee shall include amongst others:
 - (a) Oversee the formulation and implementation of ERM framework to identify and deal with risks faced by the Company, its subsidiaries and jointly controlled entities (collectively, "Group"), including without limitation, operational, legal and regulatory risks), and amend and supplement this from time to time;
 - (b) Review and assess the effectiveness of the Group's ERM framework (including risk management programmes, risk management systems and internal audit function relating to risk management) and internal controls system;



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- (c) Advise the Board on the Group's overall risk appetite, tolerance and strategy, taking into account current and prospective operational, regulatory and financial environment, and ensure controls and coordination of internal controls in line with Board approved risk levels;
- (d) Review changes in the nature and extent of significant risks, and the Group's ability to respond to changes in the business and external environment;
- (e) Review and monitor regularly the adequacy of risk management policies, strategies and relevant frameworks and internal control systems;
- (f) Review and approve the statements to be included in the Company's annual report concerning internal controls and risk management;
- (g) Review mitigation plans for highlighted risks, including risk transfer mechanisms such as specialist insurance products;
- (h) Review reports on incidences of any material breach of risk limits, significant control failings or identified weaknesses, and the adequacy of proposed remedial actions;
- (i) Seek regular assurance from Management to ensure that:
 - alignment of Risk Management strategies and culture with the Group's Business Objectives;
 - appropriate risk reporting structure is established to facilitate reporting of risks to Management and the Board;
 - a comprehensive Risk Management approach is in place to identify risks, communicate risk interrelationships and manage risk profiles across the organization;
- (j) Provide regular updates to the Board in relation to key risk management issues and challenges and/or any material changes to the risk profile of the Group;
- (k) Consider, and make recommendations to the Board in connection with the compliance by the Group with its Risk Management Strategy;
- (l) Oversee the implementation of a management system relating to Health, Safety, Security, Environment and Quality based on the goal of zero harm to personnel, with safety risks being 'As Low As is Reasonably Practicable' in respect of major accident hazards and the adoption of Best Available Technology and practices to minimise harmful emissions to the environment;
- (m) Present the Risk Management report to the Board which includes amongst others, inherent risks faced in the Group's strategy and brief description of how risks have been managed in the Group;
- (n) Liaise with the Audit Committee and review the External auditors' findings on the management of risks as to ensure issues of common concern are addressed appropriately;
- (o) Provide oversight over project/major contracts, and other contracts requiring Board approval, including endorsement of contract terms (and any material amendments to such contracts) prior to acceptance and execution, as well as potential/actual disputes with counterparties;
- (p) Provide oversight over ongoing project/major contracts compliance, performance and development;



- (q) Review any strategic and significant development projects as may be proposed by Management, including participation in local and regional joint ventures as well as mergers and acquisitions which are consistent with the Group's business plan, and put forth its recommendations or endorsement to the Board;
 - (r) Oversee risk aspects of joint venture management such as issues with shareholders, contractual obligations, compliance and operations;
 - (s) Oversee risk aspects of the Group's main business units i.e. FPO and OMS;
 - (t) Review and provide recommendations to the Board on any business development opportunities as may be proposed by Management, including new businesses or activities which are of synergistic value to the Group's current business, ensuring that appropriate due diligence appraisal of any such proposal had been undertaken, focusing in particular on risk aspects and implications for the risk appetite and tolerance of the Group;
 - (u) Make any recommendations as the Committee shall consider to be in the best interests of the Group, to reduce or mitigate legal and/or contract risks;
 - (v) Review and where relevant, approve matters within its limits of authority and for undertaking all other action, in its judgement, to be in the best interest of the Group;
 - (w) Consider and approve the remit of the risk management function and ensure that it has adequate resources and appropriate access to information to enable it to perform its function effectively, and without restrictions
 - (x) Review and where relevant, approve any other matter delegated to the Committee by the Board.
- 5.2 The Committee, with concurrent notification to the Chief Executive Officer, shall have the authority to seek information it requires from any officer or employee of the Group and such officers or employees shall be required to respond to such enquiries.
- 5.3 The Committee is authorized to obtain such independent professional advice as it considers necessary for the performance of its duties.
- 5.4 The Committee shall share with the Board, its findings of any independent professional advice and any relevant feedback from employees.
- 6. Standing Orders**
- 6.1 The Chairman of the Committee shall report the proceedings, findings and recommendations of the Committee and provide the minutes of each meeting of the Committee to the Board of Directors at the next scheduled Board Meeting.
- 6.2 These Terms of Reference shall be reviewed every two (2) years and recommendations to the Board of Directors may be made of any changes to improve its effectiveness and to stay in-line with risk management industry best practice.