



شركة اليمامة للصناعات الحديدية  
Al Yamamah Steel Industries Company

# Al Yamama Steel Industries Company Audit Committee Regulation

## 8 Audit Committee Regulation

### **Preface: What and limits of the regulation:**

#### **First: What is this issue:**

Al Yamamah Steel Industries Company aims to follow up the amendment of the Audit Committee Regulations to activate the role of the Board in the oversight of the executive management through the specialized committees of the Board, including the Audit Committee, which plays a key role in activating the control over the company in general, reducing the degree of risks to which it is exposed and for good performance and continuity in business and long-term sustainability. and Ensure the fulfillment of the main function of the Audit Committee It is to support the entire Board of Directors by providing it with information and making recommendations while not taking decisions on behalf of H.

The Audit Committee Regulation of Al Yamamah Steel Industries Company has been issued as part of the Governance Manual/Regulations of Al Yamamah Steel Industries Company and its various amendments, where the Audit Committee Regulation describes the scope of the Committee's responsibilities and how it carries out its responsibility. In order to raise the credibility, efficiency and effectiveness of its work and activities, enhance its position and maintain its reputation in the business sector, this regulation is a positive and advanced step to implement good governance, which enhances transparency and both material and non-material disclosure, strengthening the rules of justice and accountability, and fighting administrative corruption.

This issuance is an amendment to the Audit Committee's regulations in reference to the recommendation of the Board of Directors by its decision to circulate on 20/02/1439H corresponding to 09/11/2017G and based on the recommendation of the Audit Committee for the current Board session, which began on 26/06/2017G for a period of three years to make an amendment to some items of the Audit Committee Regulations (fourth version), which was approved by the General Assembly of Shareholders on 26/02/2017G.

The amendments to these Regulations have been made in accordance with the changes that have occurred in the various laws and regulations and in light of best practices in this regard in order to assist the Audit Committee in making its charters effective documents, and using them to manage the agenda, which is intended to serve as a model for guidance.

#### **II. Limits and scope of the Regulation:**

The Audit Committee Regulations should be considered as an integral part of the rules, rules and regulations contained in the Companies Law, the Capital Market Authority and other relevant laws and regulations, as well as local and international

auditing standards, in addition to the Code of Conduct and Ethics of Al Yamama Steel Industries Company. .

## 1.8 Purpose

**1.1.8 The Board of Directors of Al Yamama Steel Industries Company (the Company) is the supreme governing body that works to ensure the management of the Company and maintain the internal policies and controls of:**

- a. Protection of the company's assets.
  - b. Correct recording of existing transactions and events.
  - c. Prepare correct and documented financial information.
- enterprise-wide risk oversight and control to manage the company's operations.
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**2.1.8 The above aspects shall be independent and periodically reviewed by the auditor and internal auditors.**

**3.1.8 To enhance the functions and ensure their objectivity and independence, the Board of Directors shall establish the Audit Committee (in the Committee). Its main purpose is to monitor and follow up on the affairs of the Company on behalf of the Board of Directors in:**

- a. Adequacy and integrity of internal control systems, financial accounting, reports, policies and procedures and effectiveness of internal audit and auditor functions.
- b. Verify the company's compliance with the relevant laws, regulations, policies and instructions.
- c. Adequacy and integrity of policies and procedures regarding the safety and security of the Company's assets, and the integrity of the Company's financial statements.
- d. Verify the independence, positioning, fairness and effectiveness of the audit work taking into account the relevant rules and standards.
- e. Contribute to the review and assessment of strategic risks and receive regular reports on these emerging risks.
- f. The Audit Committee is responsible for preparing and publishing the Committee's annual report to the Board of Directors and other reports required of it in accordance with the Implementing Rules, Laws and Regulations.

**4.1.8 It should also be ensured that the duties of the Audit Committee assist the Board in its oversight role.**

## 2.8 Responsibilities of the Audit Committee

**The Audit Committee will have the following responsibilities:**

### 1.2.8 Internal control and accounting policies

- a. Audit with the company's management, auditor, internal audit, and the company's general policies and procedures and ensure the adequacy of the financial accounting principles and practices applied by the company.
- b. Study the company's internal control system, including the control and security of information and develop a written report on its opinion and recommendations thereon.
- c. Understand the scope of the auditor and internal audit in reviewing internal control over financial reports, reviewing important findings and recommendations reports along with management responses.
- d. review and comment on any new or change to existing procedures and policies taken by management.

## 2.2.8 Auditor's audit and financial statements

a. The Audit Committee shall make recommendations to the Board on an annual basis for the appointment, dismissal and remuneration of the auditor, and any recommendation shall be made regarding its independence or anything of the kind.

b. Follow up the work of the auditor, review and confirm his independence by obtaining data from the auditor on the relations between the auditor and the company, including non-auditing services, and discuss relations with auditors.

c. Study the audit plan with the auditor and make observations on it.

d. Review the auditor's reports and work to support the auditor where possible to provide alternative links of communication between the auditor and the Board of Directors when needed.

e. Study the accounting policies followed and submit opinions and recommendations to the Board of Directors.

review the terms and specifications as well as remuneration for any special audit/advisory assignment performed by the auditor.

f. A separate meeting is held on a regular basis with the auditor to discuss any private matters with the Audit Committee or the auditor who believes should be discussed privately and confidentially.

Review and follow up the auditor's observations on the financial statements and follow up on the actions taken in this regard.

g. Review the annual financial statements before presenting them to the Board of Directors, and express opinions and recommendations in this regard.

h. Review with management and auditor the impact of organizational and accounting initiatives on the company's financial statements.

i. Recommending the adoption of any work outside the scope of the audit work assigned to the auditor during the conduct of the audit work.

j. Regularly report to the Board of Directors on any issues that may arise regarding the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, and the performance and independence of the Company's auditor.

### 3.2.8 Internal audit

k. Ensure that the company's purpose, authority and responsibility for the internal audit activity is formally determined to provide and present ongoing assessments of the company's operations, risk management and internal control system in coordination with senior management and the Audit Committee.

m. Approving annual compensation, performance appraisal and adjustment of the Internal Audit Manager's salary in line with the company's compensation and incentive policy.

l. Recommending to the Chairman of the Board of Directors the appointment and dismissal of the Director of Internal Audit.

n. Supervise the internal audit activity and review its regulations, scope, efficiency, independence, objectivity and performance, and the work plan. Conduct the audit with the Director of Internal Audit and present the results of internal audit efforts on a quarterly basis, or when necessary and needed, and review the periodic and annual internal audit reports.

o. Conduct a brief review of all internal audit reports, including management responses and comments and exceptions noted, and follow up on the implementation of corrective measures and actions with respect to the comments contained in the audit report.

p. Supervise the internal audit activity in the company to ensure its effectiveness in carrying out its activities and the duties determined by the Board of Directors.

q. The Audit Committee should have the final authority to review and approve the annual audit plan and all major changes to the internal audit plan.

r. Ensure that there are no undue restrictions, review, and agreement on replacement, appointment, or dismissal of the Director of Internal Audit. review the performance of the Director of Internal Audit no less than once a year, agree on annual compensation and adjust salary, if necessary.

t. Review the effectiveness of the internal audit activity, including compliance with international standards emanating from the Association of Internal Auditors and the competent to regulate the professional practice of internal auditing.

u. On a regular basis, a separate meeting is held with the Director of Internal Audit to discuss any matters of a special nature.

### 4.2.8 Compliance

1. Review the results of any examinations carried out by the relevant regulatory authorities, and any observations of the auditor.

2. Obtain regular updates from management and the Company's legal counsel regarding compliance matters.

- أ. The duty of the Audit Committee is to submit periodic reports to the Board of Directors.

### 5.2.8 Risk Management

The Audit Committee is responsible for monitoring the company's business, verifying the integrity and integrity of reports, financial statements and internal control systems, and strengthening the company's risk management framework in general, and the committee's tasks include in particular studying and reviewing the company's risk management systems.

The Audit Committee shall ensure that the general policies for risk management follow the approved systems and procedures .

C. The Audit Committee shall review the results of the annual review of the implementation of the Company's risk management policies and procedures through the internal auditor and make any recommendations thereon

### 6.2.8 IT controls and tools

The committee shall research and review with management, the external auditor and the internal auditor:

1. Effectiveness and weaknesses in controls and control systems in the company's information system.
2. Any relevant findings and recommendations by the External Auditors and the Internal Auditor along with management's responses thereto, including a timeline for the implementation of recommendations on controls and control tools, including any significant risks associated with these key controls.
3. The status and adequacy of management information systems and other information technologies.
3. The Committee reviews with the Internal Auditor and the External Auditor the coordination of audit efforts to ensure full coverage of the system of controls and the key relevant risk areas it controls.

### 7.2.8 Reporting functions

1. Prepare regular reports to the Board on the activities of the Audit Committee and related issues and recommendations.

2. Provide an open means of communication between the internal auditor, the auditor, and the Board of Directors.
3. Prepare and submit an annual report to shareholders, describing the committee, responsibilities, and any other information required, including approval of non-audit services.
4. Review any other reports related to the responsibilities of the Committee issued by the Company.

### 8.2.8 Other tasks

1. Carry out other relevant activities as required by the Board.
2. Follow up on material, financial, ethical or legal violations, any serious violations of the company's policies, a violation of legal provisions or any violation of the code of conduct, highlighted by the internal auditor or any other employee.
3. Direct and pursue any special investigations, as appropriate, on matters relating to the Company's financial statements, internal controls, compliance with laws or business ethics.
4. Review all significant issues falling within the scope of the Audit Committee's Regulations, including any changes in accounting principles, with management and the auditor, before making any decision on reporting and practices to be followed by the Company, and report thereon to the Board.
5. Review and evaluate the adequacy of the Regulations to the Audit Committee annually, seek Board approval for proposed amendments, and ensure disclosure as appropriate as may be required by law or regulations.
6. Review with management for Zakat/tax returns and tax issues.
7. Review the Company's quarterly and annual financial statements, including any impact on extraordinary items.
8. Ensure that all responsibilities listed in this regulation have been carried out annually.
9. Evaluate the performance of the Audit Committee and its members on a regular basis.
10. The Review Committee shall have the right to appoint an independent lawyer and other advisors as it deems necessary to carry out its functions.
11. Establish procedures for the retention, reception and handling of complaints received by the Company regarding accounting, internal accounting controls or audit matters, including procedures for filing concerns about accounting or auditing by employees of the Company and other questionable matters.
12. The Audit Committee shall be available at all times to receive suggestions, questions or recommendations from the External Auditors, the Internal Auditor and Executive Management.



### 3.8 Audit Committee Structure

1.3.8 The Board of Directors shall form an Audit Committee consisting of (3) members who are shareholders or other financial knowledge, and who are not executive members of the Board of Directors, provided that they include at least <sup>1</sup>one independent member, and that they include a financial and accounting specialist.

**The assignment order shall be issued after presentation to the General Assembly, explaining the conditions of membership, qualifications and conditions of experience available in the members of the Committee and their tasks, and the assignment order must explicitly and specifically stipulate the terms of reference, role, responsibility and main objectives of the Audit Committee during its period of work.**

2.3.8 The members of the "Audit Committee " shall be appointed upon the recommendation of the Board of Directors, and the General Assembly shall approve the formation of the Audit Committee in accordance with the provisions of the laws and regulations issued in this regard. The Audit Committee may not include in its membership the Chairman of the Board of Directors.

**3.3.8 The General Assembly shall issue, upon a proposal by the Board of Directors, the rules for selecting the members of the Audit Committee, their term of office, the method and controls of the work of the Committee and the remuneration of its members.**

4.3.8 The member of the Committee shall be appointed for a period of three years, renewable once, and the term of membership of the "Audit Committee" shall not exceed the term of membership of the Board of Directors. The membership of the member of the Audit Committee shall also terminate if the member of the Committee is a member of the Board of Directors and his membership in the Board has expired for his voluntary resignation or the expiry of the term of membership. The Board of Directors may remove a member of the Audit Committee by a majority vote. The Board of Directors may also temporarily appoint a member of the Audit Committee, provided that such appointment shall be submitted to the Ordinary General Assembly at its first meeting for approval.

**5,3,8 yen A member of the Board of Directors shall be a member of the Company's Audit Committee and may chair the Committee in accordance with the decision to form and assign the Committee. Or the selection of its chairman by a positive vote of the majority of the**

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(1) Means Financial knowledge The ability to read and comprehend financial statements.

**members of the committee if the decision to form the committee does not include the appointment of its chairman.**

**6.3. 8 The member should not carry out any technical or administrative work in the company, even if it is of a consulting nature. A person who has worked for the auditor for the past two years may not be a member of the Audit Committee.**

**7.3. 8 The member shall not have a direct or indirect interest in the work or contracts concluded for the company's account.**

**8.3. 8 The Audit Committee must appoint a secretary to the Committee to keep records of actions and decisions, and the Secretary can also be one of the members of the Committee or be from outside the Board of Directors, if the Secretary is not a member of the Committee he does not have any voting rights.**

**9.3. 8. The Secretary of the Committee shall be responsible for the following:**

- a. Maintain complete records of Committee meetings for the purpose of reporting on the performance of the Committee to the Board of Directors.
- b. Disseminate the Committee's decisions to the parties concerned.
- c. Coordinate with the concerned departments on the decision of the Legal Committee, which requires compliance and regulatory procedures.
- d. Establish a mechanism to track and follow up the committee's decisions.
- e. Perform any other tasks or responsibilities assigned to him by the Chairman of the Committee or any of its members.

#### **4.8 Responsibilities of Audit Committee Members**

**1.4.8 Members must make every effort to attend all meetings of the Committee and actively participate in the discussions. The Chair must also be informed in writing in their absence.**

**2.4.8 Members shall preserve the secrets of the Company acquired through the performance of their duties, and shall not publish confidential information to shareholders from the General Assembly or to any other party, in such cases the Member shall be removed from office and held liable for the resulting financial damages.**

**3.4.8 Members of the Audit Committee shall not carry out any executive work in the Company even by way of consultations.**

**4.4.8 Members shall continue to perform well in the execution of their duties and responsibilities, and shall be updated in their respective field for the benefit of the Company.**

**5.4.8 Members must be honest and independent in the performance of their work.**

**6.4.8 Members must not participate in any professions that could violate the Company's Code of Conduct or its principles.**

**7.4.8 Members shall not accept any professions that are prone to conflicts of interest with the Company, and those that may prevent them from carrying out their duties objectively.**

**8.4.8 Members are required to disclose all personal transactions and their nature carried out with the Company, and any personal relationship with the Board of Directors and Executive Management.**

9.4. 8 The members of the Audit Committee must comply with the performance of the work in accordance with the Committee's Regulations, the rules, rules and regulations contained in the Companies and Capital Market Law and other relevant laws and regulations, as well as comply with local and international auditing standards, in addition to the Code of Conduct and Ethics. And the ethics of responsible work for Al-Yamama Steel Industries Company.

## 5.8 Work of the Audit Committee

**8.5.1 The Committee shall adopt an annual agenda at the first meeting of each year, and at each meeting shall determine the date of the next meeting, and the majority of the members of the Audit Committee shall achieve a quorum. Each member of the "Audit Committee" shall have one vote, and the decision shall be taken on behalf of the Committee when the majority of the members attend the meeting and reach the quorum, and in the event of a tie vote, the side with which the Chairman voted shall prevail.**

**2.5.8 The Audit Committee shall meet periodically at least every three months during each financial year, and whenever the need arises, or at the request of the Board of Directors, the Internal Auditor and the Auditor. Unless otherwise directed by the Board, the Audit Committee shall meet at a company headquarters. The meetings of the Audit Committee shall be determined to take into account the regulations required by the Corporate Governance Regulations for the work and functions of the Committee, including those that require the examination of the interim and annual financial statements before presenting them to the Board of Directors and expressing opinion and recommendation thereon.**

- 3.5.8** No one other than a member of the Audit Committee is entitled to attend its meetings, but a non-member may attend if invited by the Committee.
- 4.5.8** The agenda for each meeting shall be prepared by the Chairman of the Review Committee and shall be circulated to all members whenever possible prior to the meeting.
- 5.5.8** All meetings of the Committee shall be handled by the Chairman of the Audit Committee, and all decisions and recommendations of the Audit Committee shall be documented in a special register to be signed by the Chairman of the Committee and the Secretary of the Committee.
- 6.5.8** The Chairman and members of the Audit Committee shall be present in person at the meeting of the Committee, and no representation by the Chairman or any member of the Committee shall be accepted through any proxy.
- 7.5.8** The Audit Committee shall meet as determined by the Chairman of the Committee, or at the request of any two of its members.
- 8.5.8** The decisions of the Audit Committee shall be taken by a majority vote.
- 9.5.8** The Audit Committee shall submit a summary report to the Board including its observations and important recommendations on matters considered within the Audit Committee meetings.
- 10.5.8** The Audit Committee meeting shall not be effective unless the Chairman of the Committee and a member are present, and the Audit Committee shall meet upon invitation of the Chairman of the Committee or any two members of the Committee. When sending an invitation to attend the meeting, the draft agenda shall be attached, delivered manually or sent to the members electronically or in any other way, at least four (4) days before the date of the meeting, unless waived by all members; In the absence of the chairman, the committee elects a replacement chairman for the existing meeting.
- 11.5.8** Any Board member who is not a member of the Audit Committee may attend as an observer during the work of the Committee unless it is executive/private work.
- 12.5.8** Management representatives may be invited to attend any or all meetings of the Audit Committee, and shall be invited through the Secretary of the Board under the direction of the Chairman of the Committee.

**13.5.8** In case of emergency or in situations beyond the control of the Committee where the Audit Committee cannot meet, the Audit Committee may make its decisions by deliberation.

**14.5.8** The Audit Committee shall maintain and maintain a record of the observations and recommendations approved during its meeting sessions and report thereon to the Board of Directors.

**15.5.8** Establish a mechanism that allows employees of the company to submit their observations on any violation of financial or other reports confidentially, and the Committee shall verify the application of this mechanism by conducting an independent investigation commensurate with the size of the error and adopting appropriate follow-up procedures.

**16.5.8** The Audit Committee proposes to the Board of Directors the necessary policies or procedures for stakeholders to follow in submitting their complaints or reporting violating practices, taking into account the following:

Facilitate informing stakeholders (including employees of the company) of the Board of Directors of any actions or practices that may be issued by the executive management that violate the applicable laws, regulations and rules or raise suspicion in the financial statements, internal control systems or others, whether such actions or practices are against them or not, and conduct the necessary investigation thereon.

Maintain the confidentiality of reporting procedures by facilitating direct contact with an independent member of the audit committee or other competent committees.

C. Assigning a competent person to receive complaints or reports of stakeholders and deal with them.

d. Allocate a phone or email to receive complaints. Provide the necessary protection to stakeholders.

**17.5.8** In the performance of its oversight role, the Audit Committee is authorized to investigate any matter directed with full access to all books, lists, facilities, records and employees of the Company with the power to request any outside advice, from auditors or consultants, and to bear any other expenses for this purpose and shall be paid at the Company's expense. The Committee may also request any executive officer or employee of the Company or its branches, or request the Company's legal lawyer, and the company's auditors to meet with the committee or any member of the committee.

**1 8.5. 8 The Audit Committee shall evaluate its performance annually, and the results shall be reported to the Board of Directors, including the performance and commitment of each member to the activities of the Committee.**

**1 9.5. 8The meetings of the Committee are documented as follows:**

- a. Determine the date and place of the meeting, the names of attendees and absentees and a summary of the discussions that took place at the meeting, their decisions and relevant recommendations should be recorded.
- b. A draft of the minutes shall be prepared by the Secretary of the Committee within seven (7) working days after each meeting, sent to all Committee members for review, and comments shall be submitted by Committee members within one week from the date of receipt of the draft.
- c. The Secretary of the Committee shall amend the minutes based on the comments of the members and send the attached comments to the Chairman.
- d. The secretary of the committee shall prepare the final minutes in accordance with the recommendations of the chairman and send it to the members of the committee signed by the chairman and the secretary.
- e. A signed copy of the minutes with attachments, relevant documents and correspondence shall remain in a special file.

**6.8 Remuneration and remunerationof the Committee**

**1.6.8 Each member of the Committee shall be entitled to the following compensation:**

- a. Attendance allowance for each meeting.
- b. Annual compensation.

**2.6.8 Committee members who reside outside the Company's official website shall be entitled to reimbursement of all expenses incurred by them to attend the meeting, provided that such expenses are reasonable and customarily acceptable in accordance with business standards such as travel, meals, accommodation and other expenses incurred specifically for business purposes.**

**3.6.8 The Board of Directors shall submit and disclose to the General Assembly the submissions, remuneration and other payments made to the members of the Committee.**

**7.8 Power**

**8.7.1 The Audit Committee has a role in reviewing and advising without making any practical decisions, the Audit Committee provides evidence of a constructive approach, support and advisory approach.**

**2.7.8 To achieve the objectives, the Audit Committee is authorized to perform the following tasks:**

- a. Perform the duties and tasks specified and stipulated in the Regulations , based on the directives and approval of the Board of Directors, to investigate any of the Company's activities.
- b. Invite the auditor to obtain information and clarifications related to the company's audit affairs without placing restrictions on the company's management and employees at all levels to access reports or information related to the company's financial affairs, as he deems necessary to fulfill its responsibilities.
- c. Conclusions and recommendations must be reached before taking any corrective actions to the Board of Directors and not to issue any directives to the Company's management in this regard and the Board of Directors shall either accept and implement the recommendations or advice provided by the Audit Committee or advise the Audit Committee for deviations in the Committee's proposals.

**3.7.8 The Audit Committee may request the Board of Directors to convene the General Assembly, and in the event that 15 days have elapsed since the request has not been implemented, the Ordinary General Assembly may be convened by a decision of the competent authority.**

## **8.8 Relationship of the Audit Committee and Internal Audit Unit/Department**

- 1.8. 8 The Board of Directors, upon the proposal of the Audit Committee, shall develop the necessary policies or procedures to be followed by stakeholders in submitting their complaints, and shall take the opinion of the Audit Committee on the adequacy of the internal control system in the Company.
2. 8. 8 The Audit Committee shall follow up the performance of the Company's Internal Audit Unit/Department, which in turn is committed to submitting quarterly periodic reports to the Audit Committee.
3. 8. 8. The Audit Committee shall essentially approve the annual audit plan issued by the Internal Audit Unit/Department, and the Committee shall review the periodic reports of the Internal Audit Unit/Department, in addition to the annual unit/department report issued against the audit plan.



## 9. 8 Report of the Audit Committee

- 1.9. 8. The Audit Committee shall consider the Company's financial statements, reports and observations submitted by the auditor, and provide its views thereon, if any, and shall also prepare a report on its opinion on the adequacy of the internal control system in the Company and the other work it has carried out within the scope of its competence.
2. 9. 8. The Board of Directors shall deposit sufficient copies of the Audit Committee's report at the Company's head office at least twenty-one days before the date of the General Assembly to provide any interested shareholders with a copy thereof.
3. 9. 8 The Board of Directors shall ensure that the agenda of the General Assembly includes briefing the shareholders on the topics and reading and discussing the report of the Audit Committee and making it available to shareholders during the meeting.
4. 9. 8- The Board of Directors shall submit a copy of the report of the Audit Committee among the documents to be filed by the Ministry of Commerce and Investment and the Saudi Capital Market Authority during the statutory period of the General Assembly's approval of the financial statements.

## 10. 8 To resolve the conflict between the Audit Committee and the Board

- 1.10. 8 If there is a conflict between the recommendations of the Audit Committee and the decisions of the Board of Directors, or if the Board refuses to take into account the Committee's recommendation regarding the appointment of the Company's auditor, his dismissal, determination of his fees, evaluation of his performance or the appointment of the internal auditor, the report of the Board of Directors shall include the Committee's recommendation and justifications, and the reason for not taking them into account.