



**DATED: 7<sup>th</sup> December 2023**

**GULF KEYSTONE PETROLEUM LTD.**

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**AUDIT AND RISK COMMITTEE**

**TERMS OF REFERENCE**

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**GULF KEYSTONE PETROLEUM LTD.**  
**(Registered in Bermuda with company number: 31165)**  
**(the "Company")**

**AUDIT AND RISK COMMITTEE**

**TERMS OF REFERENCE**

**1. PURPOSE**

**1.1 Principal Functions**

The Audit and Risk Committee, (the "**Committee**"), is a committee of the board of directors of the Company (the "**Board**"), which is primarily responsible for oversight of financial reporting and disclosure and is also responsible for:

- (a) overseeing the financial reporting and disclosure process;
- (b) monitoring the choice of accounting policies and principles;
- (c) overseeing hiring, performance and independence of external auditors;
- (d) maintaining the system of internal financial controls;
- (e) overseeing the performance of the internal audit function, if applicable;
- (f) overseeing the Company's corporate and information technology functions, including cyber security controls and processes; and
- (g) reviewing the adequacy and effectiveness of the Company's internal control and risk management systems.

**1.2 Reporting**

The chair of the Committee ("**Committee Chair**") shall report formally to the Board on the Committee's proceedings after each meeting on all matters within its terms of reference and shall also formally report to the board on how it has discharged its responsibilities. This report shall include:

- (a) the significant issues that it considered in relation to the financial statements (required under paragraph 2.5 (a)(i)) and how these were addressed;
- (b) its assessment of the effectiveness of the external audit process (required under paragraph 2.5(e)(iii)) and its recommendation on the appointment or reappointment of the external auditor; and

(c) any other issues on which the Board has requested the Committee's opinion.

The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

The Committee shall produce a report on its activities to be included in the Company's annual report. The report should include an explanation of how the Committee has addressed the effectiveness of the external audit process; the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the auditor; and all other information requirements set out in the UK Corporate Governance Code.

## **2. THE COMMITTEE**

### **2.1 Membership**

The Committee shall comprise at least two members, or three members in the event the Company is admitted to the FTSE 350.

Members of the Committee shall be appointed by the Board, on the recommendation of the nomination committee in consultation with the Committee Chair, as appropriate.

All members of the Committee shall be independent non-executive directors at least one of whom shall have recent and relevant financial experience ideally with a professional qualification from one of the professional accountancy bodies.

The Chair of the Board shall not be a member of the Committee.

All Non-Executive Directors shall have a standing invitation to attend Committee meetings. In addition, as applicable, the external auditor, the internal auditor, the Chief Executive Officer, the Chief Financial Officer, the Head of Finance/Group Financial Controller and the Chief Legal Officer may be invited to attend meetings of the Committee on a regular basis and other non-members may be invited to attend all or part of any meeting as and when appropriate and necessary.

The Board shall appoint the Committee Chair. In the absence of the Committee Chair and/or an appointed deputy, the remaining members present will elect one of themselves to chair the meeting.

### **2.2 Secretary**

The Company Secretary or Chief Legal Officer, or his or her nominee, shall act as the secretary of the Committee and will ensure that the Committee receives in a timely

manner all information and papers reasonably necessary to enable full and proper consideration to be given to any issues arising from its duties and responsibilities within its terms of reference.

### **2.3 Quorum**

The quorum necessary for the transaction of business shall be two members.

### **2.4 Role of Members**

Committee members should have recent, relevant experience and will utilise their personal skills, knowledge and judgement to perform the responsibilities set out below.

### **2.5 Responsibilities**

The Committee should carry out the duties below for the Company, major subsidiary undertakings and the group as a whole (the “**Group**”), as appropriate.

#### *(a) Financial Reporting:*

- (i) The Committee shall monitor the integrity of the financial statements of the Group, including its annual and half-yearly reports, preliminary results announcements and any other formal announcement relating to its financial performance, reviewing and reporting to the Board any significant financial reporting issues and judgements which they contain having regard to matters communicated to it by the auditor.
- (ii) In particular, the Committee shall review and challenge where necessary:
  - the consistency of, and any changes to, accounting policies both on a year on year basis and across the Group;
  - the methods used to account for significant or unusual transactions where materially different approaches are possible;
  - whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
  - the clarity of disclosure in the Company’s financial reports and the context in which statements are made;

- all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management);
- the going concern and long term viability statement included in the financial statements; and
- where the Committee is not satisfied with any material aspect of the proposed financial reporting by the Company, it shall report its views to the Board.

*(b) Internal Controls and Risk Management Systems:*

The Committee shall:

- (i) keep under review the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems;
- (ii) consider and recommend to the Board the Group's risk appetite and review on behalf of the Board, the Group's risk profile;
- (iii) review the Group's current risk exposure and capability to identify new risks; and
- (iv) review and approve the statements to be included in the annual report concerning internal controls and risk management.

*(c) Anti-bribery and Fraud*

The Committee shall:

- (i) review the Group's procedures for detecting fraud;
- (ii) review the Group's systems and controls for the prevention of bribery and receive reports on non-compliance; and
- (iii) keep under review the adequacy and effectiveness of the Company's compliance function.

*(d) Internal Audit:*

If relevant, the Committee shall:

- (i) approve the appointment and removal of the internal auditor;
- (ii) consider and approve the remit of the internal auditor and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards;
- (iii) ensure the internal auditor has direct access to the Chair of the Board and to the Committee Chair and is accountable to the Committee;
- (iv) review and assess the annual internal audit plan;
- (v) review promptly all reports addressed to the Committee on the Company from the internal auditor;
- (vi) review and monitor management's responsiveness to the findings and recommendations of the internal auditor; and
- (vii) meet the internal auditor, at least once a year, without management being present, to discuss their remit and any issues arising from the internal audits carried out.

(e) *External Audit:*

The Committee will:

- (i) consider and make recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting, in relation to the appointment, re-appointment and removal of the Company's external auditor. The Committee shall oversee the selection process for a new auditor and if an auditor resigns the Committee will investigate the issues leading to this and decide whether any action is required;
- (ii) ensure that at least once every ten years, subject to potential duly approved extensions, the audit services contract is put out to tender to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms, and in respect of such tender oversee the selection process and ensure that all tendering firms have such access as is necessary to information and individuals during the duration of the tendering process;

(iii) oversee the relationship with the external auditor including (but not limited to):

- recommendation on their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an adequate audit to be conducted;
- approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
- assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the nature and amount of any approved non-audit services in accordance with the Company's Non-audit Services Policy;
- satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
- agreeing with the Board a policy on the employment of former employees of the Company's auditor, then monitoring the implementation of this policy;
- monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements;
- assessing annually their qualifications, expertise and resources and the effectiveness of the audit process which will include a report from the external auditor on their own internal quality procedures;
- seeking to ensure co-ordination with the activities of internal audit; and
- considering the risk to the quality and effectiveness of the financial reporting process and consideration of the need to include the risk of the withdrawal of the Company's present auditor from the market;

- (iv) meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet the external auditor at least once a year, without management being present, to discuss their remit and any issues arising from the audit;
- (v) review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team;
- (vi) develop and implement a policy on the engagement of the external auditor to supply non-audit services, ensuring there is prior approval for non-audit services, considering the impact this may have on independence, taking account the relevant regulations and ethical guidance in this regard, and reporting to the Board on any improvement or action required;
- (vii) review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
  - a discussion of any major issues which arose during the audit;
  - any accounting and audit judgements;
  - levels of errors identified during the audit; and
  - review the effectiveness of the audit;
- (viii) The Committee shall also:
  - review any representation letter(s) requested by the external auditor before they are signed by management;
  - review the management letter and management's response to the auditor's findings and recommendations, and
  - develop and implement a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter.
- (f) Where requested by the Board, the Committee should review the content of the annual report and accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary



for shareholders to assess the Group's position and performance, business model and strategy.

- (g) The Committee shall have oversight of the Company's corporate and operational information technology functions. In particular, the Committee shall review the Company's cyber security controls and processes, ensuring they are appropriate and adequate for the Company. If necessary, the Committee will engage external specialist cyber security advisers to assess the Company's controls and processes.

### **3. MEETINGS**

#### **3.1 Meeting Frequency and Schedule**

The Committee shall meet at least three times a year at appropriate times in the reporting and audit cycle and otherwise as required by the Board or at the request of the external audit lead partner or head of internal audit if they consider it necessary.

Outside of the formal meeting programme, the Committee Chair will maintain a dialogue with key individuals involved in the Company's governance, including the Chair of the Board, the Chief Executive Officer, the Chief Financial Officer, the Chief Legal Officer, the external audit lead partner and, if applicable, the internal auditor.

#### **3.2 Notice of meetings**

Meetings of the Committee shall be convened by the secretary of the Committee at the request of the Committee Chair in accordance with paragraph 3.1.

Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend and all other non-executive directors, no later than five working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

#### **3.3 Minutes of meetings**

The Committee secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.

Draft minutes of Committee meetings will be circulated promptly to all members of the Committee and, once approved, to all other members of the Board, unless a conflict of interest exists or it would be inappropriate to do so.

### **3.4 Annual General Meeting**

The Committee Chair should attend the Annual General Meeting to answer shareholder questions on the Committee's activities.

## **4. OTHER**

The Committee will:

- (a) have access to sufficient resources in order to carry out its duties within its terms of reference, including access to the Company Secretary for assistance as reasonably required;
- (b) be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- (c) give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the UK Listing Authority's Listing Rules, Prospectus and Disclosure and Transparency Rules, all legal and regulatory requirements applicable in Bermuda and any other applicable rules or regulations, as appropriate;
- (d) oversee the co-ordination of the internal and external auditors;
- (e) oversee any investigation of activities which are within its terms of reference;
- (f) review its terms of reference at least once every 18 months; and
- (g) arrange for periodic reviews of its own performance and, at least once a year, review its constitution to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board.

## **5. AUTHORITY**

The Committee is authorised by the Board to investigate any activity or state of affairs within its terms of reference.

The Committee is authorised to seek any information it reasonably and properly requires from any employees or officers of the Company in order to perform its duties within its terms of reference and acting reasonably to call any such employee or officer to be questioned at a meeting of the Committee as and when required.

The Committee is authorised to take independent professional advice at the Company's

expense, provided that any fees or expenses incurred are reasonable and properly incurred, and to require the attendance of outsiders with relevant experience and expertise if acting reasonably it considers it necessary.

**These terms of reference were adopted by resolution of the Board passed on 7<sup>th</sup> December 2023**

## Audit and Risk Committee

### Proposed Annual Agenda Schedule 2024

	Meetings
<b>March</b>	Update on progress of audit Risk review –Annual Report disclosures Year end results (presentation) Key judgements review Consideration of “fair, balanced and understandable” review Annual report comments Anti-bribery and corruption certification results
<b>March</b>	Recommend approval of Annual Results RNS
<b>June</b>	Risk review Cyber security review Review of specific control areas External audit Half year auditor review fees
<b>August</b>	Half year results (presentation) Key judgements review Consideration of “fair, balanced and understandable” review
<b>August/September</b>	Recommend approval of half year results
<b>October</b>	[potential additional date if required]
<b>December</b>	Audit Plan Risk review Internal audit Terms of Reference Review Annual review of insurance cover

Note 1 – additional meetings to be scheduled as required

Note 2 – Standing items include: Quorum and Conflicts, Minutes of Meetings, Matters Arising, Risk Matters, and Any Other Business