



Audit Committee Work Regulation

2019 AD

Introduction

First: Committee Work Disciplines and Procedures

Second: Functions and Scope of the Committee Work

Third: Formation of the Committee

Fourth: Obligations of the Committee Member

Fifth: Meetings of the Committee

Sixth: Remuneration of the Committee

Seventh: Conclusion Provisions

Introduction: The audit committee regulation is based on the corporate systems, the related Board of Capital Market Authority (CMA) and the article of association. Existing of the effective internal control system is one of the main responsibilities entrusted in the board of directors and it is represented in the basic functions of the audit committee in order to make sure that the internal control system is effectively sufficient and implemented and to submit any recommendations to the board of directors which activate and develop the system in order to achieve the purposes of the company and protect the interests of the shareholders and investors in a highly effective and professional manner and in a proper cost.





First: Committee Work Disciplines and Procedures

Pursuit to the provisions set forth in the Article No (101) of the Article of Association and the Corporate Governance Regulation issued by the Board of Capital Market Authority (CMA). The Audit Committee Work Disciplines and Procedures includes the following:

- 1- The committee approves the internal audit committee for the company which involves works performed by the administration, details of the plan and the number of reports that will be issued. This plan will be provided to the board of directors
- 2- to be approved.
- 3- The committee shall submit regular reports to the board of directors as well as an annual report to the general assembly of the company which consists of works it will perform and results thereof, including the deviations, errors or important weak points occurred in design or executing the internal control system in the company. In addition, the report shall include recommendations as the committee deems appropriate to process the defaults as possible as to develop and activate the internal control system of the company.
- 4- The committee shall view all information, data, reports, records and corresponding or other things as the committee sees that it is important to view thereof. The board of directors shall take all actions ensuring that the committee performs its functions.
- 5- The audit committee has the right to view the records and documents of the company in order to perform its functions.
- 6- The audit committee may demand any clarification or statement from the members of the board of directors or the executive administration.
- 7- The audit committee may demand from the board of directors to invite the general assembly of the company to be held if the board of directors impedes its work or if the company is exposed to significant damages or losses.
- 8- The audit committee shall recommend the board of directors to nominate and remove auditors, specify their salaries, evaluate their performance and review their scope of work and the conditions of contracting therewith.
- 9- The recommendation of the audit committee concerning nominating the legal accountant shall be proposed to the general assembly of the company stating names of the legal accountants who submitted their offers and then being nominated before the committee in order to do their functions assigned to them and showing the audit fees and other professional services as well as the fundament to which nomination has been done. In addition, the general assembly of the company shall appoint one or more legal accountant.
- 10- The committee shall make sure of the independency, objectiveness and fairness of the auditor as well as his period of the effectiveness taking into consideration the related rules and standards.





- 11- If there is any inconsistency among the recommendations of the audit committee and the resolutions of the board of directors or if the board of directors refuses to apply the recommendation of the committee regarding appointing and dismissing the company auditors as well as determining their fees, evaluating their performance or appointing an internal auditor, then the report of the board shall include the recommendation and reasons of the committee and the causes of not applying such.

Second: Committee Functions and Scope of Work

The audit committee is specialized in controlling the company works and checking safety and integrity of reports, financial lists and internal control systems therein. The committee functions include particularly the following:

- 1- Studying of financial, annual and initial lists of the company as well as accounting policies followed before proposing such to the board of directors, giving its opinion and recommendation in its regard in order to ensure integrity, fairness and transparency and considering any important or unfamiliar matters included in the financial reports.
- 2- Making sure of the accounting estimations in the fundamental issues included in the financial reports in addition to any issues arisen by the financial manager of the company or by the responsible for the compliance in the company or the auditor.
- 3- Studying and auditing the internal and financial control systems and risks in the company.
- 4- Studying reports of the internal auditing and following the execution of corrective procedures for the remarks contained therein.
- 5- Controlling and supervising the performance and activities of the internal auditor, the internal auditing in the company and making sure that the materials and effectiveness in performing works and its functions are available.
- 6- Recommendation of the board of directors to appoint a manager of the unit, management of the internal auditing or internal auditor and suggesting to award him.
- 7- Revising the plan of the company auditor and his works and making sure of not submitting technical or administrative works which are out of the auditing scope work and giving their sights towards that.
- 8- Studying the report and remarks of the auditor to the financial lists, following measures taken in its regard and answering to the inquiries of the company auditor.
- 9- Revising the results of the regulatory reports and making sure that the company takes the necessary actions thereof.
- 10- Conforming that the company is obligated to apply the related regulations, rules, policies and instructions as well as contracts and transactions suggested that the company perform them with the related parties during works carried out by the internal auditing management.

Third: Formation of the Committee





The Audit Committee shall be formed under a resolution issued from the general assembly of the company in accordance with a suggestion from the board of director subject to the following disciplines:

- 1- An audit committee from specialists in the financial and accounting matters shall be constituted under a resolution from the extraordinary general assembly of the company, provided that their number is not less than three members and not more than five members and they include independent members. In addition, the committee may choose one or more member out of the company.
- 2- The Committee may choose a head from its members, provided that to be an independent member. It may also choose a secretary among its members or other in order to write down the minute of meetings and conduct the committee administrative works.
- 3- The Committee shall regularly meet under an invitation from its head, provided that its meetings are not less than four meetings during the financial year of the company and the meeting is not considered valid if the majority of the members fails to attend. The Committee shall make its decisions by the majority and if the votes are equal then the side in which the committee head votes is prevailing.
- 4- The Committee member may not belong to the members of the executive board of directors, those who perform the administrative or executive works in the company or work with the auditors of the company during the tow last years. The committee member may not have a direct or indirect interest in the works and contracts which are made for the favor of the company.
- 5- The membership term of the committee shall be three years starting with the beginning of the circulation of the Board of Directors and terminating with the end of the board circulation. The board of directors may also candidate them again to the general assembly to the shareholders for other similar period or periods.
- 6- None member of the Board of Directors or the executive administration other than the committee members has the right to attend its meetings, save that the committee requests to hear his opinion or obtain his consultancy.
- 7- The Audit Committee shall meet regularly with the company auditor and the company internal auditor.
- 8- The internal auditor and the accounting auditor may request to meet with the Audit Committee, when applicable.
- 9- All or any of the committee members may be removed in the case of any violation committed by either of them for the provisions contained in this regulation or for any reasons as the general assembly of the company sees.
- 10- The board of directors shall appoint another member if a seat in the committee is vacated and the appointment is to be proposed to the general assembly of the company in the first meeting it holds to approve the appointment.
- 11- The Committee appoints the committee secretary with the necessary efficiency that enables him to perform his work, determine his fees, attends the meetings and decisions issued by the Committee, informs about the schedule to the members and perform all administrative works concerning the Committee.

Fourth: Duties of the Committee Members





The duties of the committee members shall include the following:

- 1- Regular attending the sessions of the committee and active participation in his works and submitting a written notice to the committee head in the case of not attending.
- 2- Keeping secrets of the company and not disclosing any information to the shareholders or other.
- 3- Not doing any executive works in the company.
- 4- Not entering into any activity has interest inconsistency with the interests of the company.
- 5- Disclosing about the relationship, the nature of such relationship and the processes made between him and the company associating between him and the company to the board of directors in accordance with the standard of processes with the related parties.
- 6- Not accepting gifts or any valuable things from an employee, client, supplier or anyone has a work relation with the establishment that may leads to the weakness in the independency of the committee members as for the form and subject.

Fifth: Meetings of the Committee:

The mechanism and measures of the committee's meetings shall subject to the following:

- 1- The committee approves the schedule for its meetings before the beginning of every year to finally agree to the date of the next meeting during each meeting.
- 2- The Committee shall hold a regular meeting every three months at least and address the invitation to attend the meeting in at least one week before its date attached with the schedule and documents thereof. Completing the quorum requires attendance of the majority of the members.
- 3- The committee holds a meeting on a demand of the committee head, two members thereof, the external auditor, the internal auditor or the board of director.
- 4- The committee shall meet, at least once a year, with the external auditor of the company, the executive managers, the board of directors and the internal auditor (separately) in order to discuss the topics related to tasks and functions assigned to the committee, including the quarterly and annually financial reports of the company.
- 5- The decisions and recommendations of the committee shall be issued based on the majority of the attendant members votes and if the votes are equal then the side in which the head votes is prevailed and it is not allowed to abstain from voting or doing it on an acting basis.

Sixth: Remuneration of the Committee

The Remuneration of the committee members shall be as follows:





- 1- Exchanging remunerations instead of attendance for each meeting of the committee with an amount of three thousand Saudi Riyals.
- 2- Exchanging the annual remunerations with an amount of sixty thousand Saudi Riyals (SR 60,000) for each member at the end of each financial year of the company.
- 3- The company shall be obligated to ensure the allowance of tickets and residence in the case of travel of the committee members in any official tasks or functions concerning the committee or the board.
- 4- Disclosing details of remunerations exchanged for the committee members including contents of the annual report of the Board.

Seventh: Conclusion Provisions

- 1- This regulation shall be considered effective and applicable from the date of the approval of the company's extraordinary general assembly.
- 2- This regulation shall supersede and replace all procedures, decisions or internal regulations of the company.
- 3- This regulation shall be considered supplementary to the article of association and the corporate governance regulation issued by the Board of Capital Market Authority (CMA).
- 4- A particular text has not been provided in its regard in this regulation shall be applicable in the Saudi Companies Regulation and the Board of Capital Market Authority (CMA) (the Corporate Governance Regulation), the article of association and decisions issued by the competent authorities.

