



Audit Committee Charter
Yanbu National Petrochemical Company
(YANSAB)

Second Version
14 March 2017



Article (1): Committee Formation

The Audit Committee shall be constituted by a decision of a regular meeting of the General Assembly of the Company on the basis of a proposal made by the Board of Directors. They shall include at least one independent member, and shall not include any executive members of the Board of Directors. The Audit Committee shall have at least three and no more than five members, and shall be of whom specialists in finance and accounting.

Article (2): Membership of the Committee

- a. The Audit Committee shall be constituted on the recommendation of the Board of Directors of the Ordinary General Assembly of the Company. The term of office of the members of the Audit Committee shall be three years from the date of its approval by the Ordinary General.
- b. The members of the audit Committee shall be selected according to the following selection rules:
 1. Not to be the Executive member of Board of Directors, or who performs a technical or managerial work in the Company, even an advisory capacity.
 2. shall be knowledgeable of the financial and accounting affairs and have appropriate scientific qualification in this field.
 3. A member of the Committee shall not have a direct, or indirect, interest in the business and contracts made on behalf of the company.
 4. A person who is (or has been, during the past two years) a staff member of the Company's Executive Management or Finance Department or for the External Auditor shall not be a member of the Audit Committee.
 5. The member of the Committee shall perform his or her functions from the date of his or her appointment by the regular General Assembly. His or her membership shall be terminated in one of the following cases:



- a. End of the session of the Board of Directors.
 - b. His resignation.
 - c. Mental illness or physical disability preventing him from performing his duties in the Committee.
 - d. A judicial decision declaring his bankruptcy or insolvency or requesting a settlement with his creditors.
 - E. Conviction for work of the committing a breach of honor or honesty or violation of the laws and regulations of Saudi Arabia or any other.
 - F. The General Assembly's decision to exempt him from membership of the Committee for any of the following reasons:
 1. Breach of his responsibilities, functions and duties, which would be detrimental to the company's interest.
 2. Absent three consecutive meetings within one year without a legitimate excuse.
 - g. Loss at any time of any of the conditions of candidacy for membership of the statutory review committee or under these Regulations.
6. If a member of the Committee is vacant, the Board Of Directors shall appoint - provisionally - a member of the vacant position in accordance with the conditions set out in (2) above. Such appointment shall be submitted to the regular General Assembly at its first meeting and the new member shall complete the term of his or her predecessor.
7. The Committee shall select from among its members a Chair in accordance with the rules governing the review committee in the CMA's Corporate Governance Regulation, as well as a Secretary from the members or others responsible for coordinating its meetings and documenting its deliberations and recommendations.

Article (3): The Committee's competent of reference

The audit committee is competent to monitor the company's business and to supervise the internal audit management of the



company, in accordance Pursuant to the provisions of Chapter 4 of the Companies Law and the provisions of the regulatory rules for audit committees stated in the Corporate Governance Regulation issued by the Capital Market Authority (CMA),

Article (4): Committee Duties and Responsibilities

Pursuant to the provisions of Chapter 4 of the Companies Law and the provisions of the regulatory rules for audit committees stated in the Corporate Governance Regulation issued by the Capital Market Authority (CMA), the Committee duties and responsibilities shall be as follows:

First: Financial Reporting

- Reviewing the Company financial statements and its financial-performance announcements, and making necessary recommendations in their respect to the Board.
- Providing a technical opinion on whether the Board of Directors' report and the Company's financial statements have been prepared in accordance with regulatory requirements for preparing and presenting them.
- Examining unusual transactions in the financial statements, and making recommendations thereon, if necessary.
- Investigating the matters raised by the Company's CFO (or whoever assumes his/her role), the compliance officer or the External Auditor.
- Verifying the accounting estimates of significant items listed in the financial statements.
- Studying the financial and accounting policies adopted by the Company and making recommendations thereon to the Board

Second: Internal Control Systems

- Studying and reviewing the internal and financial control systems and risk management systems and ensuring their effectiveness through regular reports prepared by the Internal Audit Dept. or



others on the adequacy and effectiveness of the internal and financial control systems and risk management systems; and following-up on the implementation of recommended corrective actions.

- Preparing a report to the Board that includes the Committee's opinion on the adequacy of the said systems, its recommendations to address main concerns, and any other recommendations for development of such systems; in addition to any other activities falling within its jurisdiction, which have been accomplished.

Third: Internal Audit

- Supervising and monitoring the Internal Audit Dept.'s activities, and verifying its effectiveness in carrying out its duties and responsibilities.
- Examining the annual audit plan with the Internal Audit Dept. and approving it.
- Examining and reviewing the Internal Audit's regular reports and following up on the implementation of corrective actions pertaining to the issues indicated.
- Recommending the Board approval of the organizational structure and job descriptions of the Internal Audit Dept. and ensuring its independence within the organizational structure of the Company.
- Recommending to the Board the appointment or dismissal of the Head of Internal Audit, and evaluating his/her performance annually.

Forth: External Auditor

- Recommending to the Board the appointment or dismissal of External Auditors and determining their fees, after assessing their performance, independence, scope of work, and terms of engagement.
- Verifying the independence of the External Auditor and his/her efficiency in the light of the relevant regulations and standards.



- Reviewing the External Auditor's plan and work to verify the extent of his/her compliance with the relevant regulations and standards.
- Answering queries of the External Auditor and providing him/her with the support necessary to enable him/her to perform his/her duties.
- Examining the External Auditor's reports and his/her observations and notes on the financial statements; and following up on the actions taken in their respect.

Fifth: Ensuring Compliance:

- Studying the reports of regulatory bodies on Company's compliance with the regulatory requirements, and ensuring that necessary actions in their respect are taken.
- Ensuring that the Company complies with relevant laws, regulations, policies, and instructions.
- Reviewing proposed related party's contracts and transactions and providing opinion thereon to the Board.
- Reporting and recommending to the Board the actions to be taken in matters that the Committee deems necessary.

Sixth: Whistleblowing

- Establishing appropriate procedures for Company's employees to report violations of the Company's internal control systems, including the systems relating to financial statement preparation, and ensuring that the whistleblower's rights are not prejudiced.
- Establishing appropriate procedures for pursuing and following-up on reported violations, and ensuring independence of such procedures.

Article (5): Committee Authorities

In order to perform its duties according to relevant laws and regulations, the Committee shall have the following authorities:

- Requesting access to Company records and documents.



- Requesting clarifications or statements from the Board or the Executive Management.
- Requesting the Board to invite the General Assembly if the Board hampers the Committee's work, or the Committee undergo serious damage or losses.
- Seeking, at the Company's expense and after the Board approval, assistance of otherwise any or specialist, it deems suitable, in examining the subjects that fall within its duties and responsibilities.

Article (6): Controls of the Committee's meetings

- a. The audit committee shall meet periodically, but not less than four meetings, during the company's financial fiscal year.
- b. The validity of the meeting of the Review Committee shall require the presence of a majority of its members and its decisions shall be taken by a majority vote of those present. Meetings of the Committee may also be held and a member may participate in its deliberations and vote on its decisions through modern technical means.
- c. A member of the Committee shall not deputize him in the presence of the Committee's meetings.
- d. The Member and Secretary of the Committee shall abide by the obligation of the Member of the Board of Directors to preserve the Company's secrets. The members of the Committee shall not transmit to the shareholders or others what they have stood for.
- e. No member of the Board of Directors or Executive Directorate other than the Secretary of the Committee shall be entitled to attend its meetings except at the Committee's invitation to hear his or her opinion or advice.
- f. The Committee meets periodically with the auditor and the internal auditor.
- g. The Internal Auditor and the Auditor requested to meet with the Audit Committee whenever needed.
- h. The Committee's meetings should be documented and records prepared, including debates and deliberations, the



recommendations of the committees and the results of the voting should be documented, kept in a special and structured register, the names and reservations of the members present and, if any, the signature of the records by all members present.

Article (7): Committee Report to Ordinary General Assembly

The Audit Committee shall prepare a report to the General Assembly on its opinion on the adequacy of the Company's internal control systems, in addition to the other activities falling within the Committee's competencies.

Article (8): Committee Members Remunerations

a. A member of the committee shall be entitled to an attendance allowance for each of its meetings not exceeding the prescribed attendance allowance of the members of the Board of Director.

b. The member of the Audit Committee shall be entitled to an annual remuneration approved by the regular General Assembly.

c. In the event of a resolution by the General Assembly to terminate the membership of a Committee member due to his/her absence from three consecutive meetings within one year without an excuse acceptable to the Board, the member is not entitled to any remunerations or compensations for the period following the last meeting he/she attended, and is required to return all the remunerations and compensations paid to him/her for that period.

Article (9): Charter Review

This Charter is subject to regular review for enhancement and keeping it abreast with the relevant laws and regulations' updates, and at the discretion of the Board. No amendment may be made to this Charter except upon the recommendation of the Board and approval of the Ordinary General Assembly.



Article (10): Entry into Force

This Charter is effective from the date of its approval by the Ordinary General Assembly.