

Audit Committee Report to the Annual General Meeting of Emaar The Economic City Shareholders Regarding the effectiveness of the internal control system

Based on the Corporate Governance Regulations issued by the Capital Market Authority, the Audit Committee provides through this report its opinion on the effectiveness of the internal auditing system of Emaar The Economic City).

The Audit Committee carries out periodic follow-up and undertakes the responsibilities and tasks assigned by the Board of Directors, where the committee, in expressing opinion on the effectiveness of the internal auditing system, relied on:

- Studying the financial statements that include the adopted accounting policies and discussion with the Company's management and with the auditor: The committee, through its periodic meetings during the year, discussed the financial policies adopted in preparing the financial statements based on International

Financial Reporting Standards (IFRS). After studying and discussing such policies, the policies are approved by the Board of Directors. The committee also revised the quarterly and annual financial statements as well as special reports in comparison with the previous periods and provided any notices in this regard and discussed these with the financial management of the company and with the auditor before approval by the Board of Directors and publishing, which resulted in providing an unreserved opinion on the Company's consolidated financial statements for the year ending 31 December 2020.

- Reports and notices provided by the auditor and how far does the Company's management undertake corrective actions for such notes: The committee reviewed the report of notices provided by the auditor according to auditor's annual report and received the plan necessary to take corrective actions for such notes from the Company management. The committee followed up with the financial management through the stages of implementing the plan, "and confirmed the commitment of the management to implement such plan."

- Recommendation to Board of Directors to appoint, reappoint or discharge auditors, determine fees, and assess their performance.

- Annual auditing plan provided by the auditor: The committee approved the auditing plan provided by the auditor after discussing the plan and ensuring that the plan includes the main and fundamental areas of concern for the Company.

- Reports and notices developed by the internal auditor of the Company and how far does the Company's management take corrective actions regarding such notes:

The committee, periodically, with the internal auditor and senior management of the Company, will follow up stages of the administration's compliance to the agreed work plans to take corrective steps regarding the notices developed by the internal auditor of the Company. The internal auditor shall provide a periodic report indicating the updated status of

the notices and percentage of completion of the work plan agreed with the management. The committee shall discuss such report with the Company's senior management and the internal auditor.

- Annual auditing plan provided by the internal auditor: The internal auditor shall provide an annual auditing plan based on risk assessment for each division of the Company in addition to the directives of the senior management and Audit Committee. The committee shall adopt such plan after revision of the criteria. The committee, with the internal auditor, shall monitor compliance to the approved plan and shall adopt any modifications based on the justifications that require such modifications, if any.
- Various reports requested by the committee from the Company's management, which are audited and discussed during periodic meetings: The committee, periodically, shall request the Company's senior management to provide various reports regarding progress of operations, collections, legal issues, Zakat status, value-added tax, and transactions with the relevant authorities. Various reports shall be discussed during the periodic meetings of the Audit Committee, where the management shall provide sufficient information and answers to the committee's inquiries. The committee shall also discuss and audit all developments regarding the level of new laws and regulations in the Kingdom and shall ensure the Company's compliance with all requirements of the Capital Market Authority and the Companies' Law.
- Annual report regarding the risks that may be incurred by the Company: The committee shall audit the report regarding the risks that may be incurred by the Company and provide notices in this regard after considering the steps taken by the Company's management to mitigate the effects of such risks or cancel all such steps, if possible, and shall report to the Board of Directors for final discussion and approval.
- Revision of the extent of cooperation and assistance provided by the management to the external auditor and the internal auditor, and confirmation of their independence, in addition to absence of any restrictions that prevent completion of the tasks assigned: The committee requested the auditors to refer in case of any professional difficulties that may represent an obstacle to complete auditing assignments. The committee did not receive any note from the auditors in this regard. The external auditor as well as the internal auditor confirmed that both had obtained all the required information and documents to complete the full audit works.
- Verify and settle complaints received by the Company from stakeholders and revise the deals of the stakeholders.

The auditing reports does not indicate any fundamental weakness in the Company's internal auditing system, where the majority of notices are mainly in the areas of performance improvement, activating work and raising efficiency of departments and divisions, completing documentation of procedures, and aiming to add more durability to the auditing system and making the best use of available resources.

The global Corona pandemic, COVID-19, was one of the most emerging risks affecting the company's activities at the financial level and the environment of work, which no one expected during the year 2020. However, the senior management, in coordination with the various supervisory departments and the Board of Directors, took immediate decisions and procedures to manage risks and ensure an environment Sufficient oversight within this crucial stage, which can be summarized as follows:

- Activating task forces to manage public health crises and city operations
- Create a business continuity crisis management team (for financial and operational affairs)
- Developing a mechanism to measure the level of risks related to managing the Corona crisis on a daily and regular basis
- Preparing instructions for remote work for the main departments of the company
- Take the necessary precautions to access the information system in a safe manner and to adopt electronic facilities
- Conducting risk assessment workshops at the level of company leaders on the impact of the pandemic.

At the end of the year, the Audit Committee reviewed and activated the whistleblowing policy and system to put it into effect after its approval by the Board of Directors.

Based on all these points, taking into consideration that the objectives of the internal auditing system are to:

- Ensure that the accounting records are prepared correctly; increase accuracy and confidence in the accounting data
- Protect assets and property
- Maintain integrity of transactions
- Increase the efficiency of the Company's performance and the efficient use of available capabilities
- Ensure compliance with various laws, regulations and agreements.

The Audit Committee considers that the objectives of the internal auditing system as provided in Emaar The Economic City are considerably achieved. The committee also considers that the Company's management position, in general, regarding internal auditing, is positive, where most activities are governed by written policies and procedures, and management interacts positively with the recommended policies. The committee also stresses that this emerging critical stage requires the Board of Directors and senior management to work on updating the control environment and risk management systems to help overcome current or future variables and challenges at all levels of the company's operations efficiently and effectively.

The Company's management formed several internal committees from different departments, each according to its specialization, to advance operational application of the policies and compliance with the various laws, that each public joint stock company listed on the Saudi Stock Market shall be subject to.

We also note that the comprehensive operations of inspection and assessment of internal auditing procedures cannot be absolutely emphasized, because the auditing process is essentially reliant on random sampling, as well as the diversity of the Company's operations. Therefore, improvement and development efforts shall continue by the committee and control departments to ensure effectiveness and efficiency of the mechanism of follow-up and improvement in internal auditing operation and procedures. The committee shall continue work during the next year, and shall report any modification the aforesaid, if any.

Form No. (1) Resume

A) Personal information of the Nominated Member										
Full name		Hani Othman Saeed Baothman								
Nationality		Saudi	Date of birth		02/07/1389 H					
B) Academic Qualifications of the Nominated Member										
#	Qualifications	Specialization	Date of obtaining the qualifications		Name of Awarding Entity					
1	M.A.	Business Administration	2000		University of London - Imperial College School of Management					
2	Bachelor	Mechanical Engineering	1995		Reading University					
C) Work Experience of the Nominated Member										
Period		Areas of Experience								
2008-2011		Managing Director and CEO of Sidra Capital								
2006-2008		CEO of Aayan Arabia Holding Company								
2004-2006		Private Investments Manager for SEDCO Holding Company								
2002-2004		Investments Officer at the Islamic Corporation for the Development of the Private Sector								
1998-2002		Asset Management Officer - Islamic Development Bank								
D) Current membership in the board of directors of other joint stock companies (listed or non-listed) or any other company, regardless of its legal form or the committees deriving from it:										
#	Company name	Main activity	Membership type (executive, nonexecutive, independent)	Nature of the membership (in personal capacity, representative of legal person)	Committees Membership	Legal form of the company				
1	Uptown Jeddah project	Real Estate	Vice Chairman & Chairman of Executive committee	In his personal capacity	Executive Committee	Project under the Public Investment Fund				
2	Al Khozama Management Company	Real Estate	Board Member	In his personal capacity		Real Estate Development Company				
3	Sidra Capital	Asset Management	Chairman	In his personal capacity		Regulated by Capital Market Authority (CMA) KSA				
4	Inoks Capital	Asset Management	Chairman	In his personal capacity		Regulated by FINMA				
5	Al-Murjan International Holding	Real Estate	Board Member	In his personal capacity		A SFO licensed by the Dubai International Financial Center (DIFC)				

Form No. (1) Resume

A) Personal information of the Nominated Member									
Full name	Osama Omar Barayan								
Nationality	Saudi	Date of birth	16/12/1401 H						
B) Academic Qualifications of the Nominated Member									
#	Qualifications	Specialization	Date of obtaining the qualifications	Name of Awarding Entity					
1	M.A.	Financial management	2009	Monash University - Australia					
2	Bachelor	Accounting	2006	KFUPM					
3									
C) Work Experience of the Nominated Member									
Period	Areas of Experience								
1.5 Year	External Audit								
2 Years	Internal Audit								
1 Year	Compliance								
6 Years	Investments								
D) Current membership in the board of directors of other joint stock companies (listed or non-listed) or any other company, regardless of its legal form or the committees deriving from it:									
#	Company name	Main activity	Membership type (executive, nonexecutive, independent)	Nature of the membership (in personal capacity, representative of legal person)	Committees Membership	Legal form of the company			
1	Saririah	Hospital management	independent	personal	NONE	L.L.C			
2									
3									
4									
5									

Form No. (1) Resume

A) Personal information of the Nominated Member						
Full name	Mazen Nasser M. Al Sharfan					
Nationality	Saudi	Date of birth	01/07/1398 H			
B) Academic Qualifications of the Nominated Member						
#	Qualifications	Specialization	Date of obtaining the qualifications	Name of Awarding Entity		
1	M.A.	Professional Accounting	2009	King Abdulaziz University		
2	Bachelor	Accounting	2002	King Abdulaziz University		
3						
C) Work Experience of the Nominated Member						
Period	Areas of Experience					
2018-PRESENT	Senior Director of Internal Audit – Nahdi Medical Company					
2017	Director of Internal Audit – ECZA					
2014-2016	Head of Internal Audit – Saudi Enaya Cooperative Insurance					
2009-2013	Internal Audit Manager– Saudi Economic & Development Company (SEDCO)					
2005-2009	Internal Audit Officer- Cristal Global					
2002-2005	Internal Auditor – Business Risk Services – Ernst & Young					
D) Current membership in the board of directors of other joint stock companies (listed or non-listed) or any other company, regardless of its legal form or the committees deriving from it:						
#	Company name	Main activity	Membership type (executive, nonexecutive, independent)	Nature of the membership (in personal capacity, representative of legal person)	Committees Membership	Legal form of the company
1						
2						
3						
4						
5						

Form No. (1) Resume

A) Personal information of the Nominated Member						
Full name	Abdulmajeed Sulaiman Aldakhil					
Nationality	Saudi	Date of birth	17/03/1407 H			
B) Academic Qualifications of the Nominated Member						
#	Qualifications	Specialization	Date of obtaining the qualifications	Name of Awarding Entity		
2	Bachelor	Accounting	2012	Southern Utah University		
3						
C) Work Experience of the Nominated Member						
Period	Areas of Experience					
9 years	Assurance, Financial Due Diligence and Valuation					
D) Current membership in the board of directors of other joint stock companies (listed or non-listed) or any other company, regardless of its legal form or the committees deriving from it:						
#	Company name	Main activity	Membership type (executive, nonexecutive, independent)	Nature of the membership (in personal capacity, representative of legal person)	Committees Membership	Legal form of the company
1						
2						
3						
4						
5						