

# Audit Committee Report

10 March 2024

## Annual Audit Committee Report for 2023

### Preamble

The Audit Committee (the “Committee”) is delegated by the General Assembly with the responsibility to provide independent oversight of the Group’s financial reporting, internal control systems, compliance with applicable laws and regulations, the adequacy of the External and Internal Audit activities, and risk management supervision.

During the year, the Committee has been provided with the necessary support to perform its duties from the Internal Audit Department (“IAD”), the External Auditors (Baker Tilly and PKF) and management to examine all matters relating to the Group’s adopted accounting practices and in reviewing financial, operational and compliance control systems. The Committee’s charter and its terms of reference are available on L’azurde’s website <https://lazarde.com/>.

The Committee comprises three board members including two members specialized in financial and accounting matters, appointed by the General Assembly for a term coinciding with the term of their membership of the Board of Directors.

None of the Committee members are employed by or otherwise affiliated with the former or current auditors of L’azurde Group. The Committee members’ names are the following and biographies are set out in 2023 Annual Report.

<u>Members</u>	<u>Position</u>	<u>Membership Status</u>	<u>Appointment date</u>
Mrs. Sabah Khalil Al-Moayyed <sup>1</sup>	Chairwoman of the Audit	Independent	22 April 2018
Mr. Brian Norman Dickie	Member of the Audit Committee	Non-Executive	22 April 2018
Mr. Salim Marwan Fakhouri <sup>2</sup>	Member of the Audit Committee	Independent	26 April 2021
Mr. Abdullah Abdul Aziz Al-Othaim <sup>3</sup>	Member of the Audit Committee	Non-Executive	27 November 2023

1- Mrs. Sabah Khalil Ibrahim Al-Moayyad, Independent Member of the Board of Directors, Chairman of the Audit Committee, and specialist in finance and accounting.

2 -Mr. Salim Maroun Fakhouri, independent Member of the Board of Directors, Member of the Audit Committee and specialist in finance and accounting, he resigned on 26 November 2023.

3 - Mr. Abdullal Abdul Aziz Al-Othaim, Non-Executive Member of the Board of Directors, Member of the Audit Committee appointed on 27 November 2023.

### Meetings

The committee meets on a quarterly basis with additional meetings when necessary. The committee held fourteen (14) meetings during the year 2023, most of them were over video conference calls.

The Company’s Chief Executive Officer and Chief Financial Officer were invited to the meetings, when required, to provide any clarification on accounts and financials.

The Chairwoman of the Audit Committee conveyed to the Board matters of significant concern as and when raised by the External Auditors or Head of Internal Audit department.

There is no conflict between the recommendations of the Audit Committee and the resolutions of the Board of Directors.

### Summary of work

- Reviewed the Group’s quarterly and annual results and financial statements.
- Review BOD annual report content to ensure it reflects the results of the Company activities and provides clear and adequate information to the shareholders to assess the performance of the Company, its business model and strategy.
- Reviewed, with both the external auditor and management, the audit methodology applied, and included in the year-end auditor’s report.
- Reviewed significant findings in Internal audit reports and management’s response to the issued recommendations.
- Reviewed reports on legal and regulatory compliance matters, including anti-bribery, anti-corruption matters and whistleblowing disclosures.
- Reviewed the annual impairment assessment of the goodwill that arose on the acquisition of Izdiad Commercial Company of Arabia.
- Reviewed efficiency and effectiveness of the internal control systems.
- Supervised risk management process and assessed the effectiveness of systems and mechanisms for determining, and monitoring the risks, including monitoring the implementation of the risk policies and procedures;

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- Reviewed the external auditor's independence and engagements to perform non-audit services.
- Reviewed the 2023 external audit engagement letters and fees, and recommended it to the Board of Directors for approval.
- Reviewed accounting principles and practices proposed by management.

The activities undertaken by the Audit Committee regarding major topics during the financial year, were as follows:

### **1. Financial Reporting**

The Committee reviewed the 2022 Consolidated Financial Statements in conjunction with the External Auditors, Baker Tilly. Based on this review and discussions with management, the Committee was satisfied that the Consolidated Financial Statements were prepared in accordance with applicable accounting standards in KSA (International Financial Reporting Standards approved by SOCPA) and fairly presents the Group's financial position and results of its operations for the year ended 31 December 2022.

The Committee, therefore, recommended that the Consolidated Financial Statements for the year ended 31 December 2022 to be approved by the Board and General Assembly.

The Committee reviewed the quarterly financial statements for the first, second and third quarters of 2023.

### **2. Review of Internal Control Systems**

The Committee reviewed the effectiveness of the Group's policies and procedures regarding internal control systems (including financial, operational, IT, risk management, information security, legal compliance, and controls designed to detect fraud) by reviewing the work and reports of the internal auditor, and regular reports from management including those on risk management, regulatory compliance and legal matters.

The Committee reviewed and endorsed management confirmation that for the year ended 31 December 2023, the Group's risk management and internal control systems were effective and complied with the Corporate Governance Regulations.

The Committee is satisfied that the Group has adopted necessary control mechanisms to monitor and correct non-compliance and complied with the requirements of the Corporate Governance regulation in respect of risk management and internal control systems.

Despite this, the committee believes that the internal control system needs further improvements to be in line with the company's growth and strategic directions.

### **3. Related Party Transactions**

The Committee reviewed related party transactions with the company. The Committee did not report to the BOD any conflict-of-interest situations within the Company nor the Group including any transaction, procedure or course that raises questions of management integrity.

### **4. External Audit**

The Committee obtained independence confirmation from the external auditors. The Committee agreed that the External Auditors are and have been independent throughout the conduct of their audit engagement in accordance with the terms of relevant professional and regulatory requirements.

The Committee had four (4) meetings with the External Auditors during 2023.


### **5. Re-appointment of External Auditor**

Appointment of the external auditor will be discussed and the final recommendation will be submitted to the general assembly for approval

### **6. Review Resources of Accounting, Financial Reporting and Internal Audit Functions**

The Audit Committee reviewed and was satisfied with the adequacy of the resources, staff qualifications, experience, training programs and budget of the Group's accounting, financial reporting and Internal audit functions.

### **Audit Committee Chairwoman**

  
Mrs. Sabah Almoayyed

# Nomination of external auditors and AC recommendation

## Nomination of external auditors – AC recommendation

For the audit of the year 2024 and the first quarter of 2025, the Audit Committee reviewed the below proposals submitted by two audit firms, and a recommendation was issued by the Audit Committee to nominate the following audit firms as independent auditors for the company's accounts for the year 2024 and the first quarter of 2025:

#	Name of Audit Firm	Fees
1	Ibrahim Ahmed Albassam & Co PKF.	SR 865,000
2	Maham Professional Services	SR 480,000

### **Audit Committee recommendation:**

The AC recommends to reappoint Ibrahim Ahmed Albassam & Co PKF. as external auditor as they are a reliable firm with great experience, efficiency and professionalism. The AC is also satisfied with PKF independence and objectivity and they possess familiarity with the company's business and operations. This is for examining, reviewing and auditing the preliminary financial statements for the second and third quarters and the annual financial statements of the fiscal year 2024, and the first quarter of the fiscal year 2025. Considering that the fees amount is SAR 865,000. This recommendation shall be submitted to the Board of Directors and the General Assembly for approval.

# Competing Business Standards for L'azurde Company

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### **Introduction:**

Competing business standards have been developed in accordance with the third paragraph of Article 44 of the Corporate Governance Regulations issued by the Capital Market Authority (CMA). The company's Board of Directors has formulated these standards in alignment with the company's Bylaw, the Companies Law, and the Corporate Governance Regulations issued by CMA.

### **Company competition controls:**

It is not permissible for a member of the Board of Directors to participate as defined below in any activities that would compete with the company, or its branches of operation. Failure to comply may lead to the company seeking appropriate compensation through the competent judicial authority, unless prior approval has been obtained from the ordinary general assembly. This adherence is in accordance with the controls specified by the Capital Market Authority.

If a Board member, or a member of one of its committees, wants to participate in a business that may compete with the Company or any of its activities, the following procedures must be followed:

- 1- The Board member must formally notify the Board in writing about the competing businesses they intend to undertake, and this information will be documented in the minutes of the Board meeting.
- 2- The conflicted member shall abstain from voting on any decisions related to the competing business in Board meetings, committee meetings, and the General Assembly.
- 3- The Board must inform the Ordinary General Assembly, once convened, of the competing businesses in which the Board member or committee member is involved. This disclosure occurs after the Board evaluates the competition with the company's business or its branch activities, following the standards issued by the Ordinary General Assembly based on the board's proposal, published on the company's website, and subject to annual assessment.
- 4- Obtain authorization from the Ordinary General Assembly or the Board (through a delegation of the Ordinary General Assembly), for the Board member to engage in the competing business.

Whoever applies for candidacy to the Board of Directors membership, must disclose to the Board and the General Assembly any cases of conflict of interest - in accordance with the procedures established by the Authority - and this includes his/her participation in a business that would compete with the company, or his/her competition with one of the branch activities that it conducts.

### **Concept of the Competing Businesses**

Participation in any business competing with the Company or any of its activities includes:

- 1) Establishment of a company or sole proprietorship or ownership of a controlling percentage of shares or stakes in a business engaging in activities similar to those of the Company or its group.
- 2) Acceptance of board membership in a company or entity competing with the Company or its group or management of a competing sole proprietorship or any competing company of any form, except the company's affiliates.

3) Acting as an overt or covert commercial agent for another company or entity competing with the Company or its group.

**Company purposes:**

The company engages in the following activities as outlined in Article 3 of the company’s Bylaws:

- A. Production, manufacturing, shaping of gold, jewelry, Gold bars, precious stones and gold sets crowned with precious stones.
- B. Wholesale and retail trade of precious minerals, precious stones, gold jewelry and goldsmiths.
- C. Participating in the incorporation of companies with a controlling share.
- D. Wholesale and retail trade in gold and jewelry machinery.
- E. Production and manufacture of glasses, watches, accessories, pens, perfumes and leather products.
- F. Gold bars.
- G. Exportation of goldsmiths and gold and silver bars.
- H. Production, manufacture and sale of diamond and diamond jewelry.
- I. Contracts of maintenance, cleaning and operation of buildings, factories, and gold and jewelry machinery.
- J. Obtaining intellectual property rights, franchise agreements, commercial agencies, copyrights, its management, distribution and use, such as; patent, international and local trademarks and other copyrights, using and leasing them to its affiliated companies and otherwise.
- K. Trade, distribution, exportation and importation of ready-made clothes and Al-Ashmagh.
- L. Trade and distribution of products made of silver, also supplies and accessories of man clothes made of silver and other minerals which include sleeves buttons, rings, bracelets, wallets and pens.
- M. Works of refinery and refinement of pure gold from mineral and stuck impurities by using technological means and advance chemistry in order to obtain pure gold in the form of bars.
- N. The company practices its activities in accordance with the followed laws and after obtaining the licenses necessary from the competent authorities, if any.

**Accreditation and review:**

The Board of Directors is responsible for establishing, supervising, and implementing these standards, subject to approval by the General Assembly. The Governance Department maintains and periodically updates these standards, publishing them on the company's website. Any amendments are presented to the Board of Directors, and the Board's recommendations are submitted to the General Assembly for approval.

Policy Name	Prepared by	Reviewed by	Recommended by	Approved by	Approval Date
Competing Business Standards for L'azurde Company	Governance Department	AC	The Board of Directors	General Assembly	