

KUWAIT ENERGY PLC
(the Company)

CHARTER OF THE AUDIT AND RISK COMMITTEE

Constitution

1. It is resolved that a committee of the board be established, to be known as the audit and risk committee (the “**Committee**”). The Committee shall be responsible for assisting the board in fulfilling its fiduciary responsibilities to provide oversight with respect to the following in relation to the Group. For this purpose “Group” includes the Company, Kuwait Energy Kscc, and their respective subsidiaries:
 - (a) the integrity of the Company’s financial statements and other financial information provided to shareholders and others, including the group’s system of internal controls for financial reporting;
 - (b) the manner in which the group’s management ensures and monitors the adequacy of financial, operational and compliance internal controls and risk management processes designed to manage significant risk exposures;
 - (c) the engagement, performance and independence of the external auditors;
 - (d) the engagement, independence and performance of the internal audit function;
 - (e) compliance with legal requirements and group policies regarding ethical conduct;
 - (f) and
 - (g) the group’s reserves auditing process and procedures.

In so doing, the Committee will provide a focal point for free and open communications among independent non-executive directors, the Company’s management, the internal auditors and the external auditors.

Membership

2. The Committee shall be appointed by the board, on the recommendation of the nomination committee in consultation with the chairman of the Committee, in accordance with the Company’s articles of association.
3. All members of the Committee shall be independent non-executive directors as defined in the UK Corporate Governance Code. The Committee shall consist of a minimum of two members. All members shall be financially literate and at least one Committee member shall have a current professional qualification from one of the professional accountancy bodies. The chairman of the board shall not be a member of the Committee.
4. The chairman of the Committee shall be an independent non-executive director and shall be appointed by the board on the recommendation of the nomination committee from among the members of the Committee. In the absence of the chairman of the Committee (and/or an appointed alternate member), the members present at any meeting of the Committee shall elect one of their number to chair the meeting.

5. The chairman and members shall be listed each year in the Company's annual report.
6. Each member shall hold office as a Committee member for a period of up to three years, which may be extended for an additional two further periods of up to three years, so long as the member continues to be an independent non-executive director.
7. If any member of the Committee is unable to act for any reason, the chairman of the Committee may appoint another independent non-executive director of the Company agreed by the other members of the Committee to act as that member's alternate.
8. The company secretary or his or her nominee shall be the secretary of the Committee.
9. Each member of the Committee shall disclose to the Committee:
 - (a) any personal financial interest (other than as a shareholder) in any matter to be decided by the Committee; or
 - (b) any potential conflict of interest arising from a cross-directorship.

Any such member shall abstain from voting on resolutions of the Committee in relation to which such interest exists and from participating in the discussions concerning such resolutions and (if so requested by the board) shall resign from the Committee.

Meetings

10. The Committee shall meet at least three times a year, to coincide with key dates within the financial reporting and audit cycle and otherwise as the chairman or any member of the Committee shall require. A meeting shall be held as soon as reasonably practicable upon a request for such meeting by the Company's external auditors. All persons entitled to be present at any meeting of the Committee shall receive notice of its meetings.
11. No one other than the chairman, other members of the Committee and other non-executive directors is entitled to be present at a meeting of the Committee. The chairman and members of the Committee shall, however, have the discretion to decide if other individuals (such as the chief executive, the company secretary, (and/or, if agreed by the chairman of the Committee, his or her nominee) other members of management or external advisers) may be invited to attend for all or part of any meeting, as and when appropriate and necessary.
12. It is expected that the external audit lead partner and the internal auditor will be invited regularly to attend meetings, as well as the finance director or other person heading the Group's finance function. At least once a year, the Committee shall meet with the external and internal auditors, without management, to discuss matters relating to its remit and any issues arising from the audit.
13. The quorum for meetings of the Committee shall be two members present throughout the meeting in person or by telephone. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.
14. Meetings of the Committee shall be called by the secretary of the Committee at the request of any member or at the request of external or internal auditor if they consider it necessary.
15. Unless otherwise agreed, notice of each meeting confirming the venue, date and time together with an agenda of items to be discussed and supporting papers, where appropriate, shall be forwarded to

each member of the Committee and each other person invited to attend no later than five working days prior to the date of the meeting. All reasonable efforts shall be made to give notice of meetings of the Committee to all members of it and to arrange such meetings so that members are able to attend them.

16. A member of the Committee may participate in Committee meetings by telephone.
17. In the event of an equality of votes, the chairman of the Committee shall have a casting vote.
18. If present, the company secretary (or his or her nominee) shall act as secretary of the Committee. If not present, then the members of the Committee shall designate one of those present as secretary for the purpose of the meeting. The secretary of the Committee (or such nominee) shall prepare minutes of any meeting of the Committee, which shall include names of those present and in attendance and, after approval and signature by the chairman of the Committee, shall circulate the minutes to all members of the Committee and to the chairman of the board and, once agreed, to all other members of the board, unless it would be inappropriate to do so.
19. The chairman of the Committee shall be available to answer questions about the Committee's activities at the annual general meeting of the Company. To the extent practicable, other members of the Committee shall also attend the annual general meeting.

Duties

20. The Committee shall carry out the duties below for the Company and the Group as a whole, as appropriate (the "Duties").
21. The Duties of the Committee shall be:

(a) External Auditors

- (i) to consider and make recommendations to the board, for it to put to the shareholders for their approval in general meeting in relation to the appointment, re-appointment and removal of the external auditor and the remuneration and terms of engagement of the external auditor;
- (ii) if the board does not accept the Committee's recommendation on the appointment, re-appointment and removal of external auditors, to prepare a statement explaining the Committee's recommendation which shall be included in the annual report and in any papers recommending appointment or re-appointment together with the board's reasons for taking a different position;
- (iii) to meet regularly with the external audit lead partner and other audit partners and staff as required and in accordance with the section headed 'meetings' above;
- (iv) to review and agree the engagement letter with the external auditor at the start of each audit; to discuss with the external auditors before the audit commences and keep under review the scope and results of the audit, as well as whether the level of fee payable is appropriate for the provision of those services; and to ensure co-ordination where more than one audit firm is involved;
- (v) to review and monitor the external auditor's independence, objectivity and the effectiveness of the audit process annually, taking into consideration relevant UK

professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;

- (vi) to satisfy itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the group (other than in the ordinary course of business);
- (vii) to agree with the board a policy on the employment of former employees of the Company's auditor, then monitor the implementation of this policy;
- (viii) to monitor the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partner, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements;
- (ix) to assess annually the qualifications, expertise and resources of the auditor and the effectiveness of the audit process, which shall include a report from the external auditor on their own internal quality procedures;
- (x) to seek to ensure co-ordination with the activities of the internal audit function;
- (xi) to develop and implement a policy on the provision of non-audit services by the external auditor, taking into account relevant ethical guidance; and to report to the board identifying any matters in respect of which it considers that action or improvement is needed and make recommendations as to the steps to be taken (so as to ensure that the provision of such services does not impair the external auditor's independence and objectivity);
- (xii) to consider the auditors' work plan for the annual and any interim audit and proposed resources in light of the scope of the audit;
- (xiii) to monitor the planned programme of audits and to ascertain the reason for any change or delay in the programme;
- (xiv) to review with the external auditors (in the absence of management if necessary), the results of their work in conducting the annual and any interim audit, including:
 - (A) any major issues that arose during the course of the audit;
 - (B) key accounting and audit judgements;
 - (C) levels of errors identified during the audit, obtaining explanations from management and, where necessary, the external auditors as to why certain errors might remain unadjusted; and
 - (D) any reservations that the external auditors may have and other matters that they wish to raise;
- (xv) to review the audit representation letters before signature by management, giving particular consideration to matters where representation has been requested that relates to non-standard issues;
- (xvi) to review the external auditors' management letter and management's response;

- (xvii) at the end of the annual audit cycle, to assess the effectiveness of the audit process;
- (xviii) if the external auditor resigns, to investigate the issues leading to such resignation and to consider whether any action is required;

(b) Reserves Reporting

- (i) to consider and make recommendations to the board in relation to the appointment of the independent reserve auditor and the remuneration and terms of engagement of the independent reserve auditor ; and
- (ii) at least annually meet with the independent reserve auditor to recommend for board approval the independent reserve report.

(c) Internal Audit

- (i) to review and approve the internal audit function's remit, having regard to the role fulfilled by the external audit function;
- (ii) to ensure that the head of internal audit has direct access to the chairman of the Company and to the Committee;
- (iii) to monitor and review the effectiveness of the internal audit function in the context of the group's overall risk management system, as well as to consider and approve the remit of the internal audit function, ensure that it is adequately resourced, has access to the information necessary to enable it to fulfil its mandate, and is able to perform in accordance with appropriate professional standards for internal auditors. The Committee shall also ensure the function has adequate standing and is free from management or other restrictions;
- (iv) to approve the appointment or termination of appointment of the head of internal audit;
- (v) to review and assess the annual internal audit plan;
- (vi) to review reports addressed to the Committee from the internal auditor; and
- (vii) to review and monitor management's responsiveness to the findings and recommendations of the internal auditor.

(d) Financial reporting

- (i) to monitor the integrity of the financial statements of the Company including its annual and half-yearly reports, interim management statements, and any other formal announcements relating to the group's financial performance, reviewing significant financial reporting issues and judgements contained in them;
- (ii) when carrying out its duties under paragraph 21(c)(i), to focus particularly on:
 - (A) considering significant accounting policies, any changes to them and any significant estimates and judgements;

- (B) the methods used to account for significant or unusual transactions where different approaches are possible;
- (C) where the accounting treatment is open to different approaches, considering whether the Company has adopted appropriate accounting standards and, where necessary, made appropriate estimates and judgements taking into account the views of the external auditor;
- (D) reviewing the clarity and completeness of disclosures in the financial reports and statements and considering whether the disclosures made are set properly in context; and
- (E) reviewing all material information presented with the financial statements, such as the business review/operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management).

(e) *Risk Management and Internal Control*

- (i) To periodically review, evaluate and discuss with management and the internal and external auditors the scope, adequacy and effectiveness of the group's internal control and risk assessment and management systems, including the group's significant financial and other business risk exposures and the processes established and steps taken by management to identify, monitor, control, report and mitigate such exposures, and recommend to the board any actions as may be necessary to address any weaknesses.
- (ii) To consider reports prepared by internal audit, internal risk, the external auditors, the company secretary and others as the Committee may request, on the operation of internal controls within the group, any significant risk management failures and management's responses.
- (iii) to evaluate annually and discuss with management the design and effectiveness of:
 - (A) the 'control culture' being set by the management through its communication of the importance of internal control and management of risk;
 - (B) the group's internal controls and procedures for financial reporting, to ensure that the financial statements derived from the underlying financial systems comply with relevant standards and requirements;
 - (C) disclosure controls and procedures designed to ensure that information disclosed by the group is properly accumulated and communicated to senior management to allow appropriate discussions regarding disclosure to take place;
- (iv) to consider and make recommendations to the board regarding the group's risk appetite vis-à-vis its strategic objectives and make recommendations to the board regarding risk management strategy;
- (v) to review key risk areas which include:

- (A) Operational
 - Geology and reserves
 - New projects
 - Prices and demand
 - (B) Financial and tax
 - (C) Information and communication
 - (D) Licences
 - (E) Human resources
 - (F) Legal and regulatory
 - (G) Health, safety and environmental
 - (H) Insurance
 - (I) Political;
- (ii) to ensure that key risk areas identified are incorporated into the internal audit plan;
 - (iii) to consider whether appropriate measures have been taken with regard to computerised information system controls and security and contingency plans for processing financial information in the event of a system breakdown;
 - (iv) to review the group's procedures for detecting and preventing fraud and receive reports on non-compliance;
 - (v) to review the group's systems and controls for the detection and prevention of bribery and receive reports on non-compliance;
 - (vi) to review the adequacy and effectiveness of the group's anti-money laundering systems and controls;
 - (vii) to review the adequacy and effectiveness of the group's compliance function including with respect to legal compliance, conflicts of interest and ethical conduct;
 - (viii) to consider the major findings of internal investigations and management's response; and
 - (ix) to consider whether the management has implemented recommendations made by the Committee and by internal and external auditors.

(f) Whistleblowing

The Committee shall review the adequacy and security of the Group's arrangements by which staff and contractors may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, so as to ensure that arrangements are in

place for the proportionate and independent investigation of such matters, and for appropriate follow-up action.

Authority and Responsibilities

22. The Committee has full authority:
 - (i) to investigate any activity within the scope of its Duties; and
 - (ii) to take such action as may be necessary or appropriate for the effective performance of its oversight responsibility.
23. In discharging its responsibilities, the Committee shall have unrestricted access to the Company's management, books and records and shall be entitled to seek any information it requires from any employee of the Company or Group company, including the head of internal audit. All employees shall be directed to co-operate with any request made by the Committee.
24. The Committee is authorised by the board to obtain outside legal, accounting or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise, if it reasonably considers this necessary, and agree related fees at the Company's expense. The Committee shall have access to the external auditors as required.
25. The reporting responsibilities of the Committee shall be:
 - (a) to review the statement by the directors to be included in the annual accounts on the going concern status of the Company and the group and any supporting assumptions and qualifications;
 - (b) to assist the board by preparing a statement for inclusion in the directors' report (to shareholders as contained in the annual report) describing the roles and responsibilities of the Committee and actions taken by the Committee to discharge those responsibilities; as well as listing the names of all members of the Committee, the number of Committee meetings and attendance by each member; to produce for the board's approval the statement for inclusion in the annual report in relation to internal control and the management of risk; and
 - (c) if the external auditor provides non-audit services, to provide an explanation for inclusion in the annual report of how auditor objectivity and independence is safeguarded.
26. The chairman of the Committee shall report formally to the board on its proceedings after each meeting on all matters within its duties and responsibilities.
27. The Committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed.

Performance, resources and training

28. The Committee shall also:
 - (a) make available this charter, explaining the role and the authority delegated to it by the board, by including the information on the Company's website;
 - (b) consider other topics, as defined by the board;

- (c) arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the board for approval;
 - (d) 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;
 - (e) 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, Prospectus and Disclosure and Transparency Rules and any other applicable Rules, as appropriate; and
 - (f) oversee any investigation of activities which are within its terms of reference.
29. The Committee shall have access to the services of the company secretariat on all Committee matters including (but not limited to) assisting the chairman in planning the Committee's work, drawing up meeting agendas, maintenance of minutes, drafting of material about its activities for the annual report, collection and distribution of information and provision of practical support.
30. The Committee has the right to publish in the Company's annual report details of any issues that cannot be resolved between the Committee and the board.

**Approved at a meeting of the
board of directors of the
Company held on 20 July
2013.**