

Mumtalakat
INVESTING FOR BAHRAIN

ممتلكات
استثمارات البحرين

Board Audit and Risk Committee Charter

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1. INTRODUCTION

This Charter for the Audit and Risk Committee (“ARC”) sets out the membership, responsibilities, principles and operation of the ARC and identifies its interaction with the Board of Directors and other Board Committees, Management and the internal and external auditors.

2. ROLE OF ARC

The role of the ARC is to assist the Board of Directors in independently ensuring and maintaining oversight of (i) the Company’s financial reporting system, internal control and risk management processes, audit functions and legal and regulatory requirements; and (ii) specific risks in respect of the Company’s business.

3. REPORTING LINES

The ARC shall report to the Board of Directors.

4. COMPOSITION

4.1 ARC members, including the chairman (the “ARC Chairman”) shall be appointed by the Board Chairman. The ARC will comprise a minimum of three members of the Board of whom the majority should be independent non-executive directors.

4.2 Members of the ARC should satisfy the financial literacy qualifications as set out in the draft Corporate Governance Code issued by the Ministry of Industry and Commerce.

4.3 The term of service of the ARC members shall be coterminous with their service to the Board.

5. SECRETARY

The Company Secretary will act as the secretary to the ARC (the “Secretary”).

6. MEETINGS & QUORUM

6.1 The ARC shall meet at least quarterly, with one meeting coinciding with the financial reporting and audit cycle, or as required to undertake its role effectively. The ARC Chairman will call a meeting of the ARC if so requested by any member of the ARC, the Chairman of the Board or an internal or external auditor.

6.2 A quorum will be two members of the ARC.

6.3 The ARC Chairman (an independent director) will chair all regular sessions of the ARC and set the agenda for meetings. Other than in urgent cases, the Secretary shall provide the members with an agenda and necessary documentation as early as possible and, in general, at least seven days before a meeting takes place.

6.4 In the absence of the ARC Chairman at a meeting, the remaining members present shall elect one of their number to chair the meeting.

6.5 ARC members must attend 75% of all meetings to remain on the ARC. Non compliance with attendance requirements can only be excused if ratified by the Board.

6.6 Telephone and video conferencing and circular resolutions are permitted. The same quorum requirements will apply. Members of Management and/or parties external to the Company may be invited by the ARC Chairman to attend any meeting of the ARC or part thereof.

6.7 The ARC shall meet at least once annually with the external and internal auditors independently and without Management present.

7. VOTING RIGHTS

All decisions of the ARC will be based on a simple majority of votes of the members present at the meeting. In the event of equality of votes, the ARC Chairman or, in his absence, the acting chairman of the ARC will have the casting vote.

8. RESOURCES AND AUTHORITY

8.1 The ARC is authorized to obtain, at the Company's expense, outside advice on any matters within its Charter and in accordance with the Discretionary Authority Limits.

8.2 The ARC shall approve the appointment, remuneration, terms of service, replacement, reassignment or dismissal of the Head of Internal Audit or, if applicable, the outsourced service provider.

8.3 The ARC shall oversee the selection, remuneration and removal of the external auditor subject to Board and shareholder approval.

8.4 The ARC shall have full access to Company information, records, properties and personnel.

8.5 The ARC is authorized to seek any information it requires from any employee of the Company in order to perform its duties.

8.6 The ARC is authorized to investigate any activity within the scope of this Charter.

8.7 The ARC may order inspections and specific audit examinations of any areas of the Company's operations.

8.8 The ARC is authorized to have direct communication channels with external auditors carrying out the audit function and is able to convene meetings with external auditors, without the presence of management members. The ARC shall have immediate access to reports on fraud / irregularities from internal audit.

9. DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the ARC will be as follows:

9.1 General

9.1.1 Review reports on risk management and issues arising from risk, compliance activities and internal audit activities. Maintain effective working relationships and open lines of communication between the Board of Directors, Management, and the internal and external auditors.

- 9.1.2 ARC must review the Company's whistle-blowing policy and ensure that reports made pursuant to the policy are dealt with appropriately and the rights of those making the reports are protected.
- 9.1.3 The ARC must be provided with a status report on all recommendations provided by the internal and external auditors for which actions have been agreed upon. These reports should identify responsible persons/functions and implementation dates.

9.2 **Internal Controls**

- 9.2.1 Monitor the effectiveness and integrity of internal control systems.
- 9.2.2 Review compliance systems to ensure compliance with legislation including relevant filings and compliance with accounting standards.
- 9.2.3 Ensure Management is accountable for the security of computer systems and applications, and the business continuity and disaster recovery plans
- 9.2.4 Consider with the internal and external auditors any fraud, illegal acts, deficiencies in internal control or other similar issues.

9.3 **Financial Reporting**

- 9.3.1 Review the integrity of financial reporting and protect the Company's assets from misappropriation.
- 9.3.2 Review the group consolidation process to ensure timely receipt, analysis and consolidation of information.
- 9.3.3 Review financial statements prior to approval by the Board.
- 9.3.4 Ensure that all ARC members are familiar with significant accounting and reporting issues, practices and Management estimates including recent professional and regulatory pronouncements, and understand their impact on the financial statements;
- 9.3.5 Meet with Management and the external auditors to review the financial statements, the results of the audit, the management letter and the annual report before its release.
- 9.3.6 Determine the appropriateness of the going concern assumptions as the basis on which the accounts are prepared.
- 9.3.7 Monitor the adequacy of management reporting processes.
- 9.3.8 Review significant changes to the Company's accounting principles and practices suggested by the external auditor, internal audit personnel or Management.
- 9.3.9 Discuss with the Company's General Counsel at least annually any legal matters including contingent liabilities that may have a material impact on the financial statements, operations, assets or compliance policies and any material reports or inquiries received by the Company or any of its related parties from regulators or governmental agencies.

9.4 **Internal Audit**

- 9.4.1 Review and approve the Internal Audit Charter.
- 9.4.2 Approve the Internal Audit Plan for the year.
- 9.4.3 Review the activities and performance of the internal audit function and ensure there are no unjustified restrictions or limitations on the scope of work.
- 9.4.4 If necessary, institute special investigations as required and hire special counsel or experts to assist.
- 9.4.5 Meet separately with the internal audit personnel to discuss any matters that the ARC or external auditors believe should be discussed privately.

9.5 **External Audit**

- 9.5.1 Assess the independence, accountability and effectiveness of the external auditor.
- 9.5.2 Monitor the rotation arrangements for audit partners.
- 9.5.3 Agree with the Board and monitor the Company's policy for the employment of former employees of the external auditor.
- 9.5.4 Develop and recommend to the Board the Company's policy in relation to the provision of non-audit services by the external auditor and ensure that provision of such services does not impair the external auditor's independence or objectivity.
- 9.5.5 Review the external auditor's proposed audit scope, plan and approach, engagement letter, letters of representation (giving particular consideration to matters that relate to non standard issues) as well as ensure there are no unjustified restrictions or limitations on the scope of work.
- 9.5.6 Meet separately with the external auditor to discuss any matters that should be discussed privately.
- 9.5.7 The ARC shall review with the external auditor the following items: (a) critical accounting policies and practices to be used; (b) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with Management; (c) the ramifications of the use of such alternative disclosures and treatments; (d) the treatment preferred by the external auditor; and (e) other material written communications between the external auditor and Management.

9.6 **Compliance with Internal and External Regulatory Frameworks**

- 9.6.1 Evaluate the adequacy and effectiveness of the Company's procedures and systems for ensuring compliance with legal and regulatory requirements and internal policies.
- 9.6.2 Review compliance with all relevant laws, regulations and business practices, and ensure the Company communicates with shareholders and relevant stakeholders (internal and external) openly and promptly.

9.6.3 Monitor whether regulatory returns etc are submitted on time.

9.7 Risk Management

9.7.1 Assist the Board in identifying and managing the principal risks of the Company: business resiliency risk; credit risk; default risk; funding risk of portfolio companies; geopolitical risk; governance risk of portfolio companies; human resource risk; information risk; insurance risk; liquidity risk; operating risk; ratings downgrade risk; refinancing risk; reputation risk; sovereign support risk; and strategic risk.

9.7.2 Monitor the adequacy of risk reporting processes.

10. PERFORMANCE EVALUATION

10.1 The ARC shall submit in writing, and review with the Compensation and Governance Committee, an annual performance evaluation of the ARC. This evaluation will compare the performance of the ARC with the requirements of this Charter, and include any improvements.

10.2 The Board may require the ARC Chairman, or an appointed nominee from the ARC, to present and discuss the findings and recommendations of this report.

11. MINUTES OF MEETING

The Secretary will be responsible for preparing minutes of the ARC meetings. The minutes of the ARC meetings will be tabled and approved at the subsequent meeting and signed off by the ARC Chairman. Thereafter, they will be circulated to all members of the Board.

12. REPORTING

12.1 The ARC Chairman shall submit a report to the Board at the earliest scheduled Board meeting after each ARC meeting. Reports will cover any matters that in the opinion of the ARC should be brought to the attention of the Board and any recommendations requiring Board approval and/or action.

12.2 The ARC Chairman shall submit an annual report to the Board (at the Board meeting at which the year-end financial statements are approved) summarizing the ARC's activities during the year.

13. ANNUAL GENERAL MEETING

The ARC Chairman shall attend the Annual General Meeting in order to respond to any shareholder enquiries on the ARC's activities.